2015 consolidated financial statements

Elis
French corporation (*société anonyme*) governed by a management board and a supervisory board, with share capital of €1,140,061,670
Registered office: 33, rue Voltaire – 92800 Puteaux – France
Nanterre Trade and Companies Register (R.C.S.) no. 499 668 440

2015 consolidated financial statements

Consolidated income statement

(In thousands of euros)	Notes	2015	2014
Revenue	3.1/4.1	1 415 418	1 330 980
Cost of linen, equipment and other consumables		(240 048)	(222 214)
Processing costs		(518 275)	(470 014)
Distribution costs		(224 819)	(212 921)
Gross margin		432 276	425 831
Selling, general and administrative expenses		(225 346)	(216 748)
Operating income before other income and expense and amortization of customer relationships	3.2	206 930	209 083
Amortization of customer relationships	4.3	(45 584)	(41 271)
Goodwill impairment		(14 575)	0
Other income and expense	4.4	(33 413)	(23 130)
Operating income		113 359	144 681
Net financial expense	8.2	(170 932)	(153 551)
Income (loss) before tax		(57 573)	(8 870)
Income tax benefit (expense)	9	435	(13 018)
Share of net income of equity-accounted companies		0	0
Net income (loss)		(57 138)	(21 888)
Attributable to:			
- owners of the parent		(57 613)	(22 731)
- non-controlling interests		475	843
Earnings (loss) per share (EPS):			
- basic, attributable to owners of the parent	10.3	-0,54 €	-0,46 €
- diluted, attributable to owners of the parent	10.3	-0,54 €	-0,46 €

Consolidated statement of comprehensive income

(In thousands of euros)	Notes	2015	2014
Net income (loss)		(57 138)	(21 888)
Gains (losses) on change in fair value of hedging instruments		(2 972)	(3 752)
Hedging reserve reclassified to income	8.8	6 283	1 110
Total change in hedging reserve	8.8	**3 311**	**(2 642)**
Related tax		(1 140)	910
Translation reserve		**(34 010)**	**3 703**
Other comprehensive income (loss) which may be subsequently reclassified to income		**(31 839)**	**1 971**
Actuarial gains and losses recognized in equity		**(3 823)**	**(4 802)**
Related tax		832	1 106
Other comprehensive income (loss) which may not be subsequently reclassified to income		**(2 990)**	**(3 696)**
Other comprehensive income		**(34 830)**	**(1 725)**
TOTAL COMPREHENSIVE INCOME (LOSS)		(91 968)	(23 613)
Attributable to:			
- owners of the parent		(91 888)	(24 335)
- non-controlling interests		(80)	722

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

Actuarial gains and losses arising on the remeasurement 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, 2015 net	Dec. 31, 2014 net
Goodwill	6.1	1 589 340	1 536 098
Intangible assets	6.2	368 778	404 383
Property, plant and equipment	6.3	774 923	707 086
Equity-accounted companies		0	0
Available-for-sale financial assets		146	168
Other non-current assets	8.7	6 270	6 890
Deferred tax assets		12 118	12 450
TOTAL NON-CURRENT ASSETS		2 751 575	2 667 074
Inventories	4.5	52 547	58 641
Trade and other receivables	4.2	358 341	327 863
Current tax assets		4 099	2 842
Other assets	4.7	12 780	13 461
Cash and cash equivalents	8.4	56 594	59 255
TOTAL CURRENT ASSETS		484 361	462 062
Assets held for sale		0	0
TOTAL ASSETS		**3 235 936**	**3 129 136**

Consolidated statement of financial position – equity and liabilities

(In thousands of euros)	Notes	Dec. 31, 2015	Dec. 31, 2014
Share capital	10.1	1 140 062	497 610
Additional paid-in capital	10.1	320 777	175 853
Other reserves		724	7 224
Retained earnings (accumulated deficit)		(361 142)	(302 305)
Other components of equity		(45 616)	(10 105)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		1 054 804	368 277
NON-CONTROLLING INTERESTS		(338)	(125)
TOTAL EQUITY		1 054 466	368 152
Non-current provisions	7.1	22 918	28 997
Employee benefit liabilities	5.3	58 259	48 337
Non-current borrowings	8.3	1 267 386	1 947 291
Deferred tax liabilities	9	182 131	197 777
Other non-current liabilities	8.7	39 639	34 373
TOTAL NON-CURRENT LIABILITIES		1 570 332	2 256 775
Current provisions	7.1	5 766	4 078
Current tax liabilities		1 848	892
Trade and other payables	4.6	135 059	139 718
Other liabilities	4.7	232 546	234 836
Bank overdrafts and current borrowings	8.3	235 919	124 684
TOTAL CURRENT LIABILITIES		611 138	504 208
Liabilities directly associated with assets held for sale		0	0
TOTAL EQUITY AND LIABILITIES		**3 235 936**	**3 129 136**

Consolidated statement of cash flows

(In thousands of euros)	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED NET INCOME (LOSS)		**(57 138)**	**(21 738)**
Depreciation, amortization and provisions		284 508	251 518
Portion of grants transferred to income		(128)	(125)
Goodwill impairment		14 575	0
Share-based payments		981	0
Discounting adjustment on provisions and retirement benefits	8.2	824	1 266
Net gains and losses on disposal of assets		1 229	(3 737)
Share of net income of equity-accounted companies		0	0
Other		(1 478)	0
Dividends received (from non-consolidated entities)		(12)	(13)
CASH FLOWS AFTER FINANCE COSTS AND TAX		**243 361**	**227 171**
Net finance costs	8.2	101 606	151 268
Income tax expense	9	(435)	13 095
CASH FLOWS BEFORE FINANCE COSTS AND TAX		**344 532**	**391 535**
Income tax paid		(17 280)	(21 414)
Change in inventories		5 980	(11 989)
Change in trade and other receivables		(17 883)	(12 982)
Change in other assets		602	(7 076)
Change in trade and other payables		(14 198)	18 608
Change in other liabilities		(7 159)	5 191
Other changes		(231)	(471)
Employee benefits		(455)	(437)
NET CASH FROM OPERATING ACTIVITIES		**293 908**	**360 965**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets		(6 481)	(4 853)
Proceeds from sale of intangible assets		0	0
Acquisition of property, plant and equipment		(261 475)	(231 558)
Proceeds from sale of property, plant and equipment		8 910	92 541
Acquisition of subsidiaries, net of cash acquired	2.4	(117 253)	(97 262)
Proceeds from disposal of subsidiaries, net of cash transferred		1 000	1 000
Changes in loans and advances		(226)	121
Dividends from equity-accounted companies		12	13
Investment grants		50	0
NET CASH USED IN INVESTING ACTIVITIES		**(375 463)**	**(239 998)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		689 400	43 000
Treasury shares		(2 175)	0
Dividends paid			
- to owners of the parent		(39 881)	0
- to non-controlling interests		(5)	(9)
Change in borrowings (1)		(490 785)	(37 237)
- Proceeds from new borrowings		*3 962 527*	*1 270 786*
- Repayment of borrowings		*(4 453 312)*	*(1 308 023)*
Net interest paid		(76 939)	(117 206)
Other flows related to financing activities		(853)	0
NET CASH USED IN FINANCING ACTIVITIES		**78 762**	**(111 452)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2 793)**	**9 515**
Cash and cash equivalents at beginning of period		58 523	48 598
Effect of changes in foreign exchange rates on cash and cash equivalents		(33)	410
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8.4	**55 697**	**58 523**

(1) Net change in credit lines

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	Tresury share reserve	Actuarial gains and losses	Deferred taxes	Owners of the parent	Non-controlling interests	Total equity
Balance as at December 31, 2013	**461 177**	**169 286**	**7 224**	**(286 408)**	**(10 596)**	**(3 148)**	**6 834**	**0**	**1 399**	**3 857**	**349 626**	**(847)**	**348 779**
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 (2)											0		0
Other movements				6 842			(6 834)			(13)	(5)	0	(5)
Net income (loss) for the period				(22 731)							(22 731)	843	(21 888)
Other comprehensive income					(2 642)	3 722			(4 672)	1 988	(1 604)	-121	(1 725)
Total comprehensive income				(22 731)	(2 642)	3 722	0	0	(4 672)	1 988	(24 335)	722	(23 613)
Balance as at December 31, 2014	**497 610**	**175 853**	**7 224**	**(302 305)**	**(13 238)**	**574**	**0**	**0**	**(3 273)**	**5 832**	**368 277**	**(125)**	**368 152**
Increase in share capital	658 805	181 789									840 594		840 594
Decrease in share capital	-16 354	-3 463		-1 410							-21 227		-21 227
Dividends paid		-33 402	-6 500	21							-39 881		-39 881
Changes in consolidation scope				175	(57)					14	133	-133	0
Other movements				(10)			981	(2 175)			(1 204)	0	(1 204)
Net income (loss) for the period				(57 613)							(57 613)	475	(57 138)
Other comprehensive income					3 311	(33 920)			(3 229)	(436)	(34 275)	-555	(34 830)
Total comprehensive income				(57 613)	3 311	(33 920)	0	0	(3 229)	(436)	(91 888)	(80)	(91 968)
Balance as at December 31, 2015	**1 140 062**	**320 777**	**724**	**(361 142)**	**(9 984)**	**(33 346)**	**981**	**(2 175)**	**(6 502)**	**5 410**	**1 054 804**	**(338)**	**1 054 466**
(1) See note 8.7							(45 616)						

Notes to the consolidated financial statements

The Elis Group is a leader in textile rental and laundering and hygiene services in Continental Europe and Latin America. Elis is a company formed under French law, listed on Euronext Paris and having its registered office at 33 rue Voltaire, 92800 Puteaux, France.

The IFRS consolidated financial statements of the Elis Group for the year ended December 31, 2015 were approved by the Management Board on March 9, 2016 and reviewed by the Audit Committee on March 8, 2016 and by the Supervisory Board on March 9, 2016.

Note 1 – Significant accounting policies

1.1 Basis of preparation

The Elis Group's consolidated financial statements include the financial statements of Elis as well as its subsidiaries. The Elis Group refers to Elis, the parent company of the Elis Group and the companies included in its consolidation scope (see Note 2 - Scope of consolidation

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 the IFRS and IFRIC interpretations as adopted for use in the European Union as at December 31, 2015 and available on the website: http://ec.europa.eu/finance/company-reporting/index_en.htm.

The accounting policies adopted are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2014 except for the following standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2015:

- IFRIC 21 - "Levies";
- Annual Improvements to IFRSs 2011-2013 Cycle;

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 occurs.

The impact of the first-time application of IFRIC 21 is described in Note 1.4 Accounting changes and restatement of prior-year financial information

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

Lastly, the standards and amendments that have been published but not yet adopted by the European Union or whose application date is subsequent to the reporting date of these financial statements are:

- For annual periods beginning on or after February 1, 2015:
  - o Amendment to IAS 19R "Defined Benefit Plans: Employee Contributions";
  - o Annual Improvements to IFRSs 2010-2012 Cycle;
- For annual periods beginning on or after January 1, 2016:
  - o IFRS 14 "Regulatory Deferral Accounts";
  - o Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture";
  - o Amendment to IAS 27 "Equity Method in Separate Financial Statements";

- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization";
- 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 – Applying the Consolidation Exception";

The Group does not expect any material impact of these standards, amendments and improvements on its consolidated financial statements.

- For annual periods beginning on or after January 1, 2018:
  - IFRS 9 "Financial Instruments";
  - IFRS 15 "Revenue from Contracts with Customers";

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 the Elis Group to make estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses and related disclosures. The Elis Group 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. Concerning goodwill, 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 retirement benefits. Any change in the assumptions affects the carrying amount of the employee benefit liabilities.

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

Critical judgments in applying accounting policies

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

Rental-laundering services agreements are not deemed to transfer to the lessee substantially all the risks and rewards incident to ownership of the assets (linen, equipment, etc.) associated with the service agreements. 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 benefit (expense)".

1.4 Accounting changes and restatement of prior-year financial information

The accounting policies adopted are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2014 except for IFRIC Interpretation 21 "Levies" which is required to be applied to annual periods beginning on or after January 1, 2015.

The first-time application of this interpretation on December 31, 2015 led to the restatement of consolidated equity at January 1, 2015 as well as operating income and net income presented for the prior period from January 1 to December 31, 2014 relating to the French corporate social solidarity contribution (*contribution sociale de solidarité des sociétés - C3S*).

The tables below show the impact of the retrospective application of IFRIC 21 compared to the consolidated financial statements for the year ended December 31, 2014 and approved on March 9, 2015.

Moreover, IFRS 3 requires previously published comparative periods to be retrospectively restated in the event of business combinations (recognition of the final 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 L'Acqua in second-half 2014, the amount of goodwill shown differs from that presented in the 2014 consolidated financial statements published for the purposes of the annual financial report by an amount of €3,436 thousand.

(In thousands of euros)	2014 published	IFRIC 21	IFRS 3	2014 restated
Revenue	1 330 980	0		1 330 980
Cost of linen, equipment and other consumables	(222 214)	0		(222 214)
Processing costs	(469 951)	0	(63)	(470 014)
Distribution costs	(212 921)	0		(212 921)
Gross margin	425 894	0	(63)	425 831
Selling, general and administrative expenses	(216 880)	132		(216 748)
Operating income before other income and expense and amortization of customer relationships	209 014	132	(63)	209 083
Amortization of customer relationships	(41 107)	0	(164)	(41 271)
Goodwill impairment	0	0		0
Other income and expense	(23 130)	0		(23 130)
Operating income	144 777	132	(227)	144 681
Net financial expense	(153 551)	0		(153 551)
Income (loss) before tax	(8 774)	132	(227)	(8 870)
Income tax benefit (expense)	(13 050)	(45)	77	(13 018)
Share of net income of equity-accounted companies	0	0		0
Net income (loss)	(21 824)	87	(150)	(21 888)
Attributable to:				
- owners of the parent	(22 667)	87	(150)	(22 731)
- non-controlling interests	843	0	0	843
Earnings (loss) per share (EPS):				
- basic, attributable to owners of the parent	-0,46 €	0,00 €	0,00 €	-0,46 €
- diluted, attributable to owners of the parent	-0,46 €	0,00 €	0,00 €	-0,46 €

(In thousands of euros)	Dec. 31, 2014 published	IFRIC 21	IFRS 3	Dec. 31, 2014 restated
Goodwill	1 539 534	0	(3 436)	1 536 098
Intangible assets	402 645	0	1 738	404 383
Property, plant and equipment	705 683	0	1 403	707 086
Equity-accounted companies	0	0	0	0
Available-for-sale financial assets	168	0	0	168
Other non-current assets	6 890	0	0	6 890
Deferred tax assets	12 376	0	74	12 450
TOTAL NON-CURRENT ASSETS	2 667 295	0	(221)	2 667 074
Inventories	58 641	0	0	58 641
Trade and other receivables	327 863	0	0	327 863
Current tax assets	2 842	0	0	2 842
Other assets	13 461	0	0	13 461
Cash and cash equivalents	59 255	0	0	59 255
TOTAL CURRENT ASSETS	462 062	0	0	462 062
Assets held for sale	0	0	0	0
TOTAL ASSETS	**3 129 357**	**0**	**(221)**	**3 129 136**

(In thousands of euros)	Dec. 31, 2014 published	IFRIC 21	IFRS 3	Dec. 31, 2014 restated
Share capital	497 610		0	497 610
Additional paid-in capital	175 853		0	175 853
Other reserves	7 224		0	7 224
Retained earnings (accumulated deficit)	(303 592)		(150)	(302 305)
Other components of equity	(10 111)		6	(10 105)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	366 985		(144)	368 277
NON-CONTROLLING INTERESTS	(125)		0	(125)
TOTAL EQUITY	366 860		(144)	368 152
Non-current provisions	28 997		0	28 997
Employee benefit liabilities	48 323		14	48 337
Non-current borrowings	1 947 291		0	1 947 291
Deferred tax liabilities	197 022		0	197 777
Other non-current liabilities	34 552		(179)	34 373
TOTAL NON-CURRENT LIABILITIES	2 256 186		(165)	2 256 775
Current provisions	4 078		0	4 078
Current tax liabilities	892		0	892
Trade and other payables	139 630		88	139 718
Other liabilities	237 028		(0)	234 836
Bank overdrafts and current borrowings	124 684		0	124 684
TOTAL CURRENT LIABILITIES	506 312		88	504 208
Liabilities directly associated with assets held for sale	0		0	0
TOTAL EQUITY AND LIABILITIES	**3 129 357**		**(221)**	**3 129 136**

(In thousands of euros)	2014	IFRIC 21	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED NET INCOME (LOSS)	**(21 824)**	**87**	**(21 738)**
Depreciation, amortization and provisions	251 518		251 518
Portion of grants transferred to income	(125)		(125)
Goodwill impairment			
Share-based payments	0		0
Discounting adjustment on provisions and retirement benefits	1 266		1 266
Net gains and losses on disposal of assets	(3 737)		(3 737)
Share of net income of equity-accounted companies	0		0
Other	0		0
Dividends received (from non-consolidated entities)	(13)		(13)
CASH FLOWS AFTER FINANCE COSTS AND TAX	**227 085**	**87**	**227 171**
Net finance costs	151 268		151 268
Income tax expense	13 050	45	13 095
CASH FLOWS BEFORE FINANCE COSTS AND TAX	**391 403**	**132**	**391 535**
Income tax paid	(21 414)		(21 414)
Change in inventories	(11 989)		(11 989)
Change in trade and other receivables	(12 982)		(12 982)
Change in other assets	(7 076)		(7 076)
Change in trade and other payables	18 608		18 608
Change in other liabilities	5 323	(132)	5 191
Other changes	(471)		(471)
Employee benefits	(437)		(437)
NET CASH FROM OPERATING ACTIVITIES	**360 965**	**0**	**360 965**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets	(4 853)		(4 853)
Proceeds from sale of intangible assets	0		0
Acquisition of property, plant and equipment	(231 558)		(231 558)
Proceeds from sale of property, plant and equipment	92 541		92 541
Acquisition of subsidiaries, net of cash acquired	(97 262)		(97 262)
Proceeds from disposal of subsidiaries, net of cash transferred	1 000		1 000
Changes in loans and advances	121		121
Dividends from equity-accounted companies	13		13
Investment grants	0		0
NET CASH USED IN INVESTING ACTIVITIES	**(239 998)**	**0**	**(239 998)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase	43 000		43 000
Treasury shares	0		0
Dividends paid			
- to owners of the parent	0		0
- to non-controlling interests	(9)		(9)
Change in borrowings (1)	(37 237)		(37 237)
- Proceeds from new borrowings	*1 270 786*		*1 270 786*
- Repayment of borrowings	*(1 308 023)*		*(1 308 023)*
Net interest paid	(117 206)		(117 206)
Other flows related to financing activities	0		0
NET CASH USED IN FINANCING ACTIVITIES	**(111 452)**	**0**	**(111 452)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9 515**	**0**	**9 515**
Cash and cash equivalents at beginning of period	48 598	0	48 598
Effect of changes in foreign exchange rates on cash and cash equivalents	410	0	410
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**58 523**	**0**	**58 523**

(1) Net change in credit lines

Note 2 – Scope of consolidation

2.1 Basis of consolidation

- Fully consolidated companies

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 results 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.

Net income 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.

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 resulting gain or loss is recognized in profit or loss.

- Associates and joint ventures

Investments in companies over which the Group has significant influence on 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 transaction costs are expensed as incurred (see Note 4.4 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

2015 acquisitions

The Group made the following investments during the year:

In Germany, the Group acquired:

- Kress Textilpflege on January 7, 2015, a company operating a processing center in the Munich area. The company generated annual revenue of €7 million in 2015 and serves customers in the hospitality sector.
- Zischka Textilpflege on March 31, 2015, a company operating two laundries in the Frankfurt area with annual revenue of €10 million. This new acquisition extends the Elis network to nine laundries across the country, and in particular along the axis between Stuttgart and Essen.

In Brazil:

On July 1, 2015 the Group acquired Teclav, a laundry company in Fortaleza (State of Ceará) and AJS Industria e Comercio de Confeccoes on the country's north-east coast. Teclav offers rental and laundry solutions to the region's main hospitals. The company generates annual revenue of approximately €10 million and has around 400 employees. This acquisition gives Elis the opportunity to expand its operations in Brazil and enter a new region where market prices are favorable.

Elis continued its targeted acquisitions policy in December 2015 with four new transactions designed to:

- strengthen its leadership position in the healthcare market in São Paulo with the acquisition of Martins e Lococo, and in Fortaleza (State of Ceará) with the acquisition of Multilav;
- stand out in the ultra-clean market with MPW in Piracicaba (State of São Paulo);
- expand into new regions with LavEZ in Vitória (State of Espírito Santo), the leader in the hospital market.

These acquisitions represent annual revenue of approximately €13 million (based on the Brazilian real exchange rate as at December 31, 2015).

In Chile:

On September 30, 2015 the Group finalized the acquisition of Albia, Chile's market leader with a market share of approximately 25%, which operates eight laundries around the country mainly serving customers in the healthcare, hospitality and mining industries. This national network extends to Chile's biggest cities, including Santiago and Valparaiso. Albia's revenue for the full year amounted to 15 billion Chilean peso or €20 million. Having become the number one player in Brazil in 2014 with the acquisition of Atmosfera, the Group now ranks number one in a new Latin American market.

In Spain:

On March 31, 2015 Elis Manomatic acquired the Lavalia Group, the market's fourth-ranked player operating two laundries in Alicante and the Balearic Islands mainly serving hotels. It posts annual revenue of more than €10 million. This acquisition means that Elis now owns a plant in the highly popular tourist area of Costa Blanca. The other site it acquired, in the Balearic Islands, gives Elis a good market share in the archipelago.

In France:

On April 1, 2015 the Group acquired the business goodwill of Hytop Service, a company specializing in hygiene and wellbeing and serving Trade and Services customers in the Greater Paris region (annual revenue: approximately €1.6 million). This acquisition will help further optimize the Group's regional operations.

The Group also continued to expand into 3D pest control services with:

- The acquisition on July 31, 3015 of Hygiène Contrôle Île de France (annual revenue: €1.5 million);
- The acquisition on November 1, 2015 of the business goodwill of Traitements Service Plus in Avignon (annual revenue: €0.4 million).

In addition, the acquisition on April 1, 2015 of Blanchisserie Professionnelle d'Aquitaine, which operates a laundry primarily serving the hospitality sector in the Gironde region (2014 revenue: €3.3 million), followed by the acquisition on November 30, 2015 of Blanchisserie Le

Grand Blanc (annual revenue: €0.9 million) serving the same market in Bordeaux, have boosted the customer portfolio in south-west France.

In Switzerland:

On April 1, 2015 InoTex acquired the Wäscheria Textil Service Group, which operates three laundries in the cantons of Grisons and Saint-Gall serving mainly hotels. The acquisition has enabled the Group to supplement its geographical coverage of the country, especially in Grisons, which is Switzerland's second most popular tourist canton. The Wäscheria Group generated revenue of €12 million.

On July 9, 2015 the Group acquired Prohotel, a laundry near the airport of Zurich mainly serving hotels. The company has 70 employees and generates annual revenue of nearly €8 million. This acquisition enables Elis to extend its coverage in the canton of Zurich, which is the country's leading hotel market. The Group now has 15 laundries in Switzerland to create a unique network serving legacy customers in the hotel and healthcare sectors as well as industrial customers through its workwear offer.

- *Summary of the aforementioned 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 Germany	of which Spain	of which Switzerland	of which Brazil	of which Chile
Statement of financial position							
Intangible assets	10 374	1 130	4 702	553	3 916	72	1
Property, plant and equipment	59 719	4 121	9 279	9 757	17 554	11 398	7 609
Available-for-sale financial assets	3	3	0	0	0	(0)	0
Other non-current assets	65	20	0	0	0	0	45
Deferred tax assets	380	0	0	0	0	0	380
Inventories	1 102	163	45	226	46	327	296
Trade and other receivables	20 089	823	1 878	1 369	4 456	6 864	4 698
Current tax assets	342	0	3	33	0	0	305
Other assets	454	69	5	0	173	36	171
Other financial assets	0	0	0	0	0	0	0
Cash and cash equivalents	3 937	738	255	530	1 379	847	189
Non-current provisions	0	0	0	0	0	0	0
Employee benefit liabilities - non-current portion	(3 562)	(24)	0	0	(3 537)	0	0
Non-current borrowings	(11 353)	(2 018)	0	(2 481)	(2 675)	(2 222)	(1 957)
Deferred tax liabilities	(2 632)	(470)	(1 394)	0	(672)	0	(97)
Other non-current liabilities	(57)	0	0	0	0	0	(57)
Current provisions	(511)	0	0	0	0	0	(511)
Employee benefit liabilities - current portion	0	0	0	0	0	0	0
Current tax payables	(704)	53	(191)	(76)	0	0	(490)
Trade and other payables	(9 426)	(298)	(750)	(2 170)	(4 029)	(1 348)	(831)
Other liabilities	(10 127)	(1 211)	(1 335)	(774)	(1 224)	(4 320)	(1 265)
Bank overdrafts and current borrowings	(9 095)	(1 025)	(2 240)	(1 182)	0	(2 096)	(2 554)
Total identifiable net assets at fair value	**48 998**	**2 074**	**10 259**	**5 785**	**15 387**	**9 559**	**5 933**
Non-controlling interests (*)	(125)	(125)	0	0	(0)	0	0
Goodwill	93 668	6 927	13 863	2 844	11 250	51 286	7 499
Purchase price	**142 541**	**8 876**	**24 122**	**8 629**	**26 637**	**60 845**	**13 432**

(*) France: at fair value / Switzerland: at portion of acquired net assets

Cash flows from acquisitions

(In thousands of euros)	Dec. 31, 2015	of which Brazil	of which Brazil	of which Brazil	of which Brazil	of which Brazil	of which Chile
Net cash acquired	3 494	757	(207)	530	1 379	847	189
Amount paid	(120 748)	(8 773)	(24 122)	(9 249)	(28 712)	(36 270)	(13 623)
Net cash flow	**(117 253)**	**(8 016)**	**(24 329)**	**(8 719)**	**(27 333)**	**(35 422)**	**(13 434)**

As at December 31, 2015, given the recent acquisitions made in the second half of the year, the initial accounting for the business combinations had not been completed and the amounts recognized were therefore provisional.

Since the acquisition date, the acquired subsidiaries have contributed €45.5 million in revenue and €4.7 million in operating income (before amortization of customer relationships). If the acquisitions had taken place at the beginning of the year, additional revenue would have been €50.8 million and additional operating income (before amortization of customer relationships) would have been €7.5 million.

- *Residual goodwill*

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

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 an increase in Elis' capital to which Legendre Holding 27 subscribed for €43 million.

- acquisition on May 29, 2014 of the Brazilian company SC Lavanderia (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 September 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 business goodwill of Blanchisserie Mazamétaine et Castraise (Mazamet, France) and acquisition on April 22, 2014 of the business goodwill 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 generates aggregate annual revenue of €2.2 million from 3D pest control services.

- *Summary of the aforementioned 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	19 274	18 580
Property, plant and equipment	50 599	50 230
Available-for-sale financial assets	0	0
Other non-current assets	0	0
Deferred tax assets	5 163	5 163
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	(41)	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	(7 319)	(7 229)
Other liabilities	(7 666)	(7 164)
Bank overdrafts and current borrowings	(3 878)	(3 799)
Total identifiable net assets at fair value	**29 907**	**29 142**
Non-controlling interests measured at fair value	0	0
Goodwill	78 452	75 069
Purchase price of shares	**108 358**	**104 211**

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 Group expects goodwill in Brazil to be deductible for tax purposes.

Customer relationships were measured at an aggregate €19,146 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.

During the 2014 fiscal year, the acquired entities contributed approximately €87 million in revenue and €4 million in operating income. If the acquisitions had taken place at the beginning of 2014, additional revenue would have been €11.5 million and additional operating income (before amortization of customer relationships) would have been €1.3 million.

Residual goodwill

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

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.

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 as at December 31, 2015 (versus €2,150 thousand as at December 31, 2014).

Commitments received totaled €103,393 thousand as at December 31, 2015 (€55,133 thousand as at December 31, 2014) and correspond to guarantees granted to Elis in connection with its acquisitions.

2.7 Non-controlling interests

No detailed information is provided under IFRS 12 as there is no subsidiary with significant non-controlling interests.

2.8 Events after the reporting period relating to changes in the consolidation scope

On January 7, 2016 Elis acquired two laundries in Wismar and Stralsund, employing 340 people. This first acquisition of 2016 has strengthened Elis' industrial presence in Germany where it now has 11 processing centers.
The two laundries have combined revenue of approximately €14 million, with the Wismar plant's customers split equally between the hospitality and healthcare sectors, and the Stralsund plant, located on the Baltic Coast, serving mainly hotel customers.

Note 3 – Segment information and significant events of the year

The Group is organized into four main operating segments:

- France, representing the original rental and laundry services business in France;
- Europe, representing the same activities across the rest of Europe;
- Latin America, representing business in Brazil and Chile following the acquisition of Albia during the year;
- Manufacturing entities, regrouping operations of the cash generating units (CGUs) Le Jacquard Français and Kennedy Hygiene.

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)	**H1-2015**	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	**Total**
External customers		978,1	327,7	92,2	17,5	0,0	1 415,4
Inter-segment		1,7	0,5	0,0	9,8	(12,1)	0,0
Segment revenue		**979,8**	**328,2**	**92,2**	**27,3**	**(12,1)**	**1 415,4**

(In millions of euros)	**H1-2014**	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	**Total**
France		954,0	274,3	85,3	17,4	0,0	1 331,0
Foreign countries		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**

3.2 Earnings

Non-IFRS indicators

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

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 below.

(In millions of euros) H1-2015	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**187,8**	**19,4**	**2,3**	**1,1**	**(3,7)**	**206,9**
Miscellaneous financial items	*0,6*	*0,3*	*0,4*	*0,1*	*0,1*	*1,5*
EBIT	188,4	19,7	2,7	1,2	(3,6)	208,4
Depreciation and amortization including portion of grants transferred to income	*158,2*	*61,2*	*17,0*	*1,3*	*0,0*	*237,7*
EBITDA	**346,5**	**80,9**	**19,8**	**2,5**	**(3,6)**	**446,1**
	35,4%	*24,6%*	*21,4%*	*9,2%*		*31,5%*

(In millions of euros)	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**191,4**	**13,9**	**4,3**	**0,9**	**(1,5)**	**209,1**
Miscellaneous financial items	*0,7*	*0,2*	*0,1*	*0,1*	*0,0*	*1,1*
EBIT	192,1	14,1	4,4	1,0	(1,5)	210,2
Depreciation and amortization including portion of grants transferred to income	*152,9*	*51,7*	*12,9*	*1,3*	*0,0*	*218,9*
EBITDA	**345,1**	**65,9**	**17,3**	**2,3**	**(1,5)**	**429,1**
	36,1%	*24,0%*	*20,3%*	*8,8%*		*32,2%*

3.3 Information by region

(In millions of euros)	2015	2014
France	988,9	965,2
Other countries	426,5	365,8
Revenue	**1 415,4**	**1 331,0**

(In millions of euros)	Dec. 31, 2015	Dec. 31, 2014
France	2 173,3	2 166,9
Other countries	559,8	480,6
Non-current assets	**2 733,0**	**2 647,6**

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 workwear.

(In millions of euros)	2015	2014
Flat linens	659,5	590,1
Workwear	433,9	412,5
Hygiene and well-being	319,6	322,8
Other	2,4	5,6
Revenue	**1 415,4**	**1 331,0**

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

3.5 Information by sector, industry end market or country

(In millions of euros)	2015	2014
Hospitality	*309,5*	*290,5*
Industry	*189,6*	*187,6*
Trade & Services	*340,0*	*338,8*
Healthcare	*159,7*	*152,5*
Other	*- 20,6*	*- 15,4*
France	978,1	954,0
Germany	*57,0*	*44,5*
Belgium & Luxembourg	*31,0*	*29,8*
Czech Republic	*1,7*	*1,5*
Switzerland	*95,4*	*73,0*
Northern Europe	*185,2*	*148,7*
Spain & Andorra	*75,6*	*60,9*
Italy	*26,6*	*25,8*
Portugal	*40,3*	*38,8*
Southern Europe	*142,5*	*125,5*
Europe	327,7	274,3
Brazil	*87,4*	*85,3*
Chile	*4,8*	*-*
Latin America	92,2	85,3
Manufacturing entities	17,5	17,4
Revenue	**1 415,4**	**1 331,0**

The breakdown by customer segment in France is 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.

3.6 Significant events of the year

- Initial Public Offering

Elis finalized its Initial Public Offering on the regulated market of Euronext Paris on February 11, 2015. As part of this transaction, Elis raised 700 million euros by way of a new share capital increase.
Incurred costs have been determined to be:

- costs attributable to the issue of new shares in an amount of €15.2 million including €11.9 million paid to financial intermediaries and recognized directly as a deduction from equity of €10.0 million net of related income tax benefit;
- costs of initial public offering (IPO) recorded as "Other income and expense", with non-recurring consideration of €15.5 million paid in connection with the IPO, for a total amount of €21.1 million as described in Note 4.4 to the consolidated financial statements.4.4 Other income and expense

Net proceeds from the new share issue were used as follows:

- €92 million to redeem the PIK Proceeds Loan corresponding to (i) 40% of the nominal amount of the Private PIK Notes (plus capitalized interest), plus (ii) accrued interest on the amount redeemed, and (iii) the amount of penalties payable in respect of that redemption, applying the interest rate applicable to the Private PIK Notes;
- €166 million to redeem 40% of the principal and accrued interest due on the Senior Subordinated Notes on the repayment date and penalties payable in respect of that redemption; and
- €364 million to repay part of the Senior Credit Facilities Agreement, the remaining amount being repaid with the credit facilities granted under the new Senior Term and Revolving Facilities Agreement.

- Refinancing

On April 28, 2015 the Elis Group finalized the refinancing of its debt through the issue of €800 million in bonds maturing in 2022. The 2022 Bonds, known as "High Yield Bonds" and listed for trading on the Irish Stock Exchange (Global Exchange Market), will pay a coupon of 3.000%. This issue was allocated to:

- the redemption of the remaining 60% of the principal amount in respect of the Senior Subordinated Notes in an amount of €262 million plus interest accrued on the redeemed amount and early redemption compensation;
- the redemption of the Senior Secured Notes in an amount of €477 million corresponding to the nominal value plus (i) interest accrued on the redeemed amount and (ii) the amount of penalties calculated by applying the interest rate applicable to the amount of Senior Secured Notes redeemed.

Expenses related to the early extinction (partial or total) of these two debts were recorded in an amount of €93.8 million in net financial expense as described in Note 8.2 to the consolidated financial statements, Net financial expense.8.2 Net financial expense

The Group also amended its swap agreements to continue to hedge the senior credit facilities. The notional amount of the swaps was reduced to €450 million (€735 million as at December 31, 2014) and the paid fixed rate decreased from 1.419% to 1.143% for a period of five years. An amount of €8.4 million was paid in respect of the partial termination of the agreements on May 11, 2015.

In September 2015, the Group launched a commercial paper program for a maximum amount of €400 million. The program supplements bank-related financing and gives the Elis Group access to short-term funding on favorable interest rate terms.

- Puteaux sale agreement

On July 15, 2015, M.A.J. signed a sale agreement with a real-estate development group for €54 million regarding a real-estate asset in Puteaux. The site is the location of the Group's headquarters and a former processing center. The sale transaction is still subject to conditions precedent and, in particular, to the obtaining of permits to build housing. The sale agreement will expire on March 30, 2017, after the Group has moved to its new headquarters in Saint-Cloud (French department 92), scheduled for end-2016.

Note 4 – Operating data

4.1 Revenue

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 or receivable, excluding any trade discounts, volume rebates and other sales 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).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)	**2015**	2014
Rendering of services	1 392 030	1 307 663
Sales of goods	22 619	22 754
Recurrent dividends	12	13
Other	757	551
Revenue	**1 415 418**	**1 330 980**

4.2 Trade and other receivables

Trade and other 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 other receivables may be written down for impairment. An impairment loss 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 losses are estimated taking into account historical loss experience and the age of the receivables. They are 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, 2015	Dec. 31, 2014
Trade receivables and notes receivable (gross)	326 225	312 971
Allowance for bad debts	(29 638)	(29 510)
Trade receivables and notes receivable	**296 587**	**283 461**
Other receivables	61 754	44 403
Total trade and other receivables	**358 341**	**327 863**
collection expected in less than one year	358 341	327 863
collection expected in more than one year	-	-

Changes in trade and other receivables during the fiscal years presented are analyzed as follows:

(In thousands of euros)	2015	2014
At January 1	**327 863**	297 092
Change in gross WC	*17 480*	14 602
Change in write-downs	*403*	*(1 620)*
Change in net WC	17 883	12 982
Change in consolidation scope	20 089	16 261
Translation differences	(5 506)	182
Change in receivable on disposal of assets	(72)	723
Other change	(1 916)	623
At december 31	**358 341**	327 863

Net movements in working capital requirements are mainly due to the increase in receivables related to France’s tax credit for competitiveness and employment (CICE), which were not prefinanced, and the increase in business volume.

Credit risk

The management of credit risk is described in detail in Note 8.1 Financial risk management

4.3 Depreciation, amortization, provisions and other costs by nature

(In thousands of euros)	2015	2014
Depreciation and amortization		
- included in "Operating income before other income and expense and amortization of customer relationships"		
Property, plant and equipment and intangible assets	(66 072)	(61 731)
Linen and mats	(155 379)	(140 550)
Other leased items	(16 402)	(16 718)
Portion of grants transferred to income	128	125
- included in "Other income and expense"	(2 717)	0
- amortization of customer relationships	(45 584)	(41 107)
Total depreciation and amortization including portion of grants transferred to income	**(286 025)**	**(259 981)**
Additions to or reversal of provisions		
- included in "Operating income before other income and expense and amortization of customer relationships"	940	3 394
- included in "Other income and expense"	703	5 154
Total additions to or reversal of provisions	**1 644**	**8 547**
Operating lease expense	**(34 291)**	**(29 278)**

4.4 Other income and expense

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

(In thousands of euros)	2015	2014
Transaction costs	(2 347)	(4 289)
Put option over non controlling interests - liability adjustment	1 478	0
Restructuring costs	(2 285)	(620)
Uncapitalizable costs for change in IT systems	(1 760)	(18 231)
Net gains on site disposals	16	3 738
Expenses relating to site disposal (employee profit-sharing, professional fees)	(854)	(4 899)
Environmental rehabilitation costs	(200)	(398)
Expense associated with free shares granted to directors and key managers	(2 274)	0
IPO expenses & related non recurring compensation	(21 096)	(701)
Retirement plan amendment in Switzerland - negative past service costs	0	3 730
Other	(4 091)	(1 461)
Other income and expense	**(33 413)**	**(23 130)**

4.5 Inventories

Inventories are measured at the lower of cost and net realizable value. Impairment losses are recognized whenever the probable realizable value is lower than production cost.

Inventories of raw materials, consumables, spare parts and goods for resale 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.

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Raw materials, supplies	15 839	13 832
Work in progress	468	379
Intermediate and finished goods	10 132	12 268
Goods for resale	26 107	32 162
Inventories	**52 547**	**58 641**
o/w inventories (at cost)	53 453	59 432
o/w impairment	(906)	(791)

Changes in net inventories during the fiscal years presented are analyzed as follows:

(in thousands of euros)	**2015**	2014
At January 1	**58 641**	44 424
Change in gross inventory	*(5 881)*	12 129
Change in write-downs	*(99)*	(140)
Change in net inventory	(5 980)	11 989
Change in consolidation scope	1 102	2 383
Translation differences	(1 217)	9
Other change	0	(164)
At december 31	**52 547**	58 641

4.6 Trade and other payables

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Trade payables	116 324	121 094
Trade payables (fixed assets)	15 194	14 280
Other payables	3 541	4 344
Total trade and other payables	**135 059**	**139 718**

Changes in trade and other payables during the fiscal years presented are analyzed as follows:

(In thousands of euros)	2015	2014
At January 1	**139 718**	**118 288**
Change in WC	(14 198)	18 608
Change in consolidation scope	9 426	7 230
Translation differences	(1 146)	165
Change in trade payables (fixed assets)	1 259	4 622
Other change	(0)	(9 242)
At december 31	**135 059**	**139 718**

4.7 Other current assets and liabilities

(In thousands of euros)	Note	Dec. 31, 2015	Dec. 31, 2014
Prepaid expenses		10 514	10 627
Other current asset derivatives	8.8	2 053	2 834
Other assets		213	0
Total other assets		**12 780**	**13 461**
Deposits received		8 926	11 620
Payroll-related liabilities		97 419	103 643
Taxes payable		79 932	72 562
Other current liability derivatives	8.8	0	0
Unearned revenue		46 269	47 011
Total other liabilities		**232 546**	**234 836**

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

Changes in other current assets during the fiscal years presented are analyzed as follows:

(In thousands of euros)	2015	2014
At January 1	**13 461**	3 468
Change in gross WC	(602)	7 076
Change in consolidation scope	454	88
Translation differences	35	14
Other change	(568)	2 816
At december 31	**12 780**	13 461

Changes in other current liabilities during the fiscal years presented are analyzed as follows:

(In thousands of euros)	2015	2014
At January 1	**234 836**	222 697
Change in gross WC	(7 159)	5 191
Change in consolidation scope	10 127	7 666
Translation differences	(2 251)	124
Other change	(3 007)	(842)
At december 31	**232 546**	234 836

Note 5 – Employee benefits expense

5.1 Average number of employees

In number of people	2015	2014
Executives	1 449	1 384
Supervisory personnel	1 475	1 370
Office and service employees	4 931	4 902
Other employees	13 633	11 501
Total employees per category	**21 488**	**19 158**
France	12 589	12 156
Other countries	8 898	7 002
Total employees	**21 488**	**19 158**

5.2 Employee benefits

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 this 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.

In thousands of euros	2015	2014
Wages and salaries	(441 009)	(404 073)
Social security contributions	(147 493)	(140 876)
Mandatory/optional profit-sharing	(17 431)	(26 375)
Other employee benefits	454	437
Total payroll expenses	**(605 479)**	**(570 887)**

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

The Elis Group’s commitments to defined benefit plans and other post-employment benefits are chiefly related to its French subsidiaries and consist of:
– supplementary retirement benefits paid to a category of senior executives. All members of the supplementary retirement plan have already retired and the plan is now closed;
– retirement benefits paid to employees when they retire in accordance with French regulations;
– long-service awards, 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 corresponding obligations are measured using the projected unit credit method.

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, 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**
Current service cost	1 825		1 825
Interest expense	1 003	533	470
Benefits paid	-1 658	-1 658	
Employee contributions	2 256	2 256	
Employer contributions	-2 180	-332	-1 848
Past service cost	-63		-63
Plan amendments			
Plan curtailments or settlements			
Return on plan assets		-358	358
Actuarial gains and losses	4 013		4 013
Changes in scope of consolidation	10 045	7 301	2 744
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	8 670	6 233	2 437
As at December 31, 2015	**106 358**	**48 099**	**58 259**

- *Funded status of employee benefit obligation*

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Present value of unfunded obligations	36 483	36 452
Present value of fully or partially funded obligations	69 875	45 994
Total value of defined benefit plan obligations (1)	**106 358**	82 446
Fair value of plan assets (2)	48 099	34 123
Total value of defined benefit plan liability (1) - (2) - (3)	**58 259**	48 323

- *Information by region*

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
France	35 206	35 070
Switzerland	21 669	11 791
Other countries	1 384	1 462
Employee benefit liabilities	**58 259**	48 323

- *France - details*

Retirement obligations and provisions break down as follows:

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Present value of unfunded obligations	35 206	35 070
Present value of fully or partially funded obligations	0	0
Total value of defined benefit plan obligations (1)	**35 206**	35 070
Fair value of plan assets (2)		
Total value of defined benefit plan liability (1) - (2) - (3)	**35 206**	35 070

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

	France	
	Dec. 31, 2015	Dec. 31, 2014
Discount rate	2,0%	1,8%
Expected salary increase rate	inflation+0 to 6%	inflation+0 to 6%
Expected retirement benefit increase rate	1,1%	1,1%

A 1.00% increase or decrease in the discount rate and a 0.25% increase or decrease in the expected increase rate would have the following impact on the projected benefit obligation as at December 31, 2015:

	Sensitivity France
Discount rate: -0.25% impact	+10,6%
Discount rate: +0.25% impact	-9,3%
Expected salary/retirement benefit increase rate: -0.25 impact	-2,2%
Expected salary/retirement benefit increase rate: +0.25 impact	+2,2%

An indication of future cash flows is shown below:

	France
Expected contribution for next financial year	2 180
Weighted average duration of the obligation	10,6

- *Switzerland - details*

Retirement obligations and provisions break down as follows:

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Present value of unfunded obligations		
Present value of fully or partially funded obligations	69 690	45 761
Total value of defined benefit plan obligations (1)	**69 690**	45 761
Fair value of plan assets (2)	**48 021**	33 970
Total value of defined benefit plan liability (1) - (2) - (3)	**21 669**	11 791

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

	Switzerland	
	Dec. 31, 2015	Dec. 31, 2014
Discount rate	0,75%	1,4%
Expected salary increase rate	1,25%	2.0% - 3.0%
Expected retirement benefit increase rate	1,0%	0,5%

A 0.5% increase or decrease in these rates would have the following impact on the projected benefit obligation as at December 31, 2015:

	Sensitivity Switzerland
Discount rate: -0.25% impact	+11,8%
Discount rate: +0.25% impact	-10,1%
Expected salary increase rate: -0.25 impact	-0,4%
Expected retirement benefit increase rate: + 0.25 impact	+0,4%

An indication of future cash flows is shown below:

	Switzerland
Expected contribution for next financial year	2 013
Weighted average duration of the obligation	15,9

The breakdown of plan assets as at December 31, 2015 is shown below:

	Switzerland
Cash and cash equivalents	5 063
Share	13 726
Bonds	22 105
Properties & mortgages	6 986
Derivatives	141
Total	48 021

5.4 Share-based payments

Pursuant to IFRS 2, Elis estimated the plan's fair value based on the fair value of the equity instruments granted. That fair value was based on the share price at grant date, weighted by a reasonable estimate as to what extent the share allocation criteria had been fulfilled. The cost, recognized with an offsetting entry to equity, is spread over the vesting period following the Management Board decision and is mentioned in Note 4.4 Other income and expense

Grants made during the fiscal year have the following characteristics:

Free performance share grants	**Plan 1 2015**	**Plan 2 2015**
Date of Shareholders' Meeting	Oct. 8, 2014	Oct. 8, 2014
Date of Supervisory Board Meeting	April 3, 2015	April 3, 2015 December 14, 2015
Date of decision of the Chairman		
Date of decision of the Management Board	April 7, 2015	December 21, 2015
Number of rights originally granted	524,684	44,027
• of which, members of the Executive Board	188,716	0
• of which, corporate officers:		0
Xavier Martiré	104,108	-
Louis Guyot	13,253	-
Matthieu Lecharny	13,253	-
Number of grantees	152	29
• of which, members of the Executive Board	8	-
• of which, corporate officers	3[(a)]	-
Grant date	April 7, 2015	December 21, 2015
Vesting date [(1)] France Rest of the world	 April 7, 2017 April 7, 2017	December 21, 2017 December 21, 2017
End of share lock-up period[(2)]	April 7, 2019	December 21, 2019
Rights vested in 2015	0	0
Number of rights lapsed or forfeited as at Dec. 31, 2015	23,592	0
Number of rights outstanding as at Dec. 31, 2015	501,092	44,027
• of which, members of the Executive Board	188,716	0
• of which, corporate officers:		0
Xavier Martiré	104,108	-
Louis Guyot	13,253	-
Matthieu Lecharny	13,253	-
Number of working beneficiaries as at Dec. 31, 2015	141	29
• of which, members of the Executive Board	8	0
• of which, corporate officers:	3[(b)]	0

(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny
(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny

(1) Shares vest at the end of a vesting period set at two years from the date of the award of the performance shares, and vesting is contingent on cumulative continued employment conditions and meeting performance conditions related to (i) the Group's consolidated rev-

enue, (ii) EBIT as stated in the financial statements for fiscal year 2016, and (iii) the Group's stock market performance relative to changes in the SBF 120, with the understanding that:
- the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2016 plus dividends paid between February 11, 2015 and December 31, 2016, and (ii) the IPO price (€13);
- the change in the SBF 120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2016 and (ii) the value of the index as at February 10, 2015 (€3,701.09).

Only 20% of the granted shares will be delivered to beneficiaries if just one of those performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share shall vest if none of the conditions is met.

(2) The plan rules stipulate a lock-up period of two years from the vesting date. At the end of the lock-up period, the shares will be available and may be freely transferred by the beneficiaries subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Throughout their term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board and corresponding to one-third of vested shares up to three times the amount of their annual fixed compensation for the Chairman of the Management Board, and one-third of vested shares up to two times the amount of their compensation for the other members of the Management Board.

5.5 Executive compensation (related party transactions)

As at December 31, 2015, executives comprise the seven members of the Executive Board, along with the President of the Management Board. Total compensation (paid or payable) of the main executives is as follows:

(In thousands of euros)	2015	2014
Short-term employee benefits	9 712	4 135
Post-employment benefits	62	29
Termination benefits	74	178
Share-based payments	977	

As at December 31, 2015, employee benefit liability accrued in respect of termination benefits amounted to €235 thousand (€295 thousand as at December 31, 2014).

Compensation allocated to members of the Supervisory Board and expensed as directors' fees amounted to €467 thousand (€242 thousand as at December 31, 2014).

Note 6 – Intangible assets and property, plant and equipment

6.1 Goodwill

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Gross value	1 589 083	1 507 661
Accumulated impairment	(52 985)	(52 713)
Carrying amount at beginning of period	**1 536 098**	**1 454 948**
Acquisitions	93 668	78 452
Disposals	0	0
Translation adjustments	(25 722)	2 983
Other changes	(0)	(13)
Changes in gross carrying amount	**67 945**	**81 421**
Impairment	(14 575)	0
Translation adjustments	(128)	(272)
Changes in impairment	**(14 703)**	**(272)**
Carrying amount at end of period	**1 589 340**	**1 536 098**
Gross value	1 657 028	1 589 083
Accumulated impairment	(67 687)	(52 985)

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, 2015	Dec. 31, 2014
France CGU/segment	**1 388 685**	**1 381 759**
CGU Spain	4 455	1 612
CGU Belgium	9 313	18 513
CGU Luxembourg	1 275	1 275
CGU Germany	15 818	1 955
CGU Italy	1 669	1 669
CGU Switzerland	51 302	34 874
Europe segment	**83 831**	**59 897**
CGU Brazil	95 055	75 969
CGU Chile	7 551	0
Latin America segment	**102 606**	**75 969**
CGU Kennedy Hygiene	14 218	18 473
Manufacturing entities segment	**14 218**	**18 473**
Carrying amount of goodwill	**1 589 340**	**1 536 098**

Recognition of impairment

The method and assumptions used for impairment tests are described in Note 6.5.

Following the impairment tests performed as at December 31, 2015, the Group recognized impairment losses for the fiscal year as follows:

- €5.4 million on the Kennedy Hygiene CGU, reflecting the decline in estimated future cash flows;
- €9.2 million on the Belgian UGT, reflecting a decline in its profitability due to a highly competitive market. These impairment losses were recorded on the basis of a valuation by multiples of economic indicators.

6.2 Intangible assets

Brands

Brands acquired in a business combination are recognized at fair value (based on discounted royalties) 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 expense is recognized from the date the asset is first used.

(In thousands of euros)	Brands	Customer relationships	Other	Total
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	19 145	129	19 274
Retirements and disposals	0	0	0	0
Amortization	(220)	(41 265)	(5 820)	(47 306)
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	539 082	78 476	833 524
Accumulated depreciation and impairment	(6 851)	(369 131)	(53 160)	(429 142)
Net carrying amount at Dec 31, 2014	**209 115**	**169 951**	**25 316**	**404 383**
Investments	136	0	6 345	6 481
Changes in scope of consolidation	55	10 236	84	10 374
Retirements and disposals	0	0	68	68
Amortization	(222)	(45 584)	(4 739)	(50 545)
Translation adjustments	78	(1 920)	(14)	(1 856)
Impairment	0	0	0	0
Reclassification as assets held for sale	0	0	0	0
Other	109	0	(237)	(128)
Gross value	216 344	546 794	56 722	819 860
Accumulated depreciation and impairments	(7 073)	(414 111)	(29 898)	(451 082)
Net carrying amount at Dec 31, 2015	**209 271**	**132 683**	**26 824**	**368 778**

Other intangible assets consist primarily of software.

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, 2015	Dec. 31, 2014	Amortization
Elis brands in France	184 700	184 700	Not amortized
Elis brands in Europe	21 800	21 800	Not amortized
-Le Jacquard Français brand	*900*	*900*	*Impaired*
-Kennedy trademark	*1 505*	*1 427*	*Not amortized*
Brands of manufacturing entities	2 405	2 327	
Other	365	288	
Total brands	**209 271**	**209 115**	

Recognition of impairment

No brand impairment loss was recognized in the last two fiscal years. The Le Jacquard Français brand, worth €6,800 thousand gross, has an accumulated impairment loss of €5,900 thousand.

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

(In thousands of euros)	Land and buildings	Vehicles	Plant & equipment	Rental-cleaning items	Total
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	31 485	11 189	50 599
Retirements and disposals	(439)	(194)	(835)	(7)	(1 474)
Depreciation	(12 184)	(8 941)	(34 585)	(157 267)	(212 978)
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	81 428	433 006	596 922	1 343 974
Accumulated depreciation and impairment	(75 274)	(53 709)	(197 734)	(310 172)	(636 888)
Net carrying amount as at Dec. 31, 2014	**157 344**	**27 719**	**235 273**	**286 750**	**707 086**
Investments	10 007	10 355	58 728	184 522	263 612
Changes in scope of consolidation	20 925	2 170	27 243	9 381	59 719
Retirements and disposals	(9 105)	(208)	(1 103)	(291)	(10 707)
Depreciation	(12 076)	(9 485)	(42 262)	(171 783)	(235 605)
Translation adjustments	2 247	(389)	(7 345)	(3 269)	(8 756)
Impairment	0	0	0	0	0
Reclassification as assets held for sale	0	0	0	0	0
Other movements	441	708	(2 056)	482	(425)
Gross value	255 974	94 682	521 385	639 446	1 511 487
Accumulated depreciation and impairment	(86 190)	(63 811)	(252 908)	(333 655)	(736 564)
Net carrying amount as at Dec. 31, 2015	**169 784**	**30 870**	**268 477**	**305 792**	**774 923**

Finance leases

Assets financed by leases with purchase options or long-term leases, which in essence transfer to the lessee virtually all the risks and rewards incident to ownership of the asset, 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, 2015	Dec. 31, 2014
Owned property, plant and equipment	**764 793**	**700 804**
Leased property, plant and equipment	**10 131**	**6 282**
Total property, plant and equipment	**774 923**	**707 086**

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

Outstanding future minimum operating lease commitments are as follows:

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
- Future minimum lease payments under non-cancellable operating leases		
within one year	23 761	21 338
between 1 and 5 years	67 281	56 141
after 5 years	121 002	103 442
TOTAL	**212 044**	**180 921**

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 losses 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 (mainly EBITDA).

If the recoverable amount is less than the carrying amount, an impairment loss is recognized, corresponding to the difference between the two amounts.

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 intangible assets and property, plant and equipment with definite useful lives 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.

Impairment losses 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.

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, validated by the Management Board and presented to the Supervisory Board. 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 - income tax at standard rate - capital expenditure);
- the terminal value is calculated on a perpetual growth 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 the Group operates.

2. *Method for calculating WACC*

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 by country;
- 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:
  - o the average gearing ratio obtained for each comparable company is used to unlever the company's beta;
  - o the unlevered beta is representative of industry beta and will be used to calculate WACC (extreme values are excluded from the average);
  - o 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	Chile
Risk-free rate	2,2%	6,9%	4,2%	2,6%	1,6%	2,4%	0,8%	4,1%	11,6%	4,5%
Credit spread (weighted average of actual debt)	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%	1,6%
Cost of debt (before tax)	**3,8%**	**8,5%**	**5,8%**	**4,2%**	**3,3%**	**4,0%**	**2,4%**	**5,7%**	**13,2%**	**6,1%**
Tax rate	34,4%	22,5%	25,0%	34,0%	29,8%	20,0%	22,2%	31,4%	34,0%	24,0%
Cost of debt, net of tax	**2,5%**	**6,6%**	**4,4%**	**2,8%**	**2,3%**	**3,2%**	**1,9%**	**3,9%**	**8,7%**	**4,6%**
Equity risk premium	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Levered beta	**85,7%**	**87,7%**	**87,3%**	**85,8%**	**86,5%**	**88,1%**	**87,7%**	**86,2%**	**85,8%**	**87,4%**
Cost of equity	**6,8%**	**11,5%**	**8,9%**	**7,2%**	**6,3%**	**7,1%**	**5,5%**	**8,7%**	**16,2%**	**9,1%**
Gearing	18,0%	18,0%	18,0%	18,0%	18,0%	18,0%	18,0%	18,0%	18,0%	18,0%
WACC 2015	**6,1%**	**10,7%**	**8,1%**	**6,4%**	**5,6%**	**6,4%**	**4,9%**	**7,8%**	**14,9%**	**8,3%**
WACC 2014	*6,4%*	*11,0%*	*8,4%*	*6,8%*	*5,9%*	*6,7%*	*5,2%*	*8,2%*	*14,6%*	*14,6%*
Pre-tax discount rate 2015 (approximation)	**9,2%**	**13,7%**	**10,8%**	**9,7%**	**7,9%**	**8,0%**	**6,2%**	**11,4%**	**22,5%**	**10,9%**
Pre-tax discount rate 2014 (approximation)	*9,8%*	*14,2%*	*11,9%*	*10,3%*	*8,4%*	*8,3%*	*6,3%*	*11,9%*	*22,1%*	

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 goodwill

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

France (In millions of euros)		**Perpetuity growth rate**		
		1,5%	**2,0%**	**2,5%**
WACC	5,6%	887	1 230	1 686
	6,1%	580	**843**	1 181
	6,6%	333	541	800

Belgium (In millions of euros)		**EBITDA Budget 2016**		
		-10,0%	**-**	**10,0%**
WACC	6,5x	(5)	(2)	1
	7x	(3)	**0**	3
	7,5x	(1)	2	6

Kennedy (In millions of euros)		**Perpetuity growth rate**		
		1,5%	**2,0%**	**2,5%**
WACC	5,9%	0	3	6
	6,4%	(2)	**0**	3
	6,9%	(4)	(2)	(0)

Brazil (In millions of euros)		**EBITDA Budget 2016**		
		-10,0%	**-**	**10,0%**
Multiple	6,5x	(25)	(10)	5
	7x	(14)	**2**	17
	7,5x	(4)	13	30

The sensitivity analysis presented above shows that the recoverable amount of the CGUs exceeds the carrying amount. In accordance with IAS 36, impairment tests are performed and resulting impairment losses are recognized 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	7,1%	7,1%	7,4%
Growth rate of revenue generated by the brand over 5 years	2%	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%**
6,6%	108	135	166
7,1%	83	**104**	129
7,6%	61	78	99

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.

The amount recognized represents the best estimate made by management with respect to risks and their likelihood of occurrence, based on information available at the date of reporting the consolidated financial statements.

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.

Provisions are also recognized for obligations arising from onerous contracts.

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 include provisions for employee-related risks.

Other provisions

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

(in thousands of euros)	Compliance	Litigation	Other	Total
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/translation adjustments	39	107	-657	-511
As at December 31, 2014	17 074	10 825	5 176	**33 075**
Increases/additions for the year	570	2 007	534	3 111
Changes in consolidation scope			511	511
Decreases/reversals of provisions used	-1 922	-1 961	-872	-4 755
Reclassification/translation adjustments	-463	-1 800	-996	-3 259
As at December 31, 2015	15 259	9 072	4 353	**28 684**
Current portion		4 585	1 182	**5 766**
Non-current portion	15 259	4 487	3 171	**22 918**
France	*11 699*	*3 634*	*1 002*	*16 335*
Europe	*1 945*	*382*	*176*	*2 502*
Brazil	*1 616*	*5 020*	*3 175*	*9 811*
Manufacturing Entities		*36*		*36*

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

7.2 Contingent liabilities

The Elis Group has contingent liabilities relating to legal or arbitration proceedings arising in the normal course of its business, including:

- *in Brazil:*

Proceedings related to alleged acts of administrative improbity

Atmosfera filed a preliminary response in December 2014 to a public action filed against several industrial laundry service providers, including Atmosfera, relating to alleged bribery regarding contracts in the State of Rio de Janeiro. The public prosecutor rejected arguments put forward by Atmosfera and ruled to continue the action.

As at December 31, 2015, Atmosfera was still awaiting additional information and therefore is unable to estimate the contingent liability incurred 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.

Proceedings related to degrading working conditions

- *Proceedings initiated by the national prosecuting authority*

After a hearing held on April 20, 2015, the public prosecutor and Atmosfera failed to reach an agreement on a settlement that would have required Atmosfera to adopt a series of measures. The public prosecutor is analyzing Atmosfera's defense and could initiate a civil action to compel Atmosfera to pay punitive damages. A provision was recognized in this respect.

- *Proceedings initiated by Atmosfera before the Labor Court against Brazil's Ministry of Work and Employment*

Atmosfera filed an appeal that challenged the decision of the Ministry of Labor which provided for the inclusion of Atmosfera on the blacklist of companies convicted of this type of practice.

The decision on the substance of the case is to be rendered by the Labor Court with the next hearing expected to take place some time in 2016. The decision should be rendered in the weeks following the hearing, unless the judge accepts the production of evidence, including witness statements, in which case it may be several months before a decision is rendered.

In the interim, Brazil's Ministry of Work and Employment attempted to challenge the Supreme Court's preliminary injunction through an executive order aimed at permitting publication of the blacklist. Simultaneously, Atmosfera submitted an application to the Labor Court for the provisional suspension of its addition to the blacklist pending a decision on the substance of its case. On April 7, 2015, Atmosfera won this interim proceeding and obtained the suspension of its addition to the blacklist.

- *In France:*

The Group was informed of an inquiry by the French competition authorities following a complaint relating to some of the Group's pricing practices, which was filed by a self-catering cottage, a customer of the Group, with the Pays de Loire regional board for companies, competition, consumption, labor and employment (DIRECCTE). The Group cannot rule out the investigation being extended to practices other than pricing practices.

No provision was recognized as at December 31, 2015 since at this stage it is difficult to assess whether this risk will materialize and what might be the consequences, especially financial, for the Group.

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 customers, there is no material concentration of credit risk (meaning no one counterparty or group of counterparties accounting 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, 2015		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	287 656	(1 212)	**286 444**
Between 120 and 360 days overdue	7 944	(3 182)	**4 762**
More than 360 days overdue	30 625	(25 244)	**5 381**
Trade receivables	**326 225**	**(29 638)**	**296 587**

(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**

- Financial investments: the Group's policy is to invest cash in money market funds with short-term maturities in order to achieve yields close to EONIA, in compliance with diversification and counterparty rules. As at December 31, 2015, 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 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 (bank financing or bonds/commercial paper). The Group also manages its available cash prudently and has set up cash management agreements in the main countries in which it operates in order to optimize and facilitate cash flow to M.A.J., the Group's central treasury entity.

The Group's adjusted net debt (adjusted for capitalized debt issuance costs to be amortized using the effective interest rate method, and for the loan from the employee profit-sharing fund) as at December 31, 2015 amounted to €1,440.6 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 notably include an obligation for the Group to maintain certain financial ratios. Based on these consolidated financial statements, the Group was in compliance with its main commitment as at December 31, 2015:

- Leverage ratio = 3.1 (must be below 4);

As at December 31, 2015, 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.

	Carrying value	Cash flow 2016		Cash flow 2017		Cash flow 2018-2019 2020		Cash flow 2021 and beyond		Estimate of future cash flows as of 12/31/2015	
in thousand of euros	Amortized cost	Principal	Interest	Nominal	Intérêts	Nominal	Intérêts	Nominal	Intérêts	Nominal	Intérêts
Notes 3%	804 133		23 867		24 067		71 867	800 000	35 800	800 000	155 600
New Senior Credit Facilities Agreement EURIBOR +2.125%	502 457	50 000	15 740		15 450	450 000	33 551			500 000	64 741
Commercial paper	169 500	169 500								169 500	
Unamortized loan costs	(27 862)										
Loan from employee profit-sharing fund	33 864	7 470	300	6 652	539	18 746	3 177			32 867	4 015
Financial leases	8 646	1 319	167	1 282	457	1 243	1 039	4 801	3 478	8 646	5 141
Other	11 668	5 660	245	1 589	174	3 932	304	587	33	11 768	756
Overdrafts	897	897								897	
Total interest-bearing loans and borrowings	1 503 304	234 845	40 318	9 523	40 686	473 920	109 939	805 388	39 311	1 523 677	230 253

Market risks

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, 2015, the Group had €485.7 million of floating-rate debt outstanding and €1,017.6 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, 2015, the Group was a party to interest rate hedging contracts covering a total nominal amount of €450.9 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, 2015, before and after hedging, was as follows:

(in thousand of euros)	Dec. 31, 2015	Fixed	Floating		Maturities
			hedged	unhedged	
Notes 3%	**804 133**	804 133	0	0	2022
New Senior Credit Facilities Agreement EURIBOR +2.125%	**502 457**	0	452 212	50 246	2020
Commercial paper	**169 500**	169 500	0	0	
Unamortized loan costs	**(27 862)**	(9 315)	(16 693)	(1 855)	
Loan from employee profit-sharing fund	**33 864**	33 864	0	0	
Finance leases	**8 646**	8 646	0	0	
Other	**11 668**	10 759	909	0	
Overdrafts	**897**	0	0	897	
Borrowings	**1 503 304**	**1 017 587**	**436 428**	**49 288**	

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 derivative financial instruments eligible for cash flow hedge accounting. Changes in the fair value of such instruments 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 derivative financial instruments (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as the changes affect their fair value. These movements in fair value 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:

Type	+100 bp		-100 bp	
	Hedging reserves	Net financial expense	Hedging reserves	Net financial expense
Financial instruments designated as hedging instruments	17 138	0	-18 032	0
Non-derivative variable-rate financial instruments (not hedged)	0	-162	0	-3 991
Total derivatives not eligible for hedge accounting	0	0	0	0
Total impact (pre-tax)	**17 138**	**-162**	**-18 032**	**-3 991**
Sensitivity of equity to interest rate changes	*+100 bp*	***1,1%***	*-100 bp*	***-1,1%***
Sensitivity of consolidated net income to interest rate changes	*+100 bp*	***-0,2%***	*-100 bp*	***0,2%***

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

- *Currency risk*

The majority of the Group's operations are located in eurozone countries. For the year ended December 31, 2015, countries outside the eurozone – mainly Brazil, Chile, Switzerland and the UK, where the Group operates through its Kennedy Hygiene Products subsidiary – accounted for 13.8% of consolidated revenue (Brazil - 6.2%, Chile - 0.3%, Switzerland - 6.7%, and the UK - 0.5%).

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' statements of financial position and income statements.

The Group's external financing is generally denominated in euros.

As at December 31, 2015, the Group's sensitivity to fluctuations in exchange rates arose mainly from:

- Fluctuations of 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 fiscal year ended December 31, 2015 would cause equity to vary by €15.1 million and consolidated net income by €0.3 million;
- Fluctuations of the Chilean peso against the euro – a 10% rise or fall of the Chilean peso against the euro relative to the exchange rates seen for the fiscal year ended December 31, 2015 would cause equity to vary by €1.5 million and consolidated net income by €0.0 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 fiscal year ended December 31, 2015 would cause equity to vary by €2.8 million and consolidated net income by €0.5 million; and
- 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 fiscal year ended December 31, 2015 would cause equity to vary by €12.4 million and consolidated net income by €0.4 million.

The Group is also exposed to operational exchange rate risk through its purchases of goods for resale, which are partly denominated in US dollars and to a lesser extent in pounds sterling. In 2015, purchases of goods for resale denominated in foreign currencies totaled $46.8 million and £3.9 million. However, the Group seeks to reduce the impact of exchange rate movements on its income by using currency hedging in relation with the procurement of goods for resale. As at December 31, 2015, the Group had made forward purchases with a 2016 maturity amounting to $50.0 million ($40.2 million one year ago).

- *Equity risk*

As at December 31, 2015, the Group's exposure to equity risk mainly involves the 148,147 Elis treasury shares held for the requirements of the liquidity contract implemented on April 13, 2015. These shares were valued at €2,259 thousand based on the December 31, 2015 closing price (€15.25). As an illustration of the risk, a 10% drop in the Elis share price compared with the December 31, 2015 closing price would have an impact of approximately €226 thousand on the Group's equity. Accordingly, the Group did not consider it necessary to introduce an equity risk management policy.

- *Commodities risk*

While the Group does not purchase raw materials directly, it is indirectly exposed to raw material volatility through its purchases of linens and workwear, the manufacturing price of which is partially linked to the price of cotton or polyester, and through its consumption of oil products (mainly gas and fuel).

8.2 Net financial expense

(In thousands of euros)	2015	2014
Interest expense on borrowings and employee profit-sharing fund	(95 678)	(150 508)
Gross finance costs	**(95 678)**	**(150 508)**
Gains (losses) on traded derivatives	(6 317)	(1 129)
Other financial income	389	369
Net finance costs	**(101 606)**	**(151 268)**
Foreign exchange gains	268	259
Foreign exchange losses	(471)	(283)
Interest expense on provisions and retirement benefits	(824)	(1 266)
Other	(68 299)	(992)
Total other financial income and expenses	**(69 326)**	**(2 283)**
Net financial expense	**(170 932)**	**(153 551)**

The main changes were mainly due to:

- the refinancing that followed the initial public offering. Gross finance costs include accelerated amortization of debt issuance costs of €24.9 million.

- losses on traded derivatives in respect of the partial termination on May 11, 2015 of the interest rate hedging swap agreements. The nominal amount was reduced from €650 million to €450 million (including €8.4 million paid in respect of the partial termination).
- costs related to the early redemption of the principal amount and interests due under the Senior Secured Notes and Senior Subordinated Notes due 2018 and of approximately 40% of the Legendre Holding 27's loan (PIK Proceeds Loan). They are included for an amount of 68.9 million in the line item "Other" in the table above.

8.3 Gross debt

Borrowings are initially recognized at fair value, net of related transaction costs. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (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 they 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, 2015, consolidated debt mainly comprised the following:

- 2022 Bonds

On April 28, 2015, Novalis (a company acquired by Elis during the fiscal year) issued bonds with a principal amount of €800 million and paying interest at an annual rate of 3%, maturing in 2022 (the "High Yield Bonds"). Interest is payable every six months. The Group used the proceeds from the High Yield Bonds to redeem the debt it took out in June 2013. 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).

- New Senior Credit Facilities Agreement

Elis and Novalis entered into a New Senior Credit Facilities Agreement on September 2, 2014 with a pool of international banks including BNP Paribas, Crédit Agricole CIB, Deutsche Bank, Goldman Sachs, HSBC, Morgan Stanley and Société Générale. The Agreement was subsequently amended on December 8, 2014, February 12, 2015 and July 6, 2015, with Elis and M.A.J. acting as borrowers on each of those dates.
The New Senior Credit Facilities Agreement includes two credit facilities with a total principal amount of €850 million, breaking down as follows:

- a medium-term facility (Senior Term Loan Facility) with a principal amount of €450 million and a maturity of five years from the settlement date of shares offered in connection with the initial public offering; and
- a secured credit facility (allowing multiple drawdowns, mainly in the form of a revolving facility or swingline loan) with a principal amount of €400 million and the same maturity as the Senior Term Loan (five years).

- Commercial paper

In September 2015, the Group launched a commercial paper program with a maximum amount of €400 million, governed by Articles D.213-9 II, paragraph 1 and 213-11 of the French Monetary and Financial Code and Article 1 of the amended Decree of February 13, 1992 and subsequent regulations. The program supplements bank-related financing and gives the Elis Group access to short-term funding on favorable terms.

As at December 31, 2015, the Group had an undrawn credit line of approximately €350 million.

Maturity of financial liabilities

(in thousand of euros)	Dec. 31, 2015	2 016	2 017	2018-2020	2 021 and beyond
Notes 3%	**804 133**	4 133			800 000
New Senior Credit Facilities Agreement EURIBOR +2.125	**502 457**	52 457		450 000	
Commercial paper	**169 500**	169 500			
Unamortized loan costs	**(27 862)**	(5 642)	(5 611)	(14 390)	(2 218)
Loan from employee profit-sharing fund	**33 864**	7 700	5 432	16 034	4 699
Finance leases	**8 646**	1 319	1 282	1 243	4 801
Other	**11 668**	5 554	1 573	3 954	587
Overdrafts	**897**	897			
Borrowings	**1 503 304**	**235 918**	**2 676**	**456 841**	**807 869**

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, 2015	Dec. 31, 2014
Demand deposits	21 891	24 760
Term deposits and marketable securities	34 703	34 495
Cash and cash equivalents	**56 594**	**59 255**
Cash classified as assets held for sale	0	0
Bank overdrafts	(897)	(732)
Cash and cash equivalents, net	**55 697**	**58 523**

In Brazil, where exchange control restrictions may exist, cash and cash equivalents amounted to €3,965 thousand as at December 31, 2015 (€4,320 thousand as at December 31, 2014).

In France, cash allocated to the Elis liquidity agreement implemented on April 10, 2015 amounted to €812 thousand as at December 31, 2015.

8.5 Net debt

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Legendre Holding 27 (PIK Loan)	0	192 854
Other bond debt	800 000	830 000
Bond debt	800 000	1 022 854
Structured facilities	500 000	1 012 903
Commercial paper	169 500	0
Finance lease liabilities	8 646	5 752
Other loans and overdrafts	12 561	9 348
Loan from employee profit-sharing fund	33 864	31 692
Loans	724 571	1 059 694
Accrued interest	6 596	27 517
Unamortized loan costs	(27 862)	(38 090)
Borrowings	**1 503 305**	**2 071 976**
Of which maturing in less than one year	235 919	124 684
Of which maturing in more than one year	1 267 386	1 947 291
Cash and cash equivalents (assets)	**56 594**	**59 255**
Net debt	**1 446 710**	**2 012 721**
Loans and borrowings by currency		
EUR	1 497 824	2 066 891
GBP		
CHF	4 151	3 055
CZK		
BRL	1 330	2 030
CLP		
Reconciliation to adjusted net debt		
Net debt	**1 446 710**	**2 012 721**
Unamortized loan costs	27 862	38 090
Loan from employee profit-sharing fund	(33 864)	(31 692)
Adjusted net debt	**1 440 708**	**2 019 119**

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 profit or loss are measured based on market prices for listed instruments (level 1 of fair value – quoted prices in active markets);
– non-current derivative instruments are measured using a valuation technique based on interbank 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 is deemed to be the same as their carrying amount.

	Dec. 31, 2015		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)	146	146		146			
Other non-current assets	6 270	6 270			6 270		0
Trade and other receivables	358 341	358 341			358 341		
Other current assets	12 780	12 780			10 727		2 053
Cash and cash equivalents	56 594	56 594	56 594				
Financial assets	**434 130**	**434 130**	**56 594**	**146**	**375 337**	**0**	**2 053**
Loans and borrowings	1 267 386	1 275 587				1 267 386	
Other non-current liabilities	39 639	39 639			20 379		19 260
Trade and other payables	135 059	135 059			135 059		
Other liabilities	232 546	232 546			232 546		0
Bank overdrafts and portions of loans due in less than one year	235 919	241 561				235 919	
Financial liabilities	**1 910 549**	**1 924 392**	**0**	**0**	**387 984**	**1 503 305**	**19 260**

(In thousands of euros)	Dec. 31, 2014 Carrying amount	Dec. 31, 2014 Fair value	Breakdown by category of financial instrument: 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	34 373	34 373			8 950		25 423
Trade and other payables	139 718	139 718			139 718		
Other liabilities	234 836	234 836			234 836		0
Bank overdrafts and portions of loans due in less than one year	124 684	136 301				124 684	
Financial liabilities	**2 480 902**	**2 537 712**	**0**	**0**	**383 504**	**2 071 976**	**25 423**

The table below shows the level at which each fair value is ranked in the fair value hierarchy:

(In thousands of euros)	Dec. 31, 2015 Fair value	Fair value hierarchy: Level 1	Level 2	Level 3
Current asset derivatives (currency forward USD/EUR)	2 053		2 053	
Assets measured at fair value	**2 053**	**0**	**2 053**	**0**
Non-current derivatives - liabilities (interest rate swap)	19 260		19 260	
Liabilities measured at fair value	**19 260**	**0**	**19 260**	**0**
Notes 3%	780 800	780 800		
Liabilities for which fair value is disclosed	**780 800**	**780 800**	**0**	**0**

(In thousands of euros)	Dec. 31, 2014 Fair value	Fair value hierarchy: Level 1	Level 2	Level 3
Current asset derivatives (currency forward USD/EUR)	2 834		2 834	
Assets measured at fair value	**2 834**	**0**	**2 834**	**0**
Non-current derivatives - liabilities (interest rate swap)	25 423		25 423	
Liabilities measured at fair value	**25 423**	**0**	**25 423**	**0**
Senior secured bonds 6%	469 845	469 845		
Liabilities for which fair value is disclosed	**469 845**	**469 845**	**0**	**0**

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 reporting date, which are classified as non-current assets.

Put options over non-controlling interests are recognized as liabilities. Subsequent changes in the value of the put option strike price are recognized in the income statement under "Other income and expense," in accordance with IAS 39, paragraph AG8.

(in thousands of euros)	Note	Dec. 31, 2015	Dec. 31, 2014
Non-current asset derivatives	8.8	0	0
Loans and receivables		6 270	6 890
Other non-current assets		**6 270**	**6 890**
Non-current liability derivatives	8.8	19 260	25 423
Deferred consideration payable on acquisitions		19 602	5 982
Liability for put options over a non-controlling interest		125	1 830
Other non-current liabilities		777	2 968
Other non-current liabilities		**39 639**	**34 373**

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 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.

Derivatives used in cash flow hedges

The effective portion of changes in the fair value of qualifying derivative instruments 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 the transaction settlement results in the recognition of a non-financial asset (for example, a non-current asset or inventory), the hedge gain or loss, deferred as equity, is capitalized at the entry value of the hedged item on the reporting date (method known as "basis adjustment").

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, 2015	Changes in fair value during the reporting period	Impact on net financial expense (*)	Impact on equity
Interest rate swaps maturing in 2020 1.143% (**)	450 000	(19 203)	(2 225)	(6 283)	4 058
Other interest rate swap	909	(57)			
Total non-current derivatives - liabilities		**(19 260)**			
Total interest-rate derivatives eligible for hedge accounting		**(19 260)**	**(2 225)**	**(6 283)**	**4 058**

(*) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.
(**) principal amount reduced to m€ 450 during the period, against a cash payment

Currency derivatives

Forward currency purchases 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, 2015	Changes in fair value during the reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR	50 000	2 053	(781)	(34)	(747)
Total current derivatives - asset		**2 053**			
Currency forward USD/EUR					
Total current derivatives - liabilities		**0**			
Total currency derivatives		**2 053**	**(781)**	**(34)**	**(747)**

(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**

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

(In thousands of euros)	Dec. 31, 2015	Dec. 31, 2014
Commitments given		
Assignment and pledge of receivables as collateral (*)	0	542 529
Pledges, mortgages and sureties	0	208
Pledges, endorsements and guarantees given	24 229	9 014
Other commitments given		
Commitments received		
Pledges, mortages and sureties		
Pledges, endorsements and guarantees received	9 694	12 745
Other commitments received		

(*) The decrease in commitments given is due to the new refinancing.

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 variable balance sheet liability method for all timing differences between the tax basis of assets and liabilities shown in the consolidated statement of financial position and their tax base as at the reporting date.

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 differences, tax loss carryforwards and unused tax credits 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 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 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)	2015	2014
Consolidated net income (loss)	(57 138)	(21 888)
Equity-accounted companies	0	0
Current taxes	16 255	24 107
Deferred taxes	(16 691)	(11 089)
Pre-tax incom	(57 573)	(8 870)
Theoretical tax rate	34,43%	34,43%
Theoretical tax expense	**(19 822)**	**(3 054)**
Actual tax expense	**(435)**	**13 018**
Effect of tax not not based on net income*	10 199	9 730
Difference	**(9 188)**	**(6 342)**
Breakdown of difference	0	0
Tax rate differences and transactions taxed at reduced rates	2 275	1 363
Permanent differences (incluning nondeductible interests)	(15 101)	(12 630)
Unrecognized tax loss carriyforwards	(1 082)	(4 086)
Utilization of previously unrecognized tax losses	426	96
Goodwill impairment	(5 018)	0
Other (deductible CVAE, nontaxable CICE...)	9 312	8 916

(*) CVAE in France, IRAP in Italy

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

(in thousands of euros)	Dec. 31, 2014 net	Changes in consolidation scope	reclassification as current	Income	Recognized directly in equity	Dec. 31, 2015 net
Intangible assets	(117 094)	(2 454)	0	6 381	(97)	(113 264)
Property, plant and equipment	(106 712)	(766)	0	(6 540)	(421)	(114 439)
Other assets	742	89	0	248	0	1 079
Derivative instruments - assets	(976)	0	0	0	269	(707)
Provisions	9 536	0	0	(757)	(1 081)	7 698
Retirement benefit liabilities	12 101	7	0	167	1 123	13 398
Interest-bearing loans and borrowings	(13 114)	717	0	3 411	0	(8 986)
Derivative instruments - liabilities	8 957	14	0	(936)	(1 409)	6 626
Other current liabilities	4 916	45	0	(2 788)	0	2 173
Other	(39)	0	0	68	0	29
Unused tax losses and credits/Consolidated recognized tax losses	16 354	96	0	17 438	2 492	36 380
NET DEFERRED TAX ASSETS (LIABILITIES)	**(185 328)**	**(2 252)**	**0**	**16 692**	**876**	**(170 012)**
Deferred tax assets	12 450					12 118
Deferred tax liabilities	(197 777)					(182 131)

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

As at December 31, 2015, the Group had tax losses of €37.2 million (base) for which no deferred tax assets had been recognized. The majority of these tax losses, which are almost all related to foreign subsidiaries, have no expiration date.

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, 2014	**49 761 041**
Number of shares as at December 30, 2015	**114 006 167**
Number of authorized shares	114 006 167
Number of shares issued and fully paid up	114 006 167
Number of shares issued and not fully paid up	-
Par value of shares	10,00
Treasury shares	148 147
Shares reserved for issue under options and sales agreements	-

On February 10, 2015, prior to the initial public offering, the following capital transactions were carried out:

– share capital increase amounting to €19,398 thousand resulting from the exercise of warrants by Quasarelis SAS and Eurazeo (€14,700 thousand and €4,698 thousand respectively). As at December 31, 2015 there were no exercisable warrants outstanding;

– share capital increase amounting to €16,319 thousand through the issue of 1,631,863 new shares as consideration for the contribution granted to Elis in connection with the merger by absorbtion of Quasarelis SAS under the terms of a draft merger agreement dated December 22, 2014. The merger premium amounted to €4,864 thousand. The capital increase was followed by a capital reduction in an amount of €16,354 thousand by cancellation of €1,635,406 Elis treasury shares as a consequence of the merger. The difference between the carrying amount of the Elis shares in Quasarelis SAS's accounting records and their par value, i.e. the sum of €3,463 thousand, was deducted from the merger premium;

– share capital increase subscribed in cash in an amount of €84,627 thousand through the issue of 8,462,715 new shares with a par value of €10 each, issued at the subscription price of €13 per share, i.e., additional paid-in capital of €3 per share representing total additional paid-in capital of €25,388 thousand. The share capital increase was fully subscribed by Legendre Holding 27, which paid up the amount of its subscription by offsetting the receivable held on the Company through the shareholder loan that was therefore fully capitalized.

As part of the Company's initial public offering, share capital was increased by €538,462 thousand through the issue of 53,846,153 new shares with a par value of €10 each, issued at a subscription price of €13 per share, i.e. additional paid-in capital of €3 per share, representing total additional paid-in capital of €161,538 thousand (before recognition of issue costs net of income tax benefit amounting to €10,002 thousand).

O April 13, 2015 ,the Group also implemented a liquidity contract consistent with the Code of Conduct issued by the French Financial Market Professional Association (*Association française des marchés financiers - AMAFI*) on March 8, 2011 and approved by the French Financial Markets Authority (*Autorité des Marchés Financiers- AMF*) on March 21, 2011. Resources allocated to the implementation of the liquidity agreement and credited to the liquidity account amounted to €3,000 thousand. As at December 31, 2015, treasury shares accounted for 148,147 shares valued at €2,150 thousand based on the historic share price, deducted from equity.

10.2 Dividends and distributions paid and proposed

The General Meeting of June 24, 2015 approved the payment of a dividend in the amount of €0.35 per share. The total amount paid to shareholders therefore was €39,881 thousand.

A dividend of €0.35 per share or approximately €39.9 million will be proposed to the next Annual General Meeting.

10.3 Earnings per share

As disclosed in Note 10.1 Share capital and reservesAs 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 earnings per share*

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

(in thousands of euros)	2015	2014
Net income or loss attributable to owners of the parent	**-57 613**	**-22 731**
Weighted average number of shares	106 461 658	49 451 609

- *Diluted earnings per share*

Diluted earnings per share (DEPS) is calculated by dividing net income or loss for the period attributable to owners of the parent (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) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares.

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

Note 11 – Related party disclosures

The main transactions undertaken during the fiscal year were with Legendre Holding 27:

(In thousands of euros)	Income	Expense	Receivables with related parties	Payables with related parties
Entity with significant influence over the Group				
Legendre Holding 27 (interests)		(2 482)		
Legendre Holding 27 (PIK proceed note)		(8 678)		

Under the agreement between Elis, Eurazeo and the banks responsible for the investment with respect to the Company's initial public offering, Elis and Eurazeo paid amounts of €11.9 million and €2.6 million respectively.

Subsidiaries and consolidated companies

The consolidated financial statements include the financial statements of Elis as well as the following subsidiaries:

Company name	Registered office	Country	Principal Activity	% interest 2015	% interest 2014
Elis	Puteaux	France	Parent Company	100	100
M.A.J.	Pantin	France	Textile & hygiene services	100	100
Les Lavandières	Avrillé	France	Textile & hygiene services	100	100
Régionale de Location et Services Textiles	Marcq en Baroeul	France	Textile & hygiene services	100	100
Pierrette - T.B.A.	Malzeville	France	Textile & hygiene services	100	100
Le Jacquard Français	Gerardmer	France	Manufacturing entity	100	100
Elis Services	Puteaux	France	Other activity	100	100
Thimeau	Meaux	France	Textile & hygiene services	100	100
Grenelle Service	Gennevilliers	France	Textile & hygiene services	100	100
Maison de Blanc Berrogain	Anglet	France	Textile & hygiene services	100	100
Société des Oreillers et Couvertures	Puteaux	France	Other activity	100	100
Pro Services Environnement	Rochetoirin	France	Textile & hygiene services	100	100
Blanchisserie Poulard	Nanterre	France	Textile & hygiene services	-	Merger
Poulard 1836	Nanterre	France	Dormant	Merger	100
AD3	Dardilly	France	Textile & hygiene services	100	100
Novalis	Puteaux	France	Other activity	Merger	100
S.C.I. Château de Janville	Puteaux	France	Other activity	100	100
Lovetra	St Ouen l'Aumône	France	Textile & hygiene services	100	100
G.I.E. Eurocall Partners	Villeurbanne	France	Other activity	100	100
Blanchisserie Moderne	Montlouis sur Loire	France	Textile & hygiene services	96	96
S.C.I. La Forge	Bondoufle	France	Other activity	100	100
Société de Participations Commerciales et Industrielles	St Ouen l'Aumône	France	Other activity	100	100
S.C.I. 2 Sapins	Grenoble	France	Other activity	100	100
SHF Holding	Puteaux	France	Other activity	100	100
SHF	Puteaux	France	Textile & hygiene services	100	100
Pole Services	Puteaux	France	Textile & hygiene services	-	Merger
Sud-Ouest Hygiène Services	Puteaux	France	Textile & hygiene services	Merger	100
Collectivités Service	Puteaux	France	Textile & hygiene services	-	Merger
Districlean Service	Puteaux	France	Textile & hygiene services	Fusion	100
France Tapis Hygiène Service	Marcq en Baroeul	France	Textile & hygiene services	100	100
Blanchisserie Professionnelle d Aquitaine	Mios	France	Textile & hygiene services	96	-
Aquitaine Services Developpement	Mios	France	Other activity	100	-
Hygiène Contrôle Ile de France	Serris	France	Textile & hygiene services	100	-
Quasarelis	Puteaux	France	Other activity	Merger	-

Company name	Registered office	Country	Principal Activity	% interest 2015	% interest 2014
Cleantex Potsdam Textilpflege GmbH	Potsdam	Germany	Textile & hygiene services	100	100
Elis Holding GmbH	Rehburg-Loccum	Germany	Other activity	100	100
Elis Textil-Service GmbH	Mörlenbach	Germany	Textile & hygiene services	100	100
RWV Textilservice Beteiligungs GmbH	Rehburg-Loccum	Germany	Other activity	100	100
Schäfer Wäsche-Vollservice GmbH	Ibbenbüren	Germany	Textile & hygiene services	100	100
Rolf und Horst Schäfer GmbH & Co. KG	Ibbenbüren	Germany	Other activity	100	100
Wolfsperger Textilservice GmbH & Co. KG	Freiburg im Breisgau	Germany	Textile & hygiene services	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Germany	Other activity	100	100
Kress Textilpflege GmbH	München-Trudering	Germany	Textile & hygiene services	100	-
Zischka Textilpflege GmbH	Ochtendung	Germany	Textile & hygiene services	100	-
Auxiliar Hotelera Arly	Andorre	Andorra	Textile & hygiene services	100	100
Arly les Valls (in liquidation)	Andorre	Andorra	Dormant	100	100
Hades	Anderlecht	Belgium	Textile & hygiene services	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	100
Elis Brasil, Serviços e Higienização de Têxteis Ltda	Jundiai	Brazil	Textile & hygiene services	-	Merger
SC Lavanderia Ltda	Sete Lagoas	Brazil	Textile & hygiene services	Merger	100
L'Acqua Lavanderias Ltda	Ponta Grossa	Brazil	Textile & hygiene services	100	100
AJS Industria e Comercio de Confeccoes Ltda	Eusébio	Brazil	Other activity	100	-
Teclav Tecnologia e Lavagem Industrial Ltda	Eusébio	Brazil	Textile & hygiene services	100	-
Lavanderia Verde Ltda	Caieiras	Brazil	Other activity	100	-
Martins e Lococo Lavanderia Ltda	Caieiras	Brazil	Textile & hygiene services	100	-
Reis & Nóbrega Lavanderia Ltda	Fortaleza	Brazil	Textile & hygiene services	100	-
MPW Lavanderia, Comércio e Serviços Ltda	Piracicaba	Brazil	Textile & hygiene services	100	-
Lavanderia Espírito Santo Norte Ltda	Serra	Brazil	Textile & hygiene services	100	-
Megalav Lavanderia Hospitalar Ltda	Serra	Brazil	Textile & hygiene services	100	-
Elis Chile S.A.	Santiago	Chile	Other activity	100	-
Albia S.A.	Recoleta	Chile	Textile & hygiene services	100	-
Servicios Hospitalarios S.A.	Recoleta	Chile	Textile & hygiene services	100	-
Azelab Productos	Parets del Vallès (Barcelona)	Spain	Textile & hygiene services	100	100
Elis Manomatic	Parets del Vallès (Barcelona)	Spain	Textile & hygiene services	100	100
Explotadora de Lavanderias	Consell (Mallorca)	Spain	Textile & hygiene services	100	100
Lavanderia Hotelera Del Mediterraneo	La Nucia (Alicante)	Spain	Textile & hygiene services	100	-
Lavalia Balears Servicios y Renting Textil	La Nucia (Alicante)	Spain	Textile & hygiene services	100	-
Lavalia Sur Servicios y Renting Textil	La Nucia (Alicante)	Spain	Dormant	100	-
Lavalia c. e. e.	La Nucia (Alicante)	Spain	Dormant	100	-
Elis Italia S.p.A.	San Giuliano Milanese	Italy	Textile & hygiene services	100	100
Elis Luxembourg	Bascharage	Luxembourg	Textile & hygiene services	100	100
Gafides	Samora Correira	Portugal	Other activity	100	100
Sociedade Portuguesa de Aluguer e Serviço de Texteis	Samora Correira	Portugal	Textile & hygiene services	100	100
Garment Finishing and Distribution European Services	Samora Correira	Portugal	Textile & hygiene services	100	100
SNDI S.R.O.	Slavkov ù Brna	Czech Republic	Textile & hygiene services	100	100
Kennedy Hygiene Products LTD	Uckfield	United Kingdom	Manufacturing entity	100	100
Kennedy Exports LTD	Uckfield	United Kingdom	Other activity	100	100
Blanchâtel S.A.	La Chaux-de-Fonds	Switzerland	Textile & hygiene services	100	100
Blanchival S.A.	Sion	Switzerland	Textile & hygiene services	100	100
Blanchisserie des Epinettes S.A.	Plan-les-Ouates	Switzerland	Textile & hygiene services	100	100
Blanchisserie des Epinettes, Acacias S.A.	Nyon	Switzerland	Other activity	100	100
Großwäscherei Domeisen AG	Endingen	Switzerland	Textile & hygiene services	100	75
Hedena S.A.	Nyon	Switzerland	Other activity	100	100
InoTex Bern AG	Bern	Switzerland	Textile & hygiene services	84	84
Wäscheria Textil Service Bad Ragaz AG	Bad Ragaz	Switzerland	Textile & hygiene services	84	-
Wäscheria Textil Service AG	Ilanz	Switzerland	Textile & hygiene services	84	-
WashTex Holding AG	Bern	Switzerland	Other activity	84	-
Laventex S.A.	Givisiez	Switzerland	Textile & hygiene services	100	100
Lavopital S.A.	Plan-les-Ouates	Switzerland	Dormant	100	100
Lavotel S.A.	Nyon	Switzerland	Textile & hygiene services	100	100
Lavotel Textilleasing GmbH	Rüdtligen-Alchenflüh	Switzerland	Textile & hygiene services	100	100
Picsou Management AG	Muri Bei Bern	Switzerland	Other activity	51	51
Prohotel Wäscherei AG	Kloten	Switzerland	Textile & hygiene services	100	-
SiRo Holding AG	Muri Bei Bern	Switzerland	Other activity	51	51
SNDI (Suisse) S.A.	Brügg	Switzerland	Textile & hygiene services	100	100
Wäscherei Kunz AG	Hochdorf	Switzerland	Textile & hygiene services	100	100
Wäscherei Papritz AG	Rüdtligen-Alchenflüh	Switzerland	Textile & hygiene services	100	100

Note 12 – Events after the reporting period

No events have occurred since the consolidated financial statements were prepared as at December 31, 2015 that are likely to have a material impact on the financial position of the Elis Group at the reporting date.

Statutory auditors' fees

(in thousands of euros)	Mazars				PwC			
	Amount (excl.tax)		%		Amount (excl.tax)		%	
	2015	2014	2015	2014	2015	2014	2015	2014
AUDIT								
Independent audit, certification, review of parent company and consolidated financial statements	**1 140**	**498**	**85%**	**62%**	**1 318**	**577**	**88%**	**74%**
- Elis	819	164			814	163		
- Fully consolidated subsidiaries	321	334			504	414		
Other services related to the accounting audit	**165**	**275**	**12%**	**34%**	**145**	**126**	**10%**	**16%**
- Elis	144	119			145	85		
- Fully consolidated subsidiaries	21	156			-	41		
SUB-TOTAL	**1 305**	**773**	**97%**	**96%**	**1 463**	**703**	**98%**	**91%**
Other services provided by the networks to fully consolidated subsidiaries	-	-			-	-		
- Legal, fiscal, employment-related	36	31			30	67		
- Other	-	-			-	6		
SUB-TOTAL	**36**	**31**	**3%**	**4%**	**30**	**73**	**2%**	**9%**
TOTAL	**1 341**	**804**	**100%**	**100%**	**1 493**	**776**	**100%**	**100%**

In order to reflect the Group's overall audit targets, it should be noted that audit fees paid to Deloitte, the incumbent auditors of Atmosfera in Brazil, amounted to €375 million in 2014 (including €106 thousand relating to certification and €269 thousand to other procedures).

Statutory auditors' report on the consolidated financial statements

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
61, rue Henri Regnault
92400 Courbevoie

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Elis SA
33, rue Voltaire
92800 Puteaux

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Elis SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.4 "Changes in accounting policies and restatement of prior-year financial information" to the consolidated financial statements regarding the change in accounting method related to the application of IFRIC 21.

II – Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- *Impairment tests for intangible assets with indefinite useful lives*

We assessed the methods used by the Company to measure goodwill and intangible assets with indefinite useful lives, as described in Note 1.3 "Critical accounting estimates and judgments – The recoverable amount of goodwill and intangible assets with indefinite useful lives" to the consolidated financial statements. Our work consisted in assessing the data and assumptions on which these estimates and the methods used to determine recoverable amounts are based, and reviewing the calculations made by the Company. We ensured that these estimates were reasonable and verified that Note 1.3, Note 6.1 "Goodwill", Note 6.2 "Intangible assets – Brands" and Note 6.5 "Impairment losses on non-current assets" provide appropriate disclosure.

- *Pension obligations*

Note 1.3 "Critical accounting estimates and judgments – Employee benefit liabilities" to the consolidated financial statements sets out the valuation methods used for pension and other employee benefit obligations. Our work consisted in examining the data and assumptions used, reviewing the calculations made and verifying that Note 5.3 "Employee benefit liabilities" provides appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, March 10, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Bruno Tesnière	Isabelle Massa