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ELIOR GROUP SA

Interim Financial Report

October 1, 2019 to March 31, 2020

The English-language version of this document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation.

www.eliorgroup.com

Elior Group SA
Société anonyme
Share capital: €1,741,252.68
Registered in Paris under no. 408 168 003
Registered office: 9-11 allée de l'Arche - 92032 Paris La Défense, France

1.1 RISK MANAGEMENT

RISKS AND UNCERTAINTIES

RISK FACTOR

In view of the unprecedented situation caused by the Covid-19 pandemic, the Elior group has taken, and will continue to take, action to mitigate the impacts of the crisis on its business and to affirm its position as a responsible player towards its employees, guests, clients and partners.

Impact for Elior

Because Elior conducts its business in six countries all impacted by the crisis and the strict lockdown measures introduced by national governments, all of the Group's 110,000 employees are impacted. The contract catering sector has been severely hit due to clients' decisions to shut down sites and government-ordered closures of nurseries, schools, colleges and universities. It is particularly the case for the "Business & Industry", which includes clients in the manufacturing, services or public sectors as well as "Education", which includes public and private institutions having students of all ages.

In its releases dated May 5 and 27, 2020, Elior Group gave an update on the impact of Covid-19 on its business activities for the first half of 2019-2020 (a period that included one month of the crisis).

(i) Revenues of €2,459 million, down 6.2% on an organic basis year on year.
(ii) Adjusted EBITA of €52 million, compared with €122 million in first-half 2018-2019.
(iii) Covid-19 related impact estimated at €157 million on revenues and €70 million on adjusted EBITA.

Taking into account new risks and uncertainties – New Covid-19 related risk

The Group's risk map and risk management process of our Universal Registration Document (see section 3.2) do not need to be radically changed as a result of the crisis, as the risks existing prior to the pandemic still exist. However, Elior Group believes that the public health, economic and social crisis created by the Covid-19 pandemic has led to uncertainties both in terms of its impact and duration, which therefore expose the Group to a new risk.

Specific nature of risk exposure

The Group is specifically exposed to risks related to Covid-19 because all of the countries in which it conducts business and all of its operations have been, and still are, severely affected by the pandemic.

Risk description

Causes/Risks	Consequences	Impacts
• No vaccine • Ineffective social distancing measures • Impossible for governments to stop/slow down the spread of the virus • New wage of contamination	• (Further) lockdowns for the Group's partners, employees and/or guests	• Site closures and loss of revenue during the crisis • Group employees infected or in distress • Obsolete inventories • Economic recession leading to bankruptcies of certain clients, suppliers and partners • Fraud and non-compliance due to strong increase of situations subject to controls and more pressure on earnings • Requirement to seek and obtain additional financing, therefore creating new debt and obligations • Lower profitability: relocation of purchases/suppliers, leading to higher prices, costs for setting up social distancing measures at sites/lower volumes etc. • Loss of revenues due to the cumulative effect of working from home and loss of performance of players along the home delivery chain • Higher payroll costs (site closures, short-time working/furlough)

Elior's role during the crisis

The Group is continuing to play its role as a caterer and service provider, scrupulously applying the health recommendations at each of the sites it works at, while also fulfilling its public-interest missions of supporting caregivers in healthcare establishments, retirement homes and facilities for the disabled, by:

- Acting as a link in the solidarity chain for healthworkers, both in our catering and services operations.
- Supporting the vital forces to help keep services up and running: the police, fire departments, the defense sector, prisons, central kitchens, and essential sites.
- Proposing specifically-tailored catering offerings to clients.
- Keeping up constant dialog with suppliers.
- Supporting local producers.
- Collecting and distributing surplus food.
- Providing meals to the vulnerable and the elderly.

Measures taken to mitigate the risk

Since late January 2020, the Group has taken measures to reinforce the respect of recommended hygiene rules, drawn on all of the government assistance programs made available and taken concerted efforts to maintain jobs wherever possible, notably through internal mobility. Short-time working and furlough schemes have been put in place where it has been impossible for jobs to be fully maintained.

Due to this context, in order to help its vulnerable employees, the Group decided to create a support fund financed by a reduction in the remuneration of the members of the Group's Board of Directors and Executive Committee. So as not to hinder the work of its operations teams, the Group also decided in March 2020 to freeze all of the internal audit assignments in process and to suspend the multi-year audit plan concerning the implementation of the new internal control system. This plan will be reviewed and will be based on the following two main areas:

- Analyzing the effectiveness of the Group's crisis management procedures
- Prioritizing tasks and key controls in order to gradually re-start business activities.

Concerning the risk map – which is reviewed annually – its next version will take into account the crisis and its impact on the Group and its employees, partners and clients. This crisis has confirmed the Group's vision of internal control: it is the occurrence of risks that prevents objectives from being achieved, and therefore it is necessary to do everything to avoid risks occurring, or when that is not possible, as is currently the case, to do everything to mitigate the impacts of the risks and have a robust and agile organization that enables the Group to react rapidly.

1.2 ANALYSIS OF THE GROUP'S BUSINESS AND CONSOLIDATED RESULTS

(in € millions)	Six months ended March 31, 2020			Six months ended March 31, 2019 Unaudited (1)
	Unaudited	IFRS 16 impact	Pro forma IAS 17	
Revenue	**2,459**	**-**	**2,459**	**2,594**
Purchase of raw materials and consumables	(797)	-	(797)	(825)
Personnel costs	(1,232)	-	(1,232)	(1,253)
Share-based compensation expense	(2)	-	(2)	(6)
Other operating expenses	(250)	28	(278)	(287)
Taxes other than on income	(43)	-	(43)	(44)
Depreciation, amortization and provisions for recurring operating items	(84)	(27)	(57)	(62)
Net amortization of intangible assets recognized on consolidation	(10)	-	(10)	(10)
Recurring operating profit from continuing operations	**41**	**1**	**40**	**107**
Share of profit of equity-accounted investees	(1)	-	(1)	(1)
Recurring operating profit from continuing operations including share of profit of equity-accounted investees	**40**	**1**	**39**	**106**
Non-recurring income and expenses, net	(6)	-	(6)	(6)
Operating profit from continuing operations including share of profit of equity-accounted investees	**34**	**1**	**33**	**100**
Net financial expense	(17)	(3)	(14)	(31)
Profit from continuing operations before income tax	**17**	**(2)**	**19**	**69**
Income tax	(15)	-	(15)	(37)
Net profit for the period from continuing operations	**2**	**(2)**	**4**	**32**
Net profit/(loss) for the period from discontinued operations	**(20)**	**-**	**(20)**	**(33)**
Net profit/(loss) for the period	**(18)**	**(2)**	**(16)**	**(1)**
Attributable to:				
Owners of the parent	*(17)*	(2)	(15)	-
Non-controlling interests	*(1)*	-	(1)	*(1)*
Earnings per share (in €)				
Earnings per share - continuing operations				
Basic	*0.02*			*0.18*
Diluted	*0.02*			*0.18*
Earnings/(loss) per share - discontinued operations				
Basic	*(0.12)*			*(0.18)*
Diluted	*(0.12)*			*(0.18)*
Total earnings/(loss) per share				
Basic	*(0.10)*			*0.00*
Diluted	*(0.10)*			*0.00*

(1) Revenue for the six months ended March 31, 2019 has been restated following the non-material reclassification of specific discounts that were previously presented in operating expenses and are now presented as a deduction from revenue following the Group's first-time application of IFRS 15. This reclassification does not have any impact on consolidated revenue or adjusted EBITA for full-year 2018-2019.

1.2.1 SIGNIFICANT EVENTS

Six months ended March 31, 2020

The first six months of fiscal 2019-2020 were marked by the Covid-19 public health crisis, which affected the performance of the Group's Education and Business & Industry segments in March 2020. The estimated impacts of this crisis during the period are €157 million on consolidated revenue and €70 million on adjusted EBITA before the application of IFRS 16.

Given its cash position and its debt structure, described in note 19 of the Condensed Interim Consolidated Financial Statements, the Group has a sufficient level of cash to ensure the continuity of its activities.

Six months ended March 31, 2019

As part of the review of its strategic options, and following a bid process, on March 20, 2019, Elior Group announced that it had entered into exclusive discussions with PAI Partners concerning the sale of its concession catering operations grouped within its Areas subsidiary.

Following this announcement, and in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", the Group's concession catering business was presented under discontinued operations in the income statement and its assets and liabilities were classified as assets and liabilities held for sale in the balance sheet.

The sale was completed on July 1, 2019.

1.2.2 REVENUE

1.2.2.1 Calculating organic revenue growth

The Group calculates organic growth between one financial period (“period n”) and the comparable preceding period (“period n-1”) as revenue growth excluding:

(i) Changes in the scope of consolidation resulting from acquisitions, divestments and transfers of operations held for sale that took place during each of the relevant periods, as follows (it being specified that significant acquisitions are acquired companies whose annual revenue corresponds to more than 0.1% of the Group's consolidated revenue for period n-1):

- for acquisitions completed during period n-1, the Group considers as a “change in scope of consolidation” effect the revenue generated by the acquired operations from the beginning of period n until one year after the date on which the acquired operations were included in the scope of consolidation;

- for acquisitions completed during period n, the Group considers as a “change in scope of consolidation” effect the revenue generated by the acquired operations from the date on which the acquired operations were included in the scope of consolidation until the end of period n;

- for divestments completed during period n-1, the Group considers as a “change in scope of consolidation” effect the revenue generated by the divested operations during period n-1; and

- for divestments completed during period n, the Group considers as a “change in scope of consolidation” effect the revenue generated by the divested operations from the date corresponding to one year before the deconsolidation of the divested operations until the end of period n-1.

However, when the Group compares periods that are not full fiscal years (for example, six-month periods), it determines the effect on revenue of changes in the scope of consolidation as follows:

- for (a) acquisitions completed during fiscal year n-1 but after the end of period n-1 and (b) acquisitions completed during fiscal year n but before the beginning of period n, the Group considers as a “change in scope of consolidation” effect the revenue generated by the acquired operations during period n; and

- for (a) divestments completed during fiscal year n-1 but after the end of period n-1 and (b) divestments completed during fiscal year n but before the beginning of period n, the Group considers as a “change in scope of consolidation” effect the revenue generated by the divested operations in period n-1.

(ii) The effect of changes in exchange rates (the “currency effect”) as described below.

The Group calculates the currency effect on its revenue growth as the difference between (i) the reported revenue for period n, and (ii) the revenue for period n calculated using the applicable exchange rates for period n-1. The applicable exchange rates for any period are calculated based on the average of the daily rates for that period.

(iii) The effect of changes in accounting methods as described below.

The effect of changes in accounting policies notably concerns IFRS 15, "Revenue from Contracts with Customers", which was applied by the Group for the first time as from October 1, 2018.

1.2.2.2 Revenue analysis

Consolidated revenue from continuing operations totaled €2,459 million for the first half of 2019-2020. The 5.2% year-on-year decrease reflects a decline in organic growth of -6.2%, perimeter effect of +0.1% and forex impact of +0.9%. First half revenues includes (i) -€157 million from Coronavirus impact, (ii) -€11 million labor strikes in France, and (iii) -€31 million from voluntary exits in Italy and smaller scope of Tesco contracts in the UK. Excluding all the aforementioned, first half 2020 organic growth was +1.5%.

The following table shows a breakdown of consolidated revenue by geographic region as well as a breakdown of revenue growth between organic growth, changes in scope of consolidation and the impact of changes in exchange rates (currency effect), by segment and for the Group as a whole.

(in € millions)	6 months 2019-2020	6 months 2018-2019 (1)	Organic growth	Changes in scope of consolidation	Currency effect	Total growth
France	1,086	1,164	(6.6)%	0.0%	0.0%	(6.6)%
International	1,367	1,419	(5.5)%	0.2%	1.7%	(3.7)%
Contract Catering & Services	2,453	2,583	(6.0)%	0.1%	0.9%	(5.0)%
Corporate & Other	6	11	(51.6)%	0.0%	0.0%	(51.6)%
GROUP TOTAL	2,459	2,594	(6.2)%	0.1%	0.9%	(5.2)%

(1) *Revenue for the six months ended March 31, 2019 has been restated following the non-material reclassification of specific discounts that were previously presented in operating expenses and are now presented as a deduction from revenue following the Group’s first-time application of IFRS 15. This reclassification does not have any impact on consolidated revenue or adjusted EBITA for full-year 2018-2019.*

The following table shows a revenue breakdown between the Group's three main markets and the growth rates by market for the first six months of fiscal 2019-2020 and fiscal 2018-2019:

(in € millions)	6 months 2019-2020	6 months 2018-2019 (1)	Organic growth	Changes in scope of consolidation	Currency effect	Total growth
Business & Industry	1,056	1,150	(9.0)%	0.0%	0.8%	(8.2)%
Education	788	818	(4.8)%	0.1%	1.1%	(3.7)%
Healthcare	615	626	(3.0)%	0.2%	0.9%	(1.8)%
GROUP TOTAL	2,459	2,594	(6.2)%	0.1%	0.9%	(5.2)%

(1) *Revenue for the six months of fiscal 2019-2020 has been adjusted following the non-material reclassification of specific discounts previously presented in operating expenses and which due to the Group's first-time application of IFRS 15 are now presented as a deduction from revenue. This reclassification does not have any impact on either consolidated revenue or adjusted EBITA for full-year 2018-2019.*

1.2.2.3 Contract Catering & Services

International revenue declined -3.7% to €1,367 million. Organic revenues declined -5.5%, of which (i) -1.2% was due to Italian public-sector contracts we chose not to renew last year, (ii) -1.0% linked to the tail end of the reduced scope of the Tesco contracts in the United Kingdom. Excluding the aforementioned and Covid-19, Elior's International organic revenue growth was +2.0%.

In February Italy was the first to have revenues severely impacted by schools closures and non-essential businesses. Spain was the next to impose a lockdown, nonetheless revenues were only down slightly. Meanwhile the varying lock-down policies across the United States and a higher mix of social support services permitted a continuation of revenue growth in the first half 2019-2020 compared to year ago.

Recent small acquisitions generated additional growth of +0.2%, with contributions in the United States to the healthcare segment and in Italy to the education and B&I segments. The currency effect was +1.7% notably from a stronger US dollar. As 2020 was a leap year, the calendar effect was slightly favorable during the first half 2019-2020 compared to year ago.

Revenue generated in France totaled €1,086 million and organic revenue declined -6.6%. The calendar effect was slightly unfavorable in France during the first half 2019-2020 compared to year ago. Excluding €11 million impact from strikes and €81 million from Covid-19, organic growth in France increased +1.3%.

Organic growth in the Healthcare segment, including Elior Services, increased in line with our mid-term strategic plan, while the Covid-19 mandates for rapid school closures and work-from-home for the majority of the population severely impacted Education and Business & Industry segment revenues.

1.2.2.4 Corporate & Other

The Corporate & Other segment, which includes the Group's remaining concession catering activities that were not sold with Areas, generated nearly €6 million in revenue in the first half 2019-2020, down on the previous year due to the end of a contract.

1.2.3 PURCHASE OF RAW MATERIALS AND CONSUMABLES – CONTINUING OPERATIONS

This item decreased by €28 million, or 3.5%, from €825 million for the six months ended March 31, 2019 to €797 million for the first half of 2019-2020. This decrease was mainly due to the impact of Covid-19, particularly in France and Italy.

As a percentage of revenue, "Purchase of raw materials and consumables" edged up from 31.8% to 32.4%.

1.2.4 PERSONNEL COSTS – CONTINUING OPERATIONS

Personnel costs for continuing operations decreased by €25 million, or 2.0%, from €1,259 million for the six months ended March 31, 2019 to €1,234 million for the first half of 2019-2020. However, as a percentage of revenue they increased from 48.5% to 50.2%.

1.2.4.1 Personnel costs excluding share-based compensation expense

Personnel costs excluding share-based compensation expense decreased by €21 million, or 1.7%, from €1,253 million for the six months ended March 31, 2019 to €1,232 million for the first half of 2019-2020. This decrease was primarily due to the impact of Covid-19.

As a percentage of revenue, these costs increased from 48.3% to 50.1%.

1.2.4.2 Share-based compensation expense

Share-based compensation expense – which relates to long-term compensation plans put in place in the Group's French and international subsidiaries – amounted to €2 million in the first half of 2019-2020 versus €6 million in the same period of 2018-2019.

1.2.5 OTHER OPERATING EXPENSES – CONTINUING OPERATIONS

Other operating expenses for continuing operations decreased by €37 million, or 13.0%, from €287 million for the six months ended March 31, 2019 to €250 million in the first half of 2019-2020. This decrease was mainly due to the cancellation of €28 million in lease payments following the first-time application of IFRS 16.

1.2.6 TAXES OTHER THAN ON INCOME – CONTINUING OPERATIONS

This item edged down by €1 million, or 1.4%, from €44 million for the six months ended March 31, 2019 to €43 million for the first half of 2019-2020.

1.2.7 DEPRECIATION, AMORTIZATION AND PROVISIONS FOR RECURRING OPERATING ITEMS – CONTINUING OPERATIONS

Depreciation, amortization and provisions for recurring operating items recorded by continuing operations rose by €22 million, or 35.6%, from €62 million to €84 million. This increase mainly stemmed from the amortization of leasehold rights following the first-time application of IFRS 16.

1.2.8 ADJUSTED EBITDA AND RECURRING OPERATING PROFIT INCLUDING SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES – CONTINUING OPERATIONS

1.2.8.1 Adjusted EBITA for continuing operations

Adjusted EBITA for continuing operations amounted to €52 million in the six months ended March 31, 2020 compared with €122 million in the first half of 2018-2019.

Adjusted EBITA is the Group key operating performance indicator.

The following table sets out adjusted EBITA by segment and as a percentage of the revenue of each segment.

(in € millions)	Six months ended March 31,		Change in adjusted EBITA	Adjusted EBITA margin	
	2020	2019		H1 2020	H1 2019
France	37	69	*(32)*	*3.4%*	*5.9%*
International	26	66	*(40)*	*1.9%*	*4.7%*
Contract Catering & Services	**63**	**135**	***(72)***	**2.6%**	**5.2%**
Corporate & Other	**(11)**	**(13)**	**2**		
GROUP TOTAL	**52**	**122**	**(70)**	**2.1%**	**4.7%**

Adjusted EBITA for continuing operations amounted to €52 million, including an additional €1 million from the application of IFRS 16, for the six months ended March 31, 2020, a €70 million decrease compared to year ago, resulted in an adjusted EBITA margin of 2.1% in the first half 2019-2020 versus 4.7% in the first half of 2018-2019. The French strikes accounted for €7 million, the voluntary exits in Italy and smaller scope of Tesco contracts were minor, while the Coronavirus pandemic impact was €70 million.

In the International segment, adjusted EBITA totaled €26 million, a 60% drop compared to €66 million year ago notably due to the major impact of Covid-19. Adjusted EBITA as a percentage of revenues was 1.9%, down 2.8 percentage points compared to 4.7% in the first half 2018-2019.

In France, tighter operational discipline and greater commercial selectivity by the management team helped to offset the impact from the general labor strikes in France, but were severely impacted by the Covid-19 lockdown mandates. Healthcare was less affected despite the closures of hospital cafeterias and for Elior Services, hotels and leisure site closures. The adjusted EBITA came to €37 million in first half 2019-2020, €32 million lower compared to the same period year ago. The adjusted EBITA as a percentage of revenue was 3.4%, compared to 5.9% in the first half year ago.

Adjusted EBITA for the Corporate & Other segment improved slightly in the first half 2019-2020 compared to year ago, mostly due to lower variable compensation provisions.

1.2.8.2 Recurring operating profit including share of profit of equity-accounted investees – continuing operations

Recurring operating profit from continuing operations, including the share of profit of equity-accounted investees, came to €40 million for the first half 2019-2020 compared with €106 million in 2018-2019. The first half 2019-2020 figure includes €10 million in amortization of intangible assets related to acquisitions, flat compared 2018-2019 and €2 million recorded under share-based compensation charge of €6 million year ago.

1.2.9 NON-RECURRING INCOME AND EXPENSES, NET – CONTINUING OPERATIONS

This item represented a net expense of €6 million in the six-month periods ended March 31, 2020 and 2019. For both years it primarily included costs incurred in France and abroad related to restructurings and business stoppages.

1.2.10 NET FINANCIAL EXPENSE – CONTINUING OPERATIONS

The net financial expense for continuing operations amounted to €17 million in first-half 2019-2020 (including a negative €3 million impact due to IFRS 16) compared with €31 million in first-half 2018-2019. This year-on-year improvement was primarily due to the reduction in the Group's debt following the sale of Areas in fiscal 2018-2019, and the impact of its lower leverage ratio on the lending margin.

1.2.11 INCOME TAX – CONTINUING OPERATIONS

The Group's income tax expense for continuing operations amounted to €15 million in the six months ended March 31, 2020 compared with €37 million in the first half of 2019-2020. This €22 million year-on-year decrease was mainly due to the Covid-19 crisis, which led to a sharp €52 million decline in pre-tax profit, and a reduction in the French CVAE tax from €12 million to €9 million.

1.2.12 NET LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The Group recorded a net loss from discontinued operations amounting to €20 million in the six months ended March 31, 2020 versus €33 million in the first half of 2018-2019.

On July 1, 2019, Elior Group completed the sale of its subsidiary Areas (the Group's Concession Catering division) to PAI Partners for €1.4 billion (representing an enterprise value of €1.542 billion), of which €70 million corresponded to an interest-bearing vendor loan. The sale generated a €208 million net capital gain (before final price adjustments), which was presented in "Net profit for the period from discontinued operations" in the full-year 2018-2019 consolidated financial statements.

The net loss from discontinued operations recorded in the six months ended March 31, 2020 primarily includes the impact of a €20 million additional price adjustment for the sale of the Concession Catering division, relating to working capital.

1.2.13 ATTRIBUTABLE NET LOSS FOR THE PERIOD AND LOSS PER SHARE

In view of the factors described above, in first-half 2019-2020 the Group recorded a €17 million net loss for the period attributable to owners of the parent, versus break even for the six months ended March 31, 2019.

The loss per share – calculated based on the weighted average number of Elior Group shares outstanding during the period -- amounted to €0.10 for first-half 2019-2020 compared with €0.00 in earnings per share for first-half 2018-2019.

1.2.14 ADJUSTED ATTRIBUTABLE NET PROFIT FOR THE PERIOD

Adjusted attributable net profit for the period corresponds to consolidated net profit for the period from continuing operations adjusted for the following: (i) "Non-recurring income and expenses, net", (ii) goodwill impairment losses and net amortization of intangible assets recognized on consolidation in relation to acquisitions, (iii) exceptional impairment of investments in and loans to non-consolidated companies, and (iv) the impact of the capital gains and losses on sales of consolidated companies recognized in "Net profit/(loss) from discontinued operations", with all of these adjustments being net of tax.

(in € millions)	Six months ended March 31,	
	2020	2019 (1)
Net profit for the period attributable to owners of the parent – continuing operations	**3**	**32**
Adjustments		
Non-recurring income and expenses, net	6	6
Goodwill impairment losses	-	-
Net amortization of intangible assets recognized on consolidation	10	10
Exceptional impairment of investments in and loans to non-consolidated companies	-	-
Income tax effect on prior-year adjustments and elimination of the tax savings generated by the price adjustments on the sale of Areas.	(8)	(4)
Adjusted attributable net profit for the period	**11**	**44**
Adjusted earnings per share (in €)	0.06	0.25

(1) The figures for the six months ended March 31, 2019 have been restated to reflect the impacts of the sale of the Concession Catering business.

1.3 CONSOLIDATED CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

The following table provides a summary of the Group's cash flows for the six-month periods ended March 31, 2019 and 2020.

(in € millions)	Six months ended March 31, 2020			Six months ended March 31, 2019
	Unaudited	IFRS 16 impact	Pro forma IAS 17	
Net cash from operating activities – continuing operations	84	25	59	121
Net cash used in investing activities – continuing operations	(58)	-	(58)	(68)
Net cash from financing activities – continuing operations	680	(25)	705	75
Effect of exchange rate and other changes	-	-	-	(3)
Increase in net cash and cash equivalents – continuing operations	**706**	**-**	**706**	**125**
Increase/(decrease) in net cash and cash equivalents – discontinued operations	(6)	-	(6)	(127)
Total increase/(decrease) in net cash and cash equivalents	**700**	**-**	**700**	**(2)**

1.3.1 CASH FLOWS FROM OPERATING ACTIVITIES – CONTINUING OPERATIONS

The following table sets out the components of consolidated net cash from operating activities for the six-month periods ended March 31, 2019 and 2020.

(in € millions)	Six months ended March 31,	
	2020	2019
EBITDA	135	178
Change in operating working capital	(38)	(18)
Interest and other financial expenses paid	(11)	(28)
Tax received/(paid)	2	-
Other (including dividends received from associates)	(4)	(11)
Net cash from operating activities – continuing operations	**84**	**121**

Operating activities for the Group's continuing operations generated a net cash inflow of €84 million in the six months ended March 31, 2020 versus €121 million in the first half of 2018-2019.

Change in operating working capital

This item represented a net cash outflow of €38 million in first-half 2019-2020 versus a net cash outflow of €18 million in the equivalent prior year period. The year-on-year change was mostly due to lower sales of trade receivables in France and Spain under the receivables securitization program.

Interest and other financial expenses paid

The amount of interest paid was lower year on year due to the decrease in the Group's consolidated debt following its early redemption of the Term Loan after the sale of Areas in the second half of 2018-2019.

Tax paid

Tax paid includes corporate income tax paid in all of the geographic regions in which the Group operates. It also includes the Italian IRAP tax (*Imposta Regionale Sulle Attività Produttive*), the French CVAE tax and State Taxes in the United States.

This item represented a net cash inflow of €2 million in the six months ended March 31, 2020, versus a nil amount in the same period of 2018-2019. This improvement mainly stems from tax refunds received in the first half of 2019-2020 in France and the United States for excess payments made in the prior fiscal year.

Other cash flows from operating activities

Other cash flows from operating activities primarily relate to (i) non-recurring income and expenses recorded under "Non-recurring income and expenses, net" in the consolidated income statement, and (ii) payments made in connection with fair value adjustments recognized in accordance with IFRS as part of the purchase price allocation process for acquisitions.

This item represented net cash outflows of €11 million and €4 million for the six-month periods ended March 31, 2019 and 2020 respectively. The first-half 2019-2020 figure chiefly consists of restructuring costs.

1.3.2 CASH FLOWS FROM INVESTING ACTIVITIES – CONTINUING OPERATIONS

The following table sets out the components of consolidated net cash used in investing activities for the six-month periods ended March 31, 2019 and 2020.

(in € millions)	Six months ended March 31,	
	2020	2019
Purchases of and proceeds from sale of property, plant and equipment and intangible assets	(53)	(60)
Purchases of and proceeds from sale of non-current financial assets	(1)	8
Acquisition/sale of shares in consolidated companies	(4)	(16)
Net cash used in investing activities – continuing operations	**(58)**	**(68)**

Net cash used in investing activities for continuing operations totaled €68 million in the six months ended March 31, 2019 and €58 million in the six months ended March 31, 2020.

Capital expenditure (net operating investments)

Consolidated cash used for purchases of property, plant and equipment and intangible assets (capital expenditure), net of proceeds from sales, decreased year on year from €60 million to €53 million.

The figure for Contract Catering & Services came to €58 million for the six months ended March 31, 2019 and €51 million for first-half 2019-2020, representing 2.2% and 2.1% of this business's revenue respectively. This year-on-year decrease was due to more stringent allocation of capital expenditure.

Purchases of and proceeds from sale of non-current financial assets

This item corresponded to a net cash outflow of €1 million in the six months ended March 31, 2020 and chiefly concerned guarantee deposits paid.

For the first six months of 2018-2019, "Purchases of and proceeds from sale of non-current financial assets" represented a net cash inflow of €8 million and primarily related to the sale of non-controlling interests in start-ups with activities related or complementary to the Group's businesses.

Acquisition/sale of shares in consolidated companies

For the six months ended March 31, 2020, acquisitions and sales of shares in consolidated companies represented a net cash outflow of €4 million and primarily corresponded to earn-out payments relating to acquisitions in India carried out in prior periods.

For the six months ended March 31, 2019, this item represented a net cash outflow of €16 million and mainly concerned earn-out payments relating to acquisitions in the United States and India carried out in prior periods.

1.3.3 CASH FLOWS FROM FINANCING ACTIVITIES – CONTINUING OPERATIONS

The following table sets out the components of consolidated net cash from financing activities for the six-month periods ended March 31, 2019 and 2020.

(in € millions)	Six months ended March 31,	
	2020	2019
Dividends paid to owners of the parent	-	-
Movements in share capital of the parent	-	-
Purchases of own shares	(21)	-
Dividends paid to non-controlling interests	-	-
Proceeds from borrowings	732	82
Repayments of borrowings	(3)	(7)
Repayments of lease liabilities (IFRS 16)	(28)	-
Net cash from financing activities – continuing operations	**680**	**75**

Net cash from financing activities for continuing operations totaled €680 million and €75 million in the six-month periods ended March 31, 2020 and 2019 respectively.

Purchases of own shares

Purchases of own shares led to a €21 million net cash outflow in the six months ended March 31, 2020, chiefly relating to the share buyback program launched in 2019.

Proceeds from borrowings

Consolidated cash inflows from proceeds from borrowings totaled €82 million and €732 million in the six-month periods ended March 31, 2019 and 2020 respectively.

For the six months ended March 31, 2020, these proceeds mainly corresponded to (i) drawdowns on euro- and US-dollar denominated revolving credit facilities amounting to €450 million and €227 million, and (ii) €55 million from new securitized receivables.

For the six months ended March 31, 2019, proceeds from borrowings primarily corresponded to (i) €37 million from new securitized receivables, and (ii) €44 million in drawdowns on the euro-denominated revolving credit facility.

Repayments of borrowings

Repayments of borrowings led to net cash outflows of €7 million and €3 million in the six-month periods ended March 31, 2019 and 2020 respectively.

In first-half 2019-2020, this item mainly concerned securitized receivables, and in first-half 2018-2019, it primarily related to repayments of amounts drawn down on revolving credit facilities (€6 million) and finance lease liabilities.

Repayments of lease liabilities (IFRS 16)

Repayments of lease liabilities led to a €28 million net cash outflow in the six months ended March 31, 2020 following the first-time application of IFRS 16.

1.3.4 EFFECT OF EXCHANGE RATE AND OTHER CHANGES

In the first half of 2019-2020, exchange rate and other changes had no impact on cash and cash equivalents, versus a negative €3 million impact in the six months ended March 31, 2019.

1.3.5 FREE CASH FLOW

(in € millions)	Six months ended March 31, 2020	2019
EBITDA	**135**	**178**
Purchases of and proceeds from sale of property, plant and equipment and intangible assets	(53)	(60)
Change in operating working capital	(38)	(18)
Other cash flows from operating activities	(4)	(11)
Operating free cash flow	**40**	**89**
Tax received/(paid)	2	-
Free cash flow	**42**	**89**

Free cash flow totaled €42 million in the six months ended March 31, 2020 compared with €89 million in the first half of 2018-2019. This decline reflects the combined impacts of (i) the €74 million decrease in adjusted EBITA before the impact of applying IFRS, and (ii) an increase in the change in working capital due to reduced use of securitization (€18 million), partially offset by a reduction in restructuring costs and capital expenditure.

1.4 SIMPLIFIED CONDENSED CONSOLIDATED BALANCE SHEET

(in € millions)	At March 31, 2020	At Sept. 30, 2019	(in € millions)	At March 31, 2020	At Sept. 30, 2019
Non-current assets (*)	3,039	2,827	Equity	1,600	1,668
Current assets excluding cash and cash equivalents	813	848	Non-controlling interests	1	2
Assets classified as held for sale	22	10	Non-current liabilities (*)	1,741	860
Cash and cash equivalents	779	83	Current liabilities (*)	1,291	1,224
			Liabilities classified as held for sale	20	14
Total assets	**4,653**	**3,768**	**Total equity and liabilities**	**4,653**	**3,768**
			Net operating working capital requirement	(335)	(280)
			Gross debt	1,562	618
			Net debt as defined in the SFA (**)	563	539
			SFA leverage ratio (net debt as defined in the SFA/adjusted EBITA)	2.50	1.80

(*) Including the impact of IFRS 16 at March 31, 2020.

(**) As calculated based on IAS 17, the former lease accounting standard.

The Group's gross debt amounted to €1,562 million at March 31, 2020, including €248 million in lease liabilities following the first-time application of IFRS 16. Before the impact of IFRS 16, gross debt was €696 million higher than the September 30, 2019 figure of €618 million, mainly due to drawdowns on the euro- and US dollar-denominated revolving credit facilities. Gross debt at March 31, 2020 mainly comprised (i) bank borrowings amounting to €1,203 million under the Senior Facilities Agreement (SFA), including an aggregate €677 million in drawdowns on euro- and US dollar-denominated revolving credit facilities, (ii) trade receivables securitized by French, Italian and Spanish subsidiaries (€106 million), (iii) €248 million in lease liabilities and (iv) €4 million in other borrowings.

The average interest rate in the first half of 2019-2020 – including the lending margin but excluding the impact of interest rate hedges – on the Group's debt related to the SFA and securitized receivables (which represent the majority of its total debt) was 1.04% (2.6% in first-half 2018-2019).

Cash and cash equivalents recognized in the balance sheet amounted to €779 million at March 31, 2020. At the same date, cash and cash equivalents presented in the cash flow statement, i.e. net of bank overdrafts and short-term accrued interest, totaled €776 million.

At March 31, 2020, consolidated net debt (as defined in the SFA) stood at €563 million. This amount represents 2.50 times consolidated EBITDA on a pro forma rolling 12-month basis, versus 1.80 times at September 30, 2019.

1.5 EVENTS AFTER THE REPORTING DATE

Covenant holiday

On May 26, 2020, Elior Group's lending banks have agreed to a covenant holiday for the covenant tests due to be performed on the Group's senior borrowings at September 30, 2020 and March 31, 2021.

1.6 MAIN DISCLOSURE THRESHOLDS CROSSED DURING THE SIX MONTHS ENDED MARCH 31, 2020

In the six months ended March 31, 2020, the Company received the following notifications concerning the crossing of disclosure thresholds (as specified in the applicable laws and/or the Company's Bylaws):

- La Financière de l'Echiquier disclosed that on October 17, 2019 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.97% of the Company's total shares and voting rights.
- Franklin Resources, Inc. disclosed that on November 5, 2019 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.9954% of the Company's total shares and voting rights.
- Sycomore Asset Management disclosed that on November 1, 2019 it had reduced its interest to below the threshold of 2% of the Company's capital and voting rights and that at that date it held 1.99% of the Company's total shares and voting rights.
- Fonds Stratégique de Participations disclosed that on December 6, 2019 it had raised its interest to above the threshold of 5% of the Company's capital and voting rights and that at that date it held 5.11% of the Company's total shares and voting rights.
- Franklin Resources, Inc. disclosed that on December 17, 2019 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.9954% of the Company's total shares and voting rights.
- BDL Capital Management disclosed that on December 17, 2019, it had raised its interest to above the threshold of 3% of the Company's capital and voting rights and that at that date it held 3.17% of the Company's total shares and voting rights.
- BlackRock disclosed that on December 31, 2019 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.10% of the Company's total shares and voting rights.
- La Financière de l'Echiquier disclosed that on January 16, 2020 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.9442% of the Company's total shares and voting rights.
- BlackRock disclosed that on January 27, 2020 it had reduced its interest to below the threshold of 2% of the Company's capital and voting rights and that at that date it held 1.47% of the Company's total shares and voting rights.
- AXA Investment Managers disclosed that on February 13, 2020 it had raised its interest to above the threshold of 1% of the Company's capital and voting rights and that at that date it held 1.37% of the Company's total shares and voting rights.
- Sycomore Asset Management disclosed that on February 12, 2020 it had reduced its interest to below the threshold of 1% of the Company's capital and voting rights and that at that date it held 0.99% of the Company's total shares and voting rights.
- Fidelity International disclosed that on February 21, 2020 it had raised its interest to above the threshold of 3% of the Company's capital and voting rights and that at that date it held 3.05% of the Company's total shares and voting rights.
- Caisse des Dépôts et Consignations disclosed that on February 26, 2020, it had raised its interest to above the threshold of 3% of the Company's capital and voting rights and that at that date it held 3.08% of the Company's total shares and voting rights.
- La Financière de l'Echiquier disclosed that on February 26, 2020 it had raised its interest to above the threshold of 3% of the Company's capital and voting rights and that at that date it held 3.0146% of the Company's total shares and voting rights.
- La Financière de l'Echiquier disclosed that on March 3, 2020 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.9289% of the Company's total shares and voting rights.
- Caisse des Dépôts et Consignations disclosed that on March 4, 2020 it had reduced its interest to below the threshold of 3% of the Company's capital and voting rights and that at that date it held 2.99% of the Company's total shares and voting rights.
- BDI Capital Management disclosed that on March 6, 2020, it had raised its interest to above the threshold of 4% of the Company's capital and voting rights and that at that date it held 4.2% of the Company's total shares and voting rights.
- Franklin Resources, Inc. disclosed that on March 10, 2020 it had reduced its interest to below the threshold of 1% of the Company's capital and voting rights and that at that date it held 0.9427% of the Company's total shares and voting rights.
- Wellington Management Group LLP disclosed that on March 18, 2020 it had reduced its interest to below the threshold of 4% of the Company's capital and voting rights and that at that date it held 3.86 % of the Company's total shares and voting rights.

- Wellington Management Group LLP disclosed that on March 27, 2020 it had raised its interest to above the threshold of 4% of the Company’s capital and voting rights and that at that date it held 4.22% of the Company’s total shares and voting rights.
- Edmond de Rothschild disclosed that on March 26, 2020 it had reduced its interest to below the threshold of 1% of the Company's capital and voting rights and that at that date it held 0.60% of the Company's total shares and voting rights.

2 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

May 27, 2020

Elior Group SA

Condensed Interim Consolidated Financial Statements

For the Six-Month Periods Ended March 31, 2020 and 2019

The English-language version of this document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation.

www.eliorgroup.com

Elior Group SA
Société anonyme
Share capital: €1,741,252.68
Registered in Nanterre under number 408 168 003
Registered office: 9-11 allée de l'Arche – 92032 Paris La Défense – France

1. Consolidated Income Statement and Statement of Comprehensive Income

1.1 Consolidated Income Statement

(in € millions)	Note	Six months ended March 31, 2020 Unaudited	Six months ended March 31, 2019 Unaudited (1)
Revenue	**12.1**	**2,459**	**2,594**
Purchase of raw materials and consumables		(797)	(825)
Personnel costs		(1,232)	(1,253)
Share-based compensation expense		(2)	(6)
Other operating expenses		(250)	(287)
Taxes other than on income		(43)	(44)
Depreciation, amortization and provisions for recurring operating items		(84)	(62)
Net amortization of intangible assets recognized on consolidation		(10)	(10)
Recurring operating profit from continuing operations		**41**	**107**
Share of profit of equity-accounted investees		(1)	(1)
Recurring operating profit from continuing operations including share of profit of equity-accounted investees	**12.1**	**40**	**106**
Non-recurring income and expenses, net	13.	(6)	(6)
Operating profit from continuing operations including share of profit of equity-accounted investees		**34**	**100**
Financial expenses	19.2	(20)	(33)
Financial income	19.2	3	2
Profit from continuing operations before income tax		**17**	**69**
Income tax	14.	(15)	(37)
Net profit for the period from continuing operations		**2**	**32**
Net profit/(loss) for the period from discontinued operations	**22.**	**(20)**	**(33)**
Net profit/(loss) for the period		**(18)**	**(1)**
Attributable to:			
Owners of the parent		**(17)**	**0**
Non-controlling interests		**(1)**	**(1)**

(1) Revenue for the six months ended March 31, 2019 has been restated following the non-material reclassification of specific discounts that were previously presented in operating expenses and are now presented as a deduction from revenue following the Group's first-time application of IFRS 15. This reclassification does not have any impact on consolidated revenue or adjusted EBITA for full-year 2018-2019.

(in € millions)	Six months ended March 31, 2020 Unaudited	Six months ended March 31, 2019 Unaudited
Earnings per share (in €)		
Earnings per share - continuing operations		
Basic	0.02	0.18
Diluted	0.02	0.18
Earnings/(loss) per share - discontinued operations		
Basic	(0.12)	(0.18)
Diluted	(0.12)	(0.18)
Total earnings/(loss) per share		
Basic	(0.10)	0.00
Diluted	(0.10)	0.00

1.2 Consolidated Statement of Comprehensive Income

(in € millions)	Six months ended March 31, 2020 Unaudited	Six months ended March 31, 2019 Unaudited
Net profit/(loss) for the period	**(18)**	**(1)**
Items that will not be reclassified subsequently to profit or loss		
Post-employment benefit obligations (1)	14	-
Items that may be reclassified subsequently to profit or loss		
Financial instruments	2	(10)
Currency translation differences	(6)	4
Income tax	(1)	3
	(5)	**(3)**
Comprehensive income/(expense) for the period	**(9)**	**(4)**
Attributable to:		
- Owners of the parent	(8)	(3)
- Non-controlling interests	(1)	(1)

(1) Net of the effect of income tax.

2. Consolidated Balance Sheet

2.1 Assets

(in € millions)	Note	At March 31, 2020 Unaudited	At September 30, 2019 Audited
Goodwill	16.	1,850	1,851
Intangible assets	17.	247	262
Property, plant and equipment	18.	357	392
Right-of-use assets	8.	249	-
Other non-current assets		15	8
Non-current financial assets		107	104
Equity-accounted investees		-	1
Fair value of derivative financial instruments (*)		-	-
Deferred tax assets		214	209
Total non-current assets		**3,039**	**2,827**
Inventories		98	94
Trade and other receivables		638	675
Contract assets		-	-
Current income tax assets		14	32
Other current assets		63	47
Short-term financial receivables (*)		-	-
Cash and cash equivalents (*)		779	83
Assets classified as held for sale	22.	22	10
Total current assets		**1,614**	**941**
Total assets		**4,653**	**3,768**

(*) Included in the calculation of net debt

2.2 Equity and Liabilities

(in € millions)	Note	At March 31, 2020 Unaudited	At September 30, 2019 Audited
Share capital		2	2
Reserves and retained earnings		1,601	1,662
Translation reserve		(3)	4
Non-controlling interests		1	2
Total equity	4.	**1,601**	**1,670**
Long-term debt (*)	19.	1,310	602
Long-term lease liabilities (*)	8.	189	-
Fair value of derivative financial instruments		9	9
Non-current liabilities relating to share acquisitions		46	70
Deferred tax liabilities		71	60
Provisions for pension and other post-employment benefit obligations	20.	93	104
Other long-term provisions	20.	23	15
Other non-current liabilities		-	-
Total non-current liabilities		**1,741**	**860**
Trade and other payables		534	550
Due to suppliers of non-current assets		12	15
Accrued taxes and payroll costs		463	476
Current income tax liabilities		15	15
Short-term debt (*)	19.	4	16
Short-term lease liabilities (*)	8.	59	-
Current liabilities relating to share acquisitions		8	2
Short-term provisions	20.	64	63
Contract liabilities		38	49
Other current liabilities		94	38
Liabilities classified as held for sale	22.	20	14
Total current liabilities		**1,311**	**1,238**
Total liabilities		**3,052**	**2,098**
Total equity and liabilities		**4,653**	**3,768**
(*) Included in the calculation of net debt		792	543
Net debt excluding fair value of derivative financial instruments and debt issuance costs		786	539

3. Consolidated Cash Flow Statement

(in € millions)	Note	Six months ended March 31, 2020 Unaudited	Six months ended March 31, 2019 Unaudited
Cash flows from operating activities - continuing operations			
Recurring operating profit including share of profit of equity-accounted investees		40	106
Amortization of key money		1	-
Other amortization and depreciation		94	72
Provisions		-	-
EBITDA		**135**	**178**
Dividends received from equity-accounted investees		-	-
Change in operating working capital		(38)	(18)
Interest and other financial expenses paid		(11)	(28)
Tax paid		2	-
Other cash movements		(4)	(11)
Net cash from operating activities – continuing operations		**84**	**121**
Cash flows from investing activities – continuing operations			
Purchases of property, plant and equipment and intangible assets	17. 18.	(55)	(62)
Proceeds from sale of property, plant and equipment and intangible assets		2	2
Purchases of financial assets		(1)	-
Proceeds from sale of financial assets		-	8
Acquisitions of shares in consolidated companies, net of cash acquired	11.	(4)	(16)
Other cash flows related to investing activities		-	-
Net cash used in investing activities – continuing operations		**(58)**	**(68)**
Cash flows from financing activities – continuing operations			
Purchases of own shares		(21)	-
Dividends paid to non-controlling interests		-	-
Proceeds from borrowings	19.	732	82
Repayments of borrowings	19.	(3)	(7)
Repayments of lease liabilities	19.	(28)	-
Net cash from financing activities – continuing operations		**680**	**75**
Effect of exchange rate and other changes		-	(3)
Increase in net cash and cash equivalents – continuing operations		**706**	**125**
Increase/(decrease) in net cash and cash equivalents – discontinued operations	22.	**(6)**	**(127)**
Net cash and cash equivalents at beginning of period		**76**	**78**
Net cash and cash equivalents at end of period		**776**	**76**

Bank overdrafts repayable on demand and current accounts held for treasury management purposes are an integral part of the Group's cash management and are therefore deducted from cash in the cash flow statement whereas they are classified as short-term debt in the balance sheet. These items represent the sole difference between the cash and cash equivalents figure presented under assets in the balance sheet and the amount presented in the cash flow statement under "Net cash and cash equivalents at end of period".

The following table shows a reconciliation between the figures recorded for these items in the balance sheet and the cash flow statement:

(in € millions)	At March 20120 Unaudited	At September 30, 2019 Audited
Balance sheet - Assets	**779**	**83**
Cash and cash equivalents	779	83
Balance sheet – Liabilities	**3**	**7**
Bank overdrafts	1	4
Intra-Group current accounts	2	2
Accrued interest	-	1
Net cash and cash equivalents presented in the cash flow statement	**776**	**76**

4. Consolidated Statement of Changes in Equity

(in € millions)	Number of shares	Share capital	Additional paid-in capital and other reserves	Net profit/(loss) for the period attributable to owners of the parent	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at Oct. 1, 2018	**175,949,096**	**2**	**1,440**	**34**	**(25)**	**1,451**	**11**	**1,462**
Net profit/(loss) for the period				271		271	(1)	270
Post-employment benefit obligations			(11)			(11)		(1)
Changes in fair value of financial instruments			(8)			(8)		(8)
Currency translation differences					8	8	0	8
Comprehensive income/(expense) for the period			**(19)**	**271**	**8**	**260**	**(1)**	**259**
Appropriation of prior-period net profit			34	(34)		0		
Capital increase	2,370,050		(50)			(50)		(50)
Dividends paid			(33)			(33)	(3)	(36)
Share-based payments (IFRS 2)			1			1		1
Other movements			39			39	(5)	34
Balance at Sept. 30, 2019	**178,319,146**	**2**	**1,412**	**271**	**(17)**	**1,668**	**2**	**1,670**
Impacts of IFRS 16			(1)			(1)		(1)
Restated balance at Oct. 1, 2019	**178,319,146**	**2**	**1,411**	**271**	**(17)**	**1,667**	**2**	**1,669**
Net profit/(loss) for the period				(17)		(17)	(1)	(18)
Post-employment benefit obligations			14			14		14
Changes in fair value of financial instruments			1			1		1
Currency translation differences					(6)	(6)	-	(6)
Comprehensive income/(expense) for the period			**15**	**(17)**	**(6)**	**(8)**	**(1)**	**(9)**
Appropriation of prior-period net profit			271	(271)		-		-
Capital reduction	(4,268,550)		(20)			(20)		(20)
Dividends paid			(52)			(52)	-	(52)
Share-based payments (IFRS 2)	74,672		1			1	-	1
Other movements			12			12	-	12
Balance at March 31, 2020	**174,125,268**	**2**	**1,638**	**(17)**	**(23)**	**1,600**	**1**	**1,601**

Notes to the IFRS Consolidated Financial Statements for the Six-Month Periods ended March 31, 2020 and 2019

5. General Information

Elior Group SA (the "Company") is a French joint stock corporation (*société anonyme*) registered and domiciled in France. Its headquarters are located at 9-11 Allée de l'Arche, Paris La Défense, France. At March 31, 2020, the Company was held by the following parties: 6.84% by Caisse de Depôt et Placement du Québec (CDPQ), 20.01% by BIM SAS (which is controlled by Robert Zolade), 7.66% by Corporacion Empresarial Emesa, 5.11% by Fonds Stratégique de Participations and 60.38% by private and public investors following the Company's admission to trading on Euronext Paris on June 11, 2014.

The Elior group – comprising Elior Group SA and its subsidiaries (the "Group") – is a major player in contract catering and related services. It operates through companies based in six countries, including the United Kingdom, Spain, Italy and the United States.

6. Significant Events

Six months ended March 31, 2020

The first six months of fiscal 2019-2020 were marked by the Covid-19 public health crisis, which affected the performance of the Group's Education and Business & Industry segments in March 2020. The estimated impacts of this crisis during the period are €157 million on consolidated revenue and €70 million on adjusted EBITA before the application of IFRS 16.

Given its cash position and its debt structure, described in note 19, the Group has a sufficient level of cash to ensure the continuity of its activities.

Six months ended March 31, 2019

As part of the review of its strategic options, and following a bid process, on March 20, 2019, Elior Group announced that it had entered into exclusive discussions with PAI Partners concerning the sale of its concession catering operations grouped within its Areas subsidiary.

Following this announcement, and in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", the Group's concession catering business was presented under discontinued operations in the income statement and its assets and liabilities were classified as assets and liabilities held for sale in the balance sheet.

The sale was completed on July 1, 2019.

7. Basis of Preparation of the Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements for the six months ended March 31, 2020 (first-half 2019-2020) have been prepared in accordance with IAS 34, "Interim Financial Reporting". These financial statements do not include all the information and disclosures required in accordance with IFRS for annual financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the fiscal year ended September 30, 2019, which were prepared in accordance with IFRS as adopted in the European Union.

For interim periods, taxes on income (other than the CVAE tax levied in France on value added generated by the business, but including the regional IRAP tax applicable in Italy) are accrued using the tax rate that is expected to apply to total annual profit. In these financial statements, the CVAE tax - which is included in income tax - and employee profit-sharing have been accrued based on 50% of the estimated full-year charge.

The expense recorded for pension and other post-employment benefit obligations for the six-month periods ended March 31, 2019 and 2020 represents half of the expense calculated for the full years ended September 30, 2019 and 2020, respectively.

Government aid obtained due to the impact of Covid-19 have been recognized according to IAS 20 « Accounting for government grants and disclosure of government assistance ».

The accounting policies used are the same as those applied in the annual consolidated financial statements at September 30, 2019, except for the new standards and interpretations adopted by the European Union that have been applied for the first time in these financial statements for the six months ended March 31, 2020.

The unaudited condensed interim consolidated financial statements were approved for issue by Elior Group's Board of Directors on May 26, 2020. Unless otherwise specified they are presented in millions of euros, rounded to the nearest million.

8. New Standards, Amendments and Interpretations

- **New standards and interpretations adopted by the European Union and applied by the Group as from the fiscal year commencing October 1, 2019**

- IFRS 16, "Leases", applicable for annual periods beginning on or after January 1, 2019.
- IFRIC 23, "Uncertainty over Income Tax Treatment", applicable for annual periods beginning on or after January 1, 2019.

The Group has adopted IFRS 16, "Leases", and IFRIC 23, "Uncertainty over Income Tax Treatment". The impacts of their first-time application on the Group's consolidated financial statements and accounting policies are described below.

The following table shows the adjustments recorded for each line item in the consolidated balance sheet. Line items that were not affected by the first-time application are not included, and therefore aggregates cannot be calculated based on the figures provided.

(in € millions)	At September 30, 2019	IFRS 16	At October 1, 2019
Property, plant and equipment	392	(30)	362
Right-of-use assets		264	264
Other current assets	47	(3)	44
Assets classified as held for sale	10	11	21
Total assets	**449**	**242**	**691**
Reserves and retained earnings	1,662	(1)	1,661
Long-term debt	602	(21)	581
Short-term debt	16	(8)	8
Long-term lease liabilities		203	203
Short-term lease liabilities		58	58
Other long-term provisions	15	1	16
Liabilities classified as held for sale	14	11	25
Total equity and liabilities	**2,309**	**242**	**2,552**

IFRS 16 – Leases

IFRS 16 removes the distinction between operating leases and finance leases. Under this new standard, apart from short-term leases and leases of low-value assets (for which the standard offers an exemption), lessees are required to bring all of their leases on balance sheet, recognizing an asset corresponding to their right to use the leased item and a lease liability representing the obligation to make the fixed lease payments over the term of the lease.

The impact of IFRS 16 on the Group's financial statements mainly relates to real-estate leases, which accounted for approximately 80% of its off-balance sheet commitments at September 30, 2019.

In accordance with the IFRS 16 transition provisions, the Group has applied the modified retrospective approach and has therefore not restated prior-period comparative figures.

Transition options and exemptions applied by the Group

- Right-of-use assets: the Group decided to measure the right-of-use assets for all of its leases at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued lease payments. Initial direct costs incurred prior to October 1, 2019 were not included in the calculation.
- Recognition of leases: the Group decided to apply IFRS 16 to contracts that had previously been identified as leases under IAS 17, "Leases", and IFRIC 4, "Determining Whether an Arrangement Contains a Lease".
- Impairment in value: the Group used the option available under IFRS 16 to recognize provisions for

onerous contracts in accordance with IAS 37, with the amount of the provision deducted from the related right-of-use asset.

- Exemptions: the Group decided to recognize payments under short-term leases (i.e. with terms of 12 months or less) and leases of low-value assets (i.e. less than €5,000) in the income statement on a straight-line basis over the lease term.

Lease terms

IFRS 16 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The terms of the Group's leases were determined based on local legislation (most often a nine-year term for real-estate leases in France) and the expected use of the premises. The Group examined the decisions taken by the IFRS Interpretations Committee on November 26, 2019 concerning how to determine lease terms for automatically renewable leases and leases with no contractual expiry date. The Committee confirmed that the enforceable period of a lease term must be determined based on the economics of a contract rather than just its legal form. The Group may have to re-assess the terms of some of its lease contracts as a result of this decision, but it does not expect the impacts to be material.

Off-balance sheet commitments

In Note 8 of its full-year 2018-2019 financial statements, in accordance with the previous lease accounting standard, IAS 17, the Group presented commitments relating to operating leases and concession fees amounting to €293 million.

At October 1, 2019, the Group recognized €242 million in lease liabilities in accordance with IFRS 16, for lease contracts that were previously recognized as operating leases under IAS 17. These lease liabilities were measured at the present value of the future remaining lease payments. For the vast majority of cases Elior Group's incremental borrowing rate was used as the discount rate.

The lease liabilities recognized at October 1, 2019 were lower than the amount previously recognized as commitments for operating leases and concession fees due to the combined impact of the following effects:

- Effects reducing lease liabilities compared with off-balance sheet commitments:
  - the discounting of future lease payments;
  - the exclusion of short-term leases and low-value leases;
- Effects increasing lease liabilities compared with off-balance sheet commitments:
  - re-assessment of the renewal options on certain leases;
  - inclusion of concession fees that were not previously taken into account.

IFRIC 23 – Uncertainty over Income Tax Treatment

The Group's application of IFRIC 23 did not have a material impact on its financial statements.

- **New standards, amendments and interpretations issued by the IASB but not yet applied by the Group**

The new standards, amendments and interpretations that have been issued by the IASB but whose application is not yet mandatory have not been early adopted by the Group. The Group does not expect these standards, amendments and interpretations to have a material impact on its financial statements.

9. Use of Estimates

The preparation of interim consolidated financial statements requires Management of both the Group and its subsidiaries to use certain estimates and assumptions that may have an impact on the reported values of assets, liabilities and contingent liabilities at the balance sheet date and on items of income and expense for the period.

These estimates and assumptions – which are based on historical experience and other factors believed to be reasonable in the circumstances – are used to assess the carrying amount of assets and liabilities. Actual results may differ significantly from the estimates if different assumptions or circumstances apply.

In preparing these condensed interim consolidated financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended September 30, 2019, except for the assumptions used in relation to the Covid-19 crisis.

Covid-19

Based on the variables known to date, the Group's assumptions concerning the impacts of the Covid-19 crisis are as follows:

- The Business & Industry segment is expected to see revenue trough in April and May before picking up very gradually from June through September.
- Revenue for the Education segment is expected to remain at a low level until the schools go back in September after the summer vacation, particularly in view of the fact that this segment's revenue is historically low during the summer period.
- For the Healthcare segment – which has been the Group's most resilient sector during the crisis, both for contract catering and services – revenue is expected to gradually improve as the pandemic

slows.

The Group estimates that the revenue losses caused by Covid-19 will have a negative effect of approximately 30% on adjusted EBITA for full-year 2019-2020, after taking into account the mitigation measures put in place.

Significant items affected by these estimates and assumptions include goodwill and other non-current assets (see Notes 16, 17 and 18) and deferred taxes.

10. Exchange Rates

The recognition and measurement criteria relating to foreign currency operations are defined in IAS 21, "The Effects of Changes in Foreign Exchange Rates". Commercial transactions denominated in foreign currencies carried out by consolidated companies are translated using the exchange rate prevailing at the date of the transaction. Foreign currency receivables and payables are translated at the period-end exchange rate and the resulting translation gains or losses are recorded in the income statement.

For the six-month periods ended March 31, 2020 and 2019, the balance sheets, income statements, and cash flow statements of certain subsidiaries whose functional currency differs from the presentation currency used in the consolidated financial statements have been translated (i) at the exchange rate prevailing at March 31, 2020 and 2019 respectively for the balance sheet, and (ii) at the average exchange rate for the period for the income statement and cash flow statement, except in the case of significant fluctuations in exchange rates. Any resulting translation differences have been recorded in other comprehensive income.

The main exchange rates used in the consolidated financial statements for the six-month periods ended March 31, 2020 and 2019 were based on Paris stock exchange rates and were as follows:

	Six months ended March 31, 2020		Six months ended March 31, 2019	
	Period-end rate	Average rate	Period-end rate	Average rate
- €/US $:	1.1029	1.1051	1.1217	1.1384
- €/£:	0.8879	0.8614	0.8605	0.8798
- €/INR:	83.09	79.39	77.60	81.14

11. Business Combinations

Six months ended March 31, 2020

No significant acquisitions or divestments were carried out in the six months ended March 31, 2020.

Six months ended March 31, 2019

No significant acquisitions or divestments were carried out in the six months ended March 31, 2019.

12. Segment Reporting

Following the sale of its Concession Catering business, the Group has two continuing operations: "Contract Catering" and "Services", which are divided into four operating sectors: "Contract Catering – France", "Services – France", "Contract Catering – International" and "Services – International".

The above four sectors for the Group's continuing operations are grouped together in two operating segments: "Contract Catering & Services – France" and "Contract Catering & Services – International", in accordance with the requirements of IFRS 8. The Contract Catering & Services businesses have been aggregated into a single operating segment as they have similar economic characteristics in terms of their long-term profitability, the nature of their services, the nature of their production processes, their type of customers, and the nature of their regulatory environment.

The segment information presented is based on financial data from the Group's internal reporting system. This data is regularly reviewed by the Chief Executive Officer, who is the Group's chief operating decision maker.

The "Concession Catering" operating segments are now presented as discontinued operations.

The "Corporate & Other" segment mainly comprises unallocated central functions, the Group's head office expenses, and residual Concession Catering activities not included in the sale of Areas.

The figures for the six months ended March 31, 2019 have been restated to permit meaningful year-on-year comparisons following the reclassification of the "Concession Catering" operating segment as a discontinued operation.

The following tables show revenue, adjusted EBITA and non-current assets by operating segment (France and International) and revenue by client market for the six months ended March 31, 2020 and 2019.

12.1 Revenue, adjusted EBITA and non-current assets by segment

(in € millions) Six months ended March 31, 2020 Unaudited	Contract Catering & Services			Corporate & Other	Group total
	France	International	**Total**		
Revenue	**1,086**	**1,367**	**2,453**	**6**	**2,459**
Recurring operating profit/(loss) including share of profit of equity-accounted investees	**37**	**14**	**51**	**(11)**	**40**
Of which:					
Share-based compensation expense	-	2	**2**	-	**2**
Net amortization of intangible assets recognized on consolidation	-	10	**10**	-	**10**
Adjusted EBITA	**37**	**26**	**63**	**(11)**	**52**
Adjusted EBITA as a % of revenue	*3%*	*2%*	*3%*	*(195)%*	*2%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(29)	(46)	**(75)**	(9)	**(84)**
Non-current assets (1)	**1,289**	**1,331**	**2,620**	**83**	**2,703**

(1) Non-current assets including the carrying amount of goodwill, intangible assets and property, plant and equipment.

(in € millions) Six months ended March 31, 2019 Unaudited	Contract Catering & Services			Corporate & Other	Group total
	France	International	Total		
Revenue (1)	**1,164**	**1,419**	**2,583**	**11**	**2,594**
Recurring operating profit/(loss) including share of profit of equity-accounted investees	**69**	**50**	**119**	**(13)**	**106**
Of which:					
Share-based compensation expense	-	6	**6**	-	**6**
Net amortization of intangible assets recognized on consolidation	-	10	**10**	-	**10**
Adjusted EBITA	**69**	**66**	**135**	**(13)**	**122**
Adjusted EBITA as a % of revenue	*6%*	*5%*	*5%*	*(113)%*	*5%*
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(25)	(32)	**(57)**	(5)	**(62)**
Non-current assets (2)	**1,274**	**1,217**	**2,491**	**41**	**2,531**

(1) Revenue for the six months ended March 31, 2019 has been restated following the non-material reclassification of specific discounts that were previously presented in operating expenses and are now presented as a deduction from revenue following the Group's first-time application of IFRS 15. This reclassification does not have any impact on consolidated revenue or adjusted EBITA for full-year 2018-2019.

(2) Non-current assets including the carrying amount of goodwill, intangible assets and property, plant and equipment.

12.2 Revenue by client market

Seasonality of operations

Revenue and recurring operating profit generated by the Group's operations are subject to seasonal fluctuations. During the second half of the fiscal year, the Contract Catering & Services business line generates lower recurring operating profit, both in absolute value terms and as a percentage of revenue, as it experiences lower business volumes due to the fact that a large number of employees and students are on vacation in the summer.
In addition, changes in the number of working days and the dates on which public holidays or school vacations fall impact the period-on-period comparability of the Group's revenue and profitability.
Net cash from operating activities is also subject to seasonal variations, which are mainly due to changes in working capital. In the Contract Catering & Services business line, the amount of trade receivables increases during the first half of the fiscal year as revenue invoiced to clients is at its peak during this period, and decreases during the second half.

- **Revenue by client market**

(in € millions)	Six months ended March 31, 2020 Unaudited	% of total revenue	Six months ended March 31, 2019 Unaudited (1)	% of total revenue	Year-on-year change (€m)	Year-on-year change (%)
Business & Industry	1,056	42.9%	1,150	44.3%	(94)	(8.2)%
Education	788	32.1%	818	31.5%	(30)	(3.7)%
Healthcare	615	25.0%	626	24.1%	(11)	(1.8)%
Group total	**2,459**	**100.0%**	**2,594**	**100.0%**	**(135)**	**(5.2)%**

(1) Revenue for the six months ended March 31, 2019 has been restated following the non-material reclassification of specific discounts that were previously presented in operating expenses and are now presented as a deduction from revenue following the Group's first-time application of IFRS 15. This reclassification does not have any impact on consolidated revenue or adjusted EBITA for full-year 2018-2019.

13. Non-Recurring Income and Expenses, Net

This item represented a net expense of €6 million in the six-month periods ended March 31, 2020 and 2019. For both years it primarily included costs incurred in France and abroad related to restructurings and business stoppages.

14. Income Tax

Income tax expense, excluding the French CVAE tax, is recognized based on Management's estimate of the average annual income tax rate for the full fiscal year. The estimated rate for the year ending September 30, 2020 and used for the six months ended March 31, 2020 was 22%. The estimated rate applied for the six months ended March 31, 2019 was 23%.

The Group's income tax expense for continuing operations amounted to €15 million in the six months ended March 31, 2020 compared with €37 million in the first half of 2019-2020. This €22 million year-on-year decrease was mainly due to the Covid-19 crisis, which led to a sharp €52 million decline in pre-tax profit, and a reduction in the French CVAE tax from €12 million to €9 million.

15. Parent Company's Share Capital, Dividend, and Share-Based Compensation

15.1 Parent company's share capital

At March 31, 2020, Elior Group SA's share capital amounted to €1,741,253 divided into 174,125,268 shares with a par value of €0.01 each.

At the same date, Elior Group held 1,833,945 shares in treasury, of which 1,703,594 were purchased under the share buyback program.

On December 3, 2019, the Board of Directors used the authorization granted on March 19, 2019 to cancel 4,268,550 treasury shares purchased under the share buyback program for €50 million, and therefore to reduce the Company's capital by €42,686. The difference between the par value of the canceled shares and their carrying amount was recognized in the share premium account.

15.2 Dividend

At the March 20, 2020 Annual General Meeting, the Company's shareholders approved a €52 million dividend payment for the year ended September 30, 2019, corresponding to €0.29 per share, payable in cash. This dividend payment has been recorded under "Other current liabilities" in the consolidated balance sheet at March 31, 2020.

15.3 Share-based compensation

On March 20, 2020, the Board of Directors set up a performance share plan for the members of the Management Committee and Leaders Committee. The shares under this plan will only vest if the plan members still form part of the Group at the vesting date ("continued presence condition") and if certain performance conditions are met. The applicable performance conditions are based on: (i) the cumulative annual growth rate of Elior Group's adjusted earnings per share, and (ii) Elior Group's share performance compared with a peer group and compared with the CAC Next 20 index. The achievement of these conditions will be assessed on March 20, 2023 (the end of the three-year vesting period) for the continued presence condition and on September 30, 2022 for the performance conditions.

16. Goodwill

The table below shows an analysis of net goodwill by cash generating unit (CGU).

(in € millions)	At September 30, 2019 Audited	Impairment	Other movements including currency translation differences	At March 31, 2020 Unaudited
Elior Restauration Entreprises	578	-	-	578
Elior Restauration Enseignement et Santé	365	-	-	365
Elior Services	134	-	-	134
France	**1,077**	**-**	**-**	**1,077**
Elior North America	282	-	(1)	281
Elior Europe - other countries (1)	492	-	-	492
Elior India	0	-	-	0
International	**774**	**-**	**(1)**	**773**
Contract Catering & Services	**1,851**	**-**	**(1)**	**1,850**
Group total	**1,851**	**-**	**(1)**	**1,850**

(1) Including the Elior UK, Elior Iberia and Elior Italy CGUs.

No goodwill impairment losses were recognized in either of the interim periods under review. As a result of the impacts of the Covid-19 crisis observed to date on its business activities and financial performance, the Group carried out an impairment test on its CGUs.

16.1 Impairment losses and sensitivity analyses

Key assumptions used to determine recoverable amounts

Based on the variables known to date, the main assumptions used by the Group for determining the recoverable amounts of its CGUs are as follows:

- Very gradual upturn for the Business & Industry segment from June through September 2019-2020.
- Low revenue level for Education until schools go back in September after the summer vacation.
- Revenue improvement for Healthcare, the segment that has been the most resilient.

The main actuarial assumptions used for the annual and half-yearly impairment tests performed by the Group were as follows:

	Discount rate		Perpetuity growth rate	
	Six months ended March 31, 2020	Year ended Sept. 30, 2019	Six months ended March 31, 2020	Year ended Sept. 30, 2019
Elior Restauration Entreprises, Elior Enseignement et Santé	7.5%	6.6%	2.0%	2.0%
Elior Services	7.5%	6.6%	2.0%	2.0%
Elior North America	8.4%	8.3%	2.0%	2.0%
Elior Europe - other countries (1)	8.0% to 9.2%	7.2% to 8.1%	1.7% to 2%	1.7% to 2%
Elior India	12.6%	10.1%	4.0%	4.0%

(1) Including the Elior UK, Elior Iberia and Elior Italy CGUs.

Half-yearly impairment test carried out in 2020

No impairment losses were recognized following the impairment test performed in the first half of fiscal 2019-2020.

Sensitivity of the recoverable amount of CGUs to changes in the assumptions applied

In accordance with IAS 36, the Group carried out sensitivity analyses on the results of the impairment tests performed, based on the following changes in the assumptions applied concerning the long-term growth rate, projected cash flows and discount rates:

(1) a 50 basis-point decrease in the long-term growth rate;
(2) a 5% decrease in projected net cash flows based on the duration of the relevant business plans and the terminal value; or
(3) a 50 basis-point increase in the discount rate for eurozone CGUs and a 100 basis-point increase for the other CGUs.

The sensitivity analyses based on the changes in assumptions set out above revealed that Elior Italy is the only one of the Group's CGUs for which there is a reasonably possible scenario that the CGU's recoverable amount could fall below its carrying amount (between €8 million and €13 million depending on the above factors).

Annual impairment test carried out in 2019

No impairment losses were recognized following the annual impairment test performed in 2019.

Sensitivity of the recoverable amount of CGUs to changes in the assumptions applied

In accordance with IAS 36, the Group carried out sensitivity analyses on the results of the impairment tests performed, based on the following changes in the assumptions applied concerning the long-term growth rate, projected cash flows and discount rates:

(1) a 50 basis-point decrease in the long-term growth rate;
(2) a 5% decrease in projected net cash flows based on the duration of the relevant business plans and the terminal value; or
(3) a 50 basis-point increase in the discount rate for eurozone CGUs and a 100 basis-point increase for the other CGUs.

The sensitivity analyses based on the changes in assumptions set out above did not reveal any reasonably possible scenarios in which the recoverable amounts of any of the Group's other CGUs would fall below their carrying amounts.

17. Intangible Assets

(in € millions)	At September 30, 2019 Audited	Additions	Disposals	Other movements	At March 31, 2020 Unaudited
Concession rights	18	1	-	-	19
Assets operated under concession arrangements (1)	37	-	-	-	37
Trademarks	25	-	-	-	25
Software	124	2	(1)	5	130
Intangible assets in progress	11	3	-	(5)	9
Other	289	1	-	(3)	287
Gross value	**504**	**7**	**(1)**	**(3)**	**507**
Concession rights	(7)	-	-	-	(7)
Assets operated under concession arrangements (1)	(37)	-	-	-	(37)
Trademarks	(6)	(1)	-	-	(7)
Software	(92)	(8)	1	-	(99)
Other	(100)	(10)	-	1	(110)
Total amortization	**(242)**	**(19)**	**1**	**1**	**(260)**
Carrying amount	**262**	**(12)**	**0**	**(2)**	**247**

(1) Assets recognized in accordance with IFRIC 12 for the Group's right to use central kitchens in the education market in France as granted under leases and public sector contracts.

18. Property, Plant and Equipment

(in € millions)	At September 30, 2019 Audited	Additions	Disposals	Other movements	At March 31, 2020 Unaudited
Land	7	-	-	-	7
Buildings	92	3	(2)	6	99
Technical installations	495	11	(8)	(57)	440
Other items of property, plant and equipment	414	20	(7)	(34)	393
Assets under construction	7	13	-	(8)	12
Prepayments to suppliers of property, plant and equipment	2	-	-	-	2
Gross value	**1,016**	**47**	**(17)**	**(93)**	**953**
Buildings	(46)	(2)	-	5	(43)
Technical installations	(352)	(23)	10	26	(339)
Other items of property, plant and equipment	(226)	(24)	6	31	(214)
Total depreciation	**(624)**	**(49)**	**16**	**62**	**(596)**
Carrying amount	**392**	**(2)**	**(1)**	**(32)**	**357**

19. Debt and Financial Income and Expenses

19.1 Debt

19.1.1 Financial risk management, debt and financial instruments

19.1.1.1 Exposure to interest rate risk

The Group is exposed to the risk of fluctuations in interest rates on debt that is indexed to the Euro Interbank Offered Rate ("Euribor") plus an applicable margin.

In order to manage interest rate risk, the Group has set up interest rate swaps. These hedges mitigate (i) the risk of variable interest rates affecting the fair value of the Group's fixed-rate debt, and (ii) the impact of the Group's variable-rate debt on consolidated cash. Hedges set up using options are referred to as "optional hedges" and other hedges are referred to as "firm hedges". The net amount of firm hedges set up does not exceed the amount of the Group's debt for a given period and the net gains or losses on hedges are allocated to the hedged period.

The rates at which the Group's debt was hedged (against the Euribor) were as follows at March 31, 2020 for Elior Participations:

Hedges in euros

- For the period from April 1, 2020 through September 30, 2020: 0.064% for firm hedges (€500 million).
- For the period from October 1, 2020 through December 31, 2021: 0.343% for firm hedges (€500 million).

These rates do not include lending margins.

Taking into account these hedging transactions, a 1% increase in interest rates would have an impact of approximately €3.7 million on the Group's finance costs for fiscal 2020-2021.

19.1.1.2 Exposure to liquidity risk

The Group borrows in bank and equity markets, which exposes it to liquidity risk in the event of a total or partial market closure.

The Group manages its liquidity risk by constantly monitoring the maturities of its borrowings, ensuring that it has adequate available credit facilities, and diversifying its resources. It also monitors actual cash flows in relation to forecasts.

The Group has a centralized multi-currency cash management system, which is used in countries where permitted by local legislation in order to reduce the liquidity risk to which it is exposed. The cash surpluses and financing needs of subsidiaries are centralized through a cash pool system and investments are placed, or borrowings taken out, via the head of the cash pool – Elior Participations. A local cash pool has also been set up in each country where the Group conducts business. In India, a bilateral credit facility guaranteed by Elior Participations has been put in place for each legal entity.

At March 31, 2020, the Group had €779 million in cash and cash equivalents (versus €83 million at September 30, 2019). The March 31, 2020 figure includes €677 million in drawdowns on the Group's revolving credit facilities ("RCF").

The Group's sources of liquidity at March 31, 2020 were as follows:

- A €450 million RCF made available under the Senior Facilities Agreement, which had been fully drawn down at March 31, 2020.
- A $250 million RCF made available under the Senior Facilities Agreement, which had been fully drawn down at March 31, 2020.
- A €360 million European receivables securitization program, of which €341 million had been utilized at March 31, 2020 (including €262 million in off balance sheet financing/debt). In the event that the ABCP (Asset-backed commercial paper) markets close, the Group would have a €360 million liquidity line available for six months.

At March 31, 2020, the Group's gross debt totaled €1,562 million (versus €618 million at September 30, 2019, excluding lease liabilities). The March 31, 2020 figure includes €62 million in short-term debt and €1,500 million in long-term debt.

On April 8, 2020, Standard & Poor's assigned the Company's debt a BB rating, with a negative outlook due to the Covid-19 pandemic, and on May 18, 2020, Moody's rated it as Ba3 with a negative outlook.

19.1.1.3 Exposure to credit and counterparty risk

Credit and/or counterparty risk is the risk that a party to a contract with the Group will fail to meet its obligations in accordance with agreed terms, leading to a financial loss for the Group.

The main financial instruments that could expose the Group to concentrations of counterparty risk are trade receivables, cash and cash equivalents, investments and derivatives. The Group's maximum exposure to credit risk corresponds to the carrying amount of all of the financial assets recognized in the consolidated financial statements, net of any accumulated impairment losses.

The Group considers that it has very low exposure to concentrations of credit risk in relation to trade receivables. There is no material exposure to concentrations of customer credit risk at Group level as the subsidiaries have a large number of customers and the geographic locations of these customers and the operating sites concerned are highly diverse. Invoices are generally issued based on services already performed and after customers have accepted the services, which reduces the possibility of a customer disputing an invoice. A procedure for tracking receivables and issuing reminders is in place in each country in order to accelerate the collection process.

In addition, the Group has set up a €360 million European receivables securitization program (covering France and Spain). The majority of the receivables included in this program (75%) are sold on a no-recourse basis, which means that the Group transfers the risk of non-recovery.

Lastly, the Group only deposits its cash and enters into hedging agreements with leading financial institutions and, as at the date of these financial statements, it considers that the risk of any of these counterparties defaulting on their contractual obligations to be very low as the financial exposure of each one is limited.

19.1.2 Analysis of debt

The carrying amount and fair value of the Group's debt can be analyzed as follows:

		At March 31, 2020 Unaudited		At September 30, 2019 Audited	
(in € millions)	Original currency	Amortized cost	Fair value	Amortized cost	Fair value
Bank overdrafts	€	1	1	4	4
Other short-term debt (including short-term lease liabilities)	€	61	61	12	12
Sub-total – short-term debt		**62**	**62**	**16**	**16**
Syndicated bank loans	€	526	530	526	530
Other medium- and long-term borrowings	€/$	677	677	-	-
Factoring and securitized trade receivables	€	106	106	54	54
Other long-term debt (including long-term lease liabilities)	€	190	190	22	22
Sub-total - long-term debt		**1,499**	**1,503**	**602**	**606**
Total debt		**1,562**	**1,565**	**618**	**622**

(in € millions)	At Sept. 30, 2019 Audited	Issues	Redemptions/ repayments	Other movements (1)	At March 31, 2020 Unaudited
Syndicated bank loans	530	677	-	-	1,207
Factoring and securitized trade receivables	54	55	(3)	-	106
Finance leases/Lease liabilities	29	-	(28)	247	248
Other borrowings	5	-	-	(2)	3
Total debt (2)	**618**	**732**	**(31)**	**245**	**1,564**

(1) Including currency translation differences and the impacts of adopting IFRS 16.
(2) Total fair value of debt excluding bank overdrafts (€1 million at March 31, 2020 and €4 million at September 30, 2019).

The Group's debt at March 31, 2020 included:

Syndicated bank loans at a variable rate based on the Euribor plus a margin, which broke down as follows at March 31, 2020:

- For Elior Group SA:
  - A senior bank loan totaling €530 million at March 31, 2020, fully repayable in May 2023. Interest is based on the Euribor plus a standard margin of 1.00%.
- For Elior Participations SCA:
  - A €450 million revolving credit facility (which can also be used by Elior Group), expiring in May 2023. Interest is based on the Euribor plus a standard margin of 0.60%. If the facility is not used, a commitment fee is payable which is calculated as a portion of the margin applied. All of this facility had been drawn down at March 31, 2020.
  - A $250 million revolving credit facility (which can also be used by Elior Group), expiring in May 2023. Interest is based on the Libor plus a standard margin of 0.60%. If the facility is not used, a commitment fee is payable which is calculated as a portion of the margin applied. All of this facility had been drawn down at March 31, 2020.

Liabilities relating to the Group's receivables securitization program.

At March 31, 2020, outstanding securitized receivables under this program – net of the related €20 million overcollateralization reserve – stood at €106 million. The program was set up in July 2017 for a period of four years. Its ceiling (net of the equivalent of an overcollateralization reserve) is €360 million and it includes the receivables of Elior Group's French and Spanish subsidiaries. The program's cost, based on net amounts securitized, is approximately 1.25%.

19.1.3 Interest rate swaps

A portion of the Group's debt is hedged by interest rate swaps intended to replace variable rates with fixed rates. At March 31, 2020 and September 30, 2019, 94% of the Group's variable-rate debt was hedged.

The rates at which the Group's debt was hedged (against the Euribor) at March 31, 2020 are set out in Section 19.1.1.1 above.

19.1.4 Financial covenants

The medium - and long-term bank borrowing contracts entered into by Elior Group and Elior Participations include financial covenants (related to the Group's leverage) that could trigger compulsory early repayment in the event of non-compliance. The covenants are based on Elior Group's consolidated financial ratios and compliance checks are carried out at the end of each six-month period. They require the Group's leverage ratio to be no more than 4.00x at end-September and 4.50x at end-March.

These covenants were respected at both March 31, 2020 and September 30, 2019.

The Group's debt can be analyzed as follows by maturity (based on fair values):

(in € millions)	Original currency	At March 31, 2020 Unaudited				At September 30, 2019 Audited	
		Short-term	*Due in 1 to 5 years*	*Due beyond 5 years*	Long-term	Short-term	Long-term
Bank borrowings							
Medium-term borrowings – Elior Group SA	**€**	-	*530*	-	530	-	530
Medium-term borrowings – Elior Participations	**€/$**	-	*677*	-	677	-	-
Other medium- and long-term bank borrowings	**€**	-	-	-	-	-	-
Sub-total – bank borrowings		**-**	***1,207***	**-**	**1,207**	**-**	**530**
Other debt							
Elior Group bond debt (USD private placement)	**$**	-	-	-	-	-	-
Lease liabilities	**€**	59	*144*	*45*	189	9	22
Other (1)	**€**	2	*107*	-	107	2	55
Bank overdrafts (2)	**€**	1	-	-	-	4	-
Current accounts (2)	**€**	-	-	-	-	-	-
Accrued interest on borrowings	**€/$**	-	-	-	-	1	-
Sub-total – other debt		**62**	***251***	***45***	**296**	**16**	**76**
Total debt		**62**	***1,458***	***45***	**1,503**	**16**	**606**

(1) Including liabilities under the receivables securitization program.
(2) Amounts deducted from cash and cash equivalents in the cash flow statement.

19.2 Financial income and expenses

The net financial expense recorded in the six-month periods ended March 31, 2020 and 2019 breaks down as follows:

(in € millions)	Six months ended March 31, 2020 Unaudited	Six months ended March 31, 2019 Unaudited
Interest expense on debt	(13)	(29)
Interest income on short-term investments	3	1
Other financial income and expenses (1)	(6)	(2)
Interest cost on post-employment benefit obligations	(1)	(1)
Net financial expense	**(17)**	**(31)**

(1) Including:		
- Fair value adjustments recognized in profit on interest rate and currency hedging instruments	*(3)*	*(1)*
- Disposal gains/(losses) and movements in provisions for impairment of shares in non-consolidated companies	-	-
- Amortization of debt issuance costs	*(1)*	*(2)*
- Net foreign exchange gain/(loss)	*(2)*	*1*
- Other financial expenses	-	-

The year-on-year decrease in the Group's interest expense on debt was primarily due to (i) the lower amount of outstanding debt under the SFA and (ii) a 100 basis-point decrease in the lending margins applicable under the SFA.

20. Provisions

Long- and short-term provisions can be analyzed as follows:

(in € millions)	At March 31, 2020 Unaudited	At September 30, 2019 Audited
Employee benefits	93	104
Non-renewal of concession contracts	11	9
Other	12	6
Long-term provisions	**116**	**119**
Commercial risks	2	1
Tax risks and employee-related disputes	11	12
Reorganization costs	3	5
Employee benefits	7	9
Other	41	36
Short-term provisions	**64**	**63**
Total	**180**	**182**

The decrease in provisions for employee benefits was mainly due to the higher discount rates used at March 31, 2020 compared with September 30, 2019.

21. Related Party Transactions

None.

22. Discontinued Operations

On July 1, 2019, Elior Group sold its subsidiary Areas (the Group’s Concession Catering division) to PAI Partners for €1.4 billion (representing an enterprise value of €1.542 billion), of which €70 million corresponded to an interest-bearing vendor loan.

The sale generated a €208 million net capital gain (before final price adjustments), which was presented in “Net profit for the period from discontinued operations” in the full-year 2018-2019 consolidated financial statements.

The net loss from discontinued operations recorded in the six months ended March 31, 2020 primarily includes the impact of a €20 million additional price adjustment related to working capital.

23. Significant Events After the Reporting Date

On May 26, 2020, Elior Group's lending banks have agreed to a covenant holiday for the covenant tests due to be performed on the Group's senior borrowings at September 30, 2020 and March 31, 2021.

3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Elior Group SA

Statutory Auditors' review report

on the interim financial information

(For the six months ended March 31, 2020)

PricewaterhouseCoopers Audit

63, rue de Villiers

92 208 Neuilly-sur-Seine

France

Deloitte & Associés

6, place de la Pyramide

92908 Paris-La Défense Cedex

France

Elior Group SA

9 -11 Allée de l'Arche

92032 Paris La Défense cedex

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from October 1, 2019 to March 31, 2020

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your General Meetings and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code (*"Code monétaire et financier"*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Elior Group SA, for the period from October 1, 2019 to march 1, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements have been established under the responsibility of the Board of Directors on the 26^{th} may 2020, on the basis of the information available at that date in the evolving context of the Covid-19 crisis and difficulties understanding its impacts and the future outlook. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 8 to the condensed half-yearly consolidated financial statements, which gives a detailed description of the methods and impacts of the first-time application of IFRS 16 "Leases" from October 1, 2019.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine et Paris-La Défense, May 27, 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Matthieu Moussy	Frédéric Gourd

4 ATTESTATION OF RESPONSABILITY FOR THE HALF YEAR FINANCIAL REPORT

RESPONSABILITY FOR THE HALF YEAR FINANCIAL REPORT

I hereby affirm that to the best of my knowledge the condensed financial statements presented for the 2019-2020 half-year have been prepared in accordance with the applicable accounting standards and provide a fair view of the assets, financial position, and profits of Elior Group, and of that of all of the companies included within the consolidation scope. The half year activity review included in the attached report presents a true view of the significant events which took place during the first six months of the full year period and of their impact on the half year financial statements, the principle transactions between related parties, and describes the main risks and uncertainties for the remaining six months of the year.

Paris La Défense,
May 26, 2020

Philippe Guillemot
Chief Executive Officer