Intercos Europe S.p.A.

(company with a sole shareholder)
Registered Office in Milan at Piazza Eleonora Duse 2
Share Capital €3,000,000 paid in
Milan REA No. 1125524
Subject to direction and coordination by INTERCOS S.p.A.
Companies Register and Tax Code No. 00712410190

SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2014

PREPARED IN ACCORDANCE WITH THE IFRS ADOPTED BY THE EUROPEAN UNION

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Building a better working world

Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the sole Shareholder of
Intercos Europe S.p.A.

1. We have audited the financial statements of Intercos Europe S.p.A. as of 31 December 2014 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of Intercos Europe S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 10 April 2014.

3. In our opinion, the financial statements of Intercos Europe S.p.A. at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Intercos Europe S.p.A. for the year then ended.

4. The Directors of Intercos Europe S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations is consistent with the financial statements of Intercos Europe S.p.A. at 31 December 2014.

Milano, 24 April 2015

Reconta Ernst & Young S.p.A.
Signed by: Paolo Zocchi, partner

This report has been translated into the English language solely for the convenience of international readers.

Reconta Ernst & Young S.p.A.
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Separate Financial Statements for the year ended December 31, 2014

REPORT ON OPERATIONS

To the shareholders,

Intercos Europe S.p.A., a leading company in the manufacture of cosmetics for the most important brands worldwide, closed the year 2014 with a profit of €10,602 thousand.

The year 2014 was characterized by a significant growth in revenues in terms of orders received and sales in all geographical areas and business lines.
The key highlights for the year 2014 as the following:

(in € thousands)	*2014*	*2013*	*Change*
Revenues	191,606	177,614	13,992
Adjusted EBITDA (1)	22,712	17,115	5,597
Operating profit	17,361	8,250	9,111
Pre-tax profit	15,744	6,916	8,828
Profit for the year	10,602	3,702	6,900

(in € thousands)	*12/31/2014*	*12/31/2013*	*Change*
Net invested capital (2)	62,493	61,388	(1,105)
Employee benefit obligations	4,983	5,137	(154)
Equity	25,519	18,186	7,333
Net financial position	(36,975)	(43,201)	(6,226)

(in € thousands)	*2014*	*2013*	*Change*
Capital expenditures	3,098	4,738	(1,640)
Employees (number at year-end)	713	722	(9)

(1) Adjusted EBITDA is calculated as Profit/Loss for the year before depreciation, amortization and writedowns, impairment reversals (losses), accruals and nonrecurring expenses, finance income and expenses, dividends and income taxes.
(2) Net invested capital is calculated as (+) total non-current assets (+) inventories (+) trade receivables (+) other current assets (-) provisions (-) deferred tax liabilities (-) trade payables (-) other payables

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1. *Reference Scenario*

World Economic Overview

The worldwide economic recovery during 2014 continued its moderate pace with a few partial accelerations, such as in the USA where excellent results were recorded in the second part of the year, coupled with a number of latent difficulties, as seen in the main emerging economies that were held back by a slowdown in demand and a worsening of the financial situation. In the Eurozone, despite the European Central Bank's more accommodating monetary policy, with the exception of the German economy, there are no signs of acceleration; in fact the fourth quarter registered the lowest growth of all four quarters in 2014. The Italian economy continues to manifest structural difficulties and new data on the general economy clearly show a stagnant economic foundation. The main impediments to growth in Italy remain the limitations on lending to companies, a weak construction sector, the debt/GDP ratio and the risks related to the end of the extraordinary monetary policy measures by the Fed and the ECB.

In the current global economic climate, China, despite a slowdown in GDP growth, still constitutes one of the best opportunities for growth, since consumption in the second and third level cities continues to rise. The boom in domestic consumption will continue to offer significant opportunities and will change the dynamics of global competition in many sectors. The majority of foreign companies are achieving greater growth in China than in the rest of the world. The sectors of healthcare, food, clean technologies (water, solid waste, renewable energies, etc.) and transport infrastructures, as well as retail and distribution are the segments that are expected to attain the highest growth rates.

Market scenario

The **global market in the Make-up sector**, which today approximates a total of $57 billion (retail value) grew from a growth rate of 5.3% (2013 over 2012) to 5.8% year-over-year in 2014.

Analyzing the various geographical areas, Western Europe remains essentially in line with 2013, with current growth at 2.2%.

As regards North America, the market grew by 1.6%, slowing down from the 3.8% recorded in 2013, mainly in the Mass Market segment which contracted by 1.6%.

Emerging markets show a positive trend of 9.5% and Brazil's results are particularly noteworthy, gaining 9.8% from 2013.

The Asian market (excluding Japan) is positively confirmed with growth of 10.0% compared to 2013, with China leading by 9.4% growth over 2013 in a market totaling $3.4 billion.

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2. *Significant Events in 2014*

A brief description of the significant events that took place in 2014 is as follows:

- The finalization of the dismissal procedure begun in 2013 for 146 workers at the Limbiate plant continued during the course of the year for the definitive cessation of activities at the factory that took place in the first half of 2014. The agreement was ratified by the Ministry of Labor and Social Policies and provides for two-year CIGS unemployment benefits before dismissal under the mobility procedure, which was authorized as follows: DM 80861 of April 16, 2014 for CIGS benefits for the period September 1, 2013 to August 31, 2014 and DM 87822 of February 12, 2015 for CIGS benefits for the period September 1, 2014 to August 31, 2015. Furthermore, in a measure designed to supplement the income of the workers receiving CIGS unemployment benefits, such persons may request early payment of employee severance indemnities due and set aside by the Company. During the year 48 workers requested such payment, about 35% of those entitled, for a total expenditure of a gross amount of €204 thousand, whereas 20 workers were dismissed under the mobility procedure.

- On July 28, 2014 the parent Intercos S.p.A. reached an agreement with the lending banks to amend the pool loan contract. Such agreement did not amend the total amount of the loan but modified the economic terms of the loan in addition to several contract clauses relating to the change of control and financial covenants. The renegotiation of the terms extends the main repayment dates of the loan to 2018 and 2019 from the original dates in 2015 and 2016. In this regard, it should be recalled that following the restructuring operations involving the Group in 2011, Intercos Europe S.p.A. assumed a portion of the debt carried and conferred by Intercos S.p.A for €35,000,000 representing the entire "Tranche D", now the "Tranche B" loan in the Loan Agreement. See "Subsequent events" for updates on the new debt situation following the modifications that occurred in March 2015.

- Now that the Company has access to bilateral lines of credit for a maximum total of €11,000,000.00 at a fixed interest rate (3-month Euribor plus a spread of 0.80%) from "BNL – BNP Paribas", Intercos Europe has drawn on these bilateral credit lines and, subsequent to the resolution passed by the board of directors on November 21, 2014, has extended an intercompany loan of a total €5,000,000.00 (five million//00) to the parent Intercos S.p.A at the 3-month Euribor plus a spread of 1.50% with repayment due no later than November 30, 2015.

3. *2014 Profit and Financial Performance*

Revenues from sales and services total €191,606 thousand and record an increase of 7.9% compared to 2013.

Revenues by geographical area based on the territory of residence of the customers on the sales invoice are presented below.

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(in € thousands)

	2014	2013
U.S.A.	36,589	41,356
EMEA	150,229	132,176
Asia	4,788	4,082
Total	**191,606**	**177,614**

In 2014 the different geographical areas show differing trends in revenues:

- Asia rose by 17% compared to 2013.
- EMEA grew its revenues by €18,053 thousand, or +14% year-over-year. Such improvement is attributable to a greater focus on the market where the Company has increased its sales to Emerging Brands 19%, Retailers +11% and Multinationals +18%.
- U.S.A. registered a decline in sales of €4,767 thousand, or -11.5% compared to the prior year, due essentially to the sharp decline in the Mass Market sector.

Adjusted EBITDA is a positive €22,712 thousand, up €5,597 over 2013. The increase in profitability is due to strong revenue growth coupled with a curbing of fixed costs and improved productivity in the operations area.

Operating profit is €17,361 thousand, up €9,111 thousand compared to the prior year thanks to an increasingly attentive cost control policy and a €2,844 thousand reduction in restructuring costs which in 2013 amounted to €3,283 thousand.

Profit comes to €10,602 thousand compared to €3,702 thousand in 2013, with a profit margin of 5.5%.

Capital expenditures in property, plant and equipment and intangible assets amount to €3,071 thousand and relate mainly to efforts to bolster the production capacity of Prisma Shine and the filling machines department, industrializing new technologies such as the project known as Back Injection (€0.8 million) and improving the efficiency and safety of the productive plant.

Net financial position totals €36,975 thousand compared to €43,201 thousand at December 31, 2013. This is a clear improvement and the result of a careful working capital management policy attributable to the Company's strategy designed to improve working capital management through periodic meetings with the credit committees, optimization of the supply chain and a daily monitoring of cash flows and liquidity.

Total **Equity** is €25,519 thousand, up €7,333 thousand from €18,186 thousand at December 31, 2013. Over the course of 2014 the Company paid dividends totaling €3,000 thousand.

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Costs for services and leases and rents in 2014 amount to €74,171 thousand compared to €67,270 thousand in 2013, with an overall increase of €6,901 thousand, including €4,378 thousand relating to processing and packaging, €756 thousand to shipping expenses and €922 thousand to commission expenses.

Employee benefit expenses in 2014 total €37,182 thousand, of which €8,298 thousand relates to temp work. As a percentage of revenues, employee benefit expenses are 19.4%, showing an improvement over 20.8% in 2013 due to an improved corporate structure that allows for greater synergies thanks to the Group's new organizational model, as well as a significant increase in productivity.

For purposes of commenting on the changes in financial position, a reclassified statement of financial position is presented below:

(in € thousands)	12/31/2014	12/31/2013
Fixed assets	**34,619**	**36,319**
Inventories	32,534	34,612
Trade receivables	37,452	36,542
Trade payables	(38,434)	(40,597)
Trade working capital	**31,552**	**30,557**
Other current receivables and payables	(3,725)	(5,526)
Net working capital	**27,827**	**25,030**
Other provisions and Non-current assets and liabilities	47	38
Invested Capital	**62,493**	**61,388**
Equity	**25,519**	**18,186**
Cash	(12,423)	(10,131)
Financial payables	49,397	53,332
Net Financial Position	**36,975**	**43,201**
Total sources	**62,493**	**61,388**

Fixed Assets / Invested Capital	*55.40%*	*59.16%*
Net Financial Position / Equity	*1.45*	*2.38*
Invested Capital / Equity	*2.45*	*3.38*
Trade Working Capital / Revenues	*16.47%*	*17.20%*
Net Working Capital / Revenues	*14.852%*	*14.09%*

Compared to 2013, working capital turnover was positively impacted by a considerable improvement in working capital management with trade receivables and inventories basically in line in both years despite a rise in sales volumes.

Further details are provided in the Notes.

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4. Share Capital

The share capital at December 31, 2014 totals €3,000,000 and consists of 3,000,000 ordinary shares of par value €1 each.

There were no changes during the year as illustrated in the following table at December 31, 2014:

Shareholders	Beginning balance	Ending balance	%
Intercos S.p.A.	3,000,000	3,000,000	100.00%
SHARE CAPITAL	**3,000,000**	**3,000,000**	**100.00%**

In accordance with the provisions of article 2428 of the Italian Civil Code, a statement is made to the effect that the Company neither holds nor has purchased or sold shares of the parent during the course of the year under examination, not even through fiduciaries or trustees.

In addition, the Company neither holds nor has purchased or sold treasury shares during the course of the year under examination, not even through fiduciaries or trustees.

5. Related Party Transactions

Related party transactions do not qualify as either atypical or unusual but fall under the ordinary course of the business operations of the Group companies. Such transactions, when not concluded at standard conditions or dictated by specific laws, are nevertheless carried out on an arm's length basis.

The details of the effects of related party transactions on the income statement for 2014 and the statement of financial position at December 31, 2014 are described in the Notes.

6. Risk Management and Uncertainties

Financial risk management is an integral part of Intercos Europe S.p.A.'s activities.

In fact Intercos Europe S.p.A.'s business operations are exposed to various types of risk: market risk (including exchange rate and interest rate risks), credit risk and liquidity risk. The Company's risk management strategy focuses on the unpredictability of the markets and aims to minimize any potential adverse effects on the results of its operation. Certain types of risk are mitigated through the use of derivative instruments.

The coordination and monitoring of the main financial risks is centralized at the corporate offices. The risk management policies are approved, in concert with the administrative bodies, by the Finance, Administration and Control function, which writes the policies for the management of the above risks and for the use of appropriate financial instruments.

7. Environment and Employees

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The headcount of Intercos Europe at December 31, 2014 is 713 compared to 722 at year-end 2013, with a reduction of 9 people.

Issues related to safety in the workplace, the environment and safeguarding the environment have always been of major concern to the Intercos Group. The activities performed by the Company in these areas have ensured that over the course of the year no accidents occurred in the workplace causing serious injury to employees nor have damages to the environment been attributed to the Company.

8. Subsequent Events

In view of the favorable financial market situation, in January 2015 the parent Intercos S.p.A., decided to refinance its principal debt, obtaining more favorable terms than the debt renegotiation in July 2014.

The debt renegotiation process was concluded on March 27, 2015. As a result, the senior loan contract for a nominal amount of €181,312,638, last amended on July 28, 2014, was replaced by: (1) one bond for a notional amount of €120,000,000.00, maturing in March 2022 at a fixed rate of 3.875% and (2) a new loan agreement for €80,000,000.00 due at the end of 2020 at more advantageous conditions than the previous loan agreement (variable rate linked to the 1M, 3M and 6M Euribor/Libor plus a spread between 1.50% and 2.65%).

Therefore the Company, through its parent Intercos S.p.A., repaid the debt contributed to it with the business in 2011 of €35 million and replaced it with the new loan agreement for the principal portion of €20 million.

Concurrently the Company received a loan from Intercos S.p.A. of €15 million which will in part offset the loan receivable from Intercos S.p.A. of €5 million.

In 2015 the Company again expects to maintain its leadership position in the market segments in which it operates. The first quarter shows a trend in line with that seen in 2014. The Company expects that it will meet the budget forecasts which are basically in line with 2014.

9. Appropriation of the Profit for the Year

To the Shareholders,

We ask you to approve the Directors' Report on Operations for the year 2014 and the financial statements for the year ended December 31, 2014 as submitted to you, appropriating the profit for the year of €10,601,843 as follows: €5,601,843 to the extraordinary reserve and €5,000,000 for the payment of dividends to Intercos S.p.A.

Milan, April 10, 2015

INTERCOS EUROPE S.p.A.
On behalf of the Board of Directors

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Company Information

BOARD OF DIRECTORS

Name	Position
Dario Gianandrea Ferrari	Chairman and Chief Executive Officer
Paolo Valsecchi	Managing Director
Martin Breuer	Managing Director
Matteo Milani	Managing Director
Gianandrea Ferrari	Director

BOARD OF STATUTORY AUDITORS

Name	Position
Matteo Tamburini	Chairman of the Board of Statutory Auditors
Mario Valenti	Standing Auditor
Maria Maddalena Gnudi	Standing Auditor
Marino Marrazza	Alternate Auditor
Barbara Zanardi	Alternate Auditor

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A

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Statements of Financial Position at December 31, 2014 and 2013

		December 31,	
	(in euros)	**2014**	**2013**
	ASSETS		
	NON-CURRENT ASSETS		
7	Property, plant and equipment	*14,276,149*	*15,950,358*
8	Intangible assets	*43,091*	*68,856*
9	Goodwill	*20,300,000*	*20,300,000*
10	Deferred tax assets	*4,916,671*	*5,485,835*
11	Other non-current receivables	*3,103,486*	*3,155,737*
	Non-current assets	***42,639,397***	***44,960,786***
	CURRENT ASSETS		
12	Inventories	*32,534,247*	*34,612,276*
13	Trade receivables	*37,452,404*	*36,541,849*
14	Taxes receivable	*3,636,560*	*1,884,043*
15	Other current assets	*1,077,267*	*1,235,463*
16	Loans receivable from Group companies - short-term	5,000,000	-
17	Cash and cash equivalents	12,423,302	10,130,680
	Current assets	***92,123,781***	***84,404,311***
	TOTAL ASSETS	***134,763,178***	***129,365,097***

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	(in euros)	December 31, 2014	2013
	EQUITY		
	Share capital	*3,000,000*	*3,000,000*
	Legal reserves	*600,000*	*600,000*
	Other reserves	*9,951,315*	*9,248,879*
	Retained earnings	*11,967,391*	*5,337,618*
18	**TOTAL EQUITY**	***25,518,706***	***18,186,497***
	LIABILITIES		
	NON-CURRENT LIABILITIES		
19	Borrowings from banks and other lenders	*34,673,517*	*35,105,390*
20	Provisions	*2,501,533*	*3,062,987*
21	Deferred tax liabilities	*488,621*	*404,120*
22	Employee benefit obligations	*4,983,441*	*5,136,631*
	Non-current liabilities	***42,647,111***	***43,709,128***
	CURRENT LIABILITIES		
23	Borrowings from banks and other lenders	*19,049,358*	*18,226,340*
24	Other financial payables	*675,000*	*0*
25	Trade payables	*38,433,974*	*40,597,196*
26	Other payables	*8,439,029*	*8,645,936*
	Current liabilities	***66,597,362***	***67,469,472***
	TOTAL EQUITY AND LIABILITIES	***134,763,178***	***129,365,097***

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Statements of Comprehensive Income for the years ended December 31, 2014 and 2013

	(in euros)	2014	2013
27	Revenues from sales and services	*191,606,371*	*177,613,690*
28	Other income	*4,234,156*	*4,707,476*
29	Purchases of raw materials, semifinished products and consumables	*(59,364,867)*	*(57,974,010)*
30	Change in inventories of raw materials, semifinished products and finished products	*(1,639,241)*	*(1,710,141)*
31	Costs for services and leases and rents	*(74,170,589)*	*(67,269,870)*
32	Employee benefit expenses	*(36,966,580)*	*(36,954,365)*
33	Accruals	*(72,000)*	*(67,500)*
34	Other operating expenses	*(915,074)*	*(1,230,327)*
	Operating profit (loss) before depreciation, amortization, impairment reversals (losses) and nonrecurring expenses	***22,712,176***	***17,114,953***
35	Depreciation, amortization and impairment reversals (losses)	*(4,912,085)*	*(5,581,582)*
36	Nonrecurring operating income (expenses)	*(438,787)*	*(3,282,980)*
	Operating profit	***17,361,304***	***8,250,391***
37	Finance income	*32,873*	*93,174*
38	Finance expenses	*(1,649,913)*	*(1,427,351)*
39	Income taxes	*(5,142,422)*	*(3,213,778)*
	Profit for the year	***10,601,843***	***3,702,436***
	Other components of comprehensive income *Other comprehensive income that will not be reclassified subsequently to profit or loss*		
40	Remeasurement of defined benefit plan	*(269,634)*	*(51,004)*
	Total Other components of comprehensive income	***(269,634)***	***(51,004)***
	Total comprehensive income for the year	***10,332,209***	***3,651,432***

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Statements of Cash Flows for the years ended December 31, 2014 and 2013

(in € thousands)	**2014**	**2013**
Profit from operating activities	*10,602*	*3,702*
Profit for the year	***10,602***	***3,702***
Depreciation, amortization and impairment reversals (losses)	*4,912*	*5,582*
Non-recurring income (expenses)	*439*	*3,283*
Change in provisions	*(985)*	*(444)*
Financial income (expenses)	*1,617*	*1,334*
Decrease / (Increase) in inventories	*1,639*	*2,010*
Decrease / (Increase) net trade receivables	*(911)*	*(5,224)*
Increase / (Decrease) change in trade payables	*(2,152)*	*(12,830)*
Decrease / (Increase) other assets	*(976)*	*(2,470)*
Increase / (Decrease) other liabilities	*(131)*	*3,187*
Cash flows provided by (used in) operating activities (a)	***14,055***	***(11,869)***
Net investments in property, plant and equipment	*(3,186)*	*(4,464)*
Net investments in intangible assets	*(26)*	*(13)*
Investments		*0*
Cash flows provided by (used in) investing activities (b)	***(3,212)***	***(4,477)***
Increase di share capital	*0*	*0*
(Increase) / Decrease in financial assets	*(5,000)*	*0*
Increase / (Decrease) borrowings from banks and other lenders	*1,112*	*3,910*
Interest paid during the year	*(1,663)*	*(1,334)*
Cash flow provided by (used in) financing activities (c)	***(5,551)***	***12,575***
Change in equity (d)	*(3,000)*	*(3,000)*
Cash flows during the year (a)+(b)+ (c) + (d)	***2,292***	***(6,771)***
Cash and cash equivalents at beginning of year	*10,131*	*16,902*
Cash and cash equivalents at end of year	*12,423*	*10,131*
Change in cash and cash equivalents	***2,292***	***(6,771)***

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Statements of Changes in Equity

(in € thousands)

Description	Share capital	Share premium reserve	Legal reserves	Other reserves	Revaluation Reserve	Profit for the year	TOTAL
Equity at 12/31/2012	**3,000,000**	**755,885**	**111,140**	**3,260,344**	**2,901,768**	**7,505,926**	**17,535,064**
Actuarial loss				(51,004)			(51,004)
Appropriation of profit 2012			488,860	7,008,836	8,231	(7,505,926)	
Payment of dividends				(3,000,000)			(3,000,000)
Profit 2013						3,702,436	3,702,436
Equity 12/31/2013	**3,000,000**	**755,885**	**600,000**	**7,269,180**	**2,909,999**	**3,651,432**	**18,186,496**
Actuarial loss				(269,634)			(269,634)
Appropriation of profit 2013				3,702,436		(3,702,436)	0
Dividend distribution				(3,000,000)			(3,000,000)
Profit 2014						10,601,843	10,601,843
Equity at 12/31/2014	**3,000,000**	**755,885**	**600,000**	**7,701,982**	**2,909,999**	**10,550,839**	**25,518,705**

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Intercos Europe S.p.A is a corporation organized under the laws of the Republic of Italy, established on December 22, 1982 and with registered offices in Milan, at Piazza Eleonora Duse 2.

The Company is controlled by Intercos S.p.A., which is required to draw up the consolidated financial statements of the Intercos Group.

Significant events in 2014

- The finalization of the dismissal procedure begun in 2013 for 146 workers at the Limbiate plant continued during the course of the year for the definitive cessation of activities at the factory that took place in the first half of 2014. The agreement was ratified by the Ministry of Labor and Social Policies and provides for two-year CIGS unemployment benefits before dismissal under the mobility procedure, which was authorized as follows: DM 80861 of April 16, 2014 for CIGS benefits for the period September 1, 2013 to August 31, 2014 and DM 87822 of February 12, 2015 for CIGS benefits for the period September 1, 2014 to August 31, 2015. Furthermore, in a measure designed to supplement the income of the workers receiving CIGS unemployment benefits, such persons may request early payment of employee severance indemnities due and set aside by the Company. During the year 48 workers requested such payment, about 35% of those entitled, for a total expenditure of a gross amount of €204 thousand, whereas 20 workers were dismissed under the mobility procedure.

- On July 28, 2014 the parent Intercos S.p.A. reached an agreement with the lending banks to amend the pool loan contract. Such agreement did not amend the total amount of the loan but modified the economic terms of the loan in addition to several contract clauses relating to the change of control and financial covenants. The renegotiation of the terms extends the main repayment dates of the loan to 2018 and 2019 from the original dates in 2015 and 2016. In this regard, it should be recalled that following the restructuring operations involving the Group in 2011, Intercos Europe S.p.A. assumed a portion of the debt carried and conferred by Intercos S.p.A for €35,000,000 representing the entire "Tranche D", now the "Tranche B" loan in the Loan Agreement. See "Subsequent events" for updates on the new debt situation following the modifications that occurred in March 2015.

- Now that the Company has access to bilateral lines of credit for a maximum total of €11,000,000.00 at a fixed interest rate (3-month Euribor plus a spread of 0.80%) from "BNL – BNP Paribas", Intercos Europe has drawn on these bilateral credit lines and, subsequent to the resolution passed by the board of directors on November 21, 2014, has extended an intercompany loan of a total €5,000,000.00 (five million//00) to the parent Intercos S.p.A at the 3-month Euribor plus a spread of 1.50% with repayment

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due no later than November 30, 2015.

2. PREPARATION OF THE FINANCIAL STATEMENTS

Basis of presentation

The financial statements for the year ended December 31, 2013 of Intercos Europe S.p.A. are expressed in euros. The financial statements consist of the statement of financial position, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity and the notes thereto. All amounts in the notes are expressed in thousands of euros, unless otherwise indicated. The statement of comprehensive income format presents a classification according to costs by nature.

The separate financial statements at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and approved by the European Commission for the preparation of consolidated and separate financial statements of companies with share capital and/or debt securities listed on a regulated market in the European Community.

By IFRS is meant all "International Financial Reporting Standards", all International Accounting Standards ("IAS"), all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC"), adopted by the European Union and contained in the relative European Union Regulations published up to April 10, 2015 the date on which the board of directors of Intercos Europe S.p.A. approved these draft financial statements. Any future guidance and updated interpretations will be adopted in subsequent years in the manner established each time by the benchmark accounting standards.

The financial statements were approved for publication by the board of directors on April 10, 2015.

Accounting standards, interpretations and amendments adopted beginning from the year 2014

The accounting principles adopted in the preparation of the financial statements at December 31, 2014 are consistent with those used in the preparation of the financial statements at December 31, 2013 except for the adoption of recently issued standards, interpretations and amendments by the Group effective beginning January 1, 2014 as set out below.

Regulation 1254/2012, issued by the European Commission on December 11, 2012, endorsed IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" IFRS 12 "Disclosure of Interests in Other Entities" and the updated versions of IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures".

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IFRS 10 "Consolidated Financial Statements" ("IFRS 10") and the updated version of IAS 27 "Separate Financial Statements" ("IAS 27") establish, respectively, the standards to be followed for the presentation and preparation of consolidated financial statements and separate financial statements. IFRS 10 introduces a new definition of control by establishing a single control model that applies to all entities (including special purpose entities). Under such definition, an enterprise exercises control if it is exposed, or has rights, to variable return (both positive and negative) from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides a number of indicators to be considered for purposes of assessing whether or not control exists which include, inter alia, potential rights, merely protective rights and the existence of agency or franchising relationships. The new provisions, moreover, acknowledge the possibility of exercising control over a company in which a stake is held even in the absence of a majority of voting rights as a result of dispersed/broadly held equity stakes or a passive approach taken by other investors.

Standard IFRS 11 "Joint Arrangements" ("IFRS 11") identifies, on the basis of the rights and obligations of the participants, two types of joint arrangements: joint operations and joint ventures, setting the criteria for identifying joint control and governing the consequent accounting treatment to be used for their recognition in the financial statements. With reference to the accounting of joint ventures for purposes of the consolidated financial statements, the new provisions indicate that the only method permitted is the equity method of accounting, eliminating the possibility of using the proportional consolidation method.

The updated version of IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28") defines, inter alia, the accounting treatment to be used in the event of total or partial disposal of an investment in a joint venture of associate.

Standard IFRS 12 "Disclosure of Interests in Other Entities" ("IFRS 12") specifies the disclosure requirements for the consolidated financial statements with regard to subsidiaries and associates, joint ventures and joint operations, as well as non-consolidated structured entities, requiring, in particular, the indication of material assumptions (and any changes to the same) formulated for purposes of assessing whether control or joint control exists, as well as the assessments and material assumptions used to determine whether the joint control can qualify as a joint venture or joint operation.

Regulation 1256/2012 issued by the European Commission on December 13, 2012 endorsed the provisions contained in the document "Amendments to IAS 32. Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", which clarifies the application of a number of criteria already existing in IAS 32 for the offsetting of financial assets and liabilities. In particular, the amendment clarifies

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that there exists a legal right to offset when both of the following circumstances occur: (i) the right to offsetting must be currently exercisable and therefore may not be contingent upon a future event; (ii) the right to offsetting must be legally exercisable by all of the counterparties both in the ordinary course of business and in the event of insolvency of one of the counterparties.

Regulation 313/2013 issued by the European Commission on April 4, 2013 endorsed the amendments set forth in the document "Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12" which provides a number of clarifications and simplifications with reference to the transition requirements of the standards IFRS 10, IFRS 11 and IFRS 12. In particular, the document clarified that the date of first application of the three above-mentioned standards is the first day of the administrative period in which IFRS 10 was adopted for the first time. The entities that adopt IFRS 10 must assess control on the date of first application and the treatment of comparative data will depend upon such assessment.

Regulation 1174/2013 issued by the European Commission on November 20, 2013 endorsed the amendments contained in the document "Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)" which provides clarifications on the definition of the area of consolidation of companies that qualify as investment entities, defined as entities that obtain funds from one or more investors in order to provide to them investment management services and that undertake toward their investors to pursue the business objective of investing the funds exclusively to obtain returns through capital appreciation, investment income or both. The amendment introduces an exception, for the investment entity, to the obligation to consolidate subsidiaries unless the subsidiaries in question provide services related to the investment business.

Regulation 1374/2013 issued by the European Commission on December 19, 2013 endorsed the amendments contained in the document "Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets". The amendment concerns the disclosure to be provided on the recoverable value of impaired assets, in situations in which the recoverable value is based upon the fair value net of the costs of disposal.

Regulation 1375/2013 issued by the European Commission on December 19, 2013 endorsed the amendments contained in the document "Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting". The amendment introduced an exception to the requisites for the cessation of hedge accounting in the event of novation of OTC derivatives with a central counterparty. In particular, the amendment establishes that it is not necessary to interrupt the hedge accounting of a "novated or modified" derivative that had been designed as a hedging instrument if the following conditions are met: (i) if, as a result of laws and regulations, the parties to a hedging instrument agree that the central counterparty is the new counterparty of the OTC; (ii) if, as a result of laws and regulations, one (or more)

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counterparties replace the original counterparty in order to become the new counterparty; (iii) if any other changes to the hedging instrument are limited to those necessary to carry out such replacement of the counterparty. The changes introduced by the amendment therefore clarify that it is possible to continue the hedge accounting of "novated" derivatives where the replacement or rollover of the derivative with another hedging instrument is not the expiration or termination of the previous instrument.

Regulation 634/2014 issued by the European Commission on June 13, 2014 endorsed interpretation "IFRIC 21 - Levies" which defines the accounting treatment of levies imposed by public authorities, other than income taxes, fines and penalties deriving from violations of law. IFRIC 21 indicates the criteria for recognizing liabilities, establishing that the obligating event that gives rise to the obligation and, therefore, to pay the liability, is the activity described in the applicable laws and regulations that triggers the payment of the levy. For entities belonging to EU countries, the interpretation must be applied "at the latest" starting from annual periods beginning June 17, 2014 (therefore, for annual periods years coinciding with the calendar year, starting on January 1, 2015). Early application is in any case permitted.

Accounting standards and interpretations issued by the IASB/IFRIC and approved by the European Commission, but not yet adopted

The standards approved by the European Commission in 2014 are listed and described below.

Regulation 2015/28 issued by the European Commission on December 17, 2014 endorsed the "Annual Improvements to 2010-2012 Cycle". These amendments include the following: (i) to IFRS 2, clarifying the definition of "vesting conditions" and introducing separate definitions of service conditions and performance conditions; (ii) to IFRS 3, clarifying that obligations to pay contingent consideration, other than those falling within the definition of equity instruments, are assessed at fair value at every balance sheet date, with changes recognized in the income statement; (iii) to IFRS 8, requiring disclosure about the judgments made by management in applying aggregation criteria, describing the operating segments that were aggregated and the economic indicators that were assessed in order to determine that the aggregated segments share similar economic characteristics; (iv) to IAS 16 and IAS 38, clarifying the manner of determining the gross carrying amount of assets, in the event of revaluation as a result of application of the revaluation model; (v) IAS 24, establishing the information to be disclosed when a related-party management entity provides key management personnel services to a reporting entity. The amendments are effective for annual periods beginning on or after February 1, 2015.

Regulation 1361/2014 issued by the European Commission on December 18, 2014 endorsed the "Annual Improvements to IFRS 2011-2013 Cycle". These amendments refer to: (i) to IFRS 3, clarifying that IFRS 3 is not applicable for the recognition of the accounting effects related to the formation of a joint venture or

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joint operation (as defined by IFRS 11) in the financial statements of joint ventures or joint operation; (ii) to IFRS 13, clarifying that provisions set forth in IFRS 13 on the basis of which it is possible to measure the fair value of a group of financial assets and liabilities on a net basis, applies to all agreements (including non-financial agreements) falling within the scope of IAS 39 or IFRS 9; (iii) to IAS 40, clarifying that in order to establish when the acquisition of a real estate investment constitutes a business combination, it is necessary to refer to the provisions of IFRS 3. The amendments are effective for annual periods beginning on or after January 1, 2015.

Regulation 2015/29 issued by the European Commission on December 17, 2014 endorsed the amendments to IAS 19 by the provisions set forth in the document "Defined Benefit Plans: Employee Contributions". The amendments allow contributions by employees or third parties, which are unrelated to the number of years of service, to be recorded as a reduction of the current service cost of the period, in lieu of the allocation of such contributions over the timeline in which the service is rendered. The new amendments are effective from annual periods beginning on or after February 1, 2015.

Accounting standards, interpretations and amendments issued by the IASB/IFRIC and not yet endorsed by the European Commission

The following newly issued amendments, standards and interpretations are in the process of being endorsed by the European Commission and address matters pertaining to the Group's financial statements. Since they have not yet been endorsed by the European Commission, the effective date of application may be postponed to a date subsequent to that established in the relative documents.

On January 30, 2014 the IASB issued "IFRS 14 Regulatory Deferral Accounts", the interim standard related to the Rate-regulated activities project. First-time Adopters fall under the scope of application of the document, and such entities are allowed to continue to account for regulatory deferral account balances in its first IFRS financial statements in accordance with its previous GAAP when it adopts IFRS. In order to improve the comparability with the entities that have already applied IFRS, the standard requires that such accounting treatment must be presented separately from other items.

On May 6, 2014 the IASB issued the document "Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)" with the aim of clarifying the accounting treatment for acquisitions of interests in a joint operation that represents a business.

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On May 12, 2014 the IASB issued the document “Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)”, with the aim of clarifying that a method of amortization based upon revenues generated by the asset (known as the revenue-based method) is not considered appropriate as it exclusively reflects the flow of revenues generated by such asset and not the method of consuming the economic benefits incorporated within the asset itself.

In accordance with the dictates of the IASB, the provisions set forth in the above documents are effective for annual periods beginning on or after January 1, 2016, subject to possible subsequent postponements at the time of endorsement by the European Commission.

On May 28, 2014 the IASB issued the “IFRS 15 Revenue from Contracts with Customers”, which provides a single model for the recognition of revenues based upon the transfer of control over an asset or service to a client. The new standard marks a significant change with respect to current requisites provided under international accounting standards. It provides a more structured approach to the measurement and recognition of revenues, with a detailed application guide. As dictated by the IASB, the standard is effective for annual periods beginning on or after January 1, 2017, except for any subsequent postponements at the time of endorsement by the European Commission.

On July 24, 2014 the IASB issued “IFRS 9 Financial Instruments” together with the related “Basis for Conclusions and the related Application Guide”, replacing all previously issued versions of the standard. The new provisions: (i) provide for the simplification of categories for the classification of financial instruments and that such classification be based upon the characteristics of the instrument and the business model of the enterprise; in addition, embedded derivatives are no longer required to be separated; (ii) identify a new impairment model that uses “forward-looking” information to obtain early recognition of losses on receivables with respect to the “incurred loss” model that postpones the recognition of losses on receivables until the manifestation of a loss event; (iii) introduce a substantial modification in the recognition of hedging transactions with the aim of ensuring that hedging transactions are aligned to the risk management strategies of enterprises and based upon a more principle-based approach. The provisions set forth in the above-mentioned documents, which replace those in standard IAS 39 “Financial Instruments: Recognition and Measurement”, are effective for annual periods beginning on or after January 1, 2018, except for any subsequent postponements at the time of endorsement by the European Commission.

On August 12, 2014, the IASB issued the document “Equity Method in Separate Financial Statements - Amendments to IAS 27”. The amendments allow the equity method as an accounting option for investments in subsidiaries, joint ventures and affiliates, in the separate financial statements, in addition, as in the past, to

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their measurement at cost or in accordance with IAS 39. The accounting option chosen must be applied consistently for every category of equity investment.

On September 11, 2014 the IASB issued the document “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28”. The amendments introduced aim to define in greater detail the accounting treatment for gains or losses deriving from transactions with joint ventures or associates accounted for using the net equity method and in particular with reference to: (i) the loss of control of a subsidiary (governed by IFRS 10) and (ii) downstream transactions (governed by IAS 28). The different accounting treatment to be used in the investor’s financial statements depends upon whether or not the subject matter of the transaction is a business, as defined in IFRS 3. The amendments introduced specify that: (i) the gains (or losses) deriving from the remeasurement at fair value of the investment held in a company that was previously a subsidiary that does not represent a business, that qualifies as a joint venture or associate (accounted for using the equity method), are recognized in the investor’s financial statements to the extent of the third party investors’ interests in such joint venture or associate; (ii) the gains (or losses) deriving from downstream transactions related to assets that do not constitute a business between one entity and its joint ventures or associates, must be recognized in full in the entity’s financial statements (IAS 28).

On September 25, 2014 the IASB issued “Annual Improvements to IFRS 2012–2014 Cycle”, which: (i) IFRS 5 clarifies that any reclassification of an asset (or disposal group) from held for sale to held for sale to shareholders/partners (or vice versa), must not be considered as a new divestment plan but rather as a continuation of the original plan; (ii) IFRS 7 provides additional guidance in the determination of whether or not there exists continuing involvement in a financial asset that has been transferred, where a service agreement pertaining to it exists, so as to determine what level of disclosure is required; the same standard also clarifies the applicability of the disclosure in connection with the offsetting of financial assets and liabilities in interim financial statements; (iii) IAS 19 clarifies that the discount rate to use to calculate the present value of bonds must be determined with reference to the market returns of high-quality corporate bonds denominated in the same currency rather than with reference to the county of reference; (iv) IAS 34 clarifies the meaning of the reference to information provided in other sections of the interim financial statements, specifying that the same must be available within the same timeframe.

On December 18, 2014 the IASB issued the document “Disclosure Initiative – Amendments to IAS 1”. The amendments include a series of clarifications on matters related to materiality, aggregation of line items, structure of notes, disclosure of accounting principles adopted and the presentation of other components of comprehensive income arising from the use of the equity method to account for investments.

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On the same date the IASB issued the document "Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28", which clarifies the matters that arose in connection with the application of the exception to consolidation for investment entities.

In accordance with the dictates of the IASB, the provisions set forth in the above documents are effective for annual periods beginning on or after January 1, 2016, subject to possible subsequent postponements at the time of endorsement by the European Commission.

Summary of significant accounting policies

As stated, the financial information has been prepared in accordance with IFRS adopted by the European Union. The financial statements have been prepared under the historical cost convention except as specifically described in the following notes, in which case, fair value was used.

The financial statements are prepared under the going concern assumption.

The most significant accounting policies adopted are described below. The accounting polices described have been applied on a basis consistent with all the periods presented.

These financial statements will be submitted for the approval of the shareholders' meeting which is authorized to make changes, if any, to the financial statements, where necessary.

Property, plant and equipment

Property, plant and equipment are stated at purchase or production cost less accumulated depreciation and impairment losses, if any. Purchase cost includes all directly attributable costs necessary to make the asset ready for use and any expenses for decommissioning and restoration that will be incurred as a result of contractual obligations that require the assets to be restored to their original condition.

Any borrowing costs incurred for the acquisition, production or construction of property, plant and equipment are capitalized to the relative asset up to the time such asset is ready for use. Ordinary and/or cyclical maintenance and repairs are charged directly to the income statement in the year in which they are incurred. Costs for the expansion, refurbishment or betterment of structural elements owned or leased are capitalized solely to the extent that they meet the requisites for being classified separately as assets or part of an asset under the component approach. Likewise, the replacement costs of identifiable components of complex assets are charged to assets and depreciated over their estimated useful lives; the remaining carrying amount of the component being replaced is charged to the income statement.

Spare parts of significant amount are capitalized and depreciated over the estimated useful life of the asset to which they refer.

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The carrying amount of property, plant and equipment is adjusted by systematic depreciation, calculated on a straight-line basis from the date the asset is available and ready for use, over the estimated useful life of the asset. In particular, depreciation is recognized starting from the month in which the asset is available for use or is potentially able to provide the economic benefits associated with it and is charged on a monthly basis on a straight-line basis at rates designed to write off the assets up to the end of their useful life or, for disposals, up to the last month of utilization.

The annual percentage depreciation rates representing the estimated useful lives of property, plant and equipment are as follows:

Description		*Rates*
Land and Buildings		4%/5.5%
Plant		
o	Generic	10.00%
o	Specific	12.00%
o	Water purification plant	15.00%
Machinery		12%/12.5%
Industrial equipment		
o	Laboratory, workshop, molds	40.00%
o	Light constructions	10.00%
Other assets		
o	Office furniture and fixtures	12.00%
o	Electronic machines	20.00%
o	Internal transportation equipment	20.00%
o	Motor vehicles	25.00%

The useful life of property, plant and equipment and the residual amount is reviewed and updated, where applicable, at the end of every year.

Whenever the depreciable asset is composed of distinctly identifiable elements whose useful life differs significantly from the other parts that compose the asset, depreciation is taken separately for each of the parts that compose the asset in accordance with the component approach.

The depreciation period referring to costs for the expansion, upgrading or improvement of the structural elements used by third parties corresponds to the lower of the remaining estimated useful life of the property, plant and equipment and the remaining term of the lease contract.

Gains and losses on the sale or disposal of property, plant and equipment are calculated as the difference between the proceeds from the sale and the net carrying amount of the assets sold or disposed of and is recognized in the income statement in the year to which they refer.

Leasehold improvements are classified in property, plant and equipment, consistently with the nature of the cost incurred. The depreciation period corresponds to the lower of the remaining estimated useful life of the property, plant and equipment and the remaining term of the lease contract.

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Land is not depreciated and is measured at cost net of accumulated impairment losses.

Gains and losses on the sale or disposal of property, plant and equipment are calculated as the difference between the proceeds from the sale and the net carrying amount of the assets sold or disposed of.

Leased assets

Assets owned under finance lease contracts in which substantially all the risks and rewards of ownership are transferred to the Company are recognized as property, plant and equipment at fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability payable to the lessor is shown in the financial statements under borrowings. The assets are depreciated according to the policies and rates indicated for property, plant and equipment unless the term of the lease contract is shorter than the useful life represented by these rates and reasonable certainty of transferring ownership of the leased asset at the natural expiration of the contract is not assured. In that case, the depreciation period is represented by the term of the lease contract. The lease payment is divided into its components of finance expense, recognized in the income statement, and the repayment of principal, recorded as a reduction of the financial liability.

Leases in which the lessor retains substantially all the risks and rewards of ownership associated with ownership of the assets are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease contract.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance able to produce future economic benefits. Such assets are recorded at the cost of purchase and/or production, including incidental expenses directly attributable to the preparation of the asset for its intended use, net of accumulated amortization, and any impairment losses. Any borrowing costs arising during and for the development of intangible assets are expensed in the income statement. Amortization starts when the asset is available for use and is charged on a straight-line basis over the remaining period of possible utilization, intended as the estimated useful life.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value at the date of purchase, of assets and liabilities of acquired companies or business segments. Goodwill is not subject to amortization but

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is tested for impairment at least annually or whenever there is an indication of an impairment, to verify the adequacy of the relative carrying amount in the financial statements. To test for impairment, goodwill must be allocated to cash-generating units or groups of cash-generating units ("CGU"). An impairment loss on goodwill is recognized when the recoverable amount of goodwill is below the carrying amount in the financial statements. The recoverable amount is the higher of the fair value of the CGU or groups of CGUs, less costs to sell, and the relative value in use (see the following paragraph on the "Impairment of property, plant and equipment and intangible assets" for additional information on the determination of the value in use). Reversal of a previous impairment loss on goodwill is prohibited.

When the impairment loss is higher than the carrying amount of goodwill allocated to the cash-generating unit, the remaining excess is allocated to the assets of the CGU in proportion to their carrying amount. The carrying amount of an asset should not be reduced below the higher of:

- the fair value of the asset less costs to sell;
- the value in use, as defined above.

(ii) Trademarks, licenses and similar rights

Licenses are amortized on a straight-line basis so as to allocate the cost incurred for the purchase of the right over the shortest period between the expected utilization period and the term of the relative contracts starting from the time in which the acquired right becomes exercisable. Software licenses are amortized on a straight-line basis over their estimated useful lives (5 years).

(iii) Research and development costs

Costs associated with research and development are charged to the income statement in the year incurred except for development costs recognized in intangible assets when the following conditions are met:

a) the project can be clearly identified and the costs associated with it can be identified and measured reliably;
b) the technical feasibility of the project can be demonstrated;
c) the intention to complete the project and sell the intangible assets generated by the project can be demonstrated;
d) a potential market exists or, in the case of internal use, the utility of the intangible asset for the production of intangible assets generated by the project can be demonstrated;
e) the technical and financial resources for the completion of the project are available.

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Amortization of any capitalized development costs recorded in intangible assets starts from the date in which the result generated by the project can be marketed. Amortization is charged on a straight-line basis over a period of five years, which represents the estimated useful life of capitalized expenditures.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, property, plant and equipment with a finite life are reviewed to identify the existence of any indicators of an impairment in their value. When the presence of these indicators is identified, the recoverable amount of such assets is estimated and any impairment is recognized in the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use where the value in use is the present value of the estimated future cash flows for such asset. The value in use is determined by discounting the estimated future cash flows from the use of the asset to present value at a pretax rate which reflects current market assessments of the time value of money, in relation to the period of the investment and the risks specific to the asset. For an asset that does not generate independent financial flows, the recoverable amount is determined by reference to the cash-generating unit to which such asset belongs.

An impairment loss is recognized in the income statement when the carrying amount of the asset, or the cash-generating unit to which it is allocated, is higher than the recoverable amount. Where an impairment loss on assets subsequently no longer exists or has decreased, the carrying amount of the asset, except for goodwill, is increased and the reversal is recognized in the income statement. The asset is increased to the net carrying amount that would have been recorded and reduced by the depreciation and amortization that would have been charged had no impairment loss been recognized.

Financial instruments

Financial assets

Financial assets mainly relate to accounts receivable from customers, with fixed or determinable payments, that are non-derivative and are not listed on an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified in non-current assets. Such assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Where there is objective evidence of an indication of impairment, the asset is reduced so that it equals the present value of estimated future cash flows. The impairment loss is recognized in the income statement. Where an impairment loss on assets subsequently no longer exists or has decreased, the carrying amount of the asset is increased up to the carrying amount that would have been recorded under the amortized cost method had no impairment loss been recognized.

Financial assets are derecognized from the financial statements when the right to receive cash flows from the instrument is extinguished or when the Company has substantially transferred all the risks and rewards relating to the receivable and the relative control.

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Financial liabilities

Purchases and sales of financial liabilities are recognized on the trade date, that is, the date on which the Company commits to purchase or sell the financial instrument.

Financial liabilities are borrowings, trade payables and other obligations payable. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. When there is a change in estimated cash flows and it is possible to estimate them reliably, the amount of the borrowings is recalculated to reflect this change on the basis of the present value of the new estimated cash flows and the internal yield rate determined initially. Financial liabilities are classified in current liabilities unless the company has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

Financial liabilities are derecognized from the financial statements when they are extinguished or when the Company has transferred all the risks and expenses relating to the liability to third parties.

Inventories

Inventories are stated at the lower of purchase or production cost, determined using the weighted average cost method, and estimated realizable value.

Inventories, where necessary, are adjusted to take into account obsolete or slow-moving goods. When the circumstances which previously led to the adjustment no longer exist or when there is a clear indication of an increase in net realizable value, the adjustments are reversed in whole or in part so that the new carrying amount is the lower of purchase or production cost and net realizable value at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include bank deposits, postal deposits, cash and valuables in cash. They are stated at nominal value.

Provisions

Provisions include accruals for present legal or constructive obligations as a result of past events for which it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The accrual is measured using the best possible estimate of the amount that the Company would be expected to pay to extinguish the obligation. Where the effect of the time value of money

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is material and the dates of payment can be reliably estimated, the accrual is measured at present value. The rate used to determine the present value of the liability reflects fair value and includes the additional effects relating to the specific risk that can be associated with each liability. The change in the amount of the provision connected with the passage of time is recognized in the income statement in “Finance expenses”.

Risks associated with liabilities that are only considered possible are disclosed under Guarantees and other commitments.

Employee benefit obligations

Defined benefit pension plans, which also included until December 31, 2006 the employee severance indemnities due to Italian employees as set forth in article 2120 of the Italian Civil Code, are based on the working life and the compensation received by the employee over a predetermined service period. In particular, the liability relating to employee severance indemnities is recognized in the financial statements based on actuarial calculations since it qualifies as an employee benefit due on the basis of a defined benefit plan. Recognition of a defined benefit plan in the financial statements requires actuarial techniques to estimate the amount of benefits accruing to employees in exchange for work performed during the current and prior years and the discounting of such benefits in order to determine the present value of the Company’s commitments. The determination of the present value of such commitments is calculated using the Projected Unit Credit Method. This method, which is one of the actuarial techniques used for calculating accrued benefits, considers each active service period by the employee in the company as an additional unit which gives the right to benefits: the actuarial liability must therefore be quantified on the basis of only the service life accrued at the date of measurement; therefore, the total liability is normally recalculated on the basis of the ratio of the number of years of service accrued at the measurement date to the total estimated service life that will be reached at the time of settlement. Furthermore, this method calls for considering future increases in compensation, for whatever reasons (inflation, career, contract renewals, etc.) up until the time of termination of employment.

The cost accrued during the year for defined benefit plans and recognized in the income statement under employee benefit expenses is equal to the sum of the average present value of the defined benefits accrued by active employees for the work performed during the year and the annual interest accrued on the present value of the Company’s commitments at the beginning of the year, calculated using the discount rate of future cash outflows adopted for the estimate of the liability at the end of the preceding year.

Remeasurements of employee defined benefit plans comprise actuarial gains and losses expressing the effects of differences arising from experience adjustments and changes in actuarial assumptions. Such actuarial gains and losses are recorded in the statement of comprehensive income.

Following the Reform of Supplementary Pension Benefits, as amended by the Budget Law 2007 and subsequent decrees and regulations issued during the early months of 2007, employee severance indemnities

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that accrue starting from the date of January 1, 2007 are assigned to pension funds or to a treasury fund managed by INPS or, in the case of companies with less than 50 employees, may be retained in the company and calculated similarly to the method used in past years. Employees have the right to choose the destination of their employee severance indemnities up to June 30, 2007.

To this end, account was taken of the effect of the new provisions and only the liability relating to employee severance indemnities that is retained in the Company is measured in accordance with IAS 19, since the amount of employee severance indemnities accruing from 2007 is assigned to alternative forms of pension or paid into a treasury fund managed by INPS, according to the choice of destination made by each single employee.

Consequently, the portion of employee severance indemnities accruing and assigned to pension funds or to the INPS-managed fund is classified as a defined contribution plan since the Company's obligation is only represented by the payment of contributions to the pension fund or to INPS. The liability for severance indemnities previously accrued continues to be considered as a defined benefit plan and is measured on the basis of actuarial assumptions.

Translation of foreign currency balances and transactions

Transactions in foreign currency are translated to euros using the exchange rate in effect at the dates of the relative transactions. Foreign exchange gains and losses realized on the receipt or the payment of the above transactions and the translation of monetary asset and liability balances denominated in foreign currencies are recognized in the income statement.

Revenues and costs

Revenues and costs are recognized according to the accrual and matching principles.

Revenues are recognized net of returns, discounts, allowances, rebates, taxes and directly related promotional contributions. Revenues are recognized upon delivery of the goods to the final customer when all the risks and rewards of ownership are transferred.

Revenue recognition

<u>Sales of products</u>

Revenues from the sale of products are recorded when all the following conditions are met:

- the entity has transferred to the buyer the significant risks and rewards of ownership;

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- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenues can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- in cases in which the nature or degree of involvement of the seller is such that the risks and rewards are not in fact transferred, the time of recognition is deferred until the date in which the transfer can be considered to have taken place;.
- In the case of "bill and hold" sales the recognition of revenues occurs when a contract is signed by the client which expressly requests that delivery of the products be deferred, assuming all the risks and rewards associated thereto. These transactions regard exclusively products that Intercos Europe has immediately available and the sales are concluded before the date of delivery indicated in the bill and hold" agreement signed between the parties.

Performance of services

Revenues from services are recorded only when the results of the transaction can be estimated reliably, with reference to the stage of completion of the transaction and the reference date of the financial statements.

The results of a transaction can be estimated reliably when all the following conditions are met:

- the amount of revenues can be determined with reliability;
- it is probable that any future economic benefit associated with the item of revenue will flow to the entity;
- the stage of completion at the balance sheet date can be measured reliably;
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Finance expenses

Finance expenses are recorded as expenses in the year incurred. They include interest on bank overdrafts and loans, finance expenses on finance leases, actuarial losses and finance expenses on the actuarial valuation of employee severance indemnities.

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Income taxes

Current income taxes are determined on the basis of a realistic estimate of the tax expense to be paid under the existing tax laws.

Deferred income taxes are calculated on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their tax bases (full liability method), except for goodwill. Deferred tax assets, including those relating to the carryforward of unused tax losses, are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax liabilities are determined based on enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Current and deferred income taxes are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognized in equity. Current and deferred income taxes are offset when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of offset and there are expectations of settling the net balance.

In addition, the Company has adhered to the national tax consolidation procedure under articles 117-129 of T.U.I.R. of the parent Intercos S.p.A. (formerly Intercos Group S.r.l., “the consolidating company”) together with Marketing Projects S.r.l. in liquidation, Ager S.r.l., Kit Productions S.r.l., Vitalab S.r.l. and Drop Nail S.r.l. as the “consolidated” companies. Therefore, considering that the settlement for the current year resulted in a taxable profit, this was transferred to the consolidating company and the Company recorded the relative amount payable to the latter, at 27.5% (IRES rate in force), net of the receivable for withholding taxes on current account interest, also transferred to the consolidating company.

Intercos Europe S.p.A. is also responsible together with the consolidating company Intercos S.p.A. for additional taxes, interest and fines assessed relating to the consolidated tax return referring to adjustments to the income on its tax return, also as a result of formal control activities pursuant to art. 36-ter of DPR 600/1973 and the settlement activity under art. 36-bis of the same decree.

As for IRAP, current income taxes continue to be shown in “Taxes payable” or “Taxes receivable” when the sum of the advance payment made exceeds the tax due for the year.

3. DIRECTION AND COORDINATION ACTIVITIES

Pursuant to art. 2497 *bis*, paragraph 4 of the Italian Civil Code, since the Company is subject to the direction and coordination of the parent Intercos S.p.A., the highlights of its latest approved financial statements are

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presented in these Notes; these have been prepared in conformity with IFRS adopted by the European Union. Intercos S.p.A. also prepares the consolidated financial statements.

For a meaningful and complete understanding of the financial condition and cash flows of said company at December 31, 2013, as well as the results of operations for the year then ended, reference should be made to the financial statements which, accompanied by the independent auditors' report, are available in the form and manner established by law.

4. RISK MANAGEMENT

Financial risk management is an integral part of the management of the activities of Intercos Europe S.p.A.

Intercos Europe S.p.A.'s activities are exposed to various types of risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. Intercos Europe S.p.A.'s risk management strategy is focused on the unpredictability of the markets and aimed at minimizing potential negative effects on earnings. Certain types of risk are mitigated using derivative financial instruments.

The coordination and monitoring of major financial risks is centralized with management. The risk management policies are approved, in concert with the board, by the Finance, Administration and Control Function, which provides written policies for the management of the above risks and the use of suitable financial instruments.

Types of risks

Market risk

In the sensitivity analyses performed and described below, the effect on profit and equity was calculated without considering the tax effect.

Exchange rate risk

Intercos Europe S.p.A. operates internationally and is exposed to foreign exchange risk arising from fluctuations in the equivalent amount of commercial and financial flows denominated in currencies other than the functional currency.

Intercos Europe S.p.A.'s exposure is mainly focused on the EUR/USD exchange rate with reference to commercial and financial transactions entered into by the Company on the North American market and vice versa.

The above risk is hedged by net currency positions or by using derivative contracts.

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The following sensitivity analysis was performed which illustrates the effects on profit and equity produced by an increase/decrease of 7.5% in exchange rates compared to the effective exchange rates at December 31, 2014.

In € thousands	2014	
	(7.50%)	7.50%
US dollar	207	(178)
British pound	145	(125)
Other currencies	(12)	10
Total	**340**	**(293)**

Interest rate risk

The Company is exposed to interest rate risk mainly from long-term borrowings. Such borrowings are at either fixed or variable interest rates. Intercos Europe S.p.A. has no particular hedging policy regarding the risks arising from fixed-rate contracts, maintaining that the risk is moderate in relation to the limited amount of fixed-rate loans.

The Administration Function monitors interest rate risk exposure and proposes the most appropriate hedging strategies to keep exposure within the limits established by the Finance, Administration and Control Function, using derivative contracts, where necessary.

The following sensitivity analysis was performed which illustrates the effects on profit produced by an increase/decrease of 50 basis points in interest rates compared to the effective interest rates at December 31, 2014, with all other variables remaining constant.

The potential effects reported below were calculated by taking the liabilities which represent the most significant part of the Company's borrowings at the reference date and calculating, on that amount, the potential impact of a change in the interest rates on an annual basis.

The liabilities in this analysis include variable-rate financial payables and receivables and also cash and cash equivalents.

In € thousands	2014	
	-0.5%	+0.5%
Euro (Eurolibor)	(175)	175
Total	**(175)**	**175**

Credit risk

Credit risk is associated with trade receivables, cash and cash and equivalents, financial instruments, deposits at banks and other financial institutions.

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The credit risk related to trading counterparts is managed by the Group Administrative Function. Intercos Europe S.p.A. does not have significant concentrations of credit risk. However, there are policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, taking into consideration their financial position, past experience and other factors. Credit limits for major customers are based on internal and external valuations based on ceilings approved by management. The use of credit limits is monitored periodically. When considered appropriate, the Company may also sell non-recourse receivables to factoring companies.

As for credit risk relating to the management of financial resources and cash, the risk is monitored by the Administrative Function which has policies in place to ensure that the Company enters into transactions with independent high-credit-quality counterparts.

Trade accounts receivables, the provision for impairment of receivables and an ageing analysis of receivables from third party customers are presented at December 31, 2014.

12/31/2014	*Trade receivables*	*Current*	*Overdue 0 – 30 days*	*Overdue 30 – 60 days*	*Overdue +60 days*	*Provision for impairment of receivables*
Intercos Europe S.p.A.	35,497	27,676	6,410	1,103	1,008	(699)

Liquidity risk

Prudent management of liquidity risk arising from the normal operations of the Company implies maintaining sufficient cash and funds obtainable through the support of the parent Intercos S.p.A.

The Finance function of the parent monitors forecasts on the use of the liquidity reserves on the basis of estimated cash flows.

The amount of liquid assets at December 31, 2014 compared to the end of the prior year is as follows:

In € thousands	**2013**	**2014**
Cash and cash equivalents	10,130	12,423
Total	**10,130**	**12,423**

The following table presents an analysis of the maturities of borrowings, other liabilities and derivatives, on a net basis. Borrowings from banks in the following table are presented at their nominal amount:

In € thousands	**Within 1 year**	**From 1 to 5 years**	**Beyond 5 years**	**At December 31, 2014**
Borrowings from banks and other lenders - m-l/term	549	34,451	0	35,000

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Finance leases payable	21	37	0	58
Medium/long-term debt	**570**	**34,488**	**0**	**35,058**
Borrowings from banks and other lenders - s/term	18,574	0	0	18,574
Factoring companies payable	581	-	-	581
Trade payables	38,434	-	-	38,434
Other payables	8,439	-	-	8,439
Short-term debt	**66,028**	**-**	**-**	**66,028**
Total	**66,598**	**34,488**	**-**	**101,086**

In order to complete the disclosure on financial risks, a reconciliation is presented below between the categories of financial assets and liabilities as identified in the statement of financial position format of Intercos Europe S.p.A. and the categories of assets and liabilities identified in accordance with the requirements of IFRS 7:

In € thousands

At December 31, 2014	Financial assets at fair value through profit or loss	Receivables and loans	Available-for-sale financial assets	Held-to-maturity assets	Financial liabilities at fair value through profit or loss	Other liabilities at amortized cost	Hedging derivatives
Available-for-sale financial assets	-	-	-	-	-	-	-
Derivatives (assets)	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-
Trade receivables	-	37,452	-	-	-	-	-
Loans receivable		5,000					
Other assets	-	4,714	-	-	-	-	-
Loans payable	-	-	-	-	-	0	-
Borrowings from banks and other lenders	-	-	-	-	-	54,398	-
Trade payables	-	-	-	-	-	38,434	-
Other payables	-	-	-	-	-	8,439	-
Derivatives (liabilities)	-	-	-	-	-	-	-
Total	**-**	**47,166**	**0**	**0**	**0**	**101,271**	**-**
Cash and cash equivalents	-	12,423	-	-	-	-	-

With the reference to the assets and liabilities in the above table, the fair value is considered to approximate the carrying amounts in the financial statements.

5. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to apply accounting principles and methods which at times are based upon complex subjective judgments and estimates connected with past experience

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as well as reasonable and realistic assumptions according to the relevant circumstances. The use of these estimates and assumptions can affect the amounts reported in the financial statements, such as the statement of financial position, the statement of comprehensive income and the statement of cash flows, in addition to the disclosure provided. Such estimates and assumptions have an effect on the reported amounts in the financial statements due to the uncertainty characterizing the assumptions and the conditions on which the estimates are based. Actual results could differ, even significantly, from those estimates owing to possible changes in the factors considered in the determination of such estimates. Those accounting policies which particularly require critical judgments by management in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements are briefly described below.

- *Goodwill*

In accordance with the accounting policies adopted for the preparation of the financial statements, goodwill is tested annually for any impairment that requires recognition in the income statement. The test specifically requires the allocation of goodwill to cash-generating units and the subsequent determination of the recoverable amount, being the higher of the fair value and the value in use. When the value in use is lower than the carrying amount of the cash-generating unit, an impairment of goodwill should be recognized. The allocation of goodwill to the cash-generating unit and the determination of the value in use require the use of estimates that depend upon subjective judgments and factors which over time could be different from management's estimates and have consequent effects that could be significant.

- *Impairment of property, plant and equipment and intangible assets*

Property, plant and equipment and intangible assets are tested for any impairment that requires recognition of an impairment loss, whenever there are indications that the carrying amount through use may not be recoverable. Verification of the existence of such indications requires management to exercise subjective judgment based on information available within the Company and from the market and from historical experience. Moreover, whenever an impairment may exist, the Company determines the impairment loss on the basis of appropriate measurement techniques. The proper identification of the factors indicating that an impairment may exist and the estimates used depend on factors which could vary over time and affect management's judgments and estimates.

- *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment constitutes a significant cost for the Company. The cost of buildings, plant and machinery is depreciated over the estimated useful lives of the assets on a straight-line

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basis. The economic useful life of these assets is determined by management when the assets are purchased; it is based on the historical experience of similar assets, market conditions and anticipation of future events which could have an impact on the useful life, including changes in technology. Therefore, the effective economic life could differ from the estimated useful life. The Company periodically reviews technological and sector changes, evaluates decommissioning costs and the recoverable amount in order to update the residual useful life. This periodical update could entail a change in the period of depreciation and therefore a change in the depreciation charge of future years.

- *Deferred taxes*

Deferred tax assets are recognized on the basis of expectations of future earnings. The estimate of future earnings for purposes of the recognition of deferred taxes depends on factors which could vary over time and significantly affect the amount of deferred taxes.

- *Provisions*

Accruals are made to provisions for probable liabilities relating to disputes with employees, suppliers, third parties and, generally, the expenses which the Company might be obliged to incur for obligations undertaken in the past. These accruals also include an estimate of the liabilities which could arise from disputes concerning the terms of fixed-term labor contracts used in the past, mainly for delivery activities. The determination of such accruals requires the assumption of estimates which depend on the current knowledge of factors which could change over time and which could produce effects that differ from the final outcomes estimated by management in preparing the financial statements.

7. Property, plant and equipment

Movements in Property, plant and equipment in 2014 are as follows:

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(in € thousands)	*December 31, 2013*	*Increases / Depreciation*	*Translation differences / Reclassifications*	*Decreases / Utilization*	*December 31, 2014*
Historical Cost					
Land and buildings	**3,628**	20	3,402	0	**7,049**
Plant and machinery	**61,469**	2,046	(3,489)	(172)	**59,854**
Industrial equipment	**29,663**	701	(128)	(17)	**30,219**
Office furniture and equipment	**1,201**	159	0	0	**1,360**
Motor vehicles and internal transport equipment	**1,111**	11	(3)	(91)	**1,027**
Assets under construction and payments on account	**75**	134	(72)	0	**137**
Total	**97,147**	3,071	(290)	(281)	**99,646**
Accumulated depreciation					
Land and buildings	**2,348**	141	2,705	0	**5,195**
Plant and machinery	**49,567**	2,998	(2,901)	(139)	**49,525**
Industrial equipment	**27,470**	1,395	(91)	(17)	**28,758**
Office furniture and equipment	**916**	92	(0)	0	**1,007**
Motor vehicles and internal transport equipment	**893**	86	(3)	(91)	**885**
Assets under construction and payments on account	**0**	0	0	0	**0**
Total	**81,196**	**4,713**	**(290)**	**(248)**	**85,370**
Net carrying amount	**15,951**	**(1,642)**	**(0)**	**(34)**	**14,276**

Increases during the year mainly refer to the purchase of machinery for the processing of products, generic and specific plant as well as sundry equipment needed to increase total production capacity as a whole. In particular, the productive capacity of Prisma Shine and the filling machines departments have been increased, and new technologies such as the project known as Back Injection (€0.8 million) have been industrialized; in addition the efficiency and safety of the production plant have been improved.

In "Assets under construction and payments on account", the increases refer to payments on account for work that will be completed in 2015. Decreases are due to the completion of assets under construction that were reclassified to the proper fixed asset class.

7.1 Leasing

Assets acquired under finance lease contracts arranged by Intercos Europe S.p.A. are included in the respective classes of property, plant and equipment. The following table gives the details of these assets, mainly referring to motor vehicles, and the comparison with December 31, 2013:

(in € thousands)	***Capitalized cost***	***December 31, 2013 Accumulated depreciation***	***Net carrying amount***	***Capitalized cost***	***December 31, 2014 Accumulated depreciation***	***Net carrying amount***

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Other assets	544	(420)	**124**	552	(489)	**63**
TOTAL	**544**	**(420)**	**124**	**552**	**(489)**	**63**

IAS 17, paragraph 31, requires disclosure about the depreciable amount of leased assets, which is €63 thousand, and future lease installments due for leases at the end of the year, which total €58 thousand. Lease installments recorded as expenses during the year total €21 thousand.

8. Intangible assets

Movements in Intangible assets in 2014 are as follows:

(in € thousands)	***December 31, 2013***	***Increases***	***Decreases/ Adjustments/ Translation differences***	***Reclassifications***	***Amortization***	***December 31, 2014***
Patents and intellectual property rights	**66**	24	0	0	(52)	**38**
Concessions and licenses	**1**	3	0	0	(0)	**4**
Assets under development and payments on account	**1**	0	0	0	0	**1**
Other	**0**	0	0	4	(4)	**0**
TOTAL	**68**	**27**	**0**	**4**	**(56)**	**43**

"Patents and intellectual property rights" include software investments for the development and upgrade of the corporate information system.

The majority of the investments referring to intangible assets were incurred by the parent Intercos S.p.A. as the coordinator and owner of the trademarks and industrial patents, research & development and all the corporate functions including the development of software for Information Technology (IT).

The above corporate activities are covered by a service fee contract under which the fees are recharged systematically on an accrual basis.

9. Goodwill

The change in Goodwill is as follows:

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	January 1, 2014	Changes during the year	December 31, 2014
Goodwill	**20,300**	**--**	**20,300**

Goodwill is tested annually for impairment.

For purposes of impairment testing, the goodwill of Euros 20,300 thousand was allocated to the Make-up CGU.

The impairment test was developed on the basis of the plan drawn up by company management approved in July 2014 which, instead of the forecasts for the year 2015, uses as reference the 2015 Budget drawn up by the Group at the end of 2014 and approved by the board of directors' meeting on February 25, 2015.

The impairment test was conducted by comparing the total carrying amount of goodwill and the aggregate net assets able to independently produce cash flows (CGU), to which goodwill can reasonably be allocated, with the higher of the value in use of the CGU and the recoverable amount through sale. In particular, the value in use was determined using the discounted cash flow method by discounting to present value the operating flows from the economic and financial projections relative to a maximum period of four years based on assumptions included in the plan officially approved by management. The valuation model determines the value in use as the sum of operating cash flows (defined as the gross operating margin net of implicit income tax on operating profit, in addition to changes in net working capital, changes in employee severance indemnities and acquisitions and sales of fixed assets) for each year of the plan. The cash flows were discounted at a WACC rate of 8.1% for the Make-up CGU. The terminal value was determined by applying a perpetual growth factor that is representative of the expected inflation rate of 2% to the operating cash flows for the last year of the normalized plan.

As at December 31, 2014, there were no impairment losses arising on recorded goodwill resulting from the impairment tests conducted since the value in use determined for each CGU identified was higher than the relative carrying amount.

10. Deferred tax assets

Deferred tax assets amount to €4,917 thousand at December 31, 2014, with a decrease of €569 thousand compared to December 31, 2013; the rates are 27.5% for IRES and 3.90% for IRAP.

The following table gives the details by source of deferred tax assets at December 31, 2014 and 2013.

Description	**12/31/2014**			**12/31/2013**		
	Taxable amount	IRES	IRAP	Taxable amount	IRES	IRAP
Provision for inventory obsolescence	9,851	2,709	-	12,049	3,314	-

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Provision for nonrecurring inventory writedowns	445	123	17	300	82	12
Provision for sundry risks	2,482	682	-	3,063	842	-
Exchange losses	547	151	-	241	66	-
Provision for impairment of receivables - taxed	621	171	-	695	191	-
Building accumulated depreciation (revaluation)	3,000	825	117	3,000	825	117
Building accumulated depreciation (land portion)	87	24	3	84	23	3
Difference in employee severance indemnities (IAS 19)	320	88	-	-	-	-
Other	26	7	-	35	10	1
Total	**17,379**	**4,780**	**137**	**19,467**	**5,353**	**133**

The Company, at this time, also in light of plans forecasting future earnings approved by the board of directors, believes that it can generate future taxable income sufficient to recover the deferred tax assets recorded in the financial statements.

11. Other non-current receivables

Details of Other non-current receivables at December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	**2013**
Interest on VAT receivables	76	76
Security deposits	28	22
VAT receivable on refund request year 2011	3,000	3,000
IRAP refund request	-	58
Total	**3,103**	**3,156**

"Interest on VAT receivables" has remained unchanged compared to the prior year. A prudent approach was adopted and no interest was recorded for the year 2014 on the VAT receivable of €3,000 thousand relating to the year 2011, under the assumption that the interest recorded to date is reasonable. The receivable is classified as non-current since the receipt of the refund is subject to the settlement of proceedings pending with the Revenues Agency which are expected to be concluded after 2014, as described in Note 20 Provisions.

"Security deposits" increased by €6 thousand due to the payment to Amiacque during the year.

The receivable for the "IRAP refund request" of €58 thousand refers to 2009 and, given the date in which the request was filed, was reclassified to current taxes receivables since it is expected to be collected by the end of next year.

12. Inventories

Details of Inventories at December 31, 2014 and 2013 are as follows:

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	December 31,	
	2014	**2013**
Raw materials and consumables	12,780	13,523
Semifinished products	13,706	16,240
Finished products	6,048	4,849
Total	**32,534**	**34,612**

The amount of inventories is influenced by sales orders and relative deliveries at the year-end cutoff date. This phenomenon is also affected by the type of service requested in such sales orders, which, depending on the situation, are finished products in bulk, semifinished products or packaged products.

Inventories are presented net of the provision for inventory writedowns, which shows the following movements during 2014:

	December 31, 2013	Accrual	Utilization	December 31, 2014
Provision for raw materials writedowns	2,753	1,182	1,486	2,450
Provision for semifinished products writedowns	6,549	3,975	6,146	4,378
Provision for finished products writedowns	3,047	1,092	1,161	2,978
Total	12,349	6,248	8,792	9,805

The decrease of €2,544 thousand compared to December 31, 2013 is due to a better management of materials in terms of procurement, in addition to greater control over excess production. Utilization refers to products that were destroyed during the year for an amount of €8,792 thousand.

13. Trade receivables

Details of Trade receivables at December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	**2013**
Receivables from third party customers	35,476	34,631
Receivables from Group companies	2.675	2,606
Provision for impairment of receivables	(699)	(695)
Total	**37,452**	**36,542**

In order to provide an indication of estimated realizable value, the nominal amount of receivables is adjusted by the recognition of a provision for impairment, based on an analysis of the balances. The movements in the provision account are presented as follows:

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	December 31, 2014
Beginning balance	(695)
Accrual	(137)
Utilization	133
Total	**(699)**

Additional details on credit risks are described in Note 4 Risk Management.

A non-recourse factoring transaction was entered into for €6,844 thousand as a result of which all the risks and rewards of the receivables were transferred to the factoring company and the receivables were derecognized from the financial statements at December 31, 2014.

14. Taxes receivable

	December 31,	
	2014	**2013**
VAT receivable	3,579	1,884
IRAP receivable	58	0
Total	**3,637**	**1,884**

The IRAP receivable relating to 2009 of €58 thousand was reclassified here since it is expected to be collected within the following year.

15. Other current assets

Details of Other current assets at December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	**2013**
Advances to suppliers	93	253
Sundry receivables	35	29
Accrued income and prepaid expenses	79	51
Receivables from parent under the tax consolidation procedure	870	902
Total	**1,077**	**1,235**

"Sundry receivables" include a receivable from the insurance company for a claim made at the Dovera production site not yet paid at the reporting date.

"Accrued income and prepaid expenses" at December 31, 2014 include prepaid rent, insurance, utilities and rentals/charters totaling €79 thousand.

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“Receivables from parent under the tax consolidation procedure” total €870 thousand and includes the remuneration on the claims filed (also on behalf of the merged company Interfila S.r.l.) for the refund of IRES tax as a consequence of the non-deductibility of payroll costs relating to IRAP for the years 2007-2008-2009-2010-2011.

16. Loans receivable from Group companies – short term

Loans receivable from Group companies - Short-term at December 31, 2014 are as follows:

At December 31, 2014	Due within 12 months	Due beyond 12 months	Total
Intercos S.p.A.	5,000	-	5,000
Total	**5,000**	**-**	**5,000**

Reference should be made to “Significant events in 2014” for additional information.

17. Cash and cash equivalents

Details of Cash and cash equivalents at December 31, 2014 and 2013are as follows:

	December 31,	
	2014	2013
Bank and postal deposits	12,292	9,520
Cash on hand	131	610
Total	**12,423**	**10,131**

Cash and cash equivalents are available and can be used immediately; at this date there are no restricted cash balances.

A complete financial analysis is presented in the statement of cash flows.

18. Equity

Equity amounts to €25,519 thousand (€18,186 thousand at December 31, 2013).

The composition and changes in equity are presented in the statement of changes in equity.

Share capital

Share capital amounts to €3,000,000 and consists of 3,000,000 shares of par value €1 each.

The following table summarizes the individual items of equity according to their source and nature:

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Nature/description *Amounts in € thousands*	**Balance at December 31, 2014**	**Possibility of utilization**
Share capital	3,000	
Additional paid-in capital (*)	756	A, B, C
Revaluation reserve	2,910	A, B
Reserve ex art 55 DPR 917/86	47	A, B
Other reserves (*) (**)	1,366	A, B, C
Legal reserve	600	B
Extraordinary reserve	6,237	A, B, C
Profit for the year (*)	10,602	-
Equity 12/31/2014	**25,519**	

A: Available for capital increase
B: Available to cover losses
C: Distributable to shareholders

(*) Pursuant to art. 2431 of the Italian Civil Code, the entire amount of this reserve can be distributed only on condition that the legal reserve has reached the limit established by art. 2430 of the Italian Civil Code.

(**) These reserves were formed following the adoption of IFRS.

19. Borrowings from banks and other lenders

Following the reorganization transactions involving the Group in 2011, Intercos Europe S.p.A. assumed a portion of the loan held by Intercos S.p.A. conferred to it for €35,000,000, entirely in reference to "Tranche D" of the loan contract. The debt was taken over and guaranteed by a special lien on Intercos Europe S.p.A.'s assets. The parent, Intercos S.p.A. also pledged the shares representing the capital of Intercos Europe.

Details of medium/long-term debt outstanding at December 31, 2014 together with the relative due dates referring to the loan with the banking syndicate are as follows:

	Bank	**Amount**	**Internal rate of return**	**Due date**	
Intercos Europe S.p.A.	Banking Pool	34,636	5.01%	Tranche B (Euro)	2019
Total (*)		**34,636**			

(*) Debt secured by real guarantees (pledge on assets and special liens).

Pursuant to IAS 39, the incidental charges incurred in connection with the loan were included in the calculation of the effective interest rate and are amortized over the remaining term of the amended loan.

Details of Borrowings from banks and other lenders with an indication of the relative due dates are provided in the following table:

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December 31, 2013

	Within 1 year	From 1 to 5 years	Beyond 5 years	TOTAL
Bank overdrafts and advance accounts	17,603	0	0	17,603
Payable to Banca Intesa	0	34,982	0	34,982
Finance leases and factoring companies payable	549	52	0	601
Debt under Law 46/Mediocredito	74	71	0	145
Total	**18,226**	**35,105**	**0**	**53,331**

December 31, 2014

	Within 1 year	From 1 to 5 years	Beyond 5 years	TOTAL
Bank overdrafts and advance accounts	18,500	0	0	18,500
Payable to Banca Intesa	549	34,636	0	35,185
Finance leases and factoring companies payable	601	38	0	639
Debt under Law 46/Mediocredito	74	-	0	74
Total	**19,724**	**34,674**	**0**	**54,398**

20. Provisions

Movements in Provisions in 2014 are as follows:

	December 31,	
	2014	**2013**
Beginning balance	3,063	203
Accrual	72	3,050
Utilization	(634)	(190)
Total	**2,501**	**3,063**

The accruals to the provisions during the year basically refer to litigation with employees of €52 thousand and a dispute pending with the Revenues Agency concerning the value of a disposal of a business segment in 2010 of €20 thousand.

The utilization of the provision relates to the amounts to be paid as a result of the closing of the Limbiate factory. Additional information is provided under “Significant events in 2014”.

21. Deferred tax liabilities

Deferred tax liabilities amount to €489 thousand, with an increase of €85 thousand compared to the prior year. For a better understanding, details are provided in the following table on the temporary differences

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which gave rise to the calculation of deferred income taxes at the rate of 27.5% for IRES tax and 3.90% for IRAP tax.

Description	12/31/2014			12/31/2013		
	Taxable amount	IRES	IRAP	Taxable amount	IRES	IRAP
Differences on depreciation	891	245	35	963	265	37
Exchange gains	739	203	-	225	62	-
Elimination of tax effect on PPE	-	-	-	9	3	-
Difference on employee severance indemnities	-	-	-	25	7	-
Machinery leases (IAS 17)	-	-	-	30	8	1
IAS 39 effective interest	21	6	-	18	5	-
Other	-	-	-	59	16	
Total	**1,651**	**454**	**35**	**1,329**	**366**	**38**

22. Employee benefit obligations

Movements in Employee benefit obligations in 2014 are as follows:

	December 31,	
	2014	**2013**
Beginning balance	5,137	5,106
Interest cost	114	160
Utilization	(538)	(180)
Actuarial gains/losses	270	51
Ending balance	**4,983**	**5,137**

The following table presents the assumptions used in determining the actuarial value of Employee benefit obligations at December 31, 2014:

	December 31, 2014	December 31, 2013
Discount/present value rate	1.25%	2.77%
Annual inflation rate	2.00%	2.00%
Annual rate of increase in TFR	3.00%	3.00%
Annual rate of increase in salaries	1.50%	1.5%

The sensitivity analysis of the main assumptions using the figures at December 31, 2014 is presented below:

	At December 31, 2014
Inflation rate +0.25%	5,031
Inflation rate -0.25%	4,936

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Discount rate +0.25%	4,908
Discount rate -0.25%	5,061
Turnover rate +1%	4,961
Turnover rate -1%	5,008

The discount rate used in calculating the present value of the obligation was determined pursuant to IAS 19, paragraph 78, using the IBoxx Eurozone Corporate A Index for periods exceeding 10 years (in line with the collective period under review).

As regards work force, the headcount at the end 2014 is 713 compared to 722 at the end of the prior year.

The following table provides a breakdown of the headcount at December 31, 2014 by category, gender and type of contract:

	Executives	Mid-level Managers	White-Collars Employees	Blue-Collars Workers	Total
Permanent	6	35	251	399	691
Fixed term	0	1	20	1	22
Total	6	36	271	400	713
Men	5	18	84	135	242
Women	1	18	187	265	471
Total	**6**	**36**	**271**	**400**	**713**

During the year, there were no deaths or accidents in the workplace which caused serious injury to employees.

The Company has not been charged with harming the environment nor has it received fines or penalties in this regard.

The environmental impact on the territory by the Company's production process, especially in terms of the disposal of expired cosmetics and various other types of waste, is duly managed with the assistance of an outside services and environmental technologies company.

23. Borrowings from banks and other lenders – current

Details of Borrowings from banks and other lenders – current are provided in the following table:

	December 31,	
	2014	**2013**
Bank overdrafts and advance accounts	18,500	17,603
Finance leases and factoring companies payable	601	549
Debt under Law 46/Mediocredito	74	74

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Payable to Banca Intesa	549	-
Total	**19,724**	**18,226**

The increase in Bank overdrafts and advance accounts is due to a greater use of the bilateral lines of credit as compared with the prior year.

"Finance leases and factoring companies payable" include €580 thousand payable to factoring companies as a result of the sale of receivables finalized at year-end 2014. This payable refers to collections received from customers to be transferred to the factoring companies.

Pursuant to IAS 39, the incidental charges incurred in connection with the renewal of the loan in July 2014, as better described under "Significant events in 2014", are amortized over the remaining term of the liability.

24. Other financial payables

For details on Other financial payables, see Note 23.

25. Trade payables

Details of Trade payables at December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	**2013**
Trade payables to third party suppliers	28,338	26,556
Trade payables to Group companies	10,096	14,041
Total	**38,434**	**40,597**

26. Other payables

Details of Other payables at December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	**2013**
Taxes payable	219	336
Payables to employees	2,881	2,503
Social security agencies payable	1,055	1,165

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Payables to tax authorities for withholdings	247	389
Accrued liabilities	56	124
Advances from customers	1,000	35
Payables to parent under the tax consolidation procedure	2,956	4,075
Sundry payables	25	19
Total	**8,439**	**8,646**

"Taxes payable" mainly include the balance of IRAP payable for the year 2014, net of advance payments.

"Payables to employees" principally comprise the employee incentive plan of €970 thousand, vacation pay accrued and not used of €1,589 thousand, the thirteenth month salary of €315 thousand and other minor payables to employees of €7 thousand.

"Social security agencies payable" refer to social security costs on December compensation to employees, paid in January of €280 thousand, social security contributions on vacation pay accrued and not used and on additional months' salary, respectively, of €476 thousand and €299 thousand.

"Payables to tax authorities for withholdings" refer for IRPEF withholding taxes on employee compensation of €246 thousand and withholding taxes on self-employed compensation for the remaining €0.6 thousand.

"Payables to parent under the tax consolidation procedure" include the IRES payable that arose on the payment for 2014 transferred to Intercos S.p.A. by virtue of the existing tax consolidation agreements.

"Accrued liabilities" include interest of €23 thousand, insurance premiums of €21 thousand and other costs of €12 thousand.

26 bis. Guarantees and other commitments

Guarantees provided refer to the special lien that Banca IMI and the Banking Pool have on the assets, merchandise, receivables and plant and machinery of Intercos Europe as collateral for the payment of the Tranche B loan of €35,000 thousand transferred to Intercos Europe following the contribution of the business segment on October 1, 2011.

27. Revenues from sales and services

Details of Revenues in 2014 and 2013 are the following:

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	2014	2013
Revenues from sales to third-party customers	183,934	169,957
Revenues from sales to Group companies	7,293	7,596
Other revenues	379	60
Total	**191,606**	**177,614**

Revenues from sales and services increased by €13,993 thousand over the prior year. Additional details are provided in the Report on Operations.

For the breakdowns of revenues from sales to the Group companies, reference should be made to Note 41 "Related party transactions", whereas details of revenues divided by product line, segment and commercial geographical area are provided below:

	2014	2013
Make-up line	189,737	175,105
Skin care line	1,869	2,509
Total	**191,606**	**177,614**

Revenues by geographical area based on the territory of residence of the customers on the sales invoice are as follows:

	2014	2013
U.S.A.	36,589	41,356
EMEA	150,229	132,176
Asia	4,788	4,082
Total	**191,606**	**177,614**

An in-depth analysis of revenues by geographical area is presented in the Report on Operations.

28. Other income

Details of Other income in 2014 and 2013 are as follows:

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	2014	2013
Expense recoveries	1,795	1,237
Other revenue from expenses recharged	1,828	2,993
Insurance compensation	1	4
Rent income	25	50
Prior period income, sundry allowances	532	331
Gain on disposal of property, plant and equipment	54	92
Total	**4,234**	**4,707**

Expense recoveries and Other revenue from expenses recharged include intercompany income for a total of €1,455 thousand.

29. Purchases of raw materials, semifinished products and consumables

Details of Purchases of raw materials, semifinished products and consumables in 2014 and 2013 are as follows:

	2014	2013
Purchase of raw materials	17,661	20,584
Purchase of packaging materials	35,403	32,072
Purchase of semifinished products and consumables	4,324	3,797
Purchase of sundry materials	252	288
Purchase of finished products	853	164
Heating oil	390	685
Stationery and forms	56	48
Purchase of samples and sample lines	52	49
Pilot molds	231	144
Work clothing	143	142
Total	**59,365**	**57,974**

30. Change in inventories of raw materials, semifinished and finished products

The positive change in the balance of inventories of Raw materials, semifinished and finished products, net of the provision for inventory writedowns, is analyzed in the following table:

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	2014	2013
Raw materials	959	474
Packaging materials	(549)	(23)
Consumables	(107)	403
Maintenance materials	2	(36)
Semifinished products	2,534	(467)
Finished products	(1,200)	1,359
Total	**1,639**	**1,710**

31. Costs for services and leases and rents

Details of Costs for services and leases and rents in 2014 and 2013 are as follows:

	2014	2013
Shipping on sales	1,530	1,655
Shipping on purchases	3,214	2,458
Other shipping	1,251	1,342
Processing and packaging	29,128	24,750
Commissions and royalties	13,835	12,913
Sundry services from parent	10,253	9,518
Services, logistics and warehousing	532	494
Maintenance	3,058	3,145
Sundry utilities	2,912	3,121
Legal and notary fees	141	141
Board of statutory auditors' compensation	31	33
Consulting fees	695	695
Insurance	266	247
Cleaning	789	847
Security	513	497
Rent expense	2,065	1,862
Waste disposal	508	553
Laboratory analyses	851	702
Rentals	576	678
Bank commissions and fees	157	126
Other costs	1,866	1,494
Total	**74,171**	**67,270**

"Costs for services and leases and rents" increased by €6,901 thousand compared to 2013. Such increase is mainly attributable to variable costs directly influenced by the increase in production and sale volumes such

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as processing and packaging, shipping, as well as commissions and royalties. Fixed costs, on the other hand, remained essentially in line with the previous year.

"Commissions and royalties" and "Sundry services from parent" include charges from Intercos S.p.A. in its capacity of providing direction and coordination under the service agreements regulating the method used to reallocate corporate expenses (chargeback of €10,238 thousand) and under the license agreement covering the method used to reallocate license costs for the utilization of manufacturing formulae made available (chargeback of €9,084 thousand).

"Consulting fees" include fees for services rendered by external persons and highly qualified technical-professional companies lending support in administration, tax, legal, IT and technical areas.

"Rent expense" includes rent for the year relating to the production facilities at Dovera and Agrate Brianza, charged by Intercos S.p.A., owner of the buildings.

"other costs" comprise the following:

- personnel-related expenses of €1,244 thousand;

- travel of €436 thousand;

- security and surveillance of €74 thousand;

- EDP of €28 thousand;

- sundry services of €84 thousand.

32. Employee benefit expenses

Details of Employee benefit expenses in 2014 and 2013 are as follows:

	2014	2013
Salaries and wages	20,101	21,309
Social security	6,669	7,087
Defined contribution plan costs	1,438	1,488
Temp work	8,298	6,586
Board of directors' compensation	264	256
Coordinated and continual and occasional collaboration work	197	229
Total	**36,967**	**36,954**

Employee benefit expenses are essentially unchanged compared to year 2013 despite an increase in sales.

For a more correct representation in the financial statements, employee benefit expenses include compensation to the board of directors' and compensation for coordinated and continual and occasional collaboration work.

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33. Accruals

Accruals of €72 thousand were set asides in respect of Provisions under liabilities to adjust for probable risks associated with pending labor disputes of €53 thousand and in connection with tax proceedings of €20 thousand, as better described in Note 20 "Provisions".

34. Other operating expenses

Details of Other operating expenses in 2014 and 2013 are as follows:

	2014	2013
Promotional expenses	216	168
Prior period expenses, sundry allowances, late fees and penalties	280	566
Losses on disposals of fixed assets	2	4
Indirect taxes and duties	83	197
Association membership dues	101	95
Motor vehicle expenses	3	89
Impairment loss on trade receivables	137	-
Other costs	91	111
Total	**915**	**1,230**

"Prior period expenses" for the most part include revisions to the accruals for costs referring to the prior year.

"Indirect taxes and duties" consist of the IMU property tax of €62 thousand and the garbage tax, government concession tax, Chamber of Commerce (CCIAA) fees and registration tax for a total of €21 thousand.

"Other costs" comprise expenses for certifications and revenue stamps for €31 thousand, purchase of books and magazines for €1 thousand, contributions and donations for €6 thousand, late fees and penalties for €23 thousand and losses due to thefts for €30 thousand for a total of €91 thousand.

35. Depreciation, amortization and impairment reversals/losses

Details of Depreciation, amortization and impairment reversals/losses in 2014 and 2013 are as follows:

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	2014	2013
Amortization of intangible assets	52	92
Depreciation of property, plant and equipment	4,860	5,331
Impairment loss on property, plant and equipment	-	159
Total	**4,912**	**5,582**

Further details are provided in Notes 7 and 8 relating to "Property, plant and equipment" and "Intangible assets".

36. Nonrecurring operating income (expenses)

The balance of nonrecurring expenses includes accruals for the writedown of inventories, including €145 thousand regarding the cessation of operations at the Limbiate site. Additions details are provided under "Significant events in 2014".

37. Finance income

Details of Finance income in 2014 and 2013 are as follows:

	2014	2013
Interest income on bank current accounts	19	32
Sundry interest	14	0
Interest due from the tax authorities	0	61
Total finance income	**33**	**93**

"Sundry interest" includes €10 thousand due on the loan receivable from the parent Intercos S.p.A. as better described under "Significant events in 2014".

38. Finance expenses

Details of Finance expenses in 2014 and 2013 are as follows:

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	2014	2013
Interest on medium/long-term borrowings	1,223	951
Interest on bank overdrafts	4	6
Interest on export advances	277	205
Interest on loan from parent	0	192
Interest on factoring transactions	144	68
Other interest expenses	298	301
Total interest and finance expenses	**1,946**	**1,723**
Foreign exchange losses	1,076	226
Foreign exchange gains	(1,372)	(522)
Net foreign exchange gains	**(296)**	**(296)**
Total interest and net financial expenses, net	**1,650**	**1,427**

"Other interest expenses" include the financial component of the actuarial measurement of employee severance indemnities of €114 thousand.

The change in net foreign exchange differences is a net exchange gain of €296 thousand.

39. Income taxes

Details of Income taxes in 2014 and 2013 are as follows:

	2014	2013
Current income taxes	4,557	5,441
Deferred income taxes	654	(2,273)
Prior years' taxes	(68)	46
Total	5,143	3,214

"Current income taxes" include the IRAP tax charge for 2014 of €1,595 thousand and the IRES remuneration due to the parent in the context of the existing tax consolidation procedure of €2,962 thousand.

The decrease compared to the prior year is essentially due to the reversal to the income statement of the deferred tax assets recognized in prior years mostly relating to temporary differences generated at such time by the recognition of provision accounts for risks and impairments that were released or utilized in 2014.

With regard to deferred taxes, see Notes 10 and 21.

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The income from “Prior years’ taxes” includes lower IRAP taxes of €1 thousand referring to the prior year and lower 2013 IRES remuneration of €67 thousand due to the parent company following the ACE benefit that arose when the income tax return was filed.

The reconciliation between the theoretical and effective tax rate is as follows:

Amounts in € thousands

IRES

Pre-tax profit	**15,744**
Theoretical IRES tax (27.5%)	**4,330**
Temporary differences deductible in future years	*7,432*
Non-deductible costs	*1,046*
Temporary differences taxable in future years	*(980)*
Carry forward of temporary differences of prior years	*(9,580)*
Other deductions and recoveries	*(1,301)*
Taxable income	**12,361**
IRES	**3,399**
Remuneration on excess Rol transferred to the tax consolidation	(437)
IRES remuneration due to the parent	**2,962**

IRAP

Difference between the production value and costs	**17,823**
Theoretical IRAP tax (3.9%)	**695**
Costs not relevant for IRAP purposes	*23,082*
Taxable amount subject to IRAP	**40,905**
IRAP	**1,595**

40. Remeasurement of defined benefit plan - Actuarial gains (losses)

The remeasurement of the defined benefit plan includes the actuarial gains and losses in the year-end measurement of employee severance indemnities in accordance with IAS 19 of €270 thousand.

41. Related party transactions

Related party transactions do not qualify as either atypical or unusual but fall under the ordinary course of business operations. Such transactions, when not concluded at standard conditions or dictated by specific laws, are nevertheless carried out on an arm’s length basis.

The effects of related party transactions on the income statement in 2014 and on the statement of financial position at December 31, 2014 are as follows (amounts in thousands of euros).

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Transactions with Group companies

Subsidiary	Revenues from sales	Other revenues and income	Costs/Purchases for goods and for services	Finance expenses	Finance income
Intercos S.p.A.	0	1,246	(21,315)	0	10
Intercos America Inc.	2,464	144	(2,240)	0	0
Crb S.A.	134	12	(179)	0	0
Intercos UK	1,986	8	(16)	0	0
Marketing Ltd	0	0	(691)	0	0
Intercos Technology	902	2	(420)	0	0
Interfila Shanghai	1,023	0	(6,756)	0	0
Intercos Cosm.Suzhou	490	35	(1,709)	0	0
Kit Productions S.r.l.	0	0	(999)	0	0
Ager S.r.l.	0	0	(640)	0	0
Intercos Paris	0	0	(1,575)	0	0
Vitalab	3	0	0	0	0
Drop Nail	12	1	(1)	0	0
CRB Benelux	0	0	0	0	0
Intercos do Brasil	1	0	0	0	0
Intercos Korea	0	0	0	0	0
Total	7,015	1,448	(36,541)	0	10

	December 31, 2014					
Subsidiary	Trade receivables	Trade payables	Other receivables	Other payables	Financial Receivables	Financial payables
Intercos S.p.A.	441	3,739	870	2,957	5,000	0
Intercos America Inc.	1,141	649	0	0	0	0
Crb S.A.	0	121	0	0	0	0
Intercos UK	379	0	0	0	0	0
Marketing Ltd	0	247	0	0	0	0
Intercos Technology	183	238	0	0	0	0
Interfila Shanghai	346	2,166	0	0	0	0
Intercos Cosm.Suzhou	91	506	0	0	0	0
Kit Productions S.r.l.	0	626	0	0	0	0
Ager srl	0	242	0	0	0	0
Intercos Paris	0	1,549	0	0	0	0
Vitalab	1	0	0	0	0	0
Drop Nail	15	1	0	0	0	0
CRB Benelux	0	0	0	0	0	0
Marketing Projects S.r.l. in a wind-up	0	0	0	0	0	0
Intercos do Brasil	0	0	0	0	0	0
Intercos Korea	0	0	0	0	0	0
Total	2,597	10,084	870	2,957	5,000	0

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Other related party transactions

(€/1000)	Consulting fees	Sundry expenses	Purchase of active ingredients	Payables	Receivables
Studio Morri e Cornelli	71	-	-	31	-
Arterra S.r.l.	-	-	51	16	-
Interior S.r.l.	-	4	-	4	-
	71	4	51	51	-

42. Corporate boards at December 31, 2014 and compensation for the year:

	Number of members	Compensation (€/1000)
Board of Directors	5	264
Board of Statutory Auditors	3	31
Total	**8**	**295**

The persons identified as "key managers" are essentially the Company's directors.

43. Summary of fees to independent auditors

	Fees (€/1000)
Fees for the audit of the financial statements	78
Total	**78**

44. Subsequent events

In view of the favorable financial market situation, in January 2015 the parent Intercos S.p.A., decided to refinance its principal debt, obtaining more favorable terms than the debt renegotiation in July 2014.

The debt renegotiation process was concluded on March 27, 2015. As a result, the senior loan contract for a nominal amount of €181,312,638, last amended on July 28, 2014, was replaced by: (1) one bond for a notional amount of €120,000,000.00, maturing in March 2022 at a fixed rate of 3.875% and (2) a new loan agreement for €80,000,000.00 due at the end of 2020 at more advantageous conditions than the previous loan agreement (variable rate linked to the 1M, 3M and 6M Euribor/Libor plus a spread between1.50% and 2.65%).

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Therefore the Company, through its parent Intercos S.p.A., repaid the debt contributed to it with the business in 2011 of €35 million and replaced it with the new loan agreement for the principal portion of €20 million.

Concurrently the Company received a loan from Intercos S.p.A. of €15 million which will in part offset the loan receivable from Intercos S.p.A. of €5 million.

In 2015 the Company again expects to maintain its leadership position in the market segments in which it operates. The first quarter shows a trend in line with that seen in 2014. The Company expects that it will meet the budget forecasts which are basically in line with 2014.

Milan, April 10, 2015

These financial statements, consisting of the statement of financial position, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity and the notes thereto, present a true and correct view of the financial condition, the results for the year and the cash flows of the Company and correspond to the accounting books and records.

INTERCOS EUROPE S.p.A.

On behalf of the Board of Directors

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Appendix 1)

INTERCOS S.p.A – IFRS FINANCIAL STATEMENTS AT DECEMBER 31, 2013

BALANCE SHEET

ASSETS	IFRS
	31/12/2013
NON-CURRENT ASSETS	
Property, plant and equipment	33,882,226
Intangible assets	12,954,983
Goodwill	33,653,547
Investments in other companies	82,570,113
Loans receivable from Group companies – medium/long-term	0
Deferred tax assets	9,376,170
Other non-current assets	4,905,796
Other financial assets	0
TOTAL NON-CURRENT ASSETS	**177,342,835**
CURRENT ASSETS	
Inventories	0
Trade receivables	16,696,292
Tax receivables	5,345,120
Other current assets	6,784,013
Loans receivable to Group companies – short-term	21,427,759
Cash and cash equivalents	8,418,489
TOTAL CURRENT ASSETS	**58,671,673**
TOTAL ASSETS	**236,014,508**

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INTERCOS SPA – IFRS FINANCIAL STATEMENTS
AT DECEMBER 31, 2013

BALANCE SHEET

LIABILITIES	IFRS
	31/12/2013
EQUITY	
Share capital	10,710,193
Legal reserves	325,791
Other reserves	62,395,860
Retained earnings (Accumulated deficit)	(3,563,825)
Total equity	69,868,019
Non-controlling interests	0
TOTAL EQUITY	**69,868,019**
NON-CURRENT LIABILITIES	
Borrowings from banks and other lenders	121,005,612
Other financial payables	0
Loans payable to Group companies - medium/long-term	375,000
Provisions	158,406
Deferred tax liabilities	6,423,945
Employee benefit obligations	1,423,672
TOTAL NON-CURRENT LIABILITIES	**129,386,635**
CURRENT LIABILITIES	
Borrowings from banks and other lenders	23,047,291
Loans payable to Group companies - short-term	125,000
Other financial payables	0
Trade payables	4,656,016
Other payables	8,931,547
TOTAL CURRENT LIABILITIES	**36,759,854**
TOTAL EQUITY AND LIABILITIES	**236,014,508**

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INTERCOS SPA – IFRS FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 INCOME STATEMENT	
	IFRS
	2013
Revenues	31,254,106
Other income	15,370,721
Purchases of raw materials, semifinished products and consumables	(1,129,999)
Change in leftover stock of raw materials, ancillary materials, semi-finished goods and finished products	0
Costs for services and leases and rents	(9,401,875)
Employee benefit expenses	(12,055,904)
Accruals	(112,500)
Other operating expenses	(1,131,042)
Operating profit before depreciation, amortization, impairment reversals (losses) and nonrecurring expenses	**22,793,507**
Depreciation, amortization and impairment reversals (losses)	(7,787,619)
Valuation adjustments to financial assets	(68,127)
Nonrecurring income (expenses)	(1,097,665)
Operating profit	**13,840,096**
Finance income	1,099,036
Finance expenses	(5,808,948)
Income taxes	482,828
PRFOT FOR THE YEAR	**9,613,012**

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