Elis

Joint-stock corporation *(société anonyme)* governed by a management board and a supervisory board

Formerly Holdelis, S.A.S.*

33, rue Voltaire - Puteaux, France

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

Audit procedures have been performed.
Audit reports will be issued after completion of specific verifications.

* The company name was changed to "Elis" on September 5, 2014.

This document is a free translation of the French audited financial statements and notes. In the case of any doubt, the French text shall govern.

Consolidated income statement

(In thousands of euros)	Notes	2014	2013	2012
Revenue	3.1/4.1	1,330,980	1,225,421	1,185,232
Cost of linen, equipment and other consumables		(222,214)	(195,840)	(172,138)
Processing costs		(469,951)	(413,297)	(391,587)
Distribution costs		(212,921)	(195,529)	(191,688)
Gross margin		425,894	420,756	429,820
Selling, general and administrative expenses		(216,880)	(209,067)	(205,842)
Operating income before other income and expense and amortization of customer relationships	3.2	209,014	211,689	223,978
Amortization of customer relationships	4.3	(41,107)	(39,644)	(38,558)
Goodwill impairment		0	(4,000)	(37,583)
Other income and expense	4.4	(23,130)	(49,167)	(18,529)
Operating income		144,777	118,879	129,308
Net financial expense	8.2	(153,551)	(164,198)	(154,355)
Income (loss) before tax		(8,774)	(45,320)	(25,046)
Income tax benefit (expense)	9	(13,050)	1,171	(21,567)
Share of net income of equity-accounted companies	11	0	68	197
Net income (loss)		(21,824)	(44,081)	(46,416)
Attributable to:				
- owners of the parent		(22,667)	(44,334)	(46,449)
- non-controlling interests		843	253	33
Earnings (loss) per share (EPS):				
- basic, attributable to owners of the parent	10.3	€(0.46)	€(3.64)	€(4.33)
- diluted, attributable to owners of the parent	10.3	€(0.46)	€(3.64)	€(4.33)

Consolidated statement of comprehensive income

(In thousands of euros)	Notes	2014	2013	2012
Net income (loss)		(21,824)	(44,081)	(46,416)
Gains (losses) on change in fair value of hedging instruments	8.7	-3,752	8,047	8,067
Hedging reserve reclassified to income	8.7	1,110	10,627	9,230
Total change in hedging reserve		**-2,642**	**18,674**	**17,297**
Related tax		910	-6,429	-5,955
Hedging reserve - net		(1,732)	12,245	11,342
Translation reserve		3,697	(1,801)	664
Other comprehensive income (loss) which may be subsequently reclassified to income		**1,965**	**10,444**	**12,006**
Actuarial gains and losses recognized in equity		**(4,802)**	**5,728**	**(3,891)**
Related tax		1,106	-878	1,015
Actuarial gains and losses, net		(3,696)	4,850	(2,876)
Other comprehensive income (loss) which may not be subsequently reclassified to income		**(3,696)**	**4,850**	**(2,876)**
Other comprehensive income		**(1,731)**	**15,294**	**9,130**
TOTAL COMPREHENSIVE INCOME (LOSS)		(23,555)	(28,786)	(37,286)
Attributable to:				
- owners of the parent		(24,277)	(29,541)	(37,319)
- non-controlling interests		722	755	33

The change in hedging reserve reflects the change in fair value of derivatives eligible for hedge accounting. The fair value of derivatives has decreased due to the decline in the forward yield curve, with a negative impact on the hedging reserve. However, it has not affected hedge effectiveness. The fair value of derivatives is presented in note 8.8 Derivative financial instruments and hedges.

Translation reserve arise from the translation, during consolidation, of assets and liabilities of Group entities denominated in foreign currencies as described in 2.3 Foreign currency translation.

Actuarial gains and losses arising on the re-measurement of employee benefits reflect the effect of changes in assumptions (obligation discount rate, salary increase rate, retirement benefit increase rate and expected return on plan assets) used to measure defined benefit plan obligations.

Consolidated statement of financial position – assets

(In thousands of euros)	Notes	Dec. 31, 2014 net	Dec. 31, 2013 net	Dec. 31, 2012 net
Goodwill	6.1	1,539,534	1,454,948	1,439,859
Intangible assets	6.2	402,645	428,257	472,562
Property, plant and equipment	6.3	705,683	631,140	699,165
Equity-accounted companies	11	0	0	(0)
Available-for-sale financial assets		168	137	152
Other non-current assets	8.7	6,890	7,971	2,956
Deferred tax assets	9	12,376	8,672	9,897
TOTAL NON-CURRENT ASSETS		2,667,295	2,531,127	2,624,590
Inventories	4.5	58,641	44,424	37,610
Trade and other receivables	4.2	327,863	297,092	274,616
Current tax assets		2,842	4,170	515
Other assets	4.7	13,461	3,450	4,458
Cash and cash equivalents	8.4	59,255	49,454	55,152
TOTAL CURRENT ASSETS		462,062	398,591	372,350
Assets held for sale	2.5	0	88,879	26,712
TOTAL ASSETS		**3,129,357**	**3,018,597**	**3,023,652**

Consolidated statement of financial position – equity and liabilities

(In thousands of euros)	Notes	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Share capital	10.1	497,610	461,177	214,664
Additional paid-in capital	10.1	175,853	169,286	4,271
Other reserves		7,224	7,224	7,224
Retained earnings (accumulated deficit)		(303,592)	(287,758)	(249,533)
Other components of equity		(10,111)	(1,654)	(16,499)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		366,985	348,276	(39,874)
NON-CONTROLLING INTERESTS	2.7	(125)	(847)	122
TOTAL EQUITY		366,860	347,429	(39,752)
Non-current provisions	7	28,997	15,729	15,356
Employee benefit liabilities	5.3	48,323	46,104	37,991
Non-current borrowings	8.3	1,947,291	1,908,735	2,307,287
Deferred tax liabilities	9	197,022	202,710	218,606
Other non-current liabilities	8.7	34,552	21,293	40,011
TOTAL NON-CURRENT LIABILITIES		2,256,186	2,194,571	2,619,252
Current provisions	7	4,078	6,154	7,992
Current tax liabilities		892	699	5,303
Trade and other payables	4.6	139,630	118,334	98,421
Other liabilities	4.7	237,028	224,756	209,731
Bank overdrafts and current borrowings	9	124,684	118,013	117,134
TOTAL CURRENT LIABILITIES		506,312	467,956	438,581
Liabilities directly associated with assets held for sale	2.5	0	8,641	5,571
TOTAL EQUITY AND LIABILITIES		**3,129,357**	**3,018,597**	**3,023,652**

Consolidated statement of cash flows

(In thousands of euros)	Note	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
CONSOLIDATED NET INCOME (LOSS)		**(21,824)**	**(44,081)**	**(46,416)**
Depreciation, amortization and provisions		251,518	256,364	238,108
Portion of grants transferred to income		(125)	(119)	(151)
Share-based payments		0	0	3,534
Discounting adjustment on provisions and retirement benefits	8.2	1,266	1,262	1,214
Net gains and losses on disposal of assets		(3,737)	1,777	(55)
Share of net income of equity-accounted companies	11	0	(68)	(197)
Dividends received (from non-consolidated entities)		(13)	(12)	(12)
CASH FLOWS AFTER FINANCE COSTS AND TAX		**227,085**	**215,123**	**196,025**
Net finance costs	8.2	151,268	162,703	153,365
Income tax expense	9	13,050	(1,171)	21,567
CASH FLOWS BEFORE FINANCE COSTS AND TAX		**391,403**	**376,655**	**370,956**
Income tax paid		(21,414)	(23,069)	(16,125)
Change in inventories		(11,989)	(6,528)	3,210
Change in trade receivables		(7,249)	(2,194)	(6,995)
Change in trade and other payables (excluding borrowings)		15,646	24,035	(6,343)
Other changes		(4,995)	(191)	(1,991)
Employee benefits		(437)	(942)	92
NET CASH FROM OPERATING ACTIVITIES		**360,965**	**367,766**	**342,804**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets		(4,853)	(12,259)	(19,151)
Proceeds from sale of intangible assets		0	160	0
Acquisition of property, plant and equipment		(231,558)	(202,638)	(218,672)
Proceeds from sale of property, plant and equipment		92,541	8,371	3,054
Acquisition of subsidiaries, net of cash acquired	2.4	(97,262)	(39,112)	(13,961)
Proceeds from disposal of subsidiaries, net of cash transferred		1,000	14,708	0
Changes in loans and advances		121	(22)	(283)
Dividends from equity-accounted companies		13	12	212
Investment grants		0	0	120
NET CASH USED IN INVESTING ACTIVITIES		**(239,998)**	**(230,780)**	**(248,681)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital increase		43,000	0	0
Dividends paid				
- to owners of the parent		0	0	0
- to non-controlling interests		(9)	(20)	(11)
Change in borrowings related to operations (1)		(37,237)	(22,378)	45,470
- Proceeds from new borrowings		*1,270,786*	*2,099,206*	*697,537*
- Repayment of borrowings		*(1,308,023)*	*(2,121,584)*	*(652,067)*
Net interest paid		(117,206)	(119,967)	(105,875)
NET CASH USED IN FINANCING ACTIVITIES		**(111,452)**	**(142,365)**	**(60,416)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,515**	**(5,379)**	**33,707**
Cash and cash equivalents at beginning of period		48,598	54,678	20,943
Effect of changes in foreign exchange rates on cash and cash equivalents		410	(702)	28
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8.4	**58,523**	**48,598**	**54,678**

(1) Net change in credit lines related to financing of operations

Consolidated statement of changes in equity

(In thousands of euros)	Share capital	Additional paid-in capital	Other reserves	Retained earnings (accumulated deficit)	Hedging reserves (1)	Translation reserve	Share-based payment reserve	Actuarial gains and losses	Deferred taxes	Owners of the parent	Non-controlling interests	Total equity
Balance as at December 31, 2011	**214,664**	**4,271**	**7,224**	**(203,080)**	**(46,567)**	**(1,985)**	**3,300**	**87**	**16,002**	**(6,085)**	**89**	**(5,996)**
Increase in share capital												
Decrease in share capital												
Dividends paid												
Changes in consolidation scope										0		0
Other movements				(4)			3,534			3,530	0	3,530
Net income (loss) for the period				(46,449)						(46,449)	33	(46,416)
Other comprehensive income					17,297	664		(3,891)	(4,941)	9,130		9,130
Total comprehensive income				(46,449)	17,297	664	0	(3,891)	(4,941)	(37,319)	33	(37,286)
Balance as at December 31, 2012	**214,664**	**4,271**	**7,224**	**(249,533)**	**(29,270)**	**(1,321)**	**6,834**	**(3,804)**	**11,062**	**(39,874)**	**122**	**(39,752)**
Increase in share capital	246,514	171,110								417,624		417,624
Decrease in share capital												
Dividends paid												
Changes in consolidation scope (2)								81	(28)	53	-1,724	(1,671)
Other movements		(6,095)		6,110						14	0	14
Net income (loss) for the period				(44,334)						(44,334)	253	(44,081)
Other comprehensive income					18,674	(1,827)		5,122	(7,176)	14,793	502	15,294
Total comprehensive income				(44,334)	18,674	(1,827)	0	5,122	(7,176)	(29,541)	755	(28,786)
Balance as at December 31, 2013	**461,177**	**169,286**	**7,224**	**(287,758)**	**(10,596)**	**(3,148)**	**6,834**	**1,399**	**3,857**	**348,276**	**(847)**	**347,429**
Increase in share capital	36,433	6,567								43,000		43,000
Decrease in share capital												
Dividends paid				(9)						-9		-9
Changes in consolidation scope										0		0
Other movements				6,842			(6,834)		(13)	(5)	0	(5)
Net income (loss) for the period				(22,667)						(22,667)	843	(21,824)
Other comprehensive income					(2,642)	3,716		(4,672)	1,988	(1,610)	-121	(1,731)
Total comprehensive income				(22,667)	(2,642)	3,716	0	(4,672)	1,988	(24,277)	722	(23,555)
Balance as at December 31, 2014	**497,610**	**175,853**	**7,224**	**(303,592)**	**(13,238)**	**568**	**0**	**(3,273)**	**5,832**	**366,985**	**(125)**	**366,860**
							(10,111)					

(1) See note 8.7

(2) See Note 2.4 - 2013 acquisitions

Note 1 - Accounting policies

The Elis Group is a leader in textile rental and laundering and hygiene services in Continental Europe and Brazil.

The IFRS consolidated financial statements of the Elis Group for the year ended December 31, 2014 have been approved by the Management Board on March 9, 2015 and were reviewed by the Audit Committee on March 4, 2015 and by the Supervisory Board on March 11, 2014.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, and under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The financial statements are presented in thousands of euros, unless otherwise stated.

1.2 Accounting standards applied

The accounting policies used to prepare the consolidated financial statements comply with IFRS and IFRIC interpretations as adopted by the European Union as at December 31, 2014 and available on the website: ec.europa.eu/finance/accounting/index_en.htm

The accounting policies adopted are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2013 except for the following standards and amendments effective for annual periods beginning on or after January 1, 2014:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IAS 27 "Separate Financial Statements" (revised 2011);
- IAS 28 "Investments in Associates and Joint Ventures" (revised 2011);
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance";
- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting";
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets";

These new standards and amendments to existing standards did not have a material impact on the consolidated financial statements of Elis.

The Group has not opted for the early adoption of any other standard, amendments or interpretations that have been issued are not yet mandatory.

IFRIC Interpretation 21 "Levies" effective for annual periods beginning on or after January 1, 2015 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the relevant legislation. In addition, IFRIC Interpretation 21 prohibits the progressive recognition of a liability for tax levies and requires the recognition of the liability in full when the obligating event for the payment of the levy is met.

The Group determined that the impact in France of the early adoption as at January 1, 2014 of IFRIC Interpretation 21 would have been an increase of €1.3 million after tax (€2.1 million before tax) on shareholders' equity and of €0.1 million after tax (€0.2 million before tax) on operating income and net income, respectively, relating to the French corporate social solidarity contribution (contribution sociale de solidarité des sociétés).

Finally, the standards and interpretations that are issued, but not yet effective, up to the date of the Group's financial statements are disclosed below :

- for annual periods beginning on or after July 1st, 2014 :
    - Amendement to IAS 19R «Defined Benefit Plans: Employee Contributions»;
    - Annual Improvements to IFRSs 2010–2012 Cycle;
    - Annual Improvements to IFRSs 2011–2013 Cycle;
- for annual periods beginning on or after January 1st, 2016 :
    - IFRS 14 «Regulatory Deferral Accounts»;
    - Amendement to IFRS 10 and IAS 28 «Sale or Contribution of Assets between an Investor and its Associate or Joint Venture»;
    - Amendment to IAS 27 «Equity Method in Separate Financial Statements»;
    - Amendment to IAS 16 and IAS 41 «Bearer Plants»;
    - Amendment to IAS 16 and IAS 38 «Clarification of Acceptable Methods of Depreciation and Amortisation»;
    - Amendment to IFRS 11 «Accounting for Acquisitions of Interests in Joint Operations»;
    - Annual Improvements to IFRSs 2012–2014 Cycle;
    - Amendments to IAS 1 «Disclosure initiative»;
    - Amendments to IFRS 10, IFRS 12 and IAS 28 «Investment Entities - Appling the Consolidation Exception»;

The Group doesn't expect any material impact of these amendments and improvements on its consolidated financial statements.

- for annual periods beginning on or after January 1st, 2017 :
    - IFRS 15 «Revenue from Contracts with Customers»;
- for annual periods beginning on or after January 1st, 2018 :
    - IFRS 9 «Financial Instruments»;

The Group is currently assessing the impact of these standards.

The Group plans to adopt, if applicable, these new standards on the required effective date in the European Union.

1.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires Elis to make estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses and related disclosures. Elis reviews these estimates and judgments on a regular basis, taking into consideration past experience and other factors deemed relevant in light of economic conditions.

Amounts reported in future financial statements may differ from current estimates due to changes in assumptions or if conditions vary from those anticipated.

Critical accounting estimates and assumptions

- *The recoverable amount of goodwill and intangible assets with indefinite useful lives*

The Group performs annual impairment tests on goodwill and intangible assets with indefinite useful lives (brands), in accordance with IAS 36 "Impairment of Assets". The recoverable amount of cash-generating units is calculated on the basis of their value in use. These calculations require the use of estimates. The estimates used, together with an analysis of assumption sensitivity are presented in note 6.1 Goodwill.

- *Employee benefit liabilities*

The present value of employee benefit obligations is computed on an actuarial basis using various assumptions. The discount rate is one of the assumptions used to calculate the net cost of pensions. Any change in the assumptions affects the carrying amount of the net retirement benefit liability.

The Group sets the appropriate discount rate at the end of each reporting period. This is the interest rate applied to calculate the present value of future disbursements necessary to meet retirement benefit obligations. To determine the appropriate rate, the Group takes into account the interest rates on high-quality corporate bonds (Iboxx € Corporate AA 10+ for France) in the currencies in which benefits are to be paid and with a term comparable to the estimated average maturity of the corresponding obligation.

Note 5.3 Employee benefit liabilities provides further detail on the matter.

Critical judgments in applying accounting policies

- *Recognition of assets related to rental and laundry services*

Rental-laundering service agreements are not deemed to transfer substantially all the risks and rewards incident to ownership of the assets (linen, equipment, etc.) associated with the service agreements to the lessee. Accordingly, items subject to rental and laundry services agreements are recognized as non-current assets.

- *Accounting classification of French business tax (Cotisation sur la Valeur Ajoutée des Entreprises - CVAE)*

According to the Group's analysis, French business tax (CVAE) meets the definition of income tax under IAS 12.2 ("Income taxes based on taxable profits"). Total current and deferred amounts of CVAE are therefore presented in the line item "Income tax".

1.4 Restatement of prior-year financial information

In preparation for the initial public offering on the regulated Euronext market in Paris and for requirements of the document de base dated September 8, 2014, the Group completed the identification of all the events occurring after the reporting period, between January,1st 2014 up to the date of approval of these accounts on July 25, 2014.
In this context, the Group observed an indication of impairment of the new IT system. According to updates on project progress reports based on expert assessments and testing of the invoicing and sales management modules on a pilot site, actual performance of the IT system may be considerably lower than initially planned and hinder deployment of the modules on all Group sites. As a result, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for these modules under assets in progress in the consolidated statement of financial position, thereby writing down the value of the asset in full. Related comparative 2013 figures thus been approved by the President of Elis on July 25, 2014.

The French version of the *document de base* is available on the website of the French financial market authority *(Autorité des Marchés Financiers - AMF)* (www.amf-france.org) and on the Company's website (www.elis.com).

Moreover, IFRS requires previously published comparative periods to be retrospectively restated in the event of business combinations (recognition of the definitive fair value of the assets acquired and liabilities and contingent liabilities assumed if fair value had been estimated on a provisional basis at the end of the previous reporting period).

In connection with adjustments recorded following the acquisition of a controlling interest in Exploradora de Lavenderia in second-half 2013, the amount of goodwill shown differs from that presented in the 2013 consolidated financial statements published in the *document de base* by an amount of 242 thousand euros.

Note 2 - Changes in the consolidation scope

2.1 Consolidation methods

- *Fully consolidated companies*

The consolidated financial statements comprise the financial statements of Elis and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss.

- *Associates and joint ventures*

Investments in companies over which the Group has significant influence over financial and operating decisions but does not exercise control and joint ventures are accounted for using the equity method.

2.2 Business combinations

- *Business combinations from July 1, 2009*

Business combinations are accounted for using the acquisition method. Accordingly, when the Group acquires a business, its assets, liabilities and contingent liabilities are measured at fair value. Moreover, for each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at the Group's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred (see Note 19 – Other income and expense).

At the acquisition date, the Group recognizes goodwill as the difference between the consideration transferred plus any non-controlling interests in the entity acquired and the net identifiable assets acquired and liabilities assumed.

In a step acquisition where control is obtained in stages, the Group measures the previously-held equity interest in the acquiree at the acquisition-date fair value and recognizes any gain or loss in income.

- *Business combinations prior to June 30, 2009*

The different accounting treatments applicable to these business combinations are as follows:

- transaction costs directly attributable to the acquisition were included in the acquisition cost;
- non-controlling interests (previously referred to as "minority interests") were measured at the share of net assets acquired;
- step acquisitions were recognized separately and did not affect subsequently recognized goodwill.

2.3 Foreign currency translation

Foreign currency transactions by Group companies are translated into the functional currency using the exchange rates effective at the transaction dates. Assets and liabilities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Foreign exchange gains and losses are recognized in the income statement, except for those concerning monetary items associated with a net investment in a foreign operation. For the latter translation differences are recognized directly in equity until the net investment is sold, when they are reclassified to the income statement.

For consolidation purposes, the assets and liabilities of Group entities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Income statement items are translated using the average exchange rate for the reporting period. Resulting foreign currency differences are recognized directly in equity and presented in a separate line item “Foreign currency translation reserve”.

2.4 Changes in the scope of consolidation

2014 acquisitions

The Group made the following investments during the year :

In Brazil:

- acquisition on February 4, 2014 of Atmosfera, Brazil’s leading industrial laundry group. The company has 3,500 employees and generated revenue of nearly €90 million in 2013. The acquisition has boosted Elis’ international expansion. The transaction was funded by a combination of €90 million of debt and equity financing through a capital increase in Holdelis to which Legendre Holding 27 subscribed for €43 million.

- acquisition on May 29, 2014 of the Brazilian company Santa Clara (Belo Horizonte – State of Minas Gerais, Brazil), which specializes in laundry services for healthcare customers and generates revenue of approximately €850 thousand.

- acquisition on July 2, 2014 of the Brazilian company L’Acqua in the healthcare sector which generates revenue of approximately €4.6 million. Based in Ponta Grossa (State of Paraná, Brazil), l’Acqua has 200 employees.

- acquisition on 23, 2014 of the assets of the Brazilian company Lavtec (Salvador, State of Bahia) which generates revenue of approximately €1.1 million and serves healthcare customers.

In France:

- acquisition on April 1, 2014 of the assets of Blanchisserie Mazamétaine et Castraise (Mazamet, France) and acquisition on April 22, 2014 of the business assets of Blanchisserie Quercy Périgord (Souillac-sur-Dordogne, France). These business combinations represented revenue of approximately €1.3 million in 2013.

- acquisition on July 1, 2014 of Pro Services Environnement (PSE), (Rhône-Alpes, France). With a workforce of 18 employees, Pro Services Environment Services serves 2,000 customers and generated aggregate revenue of €2.2 million from 3D pest control services.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

(In thousands of euros)	Fair value at the acquisition date	*of which Brazil*
Statement of financial position		
Intangible assets	17,378	16,684
Property, plant and equipment	49,136	48,767
Available-for-sale financial assets	0	0
Other non-current assets	0	0
Deferred tax assets	5,162	5,162
Inventories	2,383	2,347
Trade and other receivables	16,261	15,905
Current tax assets	1,124	1,124
Other assets	88	48
Other financial assets	0	0
Cash and cash equivalents	6,058	5,769
Non-current provisions	(16,378)	(16,378)
Employee benefit liabilities - non-current portion	(27)	0
Non-current borrowings	(34,573)	(34,450)
Deferred tax liabilities	(173)	0
Other non-current liabilities	(855)	(855)
Current provisions	(177)	(149)
Employee benefit liabilities - current portion	0	0
Current tax payables	17	0
Trade and other payables	(7,230)	(7,141)
Other liabilities	(7,666)	(7,164)
Bank overdrafts and current borrowings	(3,878)	(3,799)
Total identifiable net assets at fair value	**26,650**	**25,871**
Non-controlling interests	0	0
Goodwill	81,888	78,519
Purchase price of shares	**108,537**	**104,390**

Cash flows from acquisitions

(In thousands of euros)	Dec. 31, 2014	*of which Brazil*
Net cash acquired	6,058	5,769
Amount paid	(103,320)	(98,571)
Net cash flow	**(97,262)**	**(92,802)**

The total amount of goodwill deductible for tax purposes is €74,725 thousand.

Customer relationships were measured at an aggregate €17,250 thousand using the excess earnings method (level 3 of fair value).

Trade receivables acquired amounted to €13,332 thousand gross, written down by €171 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €87 million in revenue and €4 million in operating income. If the combinations had taken place at the beginning of the year, additional revenue would have been €11.5 million and additional operating income (before amortization of customer relationships) would have been €1.3 million.

As at December 31, 2014, the initial accounting for the business combinations had not been completed and the amounts recognized in the financial statements for business combinations were therefore determined provisionally.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

2013 acquisitions

The Group made the following investments during the period:

- acquisition on January 14, 2013 of Cleantex Potsdam Textilpflege GmbH (Potsdam, Germany). Cleantex operates a plant in Potsdam, located 20 kilometers from Berlin. It serves 150 clients in the hospitality and health sectors, has 80 employees and generates annual revenue of €3 million.
- acquisition on January 24, 2013 of the Inotex Group (Bern, Switzerland). Inotex operates a plant in Bern, serves 300 clients (mainly in German-speaking Switzerland), has 190 employees and generates annual revenue of €28 million.
- acquisition on April 2, 2013 of Collectivités Service/Aquaservice (Brest, France). Aquaservice provides water fountain and coffee machine services and generates annual revenue of €2.2 million.
- acquisition of the assets of RLD Sanary-sur-Mer on May 1, 2013 (Toulon, France), which generates annual revenue of €2.4 million mainly in the hospitality and healthcare markets.
- acquisition of the rental business of Reig Marti on June 1, 2013 (Valencia, Spain) which serves hotels throughout the country and generates annual revenue of €3.5 million.
- acquisition on July 10, 2013 of Kunz, located in Hochdorf (canton of Lucerne in Switzerland). With 21 employees, Wäscherei Kunz AG generates revenue of CHF 2.9

million. After the acquisitions of Domeisen and InoTex, this acquisition completes Elis's cover in German-speaking Switzerland.

- acquisition on July 11, 2013 of France Tapis Hygiène Service and its subsidiary Districlean, specialists in corporate cleaning services. With a workforce of 10 employees, F.T.H.S. is located in Northern France and in the Paris area and generates revenue of €1.3 million.
- acquisition on September 24, 2013 of Explotadora de Lavanderias, specialist of flat linen in Majorca (Spain), which mainly serves the hospitality business and generates annual revenue of €4.1 million.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

(In thousands of euros)	Fair value at the acquisition date	*of which France*	*of which Switzerland*	*of which Spain*
Statement of financial position				
Intangible assets	11,811	*1,244*	*9,342*	*1,223*
Property, plant and equipment	27,447	*599*	*22,197*	*3,948*
Available-for-sale financial assets	2	*2*	*0*	*0*
Other non-current assets	9	*9*	*0*	*0*
Deferred tax assets	0	*0*	*0*	*0*
Inventories	435	*136*	*212*	*58*
Trade and other receivables	7,565	*962*	*3,844*	*2,501*
Current tax assets	(41)	*(42)*	*0*	*1*
Other assets	234	*6*	*214*	*9*
Other financial assets	0	*0*	*0*	*0*
Cash and cash equivalents	5,225	*140*	*4,526*	*425*
Non-current provisions	(139)	*11*	*0*	*(150)*
Employee benefit liabilities - non-current portion	(13,693)	*0*	*(13,693)*	*0*
Non-current borrowings	(3,284)	*(317)*	*(2,154)*	*(442)*
Deferred tax liabilities	(2,594)	*(285)*	*(2,270)*	*0*
Other non-current liabilities	0	*0*	*0*	*0*
Current provisions	(174)	*(174)*	*0*	*0*
Employee benefit liabilities - current portion	0	*0*	*0*	*0*
Current tax payables	(341)	*8*	*0*	*(319)*
Trade and other payables	(3,967)	*(744)*	*(2,856)*	*(206)*
Other liabilities	(4,500)	*(363)*	*(378)*	*(3,593)*
Bank overdrafts and current borrowings	(2,591)	*(137)*	*(2,179)*	*0*
Total identifiable net assets at fair value	**21,404**	**1,055**	**16,806**	**3,454**
Non-controlling interests measured at fair value	**1,724**	**0**	**0**	**0**
Goodwill	**20,083**	**3,059**	**14,909**	**1,625**
Purchase price of shares	**43,211**	**4,115**	**31,715**	**5,079**

Cash flows from acquisitions

(In thousands of euros)	Dec. 31, 2013
Net cash acquired	5,225
Amount paid	(44,336)
Net cash flow	**(39,112)**

The total amount of goodwill deductible for tax purposes is zero.

Customer relationships were measured at an aggregate €10,565 thousand using the excess earnings method (level 3 of fair value).

Trade receivables acquired amounted to €8,047 thousand gross, written down by €232 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €38.3 million in revenue and €3.4 million in operating income for 2013. If the acquisitions had taken place at the beginning of the year, additional revenue would have been €7.8 million and additional operating income (before amortization of customer relationships) would have been €0.5 million.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

2012 acquisitions

The Group made the following investments during the year:

- acquisition on October 1, 2012 of Grosswäscherei Domeinsen (Endigen, Canton of Aargau, Switzerland). Domeinsen operates an industrial laundry plant in Endingen and serves clients in the hospitality and health sectors. Domeinsen employs around 40 people and generates annual revenue of €3.8 million;
- acquisition of the washroom service activities of ISS on November 1, 2012 in Belgium and Luxembourg. The business generates annual revenue of €5.2 million in the health sector;
- development of health and drink business in Southwest France:
  - acquisition on April 30, 2012 of Pole Services (Ogeu les Bains, France); Pole Services generates annual revenue of €1.5 million and employs 19 people;
  - acquisition on December 3, 2012 of Ser-Konten France (Bayonne, France); Ser-Konten generates annual revenue of €0.2 million and employs four people.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

(In thousands of euros)	Fair value at the acquisition date (December 31, 2012)
Statement of financial position	
Intangible assets	431
Property, plant and equipment	714
Available-for-sale financial assets	(0)
Other non-current assets	0
Deferred tax assets	0
Inventories	419
Trade and other receivables	666
Current tax assets	1
Other assets	16
Other financial assets	0
Cash and cash equivalents	323
Non-current provisions	0
Employee benefit liabilities - non-current portion	0
Non-current borrowings	0
Deferred tax liabilities	(147)
Other non-current liabilities	0
Current provisions	0
Employee benefit liabilities - current portion	0
Current tax payables	0
Trade and other payables	(555)
Other liabilities	(1,281)
Bank overdrafts and current borrowings	(68)
IDENTIFIED ASSETS AND LIABILITIES (carrying amount)	**519**
Non-controlling interests measured at fair value	**(1,811)**
Goodwill	**14,425**
Purchase price of shares	**13,133**

Cash flows from acquisitions

In thousands of euros	December 31, 2012
Net cash acquired	256
Amount paid	(14,216)
Net cash flow	**(13,961)**

The total amount of goodwill deductible for tax purposes amounted to €8.2 million.

Trade receivables amounted to €0.6 million gross, written down by €6 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €2.8 million in revenue and €0.4 million in operating income for 2012. If the combinations had taken place at the beginning of the year, additional revenue would have been €10.7 million and additional operating income (before amortization of customer relationships) would have been €1.5 million.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

2013 sales

On February 11, 2013, the Board of Directors of Elis authorized the sale of Molinel and Guston Molinel, which were classified as a disposal group (but not a discontinued operation) as at December 31, 2012, and did not represent a strategic line of business for the Group. Negotiations led to the sale on April 15, 2013. An impairment loss of €21.9 million was recorded during fiscal year 2012 to reduce the carrying amount to fair value less costs to sell.

The assets and liabilities of Molinel and Guston Molinel, which were reclassified as at December 31, 2012 in the statement of financial position, are presented in note 2.5 Non-current assets (or groups of assets) held for sale

2.5 Non-current assets (or groups of assets) held for sale

Non-current assets (or groups of assets) are considered as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered primarily through a sale rather than continuing use. For this to be the case, an asset (or group of assets) must be available for immediate sale in its current state, subject only to terms that are usual and customary for sales of such assets, and its sale must be deemed highly probable.

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Non-current assets			
Goodwill	0	0	4,290
Intangible assets	0	0	5,603
Property, plant and equipment	0	88,879	1,516
Equity-accounted companies	0	0	720
Current assets			
Inventories	0	0	9,226
Trade and other receivables	0	0	4,820
Other assets	0	0	72
Cash and cash equivalents	0	0	465
Assets held for sale	**0**	88,879	**26,712**
Non-current liabilities			
Provisions	0	0	183
Employee benefit liabilities	0	0	476
Deferred tax liabilities	0	8,641	1,486
Current liabilities			
Trade and other payables	0	0	1,690
Other liabilities	0	0	1,737
Liabilities directly related to assets held for sale	**0**	8,641	**5,571**

Sale and leaseback transactions

As the Group has signed a provisional sales agreement for five land and buildings of operating sites on November 22, 2013, and provisional sales agreements for 17 other locations on January 22, 2014, the related assets and liabilities were reclassified as at December 31, 2013 in the statement of financial position, and are presented above.

On March 28, 2014, the Group signed the final sale agreements for the land and buildings of 17 industrial sites, and on June 27, 2014 for five other sites, for an aggregate €92.9 million.

The analysis of the sale and leaseback transactions determined that they result in operating leases. As the transactions were carried out at fair value, all gains or losses were recognized immediately in the income statement and are disclosed in note 4.4 Other income and expense.

Future minimum lease payments under non-cancellable operating leases (15 years) are shown in note 6.4 Off-balance sheet commitments relating to non-current assets and leases.

2.6 Off-balance sheet commitments relating to changes in the consolidation scope

Commitments given relate to guarantees granted by Elis in connection with divestments. These totaled €2,150 thousand euros as at December 31, 2014 (versus €2,321 thousand euros as at December 31, 2013 and €171 thousand as at December 31, 2012).

Commitments received totaled €55,133 thousand euros as at December 31, 2014 (€53,793 thousand euros as at December 31, 2013 and (€28,160 thousand euros as at December 31, 2012) and correspond to guarantees granted to Elis in connection with its acquisitions.

2.7 Non-controlling interests

No detailed information is provided under the standard IFRS12 to the extent that there is no subsidiary that have non-controlling interests that are significant.

2.8 Subsequent events relating to changes in the consolidation scope

The Group acquired on January 7, 2015 Kress Textilpflege in Germany. Kress Textilpflege operates a plant in Munich area, generates annual revenue in 2013 of about €5.7 million serving hospitality-catering customers.

Note 3 – Operating segments

The Group is organized into four main operating segments:

- France: historical rental and cleaning business in France;
- Europe: same business activity in other European countries;
- Brazil;
- Manufacturing entities: the activities of the Le Jacquard Français, Kennedy and Molinel (until its disposal by the Group) CGUs.

To track performance, management monitors each segment's EBITDA. Financing costs and income tax expense are primarily monitored at Group level.

3.1 Revenue

(In millions of euros)	2014	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
External customers		954.0	274.3	85.3	17.4	0.0	1,331.0
Inter-segment		2.3	0.4	(0.0)	8.6	(11.3)	0.0
Segment revenue		**956.3**	**274.7**	**85.3**	**26.0**	**(11.3)**	**1,331.0**

(In millions of euros)	2013	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
France		941.9	260.1	0.0	23.4	0.0	1,225.4
Foreign countries		2.1	1.1	(0.0)	8.4	(11.6)	0.0
Segment revenue		**944.0**	**261.2**	**0.0**	**31.8**	**(11.6)**	**1,225.4**

(In millions of euros)	2012	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
France		923.4	218.2	0.0	43.6	0.0	1,185.2
Foreign countries		1.8	0.8	0.0	10.3	(12.9)	(0.0)
Segment revenue		**925.2**	**219.0**	**0.0**	**53.9**	**(12.9)**	**1,185.2**

3.2 Earnings

(In millions of euros) 2014	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**191.3**	**13.9**	**4.3**	**0.9**	**(1.5)**	**209.0**
Miscellaneous financial items (*)	*0.7*	*0.2*	*0.1*	*0.1*	*0.0*	*1.1*
EBIT	192.0	14.1	4.5	1.0	(1.5)	210.1
Depreciation and amortization including portion of grants transferred to income	*152.9*	*51.7*	*12.9*	*1.3*	*0.0*	*218.9*
EBITDA	**344.9**	**65.9**	**17.4**	**2.3**	**(1.5)**	**429.0**
	36.1%	*24.0%*	*20.4%*	*8.8%*		*32.2%*

(In millions of euros) 2013	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**197.6**	**14.3**	**(0.8)**	**2.0**	**(1.4)**	**211.7**
Miscellaneous financial items (*)	*0.6*	*0.2*	*0.0*	*0.1*	*0.0*	*0.9*
EBIT	198.2	14.5	(0.8)	2.1	(1.4)	212.6
Depreciation and amortization including portion of grants transferred to income	*140.8*	*46.0*	*0.0*	*1.3*	*0.0*	*188.2*
EBITDA	**339.0**	**60.5**	**(0.8)**	**3.4**	**(1.4)**	**400.7**
	35.9%	*23.2%*		*10.7%*		*32.7%*

(In millions of euros) 2012	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**208.5**	**12.6**	**0.0**	**4.3**	**(1.3)**	**224.0**
Miscellaneous financial items (*)	*0.4*	*0.2*	*0.0*	*0.2*	*0.0*	*0.8*
EBIT	208.9	12.8	0.0	4.5	(1.3)	224.8
Depreciation and amortization including portion of grants transferred to income	*116.8*	*33.6*	*0.0*	*1.4*	*0.0*	*151.9*
EBITDA	**325.7**	**46.4**	**0.0**	**5.9**	**(1.3)**	**376.7**
	35.2%	*21.2%*		*10.9%*		*31.8%*

(*) Bank fees and recurring dividends included in operating income.

Non-IFRS indicators

- Earnings before interest and tax (EBIT) is defined as net income (loss) before net financial expense, income tax, share in income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial items (bank fees and recurring dividends recognized in operating income). A reconciliation of EBIT with the consolidated income statement is presented above.

- Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as EBIT before depreciation and amortization net of the portion of grants transferred to income. A reconciliation of EBITDA with the consolidated income statement is presented above.

3.3 Information on geographical areas

(In millions of euros)	2014	2013	2012
France	965.2	958.9	960.1
Other countries	365.8	266.5	225.1
Revenue	**1,331.0**	**1,225.4**	**1,185.2**

(In millions of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
France	2,166.9	2,190.1	2,331.5
Other countries	481.0	324.3	280.1
Non-current assets	**2,647.9**	**2,514.3**	**2,611.6**

The non-current assets presented above comprise goodwill, property, plant and equipment and intangible assets.

3.4 Information on revenue from services

Revenue from services is generated equally by three main activities: hygiene and well-being, flat linen and work wear.

(In millions of euros)	2014	2013	2012
Flat linens	590.1	489.9	452.9
Workwear	412.5	392.3	380.4
Hygiene and well-being	322.8	329.0	323.0
Other	5.6	14.2	28.9
Revenue	**1,331.0**	**1,225.4**	**1,185.2**

These services are rendered to customers who mainly operate in the hospitality, industry, sales and services, and healthcare sectors.

3.5 Information on countries and industry end markets

(In millions of euros)	2014	2013	2012
Hospitality	*290.5*	*282.5*	*276.1*
Industry	*187.6*	*187.7*	*184.5*
Trade & Services	*338.8*	*340.5*	*341.1*
Healthcare	*152.5*	*144.7*	*137.6*
Other	*- 15.4*	*- 13.4*	*- 15.9*
France (*)	954.0	941.9	923.4
Germany	*44.5*	*41.7*	*35.7*
Belgium & Luxembourg	*29.8*	*32.3*	*28.0*
Spain & Andorra	*60.9*	*51.1*	*50.2*
Italy	*25.8*	*24.7*	*25.2*
Portugal	*38.8*	*37.0*	*36.8*
Switzerland	*73.0*	*72.0*	*41.1*
Czech Republic	*1.5*	*1.2*	*1.2*
Europe	274.3	260.1	218.2
Brazil	85.3	0.0	-
Manufacturing entities	17.4	23.4	43.6
Revenue	**1,331.0**	**1,225.4**	**1,185.2**

(*) The breakdown by customer segment in France is made based on the APE activity code (characterizing the core activity by reference to national statistical nomenclature) of the entity that has contracted with a Group company.

Note 4 – Operating data

4.1 Revenue from operating activities

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other price reductions. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Revenue from services is recognized as and when the services are rendered.

When services are invoiced as part of a monthly or quarterly subscription, the portion of the invoice corresponding to a service not yet rendered is recognized as unearned revenue (see note 4.7 Other current assets and liabilities)

Sales of goods

Revenue is recognized when the material risks and benefits attached to the ownership of the property concerned are transferred to the buyer.

(In thousands of euros)	2014	2013	2012
Rendering of services	1,307,663	1,195,560	1,138,114
Sales of goods	22,754	29,631	46,588
Recurrent dividends	13	12	12
Other	551	218	518
Revenue	**1,330,980**	**1,225,421**	**1,185,232**

4.2 Trade and notes receivables

Trade and notes receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets.

Trade and notes receivables may be written down for impairment. Impairment is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be measured reliably. Impairment is estimated taking into account historical loss experience and the age of the receivables. It is recognized in operating income.

The Group derecognizes financial assets whenever the contractual rights to the assets expire or are relinquished by the Company or when the Company transfers or assigns its rights and substantially all of the associated risks and rewards.

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Trade receivables and notes receivable (gross)	312,971	292,983	278,473
Allowance for bad debts	(29,510)	(27,915)	(23,043)
Trade receivables and notes receivable	**283,461**	**265,069**	**255,430**
Other receivables	44,403	32,024	19,186
Total trade and other receivables	**327,863**	**297,092**	**274,616**
collection expected in less than one year	327,863	297,092	274,616
collection expected in more than one year	-	-	-

Credit risk

The management of credit risk is described in detail in the note 8.1 Financial risk management.

4.3 Depreciation, amortization and provisions

(In thousands of euros)	2014	2013	2012
Depreciation and amortization			
- included in "Operating income before other income and expense and amortization of customer relationships"			
Property, plant and equipment and intangible assets	(61,731)	(57,724)	(52,273)
Linen and mats	(140,550)	(114,207)	(83,549)
Other leased items	(16,718)	(16,349)	(16,208)
Portion of grants transferred to income	125	119	151
- amortization of customer relationships	(41,107)	(39,644)	(38,558)
Total depreciation and amortization including portion of grants transferred to income	**(259,981)**	**(227,805)**	**(190,437)**
Additions to or reversal of provisions			
- included in "Operating income before other income and expense and amortization of customer relationships"	3,394	20	1,139
- included in "Other income and expense"	5,154	1,750	(5,148)
Total additions to or reversal of provisions	**8,547**	**1,770**	**(4,009)**

The increase in the depreciation expense for linen and mats from €83.5 million in 2012 to €114.2 million in 2013 was mainly due to the extension after January 1st, 2012 of the depreciation schedule for flat linen from an average of two to three years.

The section entitled “Change in accounting estimates” in note 6.3 Property, plant and equipment contains additional information on this matter.

4.4 Other income and expense

Items of material amounts that are unusual, abnormal and infrequent are disclosed separately in the income statement as “Other income and expense”, in order to better reflect Group performance.

(In thousands of euros)	2014	2013	2012
Transaction costs	(4,289)	(924)	(754)
Restructuring costs	(620)	(3,421)	(5,804)
Le Jacquard Français brand impairment	0	0	(5,900)
Uncapitalizable costs for change in IT systems	(18,231)	(14,480)	(679)
Impairment of IT system	0	(26,504)	0
Net gains on site disposals	3,738	(715)	0
Expenses relating to site disposal (employee profit-sharing, professional fees)	(4,899)	(771)	(645)
Environmental rehabilitation costs	(398)	(145)	(1,325)
Expense associated with free shares granted to key managers and employees	0	0	(3,534)
Preliminary expenses related to the IPO	(701)	0	0
Retirement plan amendment in Switzerland - negative past service costs	3,730	0	0
Other	(1,461)	(2,207)	112
Other income and expense	**(23,130)**	**(49,167)**	**(18,529)**

Impairment of IT system

According to project progress reports based on expert assessments and testing of the invoicing and sales management modules on a pilot site, actual performance of the IT system may be considerably lower than initially planned and hinder deployment of the new modules on all Group sites. As a result, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for these modules under assets in progress in the consolidated statement of financial position, thereby writing down the value of the asset in full.
As at December 31, 2014, no final decision has been taken on whether or not to deploy these modules.

4.5 Inventories

Inventories are measured at the lower of cost and net realizable value.

Inventories of raw materials, consumables and spare parts are recorded at acquisition cost and have high turnover.

Goods in progress and finished goods (linen, textiles and hygiene equipment) are measured at production cost, which includes:

- the acquisition cost of raw materials;
- direct production costs;
- overheads that can be reasonably linked to the production of the goods.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Raw materials, supplies	13,832	10,709	10,413
Work in progress	379	263	193
Intermediate and finished goods	12,268	7,258	7,287
Goods for resale	32,162	26,195	19,716
Inventories	**58,641**	**44,424**	**37,610**
o/w inventories (at cost)	59,432	45,083	38,052
o/w impairment	(791)	(659)	(443)

4.6 Trade and other payables

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Trade payables	121,006	106,342	72,988
Trade payables (fixed assets)	14,280	9,081	21,897
Other payables	4,344	2,911	3,536
Total trade and other payables	**139,630**	**118,334**	**98,421**

4.7 Other current assets and liabilities

(In thousands of euros)	Note	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Prepaid expenses		10,627	3,449	4,457
Other current asset derivatives	8.8	2,834	0	0
Other assets		0	1	1
Total other assets		**13,461**	**3,450**	**4,458**
Deposits received		11,620	14,778	15,214
Payroll-related liabilities		103,643	95,037	83,871
Taxes payable		74,754	69,002	63,749
Other current liability derivatives	8.8	0	1,125	506
Unearned revenue		47,011	44,814	46,390
Total other liabilities		**237,028**	**224,756**	**209,731**

Unearned revenue primarily consists of services invoiced that will be rendered in the following month.

Note 5 – Personnel expenses and employee benefits

5.1 Average number of employees

In number of people	2014	2013	2012
Executives	1,384	1,320	1,313
Supervisory personnel	1,370	1,248	1,269
Office and service employees	4,902	4,451	4,213
Other employees	11,501	8,219	8,167
Total employees per category	**19,158**	**15,238**	**14,962**
France	12,156	11,761	11,838
Other countries	7,002	3,477	3,124
Total employees	**19,158**	**15,238**	**14,962**

5.2 Employee benefits

In thousands of euros	2014	2013	2012
Wages and salaries	-404,073	-360,814	-345,419
Social security contributions	-140,876	-127,686	-121,134
Mandatory/optional profit-sharing	-26,375	-25,486	-25,667
Other employee benefits	437	943	-92
Total payroll expenses	**(570,887)**	**(513,043)**	**(492,312)**

Payments by the Group to defined contribution plans are recognized as expenses when incurred.

In the case of defined benefit plans, the cost of benefits is estimated using the projected unit credit method. Under the method, rights to benefits are allocated to service periods using the plan's vesting formula and applying a linear progression when vesting is not uniform over subsequent service periods. Future payments corresponding to benefits granted to employees are estimated on the basis of assumptions regarding salary increase rates, retirement age and mortality, after which their present value is calculated using the interest rate on long-term bonds issued by investment grade issuers.

Actuarial gains and losses relating to obligations arising as a result of defined benefit plans are recognized directly in equity.

5.3 Employee benefit liabilities

Defined contribution plans

The Group pays contributions under a range of mandatory systems or on a voluntary basis under contractual agreements. In the case of the latter, the Group's obligation is limited to the payment of contributions.

Defined benefit plans

Elis Group’s commitments to defined benefit plans and other post-employment benefits are chiefly related to its French subsidiaries and consist of:

- complementary retirement benefits paid to a category of senior executives. All members of the complementary retirement scheme have already retired and the scheme is now closed;
- retirement benefits paid to employees when they retire in accordance with normal French regulations.
- long-service awards (*médailles du travail)*, for which the amount paid depends on seniority.

The Swiss subsidiaries of Elis have employee benefit liabilities in accordance with Swiss Law on Occupational Benefits.

Employee-related liabilities

The Group’s obligations are partially funded by external funds. Unfunded amounts are covered by provisions recognized in the statement of financial position. The following table shows changes in the liability recognized in the Elis Group’s statement of financial position:

(In thousands of euros)	Obligation	Fair value of plan assets	Liability
As at December 31, 2011	**42,309**	**9,065**	**33,245**
Current service cost	2,223		2,223
Interest expense	1,389	168	1,221
Benefits paid	-1,741		-1,741
Employee contributions	243	641	-398
Employer contributions			
Past service cost			
Plan amendments			
Plan curtailments or settlements			
Return on plan assets			
Actuarial gains and losses	1,860	-2,031	3,891
Changes in consolidation scope			
Reclassification to liabilities directly related with assets held for sale	-476		-476
Translation adjustments	26		26
As at December 31, 2012	**45,834**	**7,843**	**37,991**
Current service cost	3,254		3,254
Interest expense	1,736	473	1,263
Benefits paid	-2,375		-2,375
Employee contributions	881	881	
Employer contributions	1	1,133	-1,132
Past service cost			
Plan amendments	-700		-700
Plan curtailments or settlements			
Return on plan assets			
Actuarial gains and losses	-6,662	-934	-5,728
Changes in scope of consolidation	34,029	20,321	13,708
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	-598	-421	-177
As at December 31, 2013	**75,400**	**29,296**	**46,104**
Current service cost	3,771		3,771
Interest expense	1,905	618	1,287
Benefits paid	-339	-339	
Employee contributions	1,750	1,750	
Employer contributions	-2,576	1,605	-4,181
Past service cost	-3,743		-3,743
Plan amendments			
Plan curtailments or settlements			
Return on plan assets		418	-418
Actuarial gains and losses	5,220		5,220
Changes in scope of consolidation	27		27
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	1,032	776	256
As at December 31, 2014	**82,447**	**34,124**	**48,323**

The corresponding obligations are measured using the projected unit credit method.

Funded status of employee benefit obligation

(In thousands of euros)			
Present value of unfunded obligations	36,452	33,686	34,086
Present value of fully or partially funded obligations	45,994	41,713	11,748
Total value of defined benefit plan obligations (1)	**82,446**	75,399	**45,834**
Fair value of plan assets (2)	**34,123**	29,295	**7,843**
Total value of defined benefit plan liability (1) - (2) - (3)	**48,323**	46,104	**37,991**

Geographic information

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
France	35,070	32,276	32,476
Switzerland	11,791	12,355	3,856
Other countries	1,462	1,474	1,660
Employee benefit liabilities	**48,323**	46,104	**37,991**

France - details

Pension obligations and provisions break down as follows:

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Present value of unfunded obligations	35,070	32,276	32,476
Present value of fully or partially funded obligations	0	0	0
Total value of defined benefit plan obligations (1)	**35,070**	32,276	**32,476**
Fair value of plan assets (2)			
Total value of defined benefit plan liability (1) - (2) - (3)	**35,070**	32,276	**32,476**

The actuarial assumptions used to measure the liability and obligation for France are as follows:

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Discount rate	1.8%	3.0%	3.0%
Expected salary increase rate	inflation+0 to 6%	inflation+0 to 6%	inflation+0 to 6%
Expected retirement benefit increase rate	1.1%	1.7%	1.7%

A 0.25 point increase or decrease in these rates would have the following impact on the projected benefit obligation as at December 31, 2014:

	Sensitivity France
Discount rate: -0.25% impact	+2.7%
Discount rate: +0.25% impact	-2.5%
Expected salary/retirement benefit increase rate: -0.25 impact	-2.3%
Expected salary/retirement benefit increase rate: +0.25 impact	+2.3%

An indication the future cash flows is shown below:

	France
Expected contribution for next financial year	2,042
Weighted average duration of the obligation	7.9

Switzerland - details

Pension obligations and provisions break down as follows:

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Present value of unfunded obligations			
Present value of fully or partially funded obligations	45,761	41,434	11,532
Total value of defined benefit plan obligations (1)	**45,761**	41,434	**11,532**
Fair value of plan assets (2)	**33,970**	29,080	**7,676**
Total value of defined benefit plan liability (1) - (2) - (3)	**11,791**	12,355	**3,856**

The actuarial assumptions used to measure the liability and obligation for Switzerland are as follows:

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Discount rate	1.4%	2.3%	1.8%
Expected salary increase rate	2.0% - 3.0%	2.0% - 3.0%	2.0% - 3.0%
Expected retirement benefit increase rate	0.5%	0.5%	0.5%

A 0.25 point increase or decrease in these rates would have the following impact on the projected benefit obligation as at December 31, 2014:

	Sensitivity Switzerland
Discount rate: -0.25% impact	+3.6%
Discount rate: +0.25% impact	-3.4%
Expected salary increase rate: -0.25 impact	-0.7%
Expected retirement benefit increase rate: + 0.25 impact	+0.6%

An indication the future cash flows is shown below:

	Switzerland
Expected contribution for next financial year	1,366
Weighted average duration of the obligation	15.9

The breakdown of plan assets as at December 31, 2014 is shown in the table below:

	Switzerland
Cash and cash equivalents	325
Share	10,632
Bonds	19,540
Properties & mortgages	3,338
Derivatives	136
Total	33,970

5.4 Share-based payments

When a free share scheme enables members to acquire free shares in the Group's parent company, the fair value of the equity instruments is recognized as an expense, with a corresponding increase in equity under other reserves (the free shares are classified as an 'equity-settled transaction') over the vesting period. The expense is calculated by estimating the number of equity instruments that will be awarded in light of the grant terms and conditions.

On December 23, 2010, Elis' shareholders' meeting authorized the President to implement a free share plan, under which over 9,103,717 shares have been issued to certain key managers and employees of the Group in order to involve them in the Group's development. The shares granted will only vest after a minimum period of two years and under various conditions (performance, presence and IPO of the company within four years).

The fair value of Elis' shares is based on multiples of comparable companies applied to income statement indicators. The related expense is disclosed in note 4.4 Other income and expense.

There were no free share plan as at December 31, 2014.

5.5 Executive compensation (Related party transactions)

As at December 31, 2014, executives comprise the 7 members of the Executive Board, along with the President of the Management Board. Compensation paid to executives not holding corporate office are as follows:

(In thousands of euros)	2014	2013	2012
Short-term employee benefits	2,972	3,373	2,996
Post-employment benefits			
Termination benefits	132		69
Share-based payments			2,147

As at December 31, 2014, employee benefit liability accrued in respect of these pension obligations amounted to €295 thousand (€261 thousand as at December 31, 2013 and €185 thousand as December 31, 2012).

Note 6 – Intangible assets and property, plant and equipment

6.1 Goodwill

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Gross value	1,507,661	1,488,500	1,499,632
Accumulated impairment	(52,713)	(48,640)	(32,958)
Carrying amount at beginning of period	**1,454,948**	**1,439,859**	**1,466,675**
Acquisitions	81,888	20,083	14,425
Disposals	0	0	0
Translation adjustments	2,983	(976)	633
Reclassification as assets held for sale	0	0	(26,190)
Other changes	(13)	54	0
Changes in gross carrying amount	**84,857**	**19,161**	**(11,133)**
Impairment	0	(4,000)	(37,583)
Translation adjustments	(272)	(73)	0
Reclassification as assets held for sale	0	0	21,900
Changes in impairment	**(272)**	**(4,073)**	**(15,683)**
Carrying amount at end of period	**1,539,534**	**1,454,948**	**1,439,859**
Gross value	1,592,519	1,507,661	1,488,500
Accumulated impairment	(52,985)	(52,713)	(48,640)

In accordance with IAS 36, the Elis Group allocates goodwill to its cash generating units (CGUs) for the purposes of conducting impairment tests.

The carrying amount of goodwill is allocated to the cash-generating units as follows:

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
France CGU/segment	**1,381,745**	**1,378,376**	**1,375,263**
Spain	1,612	1,625	0
Belgium	18,513	18,513	18,513
Luxembourg	1,275	1,275	1,275
Germany	1,955	1,955	1,465
Italy	1,669	1,669	1,669
Switzerland	34,874	34,217	19,838
Europe segment	**59,897**	**59,253**	**42,760**
Brazil CGU/segment	**79,419**	**0**	**0**
Kennedy	18,473	17,318	21,837
Manufacturing entities segment	**18,473**	**17,318**	**21,837**
Carrying amount of goodwill	**1,539,534**	**1,454,948**	**1,439,859**

Recognition of impairment

No impairment losses were recognized against goodwill as at December 31, 2014.

As at December 31, 2013, the Group recognized an impairment loss of €4.0 million on the Kennedy CGU, reflecting the decline in estimated future cash flows.

As at December 31, 2012, the Group recognized impairment losses of €37.6 million, mainly for the Molinel, Portugal and Le Jacquard Français CGUs. This reflected the continuing economic crisis affecting the CGUs and the increase in their WACC. These impairment losses were recorded on the basis of a multi-criteria approach (discounted cash flow valuation and valuation by multiples of economic indicators).

6.2 Intangible assets

Brands

Brands acquired in a business combination are recognized at fair value at the acquisition date. Costs incurred to create a new brand or to develop an existing one are recognized as expenses.

Brands with finite useful lives are amortized over their useful lives. Brands with indefinite useful lives are not amortized but are tested for impairment on an annual basis or whenever there is an indication of impairment.

The following criteria are used to determine whether a brand has a finite or indefinite life:
- overall market positioning of the brand, measured by sales volume, international reach and reputation;
- long-term profitability outlook;
- exposure to fluctuations in the economy;
- major developments in the industry liable to have an impact on the brand's future;
- age of the brand.

Intangible assets (other than brands)

Intangible assets (other than brands) are measured at acquisition cost less accumulated amortization and impairment. Intangible assets have finite useful lives. Amortization is recognized as an expense generally on a straight-line basis over the estimated useful lives of the assets:
- Textile patterns: 3 years
- Software: 5 years
- ERP: 15 years
- Acquired customer contracts and relationships: 4 to 11 years

Amortization is recognized from the date on which the asset is first used.

(In thousands of euros)	Brands	Customer relationships	Other	Total
Gross value	221,164	507,122	40,021	768,307
Accumulated amortization and impairment	(615)	(248,181)	(12,905)	(261,700)
Net carrying amount as at Dec. 31, 2011	**220,550**	**258,941**	**27,116**	**506,607**
Investments	227	0	18,924	19,152
Changes in scope of consolidation	0	426	5	431
Retirements and disposals	0	0	0	0
Amortization	(231)	(38,558)	(3,438)	(42,226)
Translation adjustments	31	63	0	94
Impairment	(5,900)	0	0	(5,900)
Other	0	0	7	7
Gross value	215,979	507,618	58,412	782,008
Accumulated depreciation and impairment	(6,602)	(286,746)	(16,099)	(309,447)
Net carrying amount at Dec 31, 2012	**209,377**	**220,873**	**42,313**	**472,562**
Investments	153	0	12,107	12,259
Changes in scope of consolidation	(1)	10,565	1,254	11,818
Retirements and disposals	(270)	0	(157)	(427)
Amortization	(233)	(39,644)	(4,710)	(44,587)
Translation adjustments	(28)	(253)	(13)	(293)
Impairment	0	0	(23,173)	(23,173)
Reclassification as assets held for sale	0	0	0	0
Other	59	0	41	100
Gross value	215,920	517,897	71,635	805,452
Accumulated depreciation and impairment	(6,864)	(326,356)	(43,974)	(377,194)
Net carrying amount at Dec 31, 2013	**209,056**	**191,540**	**27,661**	**428,257**
Investments	112	71	4,670	4,853
Changes in scope of consolidation	0	17,249	129	17,378
Retirements and disposals	0	0	0	0
Amortization	(220)	(41,107)	(5,820)	(47,148)
Translation adjustments	89	459	9	557
Impairment	0	0	0	0
Reclassification as assets held for sale	0	0	0	0
Other	78	0	(1,332)	(1,254)
Gross value	215,966	537,186	78,476	831,628
Accumulated depreciation and impairments	(6,851)	(368,973)	(53,160)	(428,984)
Net carrying amount at Dec 31, 2014	**209,115**	**168,213**	**25,316**	**402,645**

Other intangible assets mainly comprise software and include the investments associated with the change in IT systems amounting to €20.0 million as at December 31, 2013 (€43.1 million of which €23.1 million for assets in progress fully written off), €32.7 million as at December 31, 2012 (assets in progress: €23.0 million) and €16.5 million as at December 31, 2011 (recognized under assets in progress).

The group’s brand values which are derived from a business combination when measuring their fair value for the purpose of allocating goodwill are as follows :

(in thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Amortization
Elis brands in France	184,700	184,700	184,700	Not amortized
Elis brands in Europe	21,800	21,800	21,800	Not amortized
-Le Jacquard Français brand	*900*	*900*	*900*	*Impaired*
-Kennedy trademark	*1,427*	*1,338*	*1,366*	*Not amortized*
Brands of manufacturing entities	2,327	2,238	2,266	
Other	288	318	611	
Total brands	**209,115**	**209,056**	**209,377**	

Recognition of impairment

Impairment tests carried out on all of the Elis Group's brands resulted in the recognition of an impairment loss of €5.9 million for the Jacquard Français brand as at December 31, 2012.

Moreover, as described in note 4.4 Other income and expense, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for IT system.

6.3 Property, plant and equipment

Items of property, plant and equipment are carried in the statement of financial position at their historical cost for the Group, less accumulated depreciation and impairment.

In accordance with IAS 16 "Property, Plant and Equipment" only items whose cost can be measured reliably and from which future economic benefits are expected to flow to the Group are recognized as assets.

Assets leased out under agreements that do not transfer substantially all the risks and rewards incident to ownership of the assets to the lessee (operating leases) are recognized as non-current assets. Assets under other leases (finance leases) are recognized as loans for the amount corresponding to the net investment in the lease.

Depreciation is calculated on a straight-line basis over the following useful lives:

- Buildings: component method
  - Structure, outside walls, roof: 50 years
  - Internal walls, partitions, painting and floor coverings: 10 years
- Industrial equipment: 10, 15 or 30 years
- Vehicles: 4 to 8 years
- Office equipment and furniture: 5 or 10 years
- IT equipment: 5 years
- Items related to rental and laundry service agreements (textiles, equipment and other leased items) are initially recognized as inventory and are capitalized when they are allocated to the Group's operating site responsible for their leasing. These items are depreciated over an 18-month to 5-year period from the date they are available for use.

Depreciation is recognized from the date the asset is first used. Land is not depreciated.

Change in accounting estimates

At the end of 2011, a study on the actual useful life of textiles led to an increase in the depreciation period for rented textile items as from January 1, 2012. This led to a decrease in depreciation expense of €40.2 million for 2012 and €9.7 million for 2013. The lengthening of the depreciation period primarily concerned flat linen, for which the average depreciation period has increased from two to three years.

In addition, the depreciation period for buildings was extended from 30 to 50 years as from January 1, 2012. The impact of the change in accounting estimate on the financial statements for the year ended December 31, 2012 amounts to €2.0 million (not material in 2013).

(In thousands of euros)	Land and buildings	Vehicles	Plant & equipment	Rental-cleaning items	Total
Gross value	276,235	58,733	272,705	381,045	988,718
Accumulated depreciation and impairment	(48,702)	(28,654)	(93,742)	(194,511)	(365,609)
Net carrying amount as at Dec. 31, 2011	**227,534**	**30,079**	**178,963**	**186,534**	**623,109**
Investments	35,229	5,453	41,592	144,237	226,511
Changes in scope of consolidation	27	18	349	321	714
Retirements and disposals	(89)	(118)	(543)	(836)	(1,585)
Depreciation	(13,603)	(8,217)	(26,854)	(99,758)	(148,432)
Translation adjustments	212	8	126	24	370
Reclassification as assets held for sale	(1,304)	(10)	(180)	(21)	(1,516)
Other movements	153	7	(241)	75	(7)
Gross value	310,060	63,232	309,720	496,688	1,179,700
Accumulated depreciation and impairment	(61,901)	(36,012)	(116,510)	(266,112)	(480,535)
Net carrying amount as at Dec. 31, 2012	**248,158**	**27,220**	**193,211**	**230,576**	**699,165**
Investments	8,284	5,916	34,813	142,245	191,258
Changes in scope of consolidation	10,270	704	11,784	4,704	27,463
Retirements and disposals	(8,794)	(134)	(1,327)	(54)	(10,308)
Depreciation	(13,828)	(8,372)	(30,288)	(130,556)	(183,044)
Translation adjustments	(525)	(29)	(360)	(168)	(1,082)
Impairment	0	0	(0)	0	(3,331)
Reclassification as assets held for sale	(88,879)	0	0	0	(88,879)
Other movements	474	1	(781)	207	(100)
Gross value	228,805	69,010	352,421	526,696	1,176,931
Accumulated depreciation and impairment	(73,644)	(43,704)	(148,700)	(279,742)	(545,791)
Net carrying amount as at Dec. 31, 2013	**155,161**	**25,307**	**203,720**	**246,953**	**631,140**
Investments	6,743	8,817	36,525	185,042	237,127
Changes in scope of consolidation	6,022	1,893	30,033	11,189	49,136
Retirements and disposals	(439)	(194)	(835)	(7)	(1,474)
Depreciation	(12,184)	(8,941)	(34,525)	(157,267)	(212,917)
Translation adjustments	745	53	682	163	1,643
Impairment	0	0	0	0	0
Reclassification as assets held for sale	0	0	0	0	0
Other movements	1,297	774	(1,720)	677	1,028
Gross value	232,618	81,417	431,554	596,922	1,342,511
Accumulated depreciation and impairment	(75,274)	(53,709)	(197,673)	(310,172)	(636,827)
Net carrying amount as at Dec. 31, 2014	**157,344**	**27,708**	**233,881**	**286,750**	**705,683**

Finance lease

Assets financed by leases with purchase options or long-term leases, which transfer substantially all the risks and rewards incident to ownership of the asset to the lessee, are recognized as non-current assets and depreciated in accordance with the accounting principles applicable to property, plant and equipment. The cost of leased assets includes the initial direct costs attributable to negotiating and arranging the lease, including professional and legal fees. The financial commitments arising under leases are recognized as financial liabilities.

(in thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Owned property, plant and equipment	**699,401**	**624,523**	**689,913**
Leased property, plant and equipment	**6,282**	**6,617**	**9,251**
Total property, plant and equipment	**705,683**	**631,140**	**699,165**

6.4 Off-balance sheet commitments relating to non-current assets and leases

Future minimum operating lease commitments in force are as follows:

(In thousands of euros)	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2012**
- Future minimum lease payments under non-cancellable operating leases			
within one year	2,543	1,430	2,360
between 1 and 5 years	13,957	14,712	9,016
after 5 years	164,271	14,860	7,770
TOTAL	**180,771**	**31,002**	**19,146**

The increase in commitments at the end of December 2014 is mainly related to sale and leaseback transactions described in note 2.5 Non-current assets (or groups of assets) held for sale.

6.5 Impairment losses on non-current assets

Impairment tests are systematically performed on goodwill and intangible assets with indefinite useful lives, at the reporting date or whenever there is an indication of impairment. Goodwill impairment may not subsequently be reversed.

Value in use is calculated by discounting to present value the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal. These calculations are corroborated, where appropriate, with valuation multiples of economic indicators.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized, corresponding to the difference between the two amounts. Impairment of property, plant and equipment may subsequently be reversed (by up to the amount of the initial impairment) if the recoverable amount rises above the carrying amount.

To assess impairment, assets are combined in the smallest identifiable group of assets that generates separately identifiable cash flows (cash-generating unit or group of cash-generating units).

In accordance with IAS 36 "Impairment of Assets", whenever the value of property, plant and equipment is exposed to a risk of impairment due to events or changes in market conditions, they are reviewed to determine whether their carrying amount is less than their recoverable amount, defined as the higher of fair value (less costs to sell) and value in use.

Discounted cash flow method:

1. *Calculating future cash flows*

Goodwill impairment tests are performed by determining the value in use of each cash-generating unit, using the following method for calculating recoverable amounts:

- estimation of projected future cash flows based on the five-year business plans set by the management of each cash-generating unit and validated by the management team of the parent company. Future cash flows are estimated based on conservative growth assumptions;
- cash flows are calculated according to the discounted cash flow method (EBITDA +/- changes in working capital - normative tax - capital expenditure);
- the terminal value is calculated on a perpetual income basis;
- discounted cash flow is calculated on the basis of the weighted average cost of capital (WACC), which in turn is based on inputs for the financial return and industry-specific risks of the market on which it operates.

2. *Method for calculating WACC*

Given the financial crisis, Elis used the following inputs for calculating WACC:

- risk-free rate: the average risk-free interest rate over a two-to-five year observation period;
- credit spread: the average over a two-to-five year observation period;
- the levered beta of comparable companies: the observed beta on the WACC calculation date (insofar as the beta is the result of a linear regression over the last two years, it reflects the medium-term sensitivity of the value of the securities of a given company compared to the market);
- gearing ratio (net debt/equity) for comparable companies: ratio calculated on the basis of market capitalizations to net debt, observed on a quarterly basis over the last two years:
  - the average gearing ratio obtained for each comparable company is used to unlever the company’s beta,

- the unlevered beta is representative of industry beta and will be used to calculate WACC (extreme values are excluded from the average),
- the gearing used to calculate WACC is derived from the average debt to equity ratio calculated on the basis of the quarterly ratios of comparable companies.

The WACC used for impairment testing on each CGU was as follows:

Country	France	Portugal	Spain	Belgium	Germany	UK	Switzerland	Italy	Brazil
Risk-free rate	2.69%	7.26%	4.67%	3.09%	2.10%	2.73%	1.14%	4.50%	11.40%
Credit spread (weighted average of actual debt)	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%	0.83%
Cost of debt (before tax)	**3.52%**	**8.09%**	**5.50%**	**3.92%**	**2.93%**	**3.56%**	**1.97%**	**5.33%**	**12.23%**
Tax rate	34.00%	23.00%	30.00%	33.99%	29.60%	20.00%	17.90%	31.40%	34.00%
Cost of debt, net of tax	**2.32%**	**6.23%**	**3.85%**	**2.59%**	**2.06%**	**2.85%**	**1.62%**	**3.66%**	**8.07%**
Equity risk premium	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Levered beta	**0.940**	**0.961**	**0.947**	**0.940**	**0.948**	**0.966**	**0.970**	**0.945**	**0.940**
Cost of equity	**7.38%**	**12.06%**	**9.41%**	**7.79%**	**6.84%**	**7.56%**	**5.99%**	**9.22%**	**16.10%**
Gearing	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
WACC 2014	**6.4%**	**11.0%**	**8.4%**	**6.8%**	**5.9%**	**6.7%**	**5.2%**	**8.2%**	**14.6%**
WACC 2013	*6.9%*	*13.0%*	*9.4%*	*7.4%*	*6.3%*	*6.8%*	*5.5%*	*9.1%*	

Fundamental assumptions for impairment tests

The business plans of each CGU were prepared on the basis of management’s best estimate of the impact of the current economic downturn. Projected cash flows are therefore reasonable and reflect, where appropriate, the resilience of the CGU’s business.

Sensitivity of tests related to goodwills

The most significant sensitivities of the impairment tests are as follows (difference between the carrying amount and recoverable amount of the CGU):

France (In millions of euros)		Perpetuity growth rate 1.5%	2.0%	2.5%
WACC	5.9%	1,146	1,479	1,910
	6.4%	839	**1,099**	1,427
	6.9%	588	797	1,054

Belgium (In millions of euros)		Perpetuity growth rate 1.5%	2.0%	2.5%
WACC	6.3%	1	6	11
	6.8%	(3)	**1**	5
	7.3%	(6)	(3)	0

Kennedy (In millions of euros)		Perpetuity growth rate 1.5%	2.0%	2.5%
WACC	6.2%	0	3	7
	6.7%	(2)	**(0)**	3
	7.2%	(4)	(3)	(0)

Brazil (In millions of euros)		EBITDA Budget 2015 -10.0%	-	10.0%
Multiple	6,5x	-13	2	17
	7x	-3	**13**	29
	7,5x	7	**25**	42

The sensitivity analysis presented above shows that the recoverable amount of the CGUs exceeds the carrying amount. In accordance with IAS 36, impairment testing is performed and accounted for on all the other CGUs.

Sensitivity of tests related to brands

The assumptions used for the purposes of impairment testing based on the discounted royalties of Elis' brands are as follows:

	Elis	Le Jacquard Français	Kennedy
Discount rate	7.4%	7.4%	7.7%
Growth rate of revenue generated by the brand over 5 years	3%	3%	3%
Perpetuity growth rate	2%	2%	2%
Royalty rate	2%	4%	2%

The sensitivity of the excess of the recoverable amount of the Elis brand over its carrying amount is as follows:

(In millions of euros)	Perpetuity growth rate		
Discount rate	**1.5%**	**2.0%**	**2.5%**
6.9%	103	128	160
7.4%	77	**98**	123
7.9%	56	73	94

Note 7 – Provisions and contingent liabilities

7.1 Provisions

A provision is recognized whenever the Group has a present contractual, legal or constructive obligation as a result of a past event and when an outflow of resources required to settle the obligation can be reliably estimated.

Elis recognizes contingent liabilities for disputes and legal proceedings occurring in the ordinary course of its business. It does not expect these liabilities to result in material obligations beyond those for which provisions have already been recognized.

Liabilities resulting from restructuring plans are recognized when there is an obligation, the related costs have been forecast in detail and it is highly probable that they will be implemented.

Obligations arising from onerous contracts are also recognized as provisions.

Provisions for environmental compliance

Provisions for environmental compliance are assessed based on experts' reports and the Group's experience. These provisions correspond to the expected costs of studies or work to be undertaken by the Group to comply with its environmental obligations. They relate to sites or categories of work which are to be dealt with in the foreseeable future.

Provisions for litigation

Provisions for litigation chiefly includes provisions for employee-related risks.

Other provisions

Other provisions include provisions for tax risks, for restructuring, provisions for onerous contracts and provisions for disputes arising in the ordinary course of operations of the Group.

(in thousands of euros)	Compliance	Litigation	Other	Total
As at December 31, 2011	15,243	3,354	932	**19,529**
Increases/additions for the year	1,325	2,105	3,827	7,257
Changes in consolidation scope				
Decreases/reversals of provisions used	-1,193	-1,659	-394	-3,247
Reclassification in liabilities associated with assets held for sales	-183		-14	-197
Reclassification/translation adjustments	5		0	5
As at December 31, 2012	15,197	3,800	4,351	**23,348**
Increases/additions for the year	1,623	1,959	303	3,885
Changes in consolidation scope		89	224	313
Decreases/reversals of provisions used	-1,323	-1,430	-2,899	-5,652
Reclassification in liabilities associated with assets held for sales				
Reclassification/translation adjustments	-11		0	-12
As at December 31, 2013	15,487	4,418	1,978	**21,883**
Increases/additions for the year	938	1,438	99	2,475
Changes in consolidation scope	2,139	8,380	6,035	16,555
Decreases/reversals of provisions used	-1,528	-3,517	-2,281	-7,326
Reclassification in liabilities associated with assets held for sales				
Reclassification/translation adjustments	39	107	-657	-511
As at December 31, 2014	17,074	10,825	5,176	**33,075**
Current portion		3,548	531	**4,078**
Non-current portion	17,074	7,278	4,645	**28,997**
France	*12,310*	*2,854*	*550*	*15,714*
Europe	*2,601*	*507*	*169*	*3,277*
Brazil	*2,164*	*7,359*	*4,450*	*13,973*
Manufacturing Entities		*105*	*6*	*111*

The increase of provisions between December 31, 2013 and December 31, 2014 is mainly related to the fact that Atmosfera, acquired in February 2014, joined the Group's consolidation scope.

7.2 Contingent liabilities

Elis has contingent liabilities relating to legal or arbitration proceedings arising in the normal course of its business.

Proceeding related to alleged bribery in Brazil

On November 21, the Group was informed that a civil action, relating to alleged bribery in the frame of contracts in the State of Rio de Janeiro, was brought against several industrial laundry service providers including Atmosfera. Pending additional information, the Company is unable to estimate the contingent incurred liability and the indemnification asset to be received under the vendor warranty. The Atmosfera group's former owners, who were notified of the proceedings through interim measures on November 26, 2014 with respect to the

December 20, 2013 guarantee agreement relating to the acquisition of the Atmosfera group, have disputed Atmosfera's compensation request.

Note 8 – Financing and financial instruments

8.1 Financial risk management

Credit and counterparty risk

Credit or counterparty risk is the risk that a party to a contract with the Group fails to meet its contractual obligations, leading to a financial loss for the Group.

The main financial assets that could expose the Group to credit or counterparty risk are as follows:

•

- Trade receivables: the Group insures its customer's risk in France with a well-known insurance company. Trade receivables are managed in a decentralized manner by operational centers and by the key account management. Their amount and age are monitored in detail as an integral part of the monthly reporting system. Because of the large number of Group's customers, there is no material concentration of credit risk (meaning no one counterparty or group of counterparties accounts for a material proportion of trade receivables). The maximum exposure to credit risk is limited to the carrying amount of trade receivables. The due dates of trade and other receivables are as follows:

(in thousands of euros)	Dec. 31, 2014		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	274,615	(1,196)	**273,419**
Between 120 and 360 days overdue	8,627	(3,665)	**4,962**
More than 360 days overdue	29,728	(24,648)	**5,080**
Trade receivables	**312,971**	**(29,510)**	**283,461**

(in thousands of euros)	Dec. 31, 2013		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	253,954	(702)	**253,252**
Between 120 and 360 days overdue	9,906	(3,749)	**6,157**
More than 360 days overdue	29,124	(23,464)	**5,659**
Trade receivables	**292,983**	**(27,915)**	**265,069**

(in thousands of euros)	Dec. 31, 2012		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	245,513	(403)	**245,110**
Between 120 and 360 days overdue	9,709	(3,658)	**6,051**
More than 360 days overdue	23,251	(18,982)	**4,269**
Trade receivables	**278,473**	**(23,043)**	**255,430**

- Financial investments: the Group's policy is to invest its cash in short-term money-market mutual funds (*fonds communs de placement*), with the aim of obtaining returns close to EONIA while complying with rules regarding diversification and counterparty quality. As at December 31, 2014, short-term investments totaled €34.5 million and consisted mainly of money-market mutual funds managed by one of the largest players in the global asset management in industry. In the Group's view, therefore, those investments do not expose it to any material counterparty risk. As part of its policy for managing interest-rate and exchange-rate risks, the Group arranges hedging contracts with top-ranking financial institutions and believes that counterparty risk in this respect can be regarded as insignificant.

Liquidity risk

The Group must always have financial resources available, not just to finance the day-to-day running of its business, but also to maintain its investment capacity.
The Group manages liquidity risk by paying constant attention to the duration of its financing arrangements, the permanence of its available credit facilities and the diversification of its resources. The Group also manages its available cash prudently and has set up cash management agreements in the maincountries in which it operates in order to optimize available cash.
As at December 31, 2014, the Group's adjusted net debt was €2,019.1 million.

Loan agreements relating to this debt include the legal and financial undertakings usually involved in such transactions, and specify accelerated maturities if those undertakings are not complied with. The financial undertakings include an obligation for the Group to maintain certain financial ratios in particular. Based on these consolidated financial statements, the Group was in compliance with all these commitments as at December 31, 2014:
- Consolidated interest cover ratio = 3.68 (must be above 2.60);
- Cash flow cover ratio = 2.16 (must be above than 1.00);
- Senior leverage ratio = 3.31 (must be below 4.06);
- Leverage ratio = 4.20 (must be below 5.23);
- Capital expenditure = 68.2 (must be below 240.4).

As at December 31, 2014, the repayment dates for consolidated debt and related interest are presented hereafter.

The future contractual cash flows are based on the receivables shown in the statement of financial position at the end of the fiscal year, and do not take into account any possible subsequent management decision that could significantly alter the Group's debt structure or hedging policy. The figures for interest payable reflect the cumulative interest payable until the due date or planned repayment date of the related loan. They were estimated on the basis of forward rates calculated from the yield curves at the reporting date.

in thousand of euros	Carrying value Amortized cost	Cash flow 2015 Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35%	205,136						
Senior subordinated notes 3-month EURIBOR+7%	381,436						30,738
Senior secured bonds 6%	451,125		27,000				
Other structured financing EURIBOR+4.25%	1,025,567	113,000		39,602	*29,681*	*9,922*	11,222
Unamortized loan costs	-38,090						
Loan from employee profit-sharing fund	31,692	3,123	696				
Financial leases	5,752	579	379				0
Other	8,627	2,835	196				0
Overdrafts	732	732					
Total interest-bearing loans and borrowings	**2,071,976**	**120,268**	**28,271**	**39,602**	***29,681***	***9,922***	**41,960**

in thousand of euros	Carrying value Amortized cost	Cash flow 2016 Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35%	205,136						
Senior subordinated notes 3-month EURIBOR+7%	381,436						30,907
Senior secured bonds 6%	451,125		27,000				
Other structured financing EURIBOR+4.25%	1,025,567	0		42,354	*32,281*	*10,073*	7,242
Unamortized loan costs	-38,090						
Loan from employee profit-sharing fund	31,692	6,340	1,084				
Financial leases	5,752	295	369				0
Other	8,627	2,529	135				0
Overdrafts	732	0					
Total interest-bearing loans and borrowings	**2,071,976**	**9,164**	**28,587**	**42,354**	***32,281***	***10,073***	**38,149**

in thousand of euros	Carrying value Amortized cost	Cash flow 2017-2018-2019 Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35%	205,136						
Senior subordinated notes 3-month EURIBOR+7%	381,436	380,000					60,547
Senior secured bonds 6%	451,125	450,000	39,375				
Other structured financing EURIBOR+4.25%	1,025,567	899,913		42,181	*32,711*	*9,470*	7,339
Unamortized loan costs	-38,090						
Loan from employee profit-sharing fund	31,692	18,971	1,481				
Financial leases	5,752	566	1,059				
Other	8,627	2,249	101				
Overdrafts	732						
Total interest-bearing loans and borrowings	**2,071,976**	**2,198,127**	**42,016**	**42,181**	***32,711***	***9,470***	**67,886**

in thousand of euros	Carrying value Amortized cost	Cash flow 2020 and beyond Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35%	205,136	0					0
Senior subordinated notes 3-month EURIBOR+7%	381,436						
Senior secured bonds 6%	451,125						
Other structured financing EURIBOR+4.25%	1,025,567						
Unamortized loan costs	-38,090						
Loan from employee profit-sharing fund	31,692						
Financial leases	5,752	4,312	4,551				
Other	8,627	0					
Overdrafts	732						
Total interest-bearing loans and borrowings	**2,071,976**	**4,312**	**4,551**	**0**	***0***	***0***	**0**

in thousand of euros	Carrying value Amortized cost	Estimate of future cash flows as of 12/31/2013 Principal	Total hedged fixed/variable rate interests	Total non-hedged fixed/variable rate interests
Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35%	205,136	446,428	0	0
Senior subordinated notes 3-month EURIBOR+7%	381,436	380,000	0	122,192
Senior secured bonds 6%	451,125	450,000	93,375	0
Other structured financing EURIBOR+4.25%	1,025,567	1,012,913	124,137	25,803
Unamortized loan costs	-38,090			
Loan from employee profit-sharing fund	31,692	28,434	3,261	0
Financial leases	5,752	5,752	6,357	0
Other	8,627	7,612	432	0
Overdrafts	732	732	0	0
Total interest-bearing loans and borrowings	**2,071,976**	**2,331,870**	**227,562**	**147,995**

Along with its initial public offering, the Group refinanced its debt, with an effective date as of the settlement-delivery of the shares issued as part of the Company's admission to trading on the Euronext exchange in Paris. The refinancing consisted in paying off in its entirety the principal amount and interest due under the Senior Credit Facilities Agreement, paying off about 40% of the principal amount and interest due under the Senior Subordinated Notes due 2018 and of amounts due under the Legendre 27 (PIK bonds) loan ; the remainder will be offset by a capital increase.

Part of the amount due under the Senior Credit Facilities Agreement would be paid off with the New Senior Credit Facilities Agreement of €650 million euros (which include also revolving facilities); the outstanding balance under the Senior Credit Facilities Agreement would be paid off using the proceeds of the capital increase related to the initial public offering.

Market risk

The Elis Group is exposed to market risk, particularly concerning the cost of its debt, and to a lesser extent as a result of foreign currency transactions. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize any potentially adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Interest rate risk

Interest-rate risk mainly includes the risk of future fluctuations in flows relating to floating-rate debt, which is partly linked to Euribor. As at December 31, 2014, the Group had €1,584.6 million of floating-rate debt outstanding and €487.4 million of fixed-rate debt outstanding.
To manage this risk effectively, the Group has taken out certain derivatives contracts (swaps), under which it has undertaken to swap, at specific times, the difference between the fixed rate agreed to in the swap contract and the floating rate applying to the relevant debt, based on a given notional amount. The Group's financing terms are monitored regularly, including in monthly financial performance monitoring meetings.
As at December 31, 2014, the Group was a party to interest-rate hedging contracts covering a total amount of €735 million of debt. These contracts effectively convert some of the Group's floating-rate debt into fixed-rate debt. However, no guarantee can be given regarding the Group's ability to manage its exposure to interest-rate fluctuations appropriately in the future or to continue doing so at a reasonable cost.

Net exposure to interest-rate risk as at December 31, 2014, before and after hedging, was as follows:

(in thousand of euros)	Dec. 31, 2014	Fixed	Floating		Maturities
			hedged	unhedged	
Legendre Holding 27 (PIK Loan) 12-month EURIBOR (*) +10.35%	**205,136**			205,136	June 2019
Senior subordinated notes 3-month EURIBOR (*) +7%	**381,436**			381,436	Dec. 2018
Senior secured bonds 6%	**451,125**	451,125			June 2018
Other structured financing EURIBOR +4.25%	**1,025,567**		735,000	290,567	Oct. 2017
Unamortized loan costs	**(38,090)**	(9,772)		(28,318)	
Loan from employee profit-sharing fund	**31,692**	31,692			
Finance leases	**5,752**	5,752			
Other	**8,627**	8,627			
Overdrafts	**732**			732	
Borrowings	**2,071,976**	**487,423**	**735,000**	**849,552**	
(* floor at 1%)					

In accordance with IFRS 7, a sensitivity analysis of the change in interest is presented hereafter. It reflects the impact of interest rate movements on interest expense, net income and equity.

The interest rate sensitivity analysis is based on the following assumptions:

- changes in the interest rate curve have no impact on fixed-rate financial instruments when they are measured at amortized cost;
- changes in the interest rate curve impact floating-rate financial instruments if they are not designated as hedged items. Interest rate movements have an impact on gross finance costs, and are therefore included when calculating the sensitivity of net income and equity to interest rate risk;
- changes in the interest rate curve impact the fair values of derivatives eligible for cash flow hedge accounting. Changes in the fair value of such derivatives have an impact on the hedging reserve in equity, and are therefore included when calculating the sensitivity of equity to interest rate risk;
- changes in the interest rate curve impact derivatives (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as the changes affect their fair value. These movements are recognized in the income statement. This impact is therefore included when calculating the sensitivity of net income and equity to interest rate risk.

The following table shows the effect on Elis Group's results of a 100 basis point increase or decrease in interest rates based on the above-mentioned assumptions and on the basis of an immediate impact across the entire curve occurring on the first day of the financial year and remaining constant thereafter:

	+100 bp		-100 bp	
Type	Hedging reserves	Net financial expense	Hedging reserves	Net financial expense
Financial instruments designated as hedging instruments	18 958	0	(19 650)	0
Non-derivative variable-rate financial instruments (not hedged)	0	(3 371)	0	2 913
Total derivatives not eligible for hedge accounting	0	0	0	0
Total impact (pre-tax)	**18 958**	**(3 371)**	**(19 650)**	**2 913**
Sensitivity of equity to interest rate changes	*+100 bp*	***3,4%***	*-100 bp*	***-3,5%***
Sensitivity of consolidated net income to interest rate changes	*+100 bp*	***-10,1%***	*-100 bp*	***10,1%***

The Group does not have any significant interest-bearing assets.

Currency risk

The Group operates mainly in eurozone countries. For the year ended December 31, 2014, countries outside the eurozone – mainly Brazil, Switzerland and the UK, where it operates through its Kennedy Hygiene Products subsidiary – accounted for 12.5% of consolidated revenue (6.4% for Brazil, 5.5% for Switzerland and 0.5% for the UK).

When the Group prepares its consolidated financial statements, it must translate the accounts of its non-eurozone subsidiaries into euros at the applicable exchange rates. As a result, the Group is exposed to fluctuations in exchange rates, which have a direct accounting impact on the Group's consolidated financial statements. This creates a risk relating to the conversion into euros of non-eurozone subsidiaries' balance sheets and income statements.

As at December 31, 2014, the Group's sensitivity to fluctuations in exchange rates arose mainly from:

- Fluctuations in the Brazilian real against the euro – a 10% rise or fall of the Brazilian real against the euro relative to the exchange rates seen for the six-month period ended December 31, 2014 would cause equity to vary by €15.0 million and consolidated net income by €0.3 million;
- Fluctuations of the Swiss franc against the euro – a 10% rise or fall of the Swiss franc against the euro relative to the exchange rates seen for the year ended December 31, 2014 would cause equity to vary by €9.4 million and consolidated net income by €0.5 million;
- Fluctuations of the pound sterling against the euro – a 10% rise or fall of the pound sterling against the euro relative to the exchange rates seen for the year ended December 31, 2013 would cause equity to vary by €3.1 million and consolidated net income by €0.1 million.

The Group is also exposed to operational exchange-rate risk through its goods purchases, which are partly denominated in pounds sterling and US dollars. In 2014, goods purchases denominated in foreign currencies totaled $50.5 million and £3.7 million. However, the Group seeks to reduce the impact of exchange-rate movements on its income by using currency hedging in relation with the goods procurement. As at December 31, 2014, the Group had made forward purchases with a 2015 maturity amounting to $40.2 million ($33.8 million one year ago).

Equity risk

As at December 31, 2014, the Group did not own any financial securities other than shares in non-consolidated companies. As a result, the Group believes that it does not have any material exposure to market risk relating to equity or other financial instruments.

8.2 Net financial expense

(In thousands of euros)	2014	2013	2012
Interest expense on borrowings and employee profit-sharing fund	(150,508)	(154,639)	(144,290)
Gross finance costs	**(150,508)**	**(154,639)**	**(144,290)**
Gains (losses) on traded derivatives	(1,129)	(8,225)	(9,093)
Other financial income and expenses	369	161	19
Total finance expense	(760)	(8,064)	(9,074)
Net finance costs	**(151,268)**	**(162,703)**	**(153,365)**
Foreign exchange losses	(283)	(463)	(336)
Foreign exchange gains	259	261	521
Interest expense on provisions and retirement benefits	(1,266)	(1,262)	(1,214)
Other	(992)	(31)	39
Total other financial income and expenses	**(2,283)**	**(1,495)**	**(990)**
Net financial expense	**(153,551)**	**(164,198)**	**(154,355)**

8.3 Gross debt

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently measured at amortized cost. Any difference between the income (net of transaction costs) and the repayment value is recognized in income over the term of borrowings using the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer payment of the liability by at least 12 months after the reporting date, in which case the borrowings are classified as non-current liabilities.

The Group derecognizes a financial liability when the liability is extinguished. If a liability is exchanged with a creditor under materially different terms and conditions, a new liability is recognized.

As at December 31, 2014, consolidated debt comprised the main following:

- Private PIK Notes and PIK Proceeds Loan

Legendre Holding 27, which directly owns more than 90% of the Elis' equity, issued Private PIK Notes on June 14, 2013 with a principal amount of €173.0 million, bearing interest at a floating interest rate equal to 12-month Euribor (with a floor of 1.0% per year) plus 10.25% per year, maturing in June 2019.
The Private PIK Notes were subscribed by funds managed by Goldman Sachs International. Interest on the Private PIK Notes is payable annually through the allotment of additional

Private PIK Notes. Proceeds from the Private PIK Notes have been reconveyed by Legendre Holding 27 to Elis through a loan that reproduces the financial terms of the Private PIK Notes (the "PIK Proceeds Loan").

- Senior Subordinated Notes

Elis issued Senior Subordinated Notes on June 14, 2013 in a principal amount of €380 million, bearing interest at a floating interest rate equal to 3-month Euribor (with a floor of 1.00% per year) plus 7.0% per year, maturing in December 2018. Interest on the Senior Subordinated Notes is payable quarterly. The Senior Subordinated Notes were subscribed by funds managed by Goldman Sachs International.

- Senior Secured Notes

On June 14, 2013, Novalis, a wholly-owned subsidiary of the Company, issued bonds with a principal amount of €450 million and paying interest at an annual rate of 6%, maturing in June 2018 (the "High Yield Bonds"). Interest is payable every six months. The Group used the proceeds from the High Yield Bonds to redeem part of the debt it took out in October 2007. The High Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange (organized multilateral trading facility within the meaning of European Parliament and Council Directive 2004/39/EC of April 21, 2004 as amended).

- Senior Credit Facilities Agreement

On October 4, 2007, the Elis, Novalis and M.A.J. entered into a Senior Credit Facilities Agreement with BNP Paribas (as Mandated Lead Arranger, Facility Agent, Security Agent and Original Senior Lender). The Senior Credit Facilities Agreement was amended on June 14, 2013. The margin on the Senior Credit Facilities Agreement is currently 425 base points.

As at December 31, 2014, the Group had an undrawn credit line of €43 million.

Maturity of financial liabilities

(in thousand of euros)	Dec. 31, 2014	2,015	2,016	2017-2019	2,020 and beyond
Legendre Holding 27 (PIK Loan) 12-month EURIBOR (*)+10.35%	**205,136**			205,136	
Senior subordinated notes 3-month EURIBOR (*)+7%	**381,436**	1,436		380,000	
Senior secured bonds 6%	**451,125**	1,125		450,000	
Other structured financing EURIBOR +4.25%	**1,025,567**	128,224		897,343	
Unamortized loan costs	**(38,090)**	(11,617)	(12,734)	(13,739)	
Loan from employee profit-sharing fund	**31,692**	3,818	8,442	19,432	
Finance leases	**5,752**	579	295	566	4,312
Other	**8,627**	2,949	1,971	3,375	333
Overdrafts	**732**	732			
Borrowings	**2,071,976**	**127,245**	**(2,026)**	**1,942,112**	**4,645**
(* floor at 1%)					

8.4 Cash and cash equivalents

"Cash and cash equivalents" includes cash, on-demand bank deposits, other very short-term investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are recognized in the statement of financial position as part of borrowings under current liabilities.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Demand deposits	24,760	25,223	34,472
Term deposits and marketable securities	34,495	24,231	20,680
Cash and cash equivalents	**59,255**	**49,454**	**55,152**
Cash classified as assets held for sale	0	0	465
Bank overdrafts	(732)	(856)	(939)
Cash and cash equivalents, net	**58,523**	**48,598**	**54,678**

In Brazil, where exchange control restrictions may exist, cash and cash equivalents amounted to €4,320 thousand as at December 31, 2014, compared to €1,255 thousand as at December 31, 2013.

8.5 Net debt

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Bonds subscribed by Eurazeo/ECIP Elis	0	0	381,010
Legendre Holding 27 (PIK Loan)	192,854	173,000	0
Other bond debt	830,000	830,000	620,509
Bond debt	1,022,854	1,003,000	1,001,519
Structured facilities	1,012,903	994,850	1,343,712
Finance lease liabilities	5,752	6,335	5,946
Other loans and overdrafts	9,348	10,930	10,260
Loan from employee profit-sharing fund	31,692	33,626	44,529
Loans	1,059,694	1,045,742	1,404,447
Accrued interest	27,517	26,053	28,090
Unamortized loan costs	(38,090)	(48,047)	(9,635)
Borrowings	**2,071,976**	**2,026,748**	**2,424,421**
Of which maturing in less than one year	124,684	118,013	117,134
Of which maturing in more than one year	1,947,291	1,908,735	2,307,287
Cash and cash equivalents (assets)	**59,255**	**49,454**	**55,617**
Net debt	**2,012,721**	**1,977,294**	**2,368,805**
Loans and borrowings by currency			
EUR	2,066,891	2,020,404	2,418,335
GBP			
CHF	3,055	6,344	6,086
CZK			
BRL	2,030	0	0
Other			

8.6 Financial assets and liabilities

Initial recognition of financial assets and liabilities

Financial instruments are initially recognized in the statement of financial position at the fair value of consideration paid (for assets) or received (for liabilities). Fair value is determined on the basis of the price agreed upon for the transaction or market prices for comparable transactions. In the absence of a market price, fair value is calculated on the basis of the discounted cash flows from the transaction, or by using a model. Discounting is unnecessary if its impact is not material. Similarly, short-term receivables and liabilities arising in the normal operating cycle are not discounted.

Incremental costs that are directly attributable to transactions (costs, commissions, professional fees, taxes, etc.) are added to the amount initially recognized for assets and deducted from liabilities.

Fair value and carrying amount of financial assets and liabilities

The key measurement methods used are as follows:

- items recognized at fair value through income are measured based on market prices for listed instruments (level 1 of fair value – quoted prices in active markets);
- non-current derivatives are measured using a valuation technique based on market rates (e.g., Euribor) (level 2 of fair value – derived from observable market data);
- loans and borrowings are recognized at amortized cost, calculated using the Effective Interest Rate (EIR) method. The fair values shown for fixed-rate debt include the effects of interest rate movements, while those for total debt include changes in Group credit risk;
- given their very short maturities, the fair value of trade payables and receivables approximates the same as their carrying amount.

	Dec. 31, 2014		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Debt at amortized cost	Derivative financial instruments
Available-for-sale financial assets (non-current)	168	168		168			
Other non-current assets	6,890	6,890			6,890		0
Trade and other receivables	327,863	327,863			327,863		
Other current assets	13,461	13,461			10,627		2,834
Cash and cash equivalents	59,255	59,255	59,255				
Financial assets	**407,637**	**407,637**	**59,255**	**168**	**345,380**	**0**	**2,834**
Loans and borrowings	1,947,291	1,992,484				1,947,291	
Other non-current liabilities	34,552	34,552			9,129		25,423
Trade and other payables	139,630	139,630			139,630		
Other liabilities	237,028	237,028			237,028		0
Bank overdrafts and portions of loans due in less than one year	124,684	136,301				124,684	
Financial liabilities	**2,483,185**	**2,539,995**	**0**	**0**	**385,787**	**2,071,976**	**25,423**

	Dec. 31, 2013		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Debt at amortized cost	Derivative financial instruments
Available-for-sale financial assets (non-current)	137	137		137			
Other non-current assets	7,971	7,971			7,971		0
Trade and other receivables	297,092	297,092			297,092		
Other current assets	3,450	3,450			3,450		0
Cash and cash equivalents	49,454	49,454	49,454				
Financial assets	**358,105**	**358,105**	**49,454**	**137**	**308,514**	**0**	**0**
Loans and borrowings	1,908,735	1,946,390				1,908,735	
Other non-current liabilities	21,293	21,293			3,600		17,693
Trade and other payables	118,334	118,334			118,334		
Other liabilities	224,756	224,756			223,631		1,125
Bank overdrafts and portions of loans due in less than one year	118,013	128,405				118,013	
Financial liabilities	**2,391,131**	**2,439,177**	**0**	**0**	**345,565**	**2,026,748**	**18,818**

	Dec. 31, 2012		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Debt at amortized cost	Derivative financial instruments
Available-for-sale financial assets (non-current)	152	152		152			
Other non-current assets	2,956	2,956			2,956		0
Trade and other receivables	274,616	274,616			274,616		
Other current assets	4,458	4,458			4,458		0
Cash and cash equivalents	55,152	55,152	55,152				
Financial assets	**337,333**	**337,333**	**55,152**	**152**	**282,030**	**0**	**0**
Loans and borrowings	2,307,287	2,311,962				2,307,287	
Other non-current liabilities	40,011	40,011			2,271		37,740
Trade and other payables	98,421	98,421			98,421		
Other liabilities	209,731	209,731			209,225		506
Bank overdrafts and portions of loans due in less than one year	117,134	122,094				117,134	
Financial liabilities	**2,772,584**	**2,782,219**	**0**	**0**	**309,917**	**2,424,421**	**38,246**

8.7 Other non-current assets and liabilities

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not listed on an active market. They are included in current assets, apart from those with maturity dates greater than 12 months after the closing date. These are classified as non-current assets.

(in thousands of euros)	Note	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Non-current asset derivatives	8.8	0	0	0
Loans and receivables		6,890	7,971	2,956
Other non-current assets		**6,890**	**7,971**	**2,956**
Non-current liability derivatives	8.8	25,423	17,693	37,740
Deferred consideration payable on acquisitions		7,991	3,600	2,271
Other non-current liabilities		1,138	0	0
Other non-current liabilities		**34,552**	**21,293**	**40,011**

8.8 Derivative financial instruments and hedges

Whether used for hedging purposes or not, derivative financial instruments are initially measured at fair value at inception and are subsequently remeasured at their fair value.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as:

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of the fair value of recognized assets or liabilities (fair value hedge);
- derivative instruments that do not meet hedge accounting criteria.

The impact of changes in fair value of derivative instruments in a fair value hedging relationship and derivative instruments not eligible for hedge accounting during the year is recorded in the income statement. However, the effective portion of changes in the fair value of derivative instruments in a cash flow hedging relationship is recognized in equity, with the ineffective portion being recognized in the income statement.

At the inception of the transaction, the Group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and hedging policy. At the inception of the hedge and on an ongoing basis, the Group also documents the effectiveness of derivatives in offsetting changes in fair value or cash flows of hedged items.

The fair value of a derivative hedging instrument is classified as a non-current asset or liability when the residual term of the hedged item is greater than 12 months, and as a current asset or liability when the residual term of the hedged item is less than 12 months. Derivative instruments held for trading are classified as current assets or liabilities.

<u>Derivatives used in cash flow hedges</u>

The effective portion of changes in the fair value of qualifying derivatives that are designated as cash flow hedges is recognized directly in equity. The gain or loss related to the ineffective portion is immediately recognized in the income statement. The cumulative gain or loss reported in equity is reclassified to the income statement when the hedged item affects net income.

When a hedging instrument expires or is sold, or when a hedge no longer meets hedge accounting criteria, any cumulative gain or loss in equity at that time remains in equity, and is reclassified to the income statement when the forecast transaction is recognized in income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately reclassified to the income statement.

Derivatives that do not qualify for hedge accounting

Changes in fair value during the year are recognized immediately in the income statement.

Interest rate derivatives

Interest rate derivatives are classified as other non-current assets and liabilities (see note 8.7 Other non-current assets and liabilities).

The Group uses interest rate swaps to convert part of its floating-rate debt into fixed-rate debt.

Interest rate derivatives are measured on the basis of market data at the reporting date (interest rate curve from which the zero coupon curve is deducted). Their fair value –level 2– is calculated using the discounted cash flow model.

The table below details the impact of interest rate derivatives on the consolidated financial statements of Elis:

(in thousands of euros)	Principal	**Fair values as at Dec 31, 2014**	Changes in fair value during the reporting period	Impact on net financial expense (*)	Impact on equity
Interest rate swaps maturing in 2017 1.418%	735,000	(25,423)	(7,730)	(1,110)	(6,620)
Total non-current derivatives - liabilities		**(25,423)**			
Total interest-rate derivatives eligible for hedge accounting		**(25,423)**	**(7,730)**	**(1,110)**	**(6,620)**

(*) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.

(In thousands of euros)	Principal	Fair values as at December 31, 2013	Changes in fair value during the year	Impact on net financial expense (*)	Impact on equity
Interest rate cap 3% maturing in 2013	400,000	0			
Total non-current asset derivatives		**0**			
Interest rate swaps maturing in 2017 1.418% (**)	735,000	**(17,693)**	3,661	1,005	2,656
Interest rate swaps maturing in 2014 2.738% (***)	365,000	**0**	7,124	(9,262)	16,386
Total non-current liability derivatives		**(17,693)**			
Total interest-rate derivatives eligible for hedge accounting		**(17,693)**	**10,785**	**(8,257)**	**19,042**

(*) Ineffective portion / impact of restructuring instruments eligible for hedge accounting and change in fair value of other derivatives.
(**) 1.85% before 4 April 2013
(***) terminated on 9 October 2013 against a cash payment

(In thousands of euros)	Principal	Fair values as at December 31, 2012	Changes in fair value during reporting period	Impact on net financial expense (*)	Impact on equity
Interest rate cap 3% maturing in 2013	400,000	0	(46)	(46)	
Total non-current asset derivatives		**0**			
Interest rate swaps maturing in 2012 4.319%	750,000	**0**	17,606	0	17,606
Interest rate swaps maturing in 2014 1.85%	735,000	**(21,354)**	(1,970)	(9,230)	7,260
Interest rate swaps maturing in 2014 2.738%	365,000	**(16,386)**	(4,311)	-	(4,311)
Total non-current liability derivatives		**0**			
Total interest-rate derivatives eligible for hedge accounting		**0**	**11,279**	**(9,276)**	**20,555**

(*) Ineffective portion / impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.

Currency derivatives

Currency rate derivatives are classified as other current assets and liabilities (see note 4.7 Other current assets and liabilities).

(in thousands of euros)	Nominal (in foreign currencies)	Fair values as at Dec 31, 2014	Changes in fair value during the reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR	40,200	2,834	3,959	(19)	3,978
Total current derivatives - asset		**2,834**			
Currency forward USD/EUR					
Total current derivatives - liabilities		**0**			
Total currency derivatives		**2,834**	**3,959**	**(19)**	**3,978**

(In thousands of euros)	Nominal (in foreign currencies)	Fair values as at December 31, 2013	Changes in fair value during the year	Impact on net financial expense	Impact on equity
Currency forward USD/EUR		**0**	0	0	0
Currency forward GBP/EUR		**0**	0	0	0
Total current asset derivatives		**0**			
Currency forward USD/EUR	33,750	**(1,125)**	(379)	20	(399)
Currency forward GBP/EUR		**0**	43	12	31
Total current liability derivatives		**(1,125)**			
Reclassification as liabilities directly associated with assets held for sale		**0**			
Total other derivatives		**(1,125)**	**(336)**	**32**	**(368)**

(In thousands of euros)	Fair values as at December 31, 2012	Changes in fair value during reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR	**0**	(2,078)	306	(2,384)
Currency forward GBP/EUR	**0**	(213)	(101)	(112)
Total current asset derivatives	**0**			
Currency forward USD/EUR	**(746)**	(746)	(17)	(729)
Currency forward GBP/EUR	**(43)**	(43)	(12)	(31)
Currency forward EUR/CHF	**0**	7	8	(0)
Total current liability derivatives	**(789)**			
Reclassification as liabilities directly associated with assets held for sale	**789**			
Total other derivatives	**0**	**(3,073)**	**183**	**(3,256)**

8.9 Off-balance sheet commitments relating to Group financing and other commitments

(In thousands of euros)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Commitments given			
Assignment and pledge of receivables as collateral (*)	542,529	629,702	577,244
Pledges, mortgages and sureties	208	839	207
Pledges, endorsements and guarantees given	9,014	3,827	3,217
Other commitments given			
Commitments received			
Pledges, mortages and sureties			
Pledges, endorsements and guarantees received	12,745	9,927	8,098
Other commitments received			

(*) Receivables assigned and pledged for collateral purposes include receivables due between consolidated companies.

Information on commitments given

The following commitments were given to a pool of lenders to guarantee the financing facilities subscribed by Elis in 2007 for the acquisition of Novalis shares and amended on June 14, 2013:

Companies	Pledged items		Other commitments (see below)
	Shares	Bank accounts	
Legendre Holding 27	Yes		(1)
Elis	Yes	Yes	(2)
Novalis	Yes	Yes	(3)
M.A.J.	Yes	Yes	(3)/(4)/(5)/(6)/(7)
S.P.C.I.	Yes		(8)
Pierrette T.B.A.	Yes		
Grenelle Service	Yes		
Les Lavandières	Yes		
R.L.S.T.	Yes		
Hades	Yes		
Lavotel	Yes		
Hedena	Yes		
Kennedy Hygiene Products	Yes		
Atmosfera Gestao e Higienização de Têxteis	Yes	Yes	

(1) Legendre Holding 27 has pledged receivables due from Elis for the loan it granted to Elis;
(2) Elis has pledged receivables due from the sellers of Novalis shares and receivables due from the suppliers of reports prepared for the sale of Novalis shares;
(3) Novalis and M.A.J. have each signed an agreement to assign business receivables (“Dailly” receivables) relating to current account loans and advances to Elis Group companies;
(4) M.A.J. has pledged the Elis brand;
(5) M.A.J. has signed an agreement to assign the business receivables (“Dailly” receivables) it holds in respect of its customers;
(6) M.A.J. has made a delegation of payment of any compensation to be received from the seller of Lavotel and Hedena shares under the vendor warranty;
(7) M.A.J. has pledged receivables due from cash pool members in its capacity as cash pool manager;
(8) S.P.C.I. has pledged receivables due from the purchaser of Molinel shares under a vendor loan.

Note 9 – Income tax expense

Current income tax

Income tax assets or liabilities due for the year or for previous years are measured at the amount expected to be collected or paid to the tax authorities. The tax rates and rules applied to calculate these amounts are the tax rates and rules enacted or substantively enacted at the end of the reporting period. Current tax on items directly recognized outside income or loss is recognized outside income or loss.

Deferred tax

Deferred taxes are recognized using the liability method for all temporary differences existing at the end of the reporting period between the tax base of assets and liabilities and their carrying amount on the statement of financial position.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- when the deferred tax liability is the result of the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination and which at the time of occurrence, neither affects the accounting income nor the taxable income or loss; and
- for taxable temporary differences related to investments in subsidiaries or associates, when the date on which the temporary difference will be reversed can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and unused tax credits, to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are measured at the end of each reporting period and are recognized insofar as it is probable that a future taxable income will be available against which they can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year in which the asset is realized or the liability settled, based on the tax rates (and tax rules) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax on items directly recognized outside income or loss is recognized outside income or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and the deferred taxes relate to the same taxable entity and the same tax authority.

(in thousands of euros)	2014	2013	2012
Consolidated net income (loss)	(21,824)	(44,081)	(46,416)
Equity-accounted companies	0	(68)	(197)
Current taxes	24,107	14,476	19,403
Deferred taxes	(11,057)	(15,647)	2,165
Pre-tax incom	(8,774)	(45,320)	(25,046)
Theoretical tax rate	34.43%	34.43%	34.43%
Theoretical tax expense	**(3,021)**	**(15,604)**	**(8,623)**
Actual tax expense	**13,050**	**(1,171)**	**21,567**
Effect of tax not not based on net income*	9,730	10,536	10,976
Difference	**(6,340)**	**(3,896)**	**(19,215)**
Breakdown of difference	0	0	0
Tax rate differences and transactions taxed at reduced rates	1,364	797	333
Non-taxable (deductible) items	0	(199)	(7)
Permanent differences	(12,630)	(8,681)	(9,819)
Unrecognized tax loss carriyforwards	(4,086)	(2,517)	(2,253)
Utilization of previously unrecognized tax losses	96	906	826
Goodwill impairment	0	(1,377)	(12,940)
Other	8,916	7,174	4,646

(*) CVAE in France, IRAP in Italy

The following table shows the sources of deferred tax assets and liabilities:

(in thousands of euros)	Dec. 31, 2013 net	Changes in consolidation scope	reclassification as current	Income	Recognized directly in equity	Dec. 31, 2014 net
Intangible assets	(130,109)	54	0	13,005	(45)	(117,094)
Property, plant and equipment	(103,120)	(2,317)	(8,641)	7,276	16	(106,786)
Other assets	1,239	(912)	0	415	0	742
Derivative instruments - assets	0	0	0	0	(976)	(976)
Provisions	5,239	5,569	0	(1,272)	0	9,536
Retirement benefit liabilities	11,262	0	0	(276)	1,106	12,092
Interest-bearing loans and borrowings	(16,606)	0	0	3,492	0	(13,114)
Derivative instruments - liabilities	6,683	0	0	390	1,885	8,957
Other current liabilities	5,543	0	0	138	0	5,680
Other	8	(47)	0	(0)	0	(39)
Unused tax losses and credits/Consolidated recognized tax losses	25,823	2,642	0	(12,111)	0	16,354
NET DEFERRED TAX ASSETS (LIABILITIES)	**(194,038)**	**4,989**	**(8,641)**	**11,057**	**1,986**	**(184,647)**
Deferred tax assets	8,672					12,376
Deferred tax liabilities	(202,711)					(197,022)

(in thousands of euros)	Dec. 31, 2012 net	Changes in consolidation scope	IFRS5 reclassifications	Income	Recognized directly in equity	Dec. 31, 2013 net
Intangible assets	(149,434)	(1,990)	0	21,280	35	(130,109)
Property, plant and equipment	(108,347)	(3,450)	8,641	(9)	45	(103,120)
Other assets	1,015	0	0	224	0	1,239
Derivative instruments - assets	438	0	0	(438)	0	0
Provisions	5,675	(108)	0	(328)	0	5,239
Retirement benefit liabilities	8,977	2,954	0	209	(878)	11,262
Interest-bearing loans and borrowings	(3,262)	0	0	(13,344)	0	(16,606)
Derivative instruments - liabilities	13,071	203	0	(163)	(6,428)	6,683
Other current liabilities	3,261	0	0	2,282	0	5,543
Other	7	0	0	1	0	8
Unused tax losses and credits/Consolidated recognized tax losses	19,890	0	0	5,933	0	25,823
NET DEFERRED TAX ASSETS (LIABILITIES)	**(208,709)**	**(2,391)**	**8,641**	**15,647**	**(7,226)**	**(194,038)**
Deferred tax assets	9,897					8,672
Deferred tax liabilities	(218,606)					(202,711)

Deferred tax assets are recognized for tax loss carryforwards when it is probable that they can be utilized against future taxable profit.

The Group has tax losses of €39.7 million (base) for which no deferred tax assets have been recognized. The majority of the tax losses, which are almost all related to foreign subsidiaries, expire after a period of one to 18 years.

Note 10 - Stockholders' equity and earnings per share

10.1 Share capital and reserves

Changes in share capital

Number of shares as at December 31, 2012	**214,663,565**
Number of shares as at December 31, 2013	**922,354,554**
Number of shares as at December 31, 2014	**49,761,041**
Number of authorized shares	49,761,041
Number of shares issued and fully paid up	49,761,041
Number of shares issued and not fully paid up	-
Par value of shares	10.00
Treasury shares	0
Shares reserved for issue under options and sales agreements	-

During fiscal year 2013:

- At the shareholders' meeting of December 6, 2013, shareholders approved the €107.3 million reduction in capital, by reducing the par value of shares from €1 to €0.50. The corresponding amount was recorded in the "additional paid-in capital" account;
- At the shareholders' meeting of December 17, 2013, shareholders decided to increase capital by €417.6 million by capitalizing the bonds previously held by Eurazeo and ECIP ELIS;
- As a result of various contributions by Eurazeo and ECIP ELIS to Legendre Holding 27, Legendre Holding 27 (subsidiary of Eurazeo) holds since then more than 90% stake in Elis.

During fiscal year 2014:

- At the shareholders' meeting of January 31, 2014, shareholders approved the €36.4 million capital increase and recognition of €6.6 million in "additional paid-in capital";
- At the shareholders' meeting of October 8, 2014, shareholders approved the de-crease in the number of ordinary shares (one new share for twenty old shares) as a result of a reverse share split.

Equity warrant plan for executive management

At the time of the acquisition of the Elis Group by Eurazeo, certain senior executives were authorized to subscribe to equity warrants issued by Elis via Quasarelis, a special purpose entity created to manage the investments of the senior executives. Eurazeo agreed to share with these senior executives the risks and rewards relating to the investment. The equity warrants were subscribed at fair value for an aggregate €3.2 million and were measured using standard models adapted for the purpose. The characteristics of the equity warrants issued by Elis on October 4, 2007 (as amended by decisions of the shareholders on December 17, 2013, on July 31, 2014 and October 8, 2014 with no change in fair value) are as follows:

<table>
<tr><th rowspan="3">Number of warrants</th><th colspan="2">Issuance price</th><th colspan="3">Exercise conditions</th><th colspan="2">Maximum increase in share capital</th></tr>
<tr><th>Unit</th><th>Total</th><th>Dates</th><th>Exercise price</th><th>Par value</th><th rowspan="2">No. of shares</th><th rowspan="2">Total value in thousands of euros</th></tr>
<tr><th>EUR</th><th>In thousands of euros</th><th></th><th>EUR</th><th>EUR</th></tr>
<tr><td>16 000 000</td><td>0.20</td><td>3,200</td><td>In the event of disposal or IPO of Elis</td><td>10.00 per share</td><td>10.00</td><td>8,000,000</td><td>80,000</td></tr>
</table>

The investment only potentially generates a gain once a certain level of profitability has been reached. Eurazeo's commitment is confined to passing on the gain realized on the shares (beyond a minimum rate of return defined at inception) in the event of a disposal or stock market listing. Further, Eurazeo's undertaking towards the senior executives is only applicable in the event that the company's shares are sold or floated, i.e., decisions which are at the discretion of Eurazeo.

The equity warrants are accounted for as part of the equity on the line « Additional paid-in capital ». The warrants were exercised pre-IPO, on February 2015, 10.

10.2 Dividends paid and proposed

No dividends have been paid to Elis' shareholders during the previous three years. No dividends will be proposed for approval by shareholders at their annual general meeting. An amount of €40 million to be paid will be proposed to the Annual General Meeting.

10.3 Earnings per share

As disclosed in note 10.1 Share capital and reserves, some changes in the number of ordinary shares occurred during the reporting period. As a result, the calculation of earnings per share (basic and diluted) for the relevant period is based on the new number of shares. Earnings per share for the prior periods have been adjusted retrospectively.

Basic

Basic earnings per share (EPS) is calculated by dividing net income or loss attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

(in thousands of euros)	2014	2013	2012
Net income or loss attributable to owners of the parent	**-22,667**	**-44,334**	**-46,449**
Weighted average number of shares	49,451,609	12,187,338	10,733,178

Diluted

Diluted earnings per share (EPS) is calculated by dividing net income or loss for the period profit or loss attributable to ordinary equity holders owners of the parent entity (adjusted for dividends, interest recognized during the period and any other change in income or expense resulting from the conversion of potentially dilutive ordinary shares interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share does not assume the conversion, exercise or other issue of potential ordinary shares that would have an accretive antidilutive effect impact on earnings per share (for example i.e., when the conversion to ordinary shares would that does not increase earnings or the loss per share).

Note 11 – Related party disclosures

Ultimate parent company

Eurazeo SA is the ultimate controlling entity of Elis SA.

Transactions with other related parties

The following table shows the total amount of transactions entered into with the other related parties during the period, and the amounts in the statement of financial position as at December 31, 2014:

(In thousands of euros)	Income	Expense	Receivables with related parties	Payables with related parties
Entity with significant influence over the Group				
Legendre Holding 27 (parent company)		(21,173)		205,136
Eurazeo (ultimate parent)		(71)		84

Equity-accounted companies

Guston Molinel, the equity-accounted company, was classified within assets held for sale as at December 31, 2012 (see notes 2.4 Changes in the scope of consolidation and 2.5 Non-current assets (or groups of assets) held for sale). The Group's share of the net income of associates and joint ventures is as follows:

(in thousands of euros)	2014	2013	2012
Share of net income and expenses of associates and joint-ventures:			
Revenue	0	639	2,916
Net income	0	68	197

Subsidiaries and consolidated companies

The consolidated financial statements include the financial statements of Elis and the following subsidiaries:

Name of company	Registered office	Country	Principal Activity	% interest 2014	% interest 2013	% interests 2012
Elis	Puteaux	France	Parent Company	100	100	100
M.A.J.	Pantin	France	Textile & hygiene services	100	100	100
Les Lavandières	Avrillé	France	Textile & hygiene services	100	100	100
Régionale de Location et Services Textiles	Marcq en Baroeul	France	Textile & hygiene services	100	100	100
Pierrette - T.B.A.	Malzeville	France	Textile & hygiene services	100	100	100
Le Jacquard Français	Gerardmer	France	Manufacturing entity	100	100	100
Elis Services	Puteaux	France	Other activity	100	100	100
Thimeau	Meaux	France	Textile & hygiene services	100	100	100
Grenelle Service	Gennevilliers	France	Textile & hygiene services	100	100	100
Cassiopée	Puteaux	France	Other activity	-	-	Merger
Société de Nettroyage et de Désinfection d'Ivry	Vitry sur Seine	France	Textile & hygiene services	-	-	Merger
Maison de Blanc Berrogain	Anglet	France	Textile & hygiene services	100	100	100
S.O.C.	Puteaux	France	Other activity	100	100	100
Pro Services Environnement	Rochetoirin	France	Textile & hygiene services	100	-	100
Blanchisserie Poulard	Nanterre	France	Textile & hygiene services	Merger	100	100
Poulard 1836	Nanterre	France	Dormant	100	100	100
AD3	Dardilly	France	Textile & hygiene services	100	100	100
Novalis	Puteaux	France	Other activity	100	100	100
S.C.I. Château de Janville	Puteaux	France	Other activity	100	100	100
Lovetra	St Ouen l'Aumône	France	Textile & hygiene services	100	100	100
G.I.E. Eurocall Partners	Villeurbanne	France	Other activity	100	100	100
Blanchisserie Moderne	Montlouis sur Loire	France	Textile & hygiene services	96	96	96
S.C.I. La Forge	Bondoufle	France	Other activity	100	100	100
Société de Participations Commerciales et Industrielles	St Ouen l'Aumône	France	Other activity	100	100	100
S.C.I. 2 Sapins	Grenoble	France	Other activity	100	100	100
SHF Holding	Puteaux	France	Other activity	100	100	100
SHF	Puteaux	France	Textile & hygiene services	100	100	100
Pole Services	Puteaux	France	Textile & hygiene services	Merger	100	100
Sud-Ouest Hygiène Services	Puteaux	France	Textile & hygiene services	100	100	100
Collectivités Service	Puteaux	France	Textile & hygiene services	Merger	100	-
Districlean Service	Puteaux	France	Textile & hygiene services	100	100	-
France Tapis Hygiène Service	Marcq en Baroeul	France	Textile & hygiene services	100	100	-
Molinel	Frelinghien	France	Manufacturing entity	-	Deconsolidation	100
Guston Molinel	Frelinghien	France	Manufacturing entity	-	Deconsolidation	50
Cleantex Potsdam Textilpfelge GmbH	Potsdam	Germany	Textile & hygiene services	100	100	-
Elis Holding GmbH	Rehburg-Loccum	Germany	Other activity	100	100	100
Elis Textil-Service GmbH	Mörlenbach	Germany	Textile & hygiene services	100	100	100
RWV Textilservice Beteiligungs GmbH	Rehburg-Loccum	Germany	Other activity	100	100	100
Schäfer Wäsche-Vollservice GmbH	Ibbenbüren	Germany	Textile & hygiene services	100	100	100
Rolf und Horst Schäfer GmbH & Co. KG	Ibbenbüren	Germany	Other activity	100	100	100
Wolfsperger Textilservice GmbH & Co. KG	Freiburg im Breisgau	Germany	Textile & hygiene services	100	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Germany	Other activity	100	100	100
Auxiliar Hotelera Arly	Andorre	Andorra	Textile & hygiene services	100	100	100
Arly les Valls (in liquidation)	Andorre	Andorra	Dormant	100	100	100
Hades	Anderlecht	Belgium	Textile & hygiene services	100	100	100
Leudeville Holdings SA	Jundiai	Brazil	Other activity	Merger	-	-
Atmo Holding SA	Jundiai	Brazil	Other activity	Merger	-	-
Atmosfera Gestao e Higienização de Têxteis Ltda	Jundiai	Brazil	Textile & hygiene services	100	-	-
Elis Brazil, Serviços e Higienização de Têxteis Ltda	Jundiai	Brazil	Textile & hygiene services	Merger	100	100
SC Lavanderia	Sete Lagoas	Brazil	Textile & hygiene services	100	-	0
L'Acqua Lavanderias	Ponta Grossa	Brazil	Textile & hygiene services	100	-	0
Azelab Productos	Parets del Vallès (Barcelona)	Spain	Textile & hygiene services	100	100	100
Elis Textilrenting SL	Parets del Vallès (Barcelona)	Spain	Textile & hygiene services	-	Merger	100
Elis Servicios Hoteleros SL	Parets del Vallès (Barcelona)	Spain	Textile & hygiene services	-	Merger	100
Elis Manomatic	Parets del Vallès (Barcelona)	Spain	Textile & hygiene services	100	100	100
Explotadora de Lavanderias	Consell (Mallorca)	Spain	Textile & hygiene services	100	100	-
AF System	Rondissone	Italy	Textile & hygiene services	-	Merger	100
Elis Italia S.p.A.	San Giuliano Milanese	Italy	Textile & hygiene services	100	100	100
Elis Luxembourg	Bascharage	Luxembourg	Textile & hygiene services	100	100	100
Gafides	Samora Correira	Portugal	Other activity	100	100	100
SPAST	Samora Correira	Portugal	Textile & hygiene services	100	100	100
Spast II LDA	Samora Correira	Portugal	Textile & hygiene services	100	100	100
SNDI S.R.O.	Slavkov ù Brna	Czech Republic	Textile & hygiene services	100	100	100
Kennedy Hygiene Products LTD	Uckfield	United Kingdom	Manufacturing entity	100	100	100
Kennedy Exports LTD	Uckfield	United Kingdom	Other activity	100	100	100
Blanchâtel S.A.	La Chaux-de-Fonds	Switzerland	Textile & hygiene services	100	100	100
Blanchival S.A.	Sion	Switzerland	Textile & hygiene services	100	100	100
Blanchisserie des Epinettes S.A.	Plan-les-Ouates	Switzerland	Textile & hygiene services	100	100	100
Blanchisserie des Epinettes, Acacias S.A.	Nyon	Switzerland	Other activity	100	100	100
Großwäscherei Domeisen AG	Endingen	Switzerland	Textile & hygiene services	75	75	75
Hedena S.A.	Nyon	Switzerland	Other activity	100	100	100
InoTex Bern AG	Bern	Switzerland	Textile & hygiene services	84	84	-
Laventex S.A.	Givisiez	Switzerland	Textile & hygiene services	100	100	100
Lavopital S.A.	Plan-les-Ouates	Switzerland	Dormant	100	100	100
Lavotel S.A.	Nyon	Switzerland	Textile & hygiene services	100	100	100
Lavotel Textilleasing GmbH	Rüdtligen-Alchenflüh	Switzerland	Textile & hygiene services	100	100	100
LL La Lavanderie	Plan-les-Ouates	Switzerland	Dormant	-	-	Liquidation
Picsou Management AG	Muri Bei Bern	Switzerland	Other activity	51	51	-
SiRo Holding AG	Muri Bei Bern	Switzerland	Other activity	51	51	-
SNDI (Suisse) S.A.	Brügg	Switzerland	Textile & hygiene services	100	100	100
Wäscherei Kunz AG	Hochdorf	Switzerland	Textile & hygiene services	100	100	-
Wäscherei Papritz A.G.	Rüdtligen-Alchenflüh	Switzerland	Textile & hygiene services	100	100	100

Note 12 – Subsequent events

No events have occurred since the consolidated financial statements were prepared as at December 31, 2014 that are likely to have a material impact on the financial position of the Elis Group at the end of the reporting period.

The Group announced on February 11, 2015 the success of its Initial Public Offering on the regulated market of Euronext Paris. As part of this transaction, Elis has raised 700 million euros by way of a new share capital increase. In parallel, the Group refinanced its debt, with an effective date as of the settlement-delivery of the shares as described in the note 8.1 Financial risk management.