Annual Report

2014

Managing Director's Report

To our shareholders,

In accordance with the legal requirements and specifically the provisions of Articles 508-A and 508-C of the Companies Code, we herewith submit for your approval the Consolidated Director's Report, Balance Sheet, Profit and Loss Account by Nature and Cash Flow Statement, and the Notes thereto for the financial year 2014.

Macroeconomic Environment

World Economy

Growth in the world economy in 2014 remained at a similar level to that in 2013, although some recovery was evident, registering different behaviours between economies.

While indicators in the USA and the UK are beginning to point to a strengthening recovery, reflected in signs that we may be returning to the normalization of monetary policies, the euro zone has continued to show worrying signs that it could be entering in an irreversible process of deflation, forcing the European Central Bank (ECB) to announce extreme measures to stimulate the real economy.

The emerging economies are maintaining their downward trend, focusing concern on the effects of the slowing of growth expectations in China, which began in the second half of the year.

In addition, tensions arising from the current geopolitical background have added further uncertainty about the global macroeconomic outlook. Conversely, the sharp drop in oil prices and the depreciation of the Euro may spur increased competitiveness in the countries of the euro zone.

Portuguese Economy

In 2014, Portugal completed its exit from the financial assistance programme and experienced a reversal of GDP growth rates to positive figures (+ 0.9%), after three years of recession. Private consumption and investment were the engines of the recovery, while the export component fell short of expectations. Investment in the construction sector remains negative (-4.3%), although there are signs of a trend reversal, such as increased employment in the sector, in the third quarter, and the value of works awarded, in the construction sector in the first nine months of year compared with the same period of the previous year.

However, structural imbalances persist, with a still high fiscal deficit around 4.2%, and public debt to weigh about 130% of GDP, leaving Portugal extremely dependent on the monetary policy decisions of the European Central Bank.

Spanish Economy

In Spain, GDP growth showed signs of improvement in 2014, with estimated annual growth of 1.4% (compared with -1.2% in 2013). Prospects for 2015 and 2016 are very robust, with recent forecasts by the Bank of Spain pointing to levels around 2.8% and 2.7% respectively, benefiting from the improvement in the world economy.

There was a general improvement in economic aggregates, in particular investment in capital goods and exports. Only investment in construction was negative (-1.4%), despite obvious progress compared with 2013.

The unemployment rate remains very high (24%), as does the public sector deficit (5.7% of GDP), although still below the undertakings given to the EU.

French Economy

Economic growth in France in 2014 was extremely low (+ 0.4%), with the construction sector in particular experiencing a fall in residential investment (-5.8%) and a drop in house prices.

The unemployment rate remains high (9.9%). Additionally, the high level of public expenditure and a budget deficit persistently above 3% of GDP heavily constrain freedom in defining growth policies, enhanced by the government's inability to implement structural reforms.

Angolan Economy

The Angolan economy is estimated to have grown by 4.4% in 2014, a significant slowing from the 6.8% seen in 2013. GDP in the oil sector fell by 3.5%, while in the non-oil sector growth was 8.2%, with the construction sector growing by 8.0%, nevertheless the lowest in recent years.

The slowing of the economy is attributable to the sharp drop in the oil price in the second half of 2014, as oil sector still represents a very significant share in the composition of Angola's GDP.

Consequently, tax and export revenues fell, placing strong pressure on the public account balance and leading to measures to contain current expenditure and investment, while at the same time creating difficulties to guarantee the fulfilment, in time, of international payment commitments.

Mozambican Economy

Estimates for the Mozambican economy in 2014 point to GDP growth of 7.4%, with the construction sector showing more robust figures around 10.5%.

Operations in 2014

Introduction

During 2014 we continued our work to improve the Group's performance. We have strengthened our focus on customers, management leadership and promoting talent. At the same time, as we become better organised, we are reducing structural costs. We are aware that these factors are crucial to consolidating growth rates that will have a significant impact on creating value for our shareholders and business partners. These are the driving force behind our actions and the basis for our confidence about future growth.

Markets

Turnover in 2014 totalled €194.1M, an increase of 3.6% on the previous year.

Analysed by market, Portugal grew by 7.5% leading sales growth. Angola and Mozambique also showed positive results, after eliminating exchange rate effects, growing by 2.5% and 5.2% respectively.

In Spain, trading remained steady, at last year's level, halting the cycle of successive falls in recent years, although sales in the decorative paints segment again contracted slightly.

In France, turnover decreased by 1.2%, mainly in the discontinued segment of modern distribution wood products, with sales in Celliose's core business similar to 2013.

Export turnover contracted by 1.5%, affected by the performance of the Industrial Business Unit which derived from a sharp fall in the German market in the fourth quarter, where the main client readjusted its stock levels. The vehicle refinishing segment experienced a significant fall, attributable mainly to the Angolan market.

Business Units

Turnover in the Decorative Business Unit grew by 2.9%.

In Portugal, accentuating the recovery trend of 2013, sales grew at a robust pace, reflected in a market share gain of over 1.5%, which was attributable to a healthy domestic demand and signs of recovery in the housing market and also an aggressive market positioning policy.

Annual performance was positive also in Angola (+3.7%), although with strong bi-annual seasonality. Trading slowed in the second half of the year, influenced by constraints that affected economic activity resulting from the sharp drop in the oil price in international markets.

In Mozambique, sales grew by 6.2%, an increase that is even more significant in local currency, and in line with the robust growth in the construction sector.

In Spain, sales of decorative paints contracted by 1.6%, with the decrease mainly concentrated in Barnices Valentine, while the market in the Canary Islands experienced significant growth, indicating confidence in the restructuring of the local operation implemented in previous years.

In France, sales decreased by 0.9%, reflecting the adjustment of the decorative paints expansion project to the nature of the market.

Exports grew strongly (+20%), benefiting from the recovery of the Cape Verde market and the opening of new business operations in Africa.

The Industrial Business Unit maintained its growth trend (+2.3%), albeit at a more modest pace than in 2013, attributable mainly to the fall in exports, which contracted by 4.9%, principally in the German market. Sales also decreased in France (1.3%) due to the discontinuation of the company's operations with modern distribution.

In Portugal, sales increased by 7%, driven by the export sectors of the economy, and in Spain turnover grew by a robust 27%, emerging as one of the target markets in the growth strategy of the Group's industrial segment.

The performance of the Protective Coatings Business Unit was markedly positive (+9.3%), reversing the downward trend observed in recent years, and driven both by the international expansion of operations and by the natural growth of local markets, in this case primarily in small and medium works and industrial maintenance.

In the Vehicle Refinishing segment sales fell significantly (-17%), mainly in African and export markets, emphasising the minor nature of this segment in the Group's operations.

In the light of this we decided to dispose of the operation that we owned in Portugal and initiate a re-evaluation of our involvement in other markets.

Financial Overview

Note: The comparability of operating performance in the years under review is affected by non-recurring factors. Therefore, the figures for operating activity are stated excluding these movements. In 2013 the company recorded a non-recurring gain of €5.25M from the purchase of the Celliose Group and staff costs of approximately €0.9 M. In 2014 these amounts totalled approximately €0.4 M, mainly consisting of staff costs.

The Group's consolidated sales totalled €194.1M, an increase of 3.6% compared with 2013.

The percentage gross margin of 51.3% increased slightly compared with the previous year, benefiting from the expansion of operations in regions that contribute with higher margins and from the one-off improvement in raw materials costs, particularly those indexed to the price of oil products.

The cost of external supplies and services grew meaningfully (+5.8%), mainly due to increased investment in marketing, advertising, store openings and expansion of the internationalisation process, as well as increased transport costs. Staff costs decreased slightly. It was therefore possible to retain about 55% of the improvement in the gross margin, so the recurring EBITDA amounted to €22.6M, an improvement of 9.4% compared with 2013.

Investment plans were managed in line with the Group's development requirements, while maintaining an appropriate risk hedging policy, leveraging recurring EBIT which totalled €12.9M, 29% higher than in the same period in 2013.

During 2014 the Group continued the debt restructuring process, privileging the medium and long term debt, though preferably using commercial paper programs that allow high flexibility, which is not to be shunned at a time of falling interest rates. In addition, pricing terms were renegotiated. Consequently net financial charges decreased by 14.6%.

Recurring profit before tax of €6.8m reflects a robust growth of 157% compared with the same period of 2013.

Corporate income tax amounted to €2.3M in 2014, and compared to 2013, reflects both a general improvement in the profitability of operations in Portugal and the impact of resuming the tax record in Angola following the expiry of the exemption period under the terms of the investment contracts made in that country.

Net profit of €3.3M is the outcome of the growth described above.

In the 2014 financial year, the Group's operations generated cash flow of €14.3M, compared with €17.1M in 2013. This reduction is mainly due to the increase in working capital, essentially in inventories, reflecting evolving market expectations and improvements in customer service.

Investment activities in operations amounted to €6.2M, mainly in the expansion of storage capacity in Angola and new solvents facilities in France and Portugal. In terms of treasury investments, a net €10.5M was invested, mainly in short term financial assets.

In addition net financial charges totalled €7.3M and dividends €1.4M. Taking together the growth in bank loans and the increase in cash and current financial assets, there was a reduction in net debt of €1.4M.

Total assets of €291M reflect an increase of €24M compared with 2013. Non-current assets, totalling €138.6M, decreased by €11.5M compared with 2013 due to the reduction in tangible fixed assets resulting from the strict investment approvals policy, and principally by the reduction in deferred tax assets of €7.3M arising from the derecognition of deferred tax losses generated by operations in Spain in 2008. Conversely, current assets increased to €154.5M, €35.3M higher than in 2013, mainly due to growth in cash or cash equivalents and current financial assets (together totalling €28.7M more than in 2013). Additionally, the asset items relating to working capital were increased by approximately €6M, particularly in inventories.

Non-current liabilities, totalling €133M, increased by approximately €56M, mainly for bank loans originated by the renegotiation of maturing commercial paper programmes and the contracting of two 5-year bonds in the amount of €35M. Current liabilities decreased by €29M, mainly due to the reduction in short-term bank loans (€31M). As a result, total liabilities increased by €27M.

Net debt amounted in 2014 to €66.9M, a reduction of €1.4M compared with 2013. Shareholder's funds decreased by €3.7M to €92M, due to the record of the deferred tax assets mentioned earlier, resulting in a financial autonomy ratio of 42% when adjusted for net debt.

Money and Capital Markets

Movements in the money market were mainly influenced by two factors: the prospect of deflation and low growth in Europe and the end of quantitative easing (QE) process in the USA.

This caused a general decline in yields on sovereign and corporate bonds in Europe and, conversely, a strong appreciation of the US dollar, to levels prior to the economic crisis, in anticipation of an economic recovery in the USA and the prospect that the Federal Reserve may increase interest rates.

This reduction or stabilisation of interest rates at historically low levels has resulted in strong rises in various stock exchange indices.

The Group took advantage of this climate to renegotiate credit lines in terms of maturities and interest rates in order to ensure some stability due to the likelihood of future constraints, given the instability that the euro zone could experience following the renegotiation of Greek debt and geopolitical pressures.

Dividend Distribution Policy

The Group has defined the principle of distributing between 35 and 50% of net profit, in order to guarantee stable resources to meet requirements for financing growth.

In 2014 we were able to improve performance and reduce structural costs. In addition, the macroeconomic environment offers more stable support for improving our competitiveness in the markets we are exposed to, with the exception of Angola. We have therefore set in place the prospect of continued value creation for shareholders.

Therefore the Board of Directors will propose to the Annual General Meeting that, of the net profit of €3.2M, the amount of €2M be distributed as dividends, which equates to 0.08 cents per share.

Governance Bodies

1. Composition of the Board of Directors

The Board is currently composed of five members, of whom four are representatives of the shareholder and one is an independent director. The executive directors have direct responsibilities for running the business, while the non-executive director has responsibility for making an independent and objective evaluation of the Board's decisions.

2. Remuneration of Members of the Board

Board remuneration is based on three components:

a. A fixed monthly salaryl;
b. An annual incentive based on an evaluation of achievement of the set objectives;
c. L ong term incentives based on best market practice,

which are decided by the Remuneration Committee, comprising the President of the General Meeting, the Fiscal Board and the Board of Directors.

A complexity of the business has been increasing markedly and unmistakably

Constant product innovation, geographical expansion and the proliferation of distribution channels are factors that further complicate the growth and expansion of the Group's operations, particularly because of the pressure they generate on gross margin, even while fostering sustained sales growth.

This complexity will be difficult to avoid; instead, it is necessary to find ways of turning it into a competitive advantage.

To an extent, this is the positioning that we have been following, in constructing a business model that is supported on different approaches in terms of products, channels and markets, in order to harness opportunities for growth and improve the profitability resulting from sales growth.

The challenge is to avoid falling for models of simplification of scale and efficiency that limit an effective response to the demand for greater market variety of products and differentiation of channels and price options, while, nevertheless, seeking to create common product platforms in different geographical markets.

It is in this strategic vision that we have defined our future prospects and which we decided to deepen by creating an internal reflection initiative to help us move forward both in organisational and operational terms, in order to create guidelines for the next five years.

Accordingly, 2015 is being approached from two angles:

In terms of the economy we consider that economic expansion will follow a similar pattern to 2014, but with the focus on growth in the developed economies and a slowing of activity in emerging countries.

The USA had a slower start than expected and Europe is growing better than anticipated, benefiting from a stronger appreciation of the dollar than predicted and the oil price stabilizing at a much lower level than in 2014, in addition to the size of the stimuli implemented by the ECB and Japan's central bank. The size of these movements has very important consequences, since the QE introduced in Europe and Japan was enhanced by the appreciation of the dollar, which makes us optimistic about inflationary expectations and an export-led improvement in economic activity.

In addition, there is a certain sense of fatigue over the implementation of budgetary consolidation policies and it is thought that accommodative monetary policies will continue for a long time yet, at least in the euro zone.

This situation supports our view of a growth scenario in markets such as Portugal and Spain where there is consensus about GDP growth at levels not seen for a long time. We are confident that the Decorative Business Unit, which has a high exposure to these markets, will grow positively as a result of the macroeconomic environment we have described as well as the implementation of differentiating tools for channels and products.

Benefiting from the competitive improvement of a weaker euro, we will increase emphasis on exports, particularly in emerging markets importers of energy and/or commodities.

We are very positive about our markets in Tunisia and Turkey as well as in South Africa, where we have realistic expectations of significant growth from the Protective Coatings and Industrial Business Units.

On the other hand, we foresee that markets where the local currency is closely linked to the dollar and the oil price will come under pressure, so Angola is a matter of concern given the leadership position we have in that market. However, given the fact that we have had a manufacturing operation running continuously since the 1970s, we consider that we have a significant competitive advantage that we intend to build on in 2015, given the restrictions on imports and currency movements.

Another risk factor are the countries where a high proportion of their public or private debt is indexed to the dollar. The most immediate case to which we are exposed is Turkey. However, given the scale of the operation and the proposed business model, which is mainly aimed at supplying appliers and businesses with a strong export component to neighbouring markets, we believe that the risk factors can be controlled.

We are expecting the Mozambican economy to perform well.

In France, we are waiting hopefully for the implementation of structural reforms. In the meantime we will continue to optimise assets, products and channels in order to maximise the profitability of the operation.

In cross-company terms, we plan to simplify the range of products and, at the same time, their allocation to specific channels with a view to reducing unnecessary complexity, while maintaining sufficient variation to ensure differentiation from the competition and not lose the ability to respond individually to the specific needs of channels and segments.

Accordingly, we will emphasise a more integrated approach to our business lines and product portfolio, underpinned by systematic market intelligence processes, and the creation of value chains so that each Business Unit offers the right choices in its strategy for seizing opportunities for entering in new channels.

Entry into new markets should be supported by the implementation of a network of manufacturing facilities or distribution centres at critical locations to adequately meet customers' lead times while optimising advantages in terms of regional cost differences. In this context we continue to expand a network of commercial structures and to evaluate new manufacturing locations and/or redesign some existing ones in order to ensure visibility and control of a business process that can respond effectively to changes in local markets. We are therefore strengthening investment in Angola, restructuring processes in Mozambique and assessing the entry model in Brazil, Poland and other countries.

In addition, we intend to review the entire supply chain in order to strengthen differentiation capacity, creating distinct processes from the supply of raw materials to the production and delivery of products to the customer, in line with the competitive requirements of each market, products and distribution channels.

Acknowledgements

We extend our appreciation to our customers, the principal reason for our existence, for their confidence and co-operation in the development of our products.

We thank our employees for their hard work, co-operation, competence and the enthusiastic way they have responded to the challenges emanating from the growth and transformation of the organization.

We acknowledge with thanks the professional way in which our financial institutions and suppliers have supported us.

To the Statutory Audit Committee, Auditor General and our Auditors, our thanks for their prompt and competent advice.

Maia, 23 April 2015

The Board of Directors

João Manuel Fialho Martins Serrenho
Chairman

Maria Francisca Fialho Martins Serrenho Bulhosa
Member of the Board

Maria João Fialho Martins Serrenho Santos Lima
Member of the Board

Ângelo Barbedo César Machado
Member of the Board

Manuel Fernando De Macedo Alves Monteiro
Member of the Board

Financial Information

Consolidated statements of financial position
For the years ended as of 31 December 2014 and 2013

(Amounts expressed in Euro)
(Translation of statements originally issued in Portuguese - Note 39)

ASSETS	Notes	IAS/IFRS 14/12/31	IAS/IFRS 13/12/31
NON CURRENT ASSETS:			
Goodwill	6	20.442.728	20.442.728
Intangible assets	7	6.715.283	6.699.618
Tangible assets	5	96.166.521	99.004.030
Investment properties	8	7.023.926	7.023.926
Other financial assets	9, 10	2.952.359	4.595.291
Other investments	4	224.468	-
Deferred tax assets	11	4.874.128	12.133.668
Other non current assets	9, 12	222.107	253.035
Total non current assets		**138.621.520**	**150.152.297**
CURRENT ASSETS:			
Inventories	13	38.964.121	34.647.570
Customers	9, 14	33.445.402	32.525.770
Other current debtors	9, 15	4.031.069	3.260.880
State and other public entities	9	1.590.513	1.689.610
Other current assets	9, 16	2.974.615	2.245.656
Other financial assets	9, 10	11.882.149	-
Cash and cash equivalents	9, 17	59.582.437	42.833.198
Total current assets		**152.470.306**	**117.202.684**
Total assets		**291.091.826**	**267.354.981**
SHAREHOLDERS' FUNDS AND LIABILITIES			
SHAREHOLDERS' FUNDS:			
Share Capital	18	25.000.000	25.000.000
Legal reserve	19	5.000.000	5.000.000
Revaluation reserves	19	2.758.445	2.758.445
Conversion reserves	19	1.394.650	(628.602)
Hedging reserves		(91.607)	(527.785)
Fair value reserves	19	(11.893)	366.509
Other reserves		54.976.774	56.462.366
Consolidated net profit for the year		3.254.472	7.601.144
		92.280.841	**96.032.077**
Non-controlling interests	20	21.093	-
Total shareholders' funds		**92.301.934**	**96.032.077**
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bank loans	9, 21	121.790.579	63.670.773
Derivative financial instruments	9, 21	118.200	699.049
Other non current creditors	9, 24	5.214.517	6.009.340
Retirement benefit obligations	22	1.039.125	1.024.801
Deferred tax liabilities	11	5.176.998	5.508.292
Total non current liabilities		**133.339.419**	**76.912.255**
CURRENT LIABILITIES:			
Bank loans	9, 21	16.536.254	47.467.748
Suppliers	9, 23	25.743.159	24.958.053
Other current creditors	9, 24	2.928.951	3.314.087
State and other public entities	9, 25	5.365.974	4.835.331
Other current liabilities	9, 26	11.372.066	11.265.006
Provisions	27	3.504.069	2.570.424
Total current liabilities		**65.450.473**	**94.410.649**
Total shareholders' funds and liabilities		**291.091.826**	**267.354.981**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2014.

ACCOUNTANT No. 63002
Paula Macedo

THE BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of profit and loss
For the years ended as of 31 December 2014 and 2013

(Amounts expressed in Euro)
(Translation of statements originally issued in Portuguese - Note 39)

	Notas	IAS/IFRS 14/12/31	IAS/IFRS 13/12/31
Operating income:			
Sales	28	194.059.053	187.381.279
Other operating income		2.640.615	8.573.195
Total operating income		**196.699.668**	**195.954.474**
Operating expenses:			
Raw materials and consumables used	13	97.211.369	91.073.709
Changes in inventories of finished goods and work in progress	13	(2.697.909)	413.170
External supplies and services		34.929.936	32.935.738
Payroll expenses		42.128.186	42.393.280
Amortisation and depreciation expenses	5, 7	8.999.800	9.308.319
Provisions and impairment losses	27	1.535.190	2.106.082
Other operating expenses		2.949.453	4.074.364
Total operating expenses		**185.056.025**	**182.304.661**
Operating results		**11.643.643**	**13.649.813**
Financial expenses	29	(6.481.268)	(7.881.105)
Financial income	29	358.816	709.944
Results before income taxes		**5.521.191**	**6.478.652**
Income taxes	30	(2.266.719)	443.215
Consolidated net profit for the year		**3.254.472**	**6.921.867**
Discontinued operations		-	679.277
Consolidated net profit for the year		**3.254.472**	**7.601.144**
Attributable to:			
Group		3.254.472	7.601.144
Non-controlling interests	20	-	-
		3.254.472	**7.601.144**
Earnings per share			
Basic	33	0,130	0,304
Diluted	33	0,130	0,304

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Manuel Fernando de Macedo Alves Monteiro, *Member*

Consolidated statements of changes in shareholders' funds
Para os exercícios findos em 31 de Dezembro de 2014 e 2013

(Montantes expressos em Euros)
((Translation of statements originally issued in Portuguese - Note 39)

	Share capital	Reserves							Non-controlling interests	Net profit	Total
		Legal reserve	Revaluation reserves	Conversion reserves	Hedging reserves	Fair value reserves	Other reserves	Total reserves			
Balances as of 1 January 2013	25.000.000	5.000.000	2.758.445	(35.562)	(1.295.027)	83.558	69.200.212	75.711.626	-	(7.486.919)	93.224.707
Appropriation of consolidated net profit of 2012:											
Transfer to other reserves	-	-	-	-	-	-	(7.486.919)	(7.486.919)	-	7.486.919	-
Distributions	-	-	-	-	-	-	(5.250.000)	(5.250.000)	-	-	(5.250.000)
Comprehensive income for the year	-	-	-	(593.040)	767.242	282.951	-	457.153	-	7.601.144	8.058.297
Others	-	-	-	-	-	-	(927)	(927)	-	-	(927)
Balances as of 31 December 2013	**25.000.000**	**5.000.000**	**2.758.445**	**(628.602)**	**(527.785)**	**366.509**	**56.462.366**	**63.430.933**	**-**	**7.601.144**	**96.032.077**
Balances as of 1 January 2014	25.000.000	5.000.000	2.758.445	(628.602)	(527.785)	366.509	56.462.366	63.430.933	-	7.601.144	96.032.077
Appropriation of consolidated net profit of 2013:											
Transfer to other reserves	-	-	-	-	-	-	7.601.144	7.601.144	-	(7.601.144)	-
Distributions	-	-	-	-	-	-	(1.500.000)	(1.500.000)	-	-	(1.500.000)
Comprehensive income for the year	-	-	-	2.023.252	436.178	(378.402)	-	2.081.028	-	3.254.472	5.335.500
Others	-	-	-	-	-	-	(7.586.736)	(7.586.736)	21.093	-	(7.565.643)
Balances as of 31 December 2014	**25.000.000**	**5.000.000**	**2.758.445**	**1.394.650**	**(91.607)**	**(11.893)**	**54.976.774**	**64.026.369**	**21.093**	**3.254.472**	**92.301.934**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2014.

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Paula Macedo

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Consolidated statements of comprehensive income
For the years ended as of 31 December 2014 and 2013

(Amounts expressed in Euro)
(Translation of statements originally issued in Portuguese - Note 39)

	IAS/IFRS 14/12/31	IAS/IFRS 13/12/31
Consolidated comprehensive income for the year, including non-controlling interests	3.254.472	7.601.144
Other consolidated comprehensive income:		
Items to be reclassified to net profit in the future:		
Variation in hedging reserves	436.178	767.242
Variation in exchange conversion reserves	2.023.252	(593.040)
Variation in fair value reserves	(378.402)	282.951
Balances as of 31 December 2014	**5.335.500**	**8.058.297**

The accompanying notes form an integral part of the consolidated financial statements as of 31 December 2014.

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Consolidated statements of cash flows
For the years ended as of 31 December 2014 and 2013

(Amounts expressed in Euro)
(Translation of statements originally issued in Portuguese - Note 39)

	Notas	IAS/IFRS 14/12/31	IAS/IFRS 13/12/31
OPERATING ACTIVITIES:			
Receipts from customers		225.937.838	217.306.034
Payments to suppliers		(151.994.465)	(140.363.960)
Payments to employees		(23.973.668)	(23.338.681)
Cash generated from operations		**49.969.705**	**53.603.394**
Income taxes paid		(1.259.935)	(1.439.417)
Other receipts/(payments) relating to operating activities		(34.444.728)	(35.094.505)
Flows generated before extraordinary items		**(35.704.663)**	**(36.533.922)**
Net cash generated by operating activities (1)		**14.265.042**	**17.069.472**
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments available for sale		516.130	-
Investment properties		-	900.000.
Tangible assets		52.250	846.667
		568.380	**1.746.667**
Payments relating to:			
Investments available for sale		(11.006.148)	(360.785)
Tangible assets		(5.978.150)	(4.577.787)
Intangible assets		(176.264)	(60.148)
		(17.160.563)	**(4.998.721)**
Net cash used in investing activities (2)		**(16.592.183)**	**(3.252.054)**
FINANCING ACTIVITIES:			
Receipts relating to:			
Borrowings		132.894.044.	105.637.578
Interest and similar income		552.652	754.441
		133.446.696	**106.392.019**
Payments relating to:			
Borrowings		(105.954.475)	(105.309.948)
Dividends		(1.350.000)	(5.250.000)
Interest and similar costs		(7.896.158)	(6.475.508)
		(115.200.633)	**(117.035.456)**
Net cash used in financing activities (3)		**18.246.063**	**(10.643.437)**
Variation of cash and cash equivalents (4) = (1) + (2) + (3)		15.918.922	3.173.981
Cash and cash equivalents at the beginning of the year		42.833.198	39.925.083
Exchange variation in cash and cash equivalents at the beginning of the year		830.316	(265.866)
Cash and cash equivalents at the end of the year	**18**	**59.582.437**	**42.833.198**

The accompanying notes form an integral part of the consolidated statement for the year ended as of 31 December 2014.

ACCOUNTANT No. 63002
Paula Macedo

BOARD OF DIRECTORS
João Manuel Fialho Martins Serrenho, *President*
Maria Francisca Fialho Martins Serrenho Bulhosa, *Member*
Maria João Serrenho dos Santos Lima, *Member*
Ângelo Barbedo César Machado, *Member*
Manuel Fernando de Macedo Alves Monteiro, *Member*

Notes to the Consolidated Financial Statements as of 31 December 2014 (Amounts expressed in Euro)

Introduction

CIN - Corporação Industrial do Norte, S.A. ("CIN" or "the Company") is a share capital company ("Sociedade Anónima"), established in 1926, with headquarters located in Maia and is the Parent Company of a group of companies ("CIN Group" or "Group") and its main activity is the production and sale of paint, varnish and similar products.

The Group develops its activities in Portugal, with subsidiaries in Spain, France, Netherlands, Luxembourg, Angola and Mozambique.

As of 31 December 2014, Pleso Holding B.V. (with headquarters located in Netherlands) fully owns CIN's share capital.

The accompanying financial statements are expressed in Euro (rounded to the nearest unit), as it is the functional currency used in the economic environment where the Group operates. Foreign operations and transactions are included in the financial statements in accordance with the policy established in Note 1.2.d).

1. Main accounting policies

The main accounting policies adopted in the preparation of the accompanying consolidated financial statements are as follows:

1.1. Basis of presentation

The accompanying consolidated financial statements have been prepared on a going concern basis from the books and accounting records of the companies included in the consolidation (Note 3), maintained in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union for financial years started as from 1 January 2014. These standards include the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and by the Standing Interpretations Committee ("SIC"), as adopted by the European Union. The standards and interpretations mentioned above will generally be presented as "IAS/IFRS".

Adoption of new, amended or reviewed standards and interpretations

The following standards, interpretations, amendments and endorsed revisions by the European Union and with mandatory application for first time in the year ended as of 31 December 2014:

Standard	Effective date (annual periods beginning on or after)	Observations
IFRS 10 – Consolidated Financial Statements	01-Jan-14	This standard is to establish requirements for the presentation of consolidated finantial statements by the parent company, replacing, in these respects, IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation - Special Purpose Entities. This standard also introduces new rules concerning the definition of control and the determination of the scope of consolidation.
IFRS 11 – Joint Arrangements	01-Jan-14	This standard replaces IAS 31 - joint Ventures and SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Ventures and eliminates the possibility of using the proportional consolidation method in accounting for interests in joint ventures.
IFRS 12 – Disclosure of Interests in other entities	01-Jan-14	This standard establishes a new set of disclosures relating to investments in subsidiaries, joint arrangements, associates and unconsolidated entities.
IAS 27 – Separate Financial Statements (2011)	01-Jan-14	This amendment restricts the scope os IAS 27 to the separate financial statements.
IAS 28 – Investments is Associates and joint ventures (2011)	01-Jan-14	This amendment to ensure consistency between IAS 28 - Investments in Associates and new standards adopted, in particular IFRS 11 - Joint Arrangements.
Amendments: • IFRS 10 – Consolidated Financial Statements; • IFRS 12 – Disclosure of Interests in other entities (Investment activities)	01-Jan-14	This amendment introduces an exemption from consolidation for certain entities that meet the definition of investment entity. It also determines rules for measurement of investments held by these investment entities.
IAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities	01-Jan-14	This amendment clarify the requirements relating to the offset of financial liabilities.
IAS 36 (Amendment) – Impairment (Recoverable Amount Disclosures for Non-Financial Assets)	01-Jan-14	This amendment eliminates the disclosure requirements of the recoverable amount of a cash-generating unit like goodwill or intangible assets with indefinite useful lives allocated to periods where it was not recorded any impairment loss or reversal of impairment. Introduces additional disclosure of requirements for assets for which it was recorded an impairment loss or reversal of impairment and the recoverable amount of these has been determined based on fair value less costs to sell.
IAS 39 (Amendment) – Financial Instruments: Recognition and Measurement (Novation of Derivates and Continuation of Hedge Accounting)	01-Jan-14	This amendment permits the continuation of hedge accounting when a derivate designated as a hedging instrument is overhauled.
IFRIC 21 – Payments to the State	01-Jan-14	This interpretation establish the conditions regarding the timing of recognition of a liability related to the payment to the State of a contribution by an entity as a result of a particular event (eg. participation in a particular market) without the payment has by conterpart specified goods or services.

The effect in the consolidated financial statements of the Group for the year ended as of 31 December 2014, due to the adoption of the standards, interpretations, amendments and revisions mentioned above has not been significant.

New, amended or reviewed standards and interpretations that will take effect in future years

The following standards, interpretations, amendments and revisions, with mandatory application in future years, were, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Effective Date (annual periods beginning on or after)	Observations
Improvements to the International Financial Reporting Standards (2011-2013)	01-Jan-15	These improvements involve the clarification of some aspects of IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 3 – Business Combinations, IFRS 13 – Fair Value Measurement and IAS 40 – Ivestment Property.

New, amended or reviewed standards and interpretations not adopted

The following standards, interpretations, amendments and revisions, with mandatory application in future years, weren't, until the approval date of the accompanying financial statements, endorsed by the European Union:

Standard	Observation
IFRS 9 – Financial Instruments (2009) end subsequent amendments	This amendment under the revision of LAS 39, are to establish the requirements for the classification and measurement of financial assets and liabilities and for the aplication of hedge accounting rules.
IFRS 14 – Regulatory Deferral Accounts	This standard establish the reporting requirements, by entities who first adopt IFRS / IAS applicable to regulatory deferral accounts.
IFRS 15 – Revenue from Contracts with Costumers	This standard introduces a revenu recognition structure based on principles and based on a model to be applied to all contracts entered into with customers.
IFRS 11 – Joint Arrangements	This amendment clarifies the IFRS 3 and should be applied when an investor acquires an interest in a jointly controlled entity when it is a business as defined by this standard. The application of IFRS 3 is required in the acquisition of the initial interest and subsequent acquisition of interests.
Amendments . IAS 16 – Property Plant and Equipment; . IAS 38 – Intangible Assets	The amendments clarify which methods of depreciation of tangible fixed assets and intangible assets that are allowed.
Amendments . IAS 16 – Property, Plant and Equipment; . IAS 41 – Agriculture	These amendments provide that bearer plants (eg vineyards, fruit trees, etc.) should be recorded as fixed assets.
IAS 19 – Employee Benefits (Amendment)	This amendment clarifies the circumstances under which employee contribution for post-employment benefit plans are a reduction in the cost of short-term benefits.
Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests In other entities, and IAS 28 – Investments In associates and joint ventures (2011)	These amendments include the clarification of various aspects related to the application of the exception of consolidation by Investment entities.
IAS 27 – Separate Financial Statements (2011) – Amendment	This amendment introduces the possibility of applying the equity method, the valuation of investments in subsidiaries, associates and jointly controlled entities in the separate financial statements of an entity that presents consolidated financial statements.
Improvements to Intenational Financial Reporting Standards (cycles 2010-2012 and 2012-2014)	These improvements involve the review of several standards.

These standards, although endorsed by the European Union, were not adopted by the Group in the year ended as of 31 December 2014, because its application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group as of 31 December 2014 are consistent with those used in the preparation of the consolidated financial statements as of 31 December 2013.

In the preparation of the consolidated financial statements, in accordance with the IAS/IFRS, the Board of Directors adopted certain assumptions and estimates that affect the reported assets and liabilities, as well as the income and expenses in relation to the reported periods. All the estimates and assumptions made by the Board of Directors were made on the basis of its better existing knowledge, with reference to the date of approval of the financial statements, of the events and transactions in progress.

The accompanying consolidated financial statements have been prepared for appreciation and approval by the General Shareholders Meeting. The Group's Board of Directors believes that they will be approved without changes.

1.2. Consolidation policies

The consolidation policies adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at the Shareholders' General Meeting or is able to control the financial and operating policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements by the full consolidation method. The equity and net result of those investments attributable to non-controlling shareholders are presented separately, under the caption "Non-controlling interests", in the consolidated statement of financial position and in the consolidated statement of profit and loss. Companies included in the consolidated financial statements by the full consolidation method are listed in Note 3.

In business combinations occurred after the date of transition to the International Financial Reporting Standards as adopted by the European Union – IFRS (1 January 2004), the assets and liabilities of each subsidiary are measured at fair value at the date of acquisition in accordance with IFRS 3 - "Business Combinations", with this measurement able to be concluded until 12 months after acquisition date. Any excess on the cost of acquisition over the fair value of the identifiable net assets acquired (including contingent liabilities) is recognized as goodwill (Note 1.2 c)). Any excess of the fair value of the identifiable net assets and liabilities acquired over its cost is recognized as an income in the profit and loss statement of the period of acquisition, after reassessment of the estimated fair value attributed to the net assets acquired. Non-controlling interests are presented according to their share in the fair value of the acquired identifiable assets and liabilities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement as from the effective date of acquisition or up to the effective date of disposal, respectively.

Adjustments to the financial statements of the affiliates are performed, whenever necessary, in order to adapt its accounting policies to those used by the Group. All intercompany transactions, balances and distributed dividends are eliminated during the consolidation process.

Whenever the Group has, in substance, control over other entities created for a specific purpose ("Special Purpose Entities – SPE's"), even if no share capital interest is directly or indirectly held in those entities, these are consolidated by the full consolidation method. As of 31 December 2014 and 2013, there are no special purpose entities within the Group perimeter.

b) Investments in associated companies

Investments in associated companies (companies where the Group has significant influence but has no control over the financial and operating decisions - usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

According to the equity method, the investments in associated companies are initially recorded at acquisition cost, which is adjusted proportionally to the Group's corresponding share capital, as at the acquisition date or as at the date of the first adoption of the equity method. On a yearly basis, investments are subsequently adjusted in accordance with the Group's participation in the associated company's net result. Additionally, the dividends of the subsidiary are recorded as a reduction in the investment's book value, and the Group's proportion in the changes occurred in the associated company's equity are recorded as a change in the Group's equity.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognized as goodwill, which is included in the caption "Investments in associated companies" (Note 1.2.c)). If that difference is negative, it is recorded as a gain in the caption "Gains and losses in associated companies" after reassessment of the fair value of the identifiable assets and liabilities acquired.

An evaluation of investments held in associated companies is performed on an annual basis to assess if there are signs of impairment in those investments. Impairment losses are recorded in the statement of profit and loss for the period in the caption "Gains and losses in associated companies". When those losses recorded in previous periods are no longer applicable, they are reversed in the statement of profit and loss for the period.

When the Group's share of losses in the associated company exceeds the investment's book value, the investment is recorded at null value, except to the extent of the Group's commitments to the associate. In such case, the Group records a provision to cover those commitments.

Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate against the investment held. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the transferred asset.

As of 31 December 2014 and 2013, the Group has no investments in associated companies.

c) Goodwill

In acquisitions made after the date of transition to IFRS (1 January 2004), the difference between the acquisition cost of financial investments in Group companies (subsidiaries), added by the amount of the non-controlling interests, and the attributable amount to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positive, is recorded under the caption "Goodwill" (Note 6) and, when negative, after reassessing its computation, is directly recorded in the statement of income. The differences between the acquisition cost of financial investments in associated companies and in jointly controlled entities and the amount attributable to the fair value of the identifiable assets and liabilities of those companies, as of the acquisition date, when positives, are maintained in the caption "Investments in associated companies" and, when negatives, after a reassessment of its computation, are directly recorded in the statement of income.

Additionally, the excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities as at the date of acquisition is calculated using the local currency of each of those companies. Translation to the Group's currency (Euro) is performed using the exchange rate as at the balance sheet date. Exchange rate differences arising from this translation are recorded under the equity caption "Conversion reserves", included in the equity caption "Other reserves".

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) is stated using the carrying amounts in accordance with generally accepted accounting principles in Portugal as of that date, and was then subject to impairment tests. The impact of these adjustments was recorded in the caption "Retained earnings", in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was recomputed retrospectively using the local currency of each subsidiary.

The Group, in a transaction basis (for each business combination), will choose to measure any non-controlling interest in the acquire either at fair value or at the proportionate share of the non-controlling interest of the acquire's identifiable net assets. Until January 1, 2010, the non-controlling interests were valued solely in accordance with the proportion of the fair value of assets and liabilities acquired.

Future contingent payments are recognized as a liability as of the date of the business combination at its fair value, with any change in the initial amount being recorded against "Goodwill", but only during the reassessment period (12 months following the acquisition date) and if related with events prior to the acquisition date, otherwise, it will have to be recorded in the statement of profit and loss.

Acquisitions or disposals of stakes in already controlled entities, as long as they do not represent a loss of control, are treated as transactions between shareholders, thus only affecting the equity caption with no impact on goodwill or net results.

Whenever a disposal generates a loss in control, all assets and liabilities of the disposed entity will have to be disregarded and whatever interest recognized in the disposed company will have to be reassessed at fair value and the resulting gain or loss arising from the disposal recorded in the statement of profit and loss.

Goodwill is not amortized, but is subject to impairment tests on an annual basis. The recoverable amounts of cash generating units are determined based on the estimation of its value of use and from its disposal at the end of its useful life. The recovery amount is estimated to individual assets or, if not possible, for the cash-generating unit to which the asset belongs. These estimations require the use of assumptions based on estimates of future circumstances, which may be different from the expected outcomes. Impairment losses identified in the period are recorded in the statement of profit and loss under the caption "Provisions and impairment losses", and may not be reversed.

d) Conversion of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Profit and loss and cash flows are converted to Euro using the average exchange rate for the period. The resulting exchange rate differences are recorded in equity captions. The exchange rate differences originated after 1 January 2004 are recorded in equity, under the caption "Conversion reserves". The accumulated exchange differences until before 1 January 2004 (IFRS transition date) were written-off against the caption "Other reserves".

Goodwill and adjustments to the fair value arising from the acquisition of foreign subsidiaries are recorded as assets and liabilities of those companies and translated to Euro at the balance sheet date exchange rate. Exchange differences occurring in this conversion are recorded in the equity capitation "Conversion reserves".

Whenever a foreign company is disposed, the accumulated exchange rate differences are recorded in the statement of profit and loss as a gain or loss associated with the disposal.

Exchange rates used in the translation of foreign group companies were as follows:

	31 December of 2014		31 December of 2013	
	End of the year	Year average	End of the year	Year average
United States Dollar (USD)	1,2141	1,3285	1,3767	1,3281

1.3. Main accounting policies

The main accounting policies used by CIN Group in the preparation of its consolidated financial statements are as follows:

a) Tangible assets

Tangible assets acquired until 1 January 2004 (IFRS transition date), are recorded at their respective deemed cost, which corresponds to its acquisition cost, or its acquisition cost restated in accordance with generally accepted accounting principles in Portugal (and in other countries) until that date, net of accumulated amortization and accumulated impairment losses.

Tangible assets acquired after those dates are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

The impairments that are detected are booked in the year, in the "Amortization and depreciation" caption of the profit and loss statement.

Depreciation is calculated on a straight line basis, as from the date the asset is available for use, over the expected useful life for each group of assets.

The depreciation rates used correspond to the following estimated useful lives:

	Years	
Buildings and other constructions	20	50
Machinery and equipment	7	17
Transport equipment	3	5
Office equipment	3	14
Other tangible assets and tools	4	14

Maintenance and repair costs are recorded as expenses in the year they are incurred. The significant improvements of fixed assets, that increase the corresponding estimated useful life, are capitalized and depreciated in accordance with the remaining useful life of the asset.

Tangible assets in progress represent fixed assets still in construction/development and are stated at acquisition cost. These assets are transferred to fixed assets and depreciated as from the date they are concluded or ready to be used, in accordance with management's intentions.

Gains or losses arising from the disposal or write-off of tangible assets are calculated as the difference between the selling price and the assets' net book value as of the date of its disposal/write-off, being recorded in the statement of profit and loss under the captions "Other operating income" or "Other operating expenses".

b) Intangible assets

Intangible assets are recorded at cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is likely that future economic benefits will flow to the Group, are controlled by the Group and if its cost can be reliably measured.

Research costs and expenses with new technical knowledge are recorded in the statement of profit and loss, when incurred.

Development costs are recognized as an intangible asset if the Group has proven technical feasibility and ability to finish the development and to sell/use such assets and it is likely that those assets will generate future economic benefits. Development costs which do not fulfill these conditions are recorded as an expense in the period in which they are incurred.

Intangible assets, which mainly comprise project development costs, industrial property and other rights, and software are amortized on a straight line basis over a period of 3 to 5 years.

Commercial goodwill is not subject to depreciation, being subject to annual impairment tests.

Brands with indefinite useful life are not amortized and are subject to an annual impairment analysis.

Amortization and depreciation of intangible assets are recorded in the statement of profit and loss in the caption "Amortization and depreciation".

c) Investment properties

Investment properties corresponding to real estate assets held for rental or capitalization rather than industrial or administrative purposes are stated at acquisition cost. The Group disclosures the investment properties fair value (Note 8).

d) Financial instruments

i) <u>Investments</u>

Investments held by the Group are classified as follows: 'Investments measured at fair value through profit and loss', 'Loans and account receivables', 'Investments held to maturity' e 'Investments available-for-sale'. The classification depends on the intention behind the acquisition of investment.

<u>Investments measured at fair value through profit and loss</u>

This category is divided into two subcategories: "Financial assets classified as held for trading" and "Financial assets designated by the Group at fair value through profit or loss". A financial asset is classified under this category if it is acquired principally for the purpose of selling it in the short term or its performance or investment strategy are analyzed and defined by the Board of Directors based on the fair value of the financial asset. Derivatives are also classified as instruments held for trading, except if designated as an effective hedging instrument. Financial instruments in this category are classified as current assets if they are held for trading or if it is expected that they will be realized within twelve months of the balance sheet date.

As of 31 December 2014 and 2013, the Group had no financial instruments included in the categories "Financial assets classified as held for trading" and "Financial assets designated by the Group at fair value through profit or loss".

<u>Investments held to maturity</u>

This category includes financial assets, non derivatives, with fixed or variable repayments and fixed maturity and is the intention of the Board of Directors to hold them until its maturity date. These investments are classified as non-current assets, unless they mature within 12 months of the balance sheet date.

<u>Investments available-for-sale</u>

It includes financial assets, non derivative, designated as available for sale or all the other investments that are not classified as held to maturity or measured at fair value through profit and loss. This category is included in non-current assets except if the Board of Directors has the intention to sale the investment in less than twelve months as of the balance sheet date.

As of 31 December 2014 and 2013, the Group held financial investments classified in this category that corresponds to shares listed Stock Exchange Markets (Note 10).

All purchases and sales of investments are recognized on its trade date, which the date the Group assumes all risks and obligations inherent in the purchase or sale of the asset. All investments are initially recognized at fair value more transaction costs, the only exception being the 'investments recorded at fair value through profit and loss'. In this case, investments are initially recognized at fair value and the transaction costs are recognized in the statement of profit and loss.

The investments are derecognized when the right to receive financial flows have expired or have been transferred and, consequently, all the risks and benefits involved have been transferred.

Investments available-for-sale and investments measured at fair value through profit or loss are subsequently recorded at fair value excluding any deduction of transaction costs which may be incurred during its sale taking into consideration the stock market price at the balance sheet date, without any deduction of transaction costs that may occur until its disposal.

Held to maturity investments, loans and accounts receivables are carried at amortized cost using the effective interest rate method.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period under financial expenses or gains. Gains or losses arising from changes in fair value of available-for-sale investments are recorded directly under the "Fair value reserve" in Equity, until the investment is sold or otherwise disposed of, or until it is considered to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to net profit or loss for the period.

The fair value of investments held for sale is based on current market prices. If the market in which investments are included is not an active market, or has no liquidity, (unquoted investments), the Group records at cost, taking into account the existence of impairment losses. The Board of Directors believes that the fair value of these investments does not differ significantly from their acquisition cost. The fair value of quoted investments is based on the closing price of the stock market where they are traded at the balance sheet date.

Group assesses at each balance sheet date whenever there is objective evidence that a financial asset may be impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value to below its cost is indicative of the asset is on impairment. If there is some evidence of impairment to 'Investments available for sale', the accumulated losses – calculated by the difference between the acquisition cost and fair value less any impairment loss previously recognized in the statement of profit and loss – is removed from equity and recognized in the statement of profit and loss.

All purchases and sales of investments are recorded on its trade date, independently of the settlement date.

ii) Accounts receivable

The debts from customers and other debtors that don´t bear interests are recorded at their nominal amount and presented in the consolidated statement of financial position deduced from impairment losses, in order to reflect their net realizable value. The accounts receivable, when current, do not include interests given the immaterial impact of discounting the cash flows.

iii) Loans

Loans are recorded as liabilities at the respective nominal value net of up-front fees and commissions directly related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis.

iv) Accounts payable

Non interest bearing debts to third parties are stated at their nominal value, except if the impact of discounting the cash flows is material.

v) Derivative instruments and Hedge accounting

The Group may use derivative instruments to manage its exposure to financial risks. Derivative instruments are only used for hedge accounting purposes. Derivative instruments are not used for speculation purposes.

The cash-flow hedges used by the Group relate to swaps of interest rates to cover (hedge) the interest rate variation risk of bank loans obtained.

The Group uses the following criteria to classify derivative instruments as cash-flows hedges:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The hedging efficiency can be reasonably measured;
- There is proper documentation about the hedging transaction at the inception date;
- The hedged transaction has to be highly probable.

Cash flow hedges are initially recorded at cost, if any, and subsequently revaluated at their fair value. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity in the caption "Hedging reserves" and transferred to income in the same period that the hedged instrument affects the profit and loss statement.

In cases when the derivative instruments do not comply with the above mentioned requirements to be considered as a cash-flow hedge, although initially engaged for that purpose, the changes in its fair value are recognized directly in the profit and loss statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised. When a hedging instrument no longer qualifies for hedge accounting, the cumulative gain or loss that was deferred in equity is transferred immediately to the profit and loss of the year and the subsequent revaluations of the derivative are recorded in the income statement, or added to the carrying amount of the hedged asset. Subsequent revaluations are recorded directly in the income statement.

In the case of derivatives embedded in other financial instruments or contracts, these are treated as separate derivatives when the risks and characteristics are not closely related with the host contracts and when the contracts are not reflected by its fair value with unrealized gains and losses recognized in the income statement.

vi) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks on demand and term deposits and other treasury applications which reach its maturity within less than three months and may be mobilized without significant risk of change in value.

e) Lease contracts

Lease contracts are classified as (i) a financial lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Classifying a lease as financial or as operational depends on the substance of the transaction rather than on the form of the contract.

Tangible fixed assets acquired under financial lease contracts and the corresponding liabilities are recorded in accordance with the financial method. Under this method, the cost of the fixed assets and the corresponding liability are reflected in the statement of financial position. In addition, interests included in the lease installments and depreciation of the fixed assets, calculated as explained in Note 1.3 a), are recorded in the statement of profit and loss of the period to which they apply.

The operational lease installments on assets acquired under long-term rental contracts are recognized in full as expenses in the period to which they refer to (Note 32).

f) Inventories

Merchandise, raw, subsidiary and consumable materials are stated at acquisition average cost, which is lower than market value.

Finished and intermediate goods are stated at production cost (includes the cost of raw materials, direct labor and production overheads), which is lower than market value.

Whenever necessary, the Group companies record impairment losses to reduce inventories to their net realizable or market value.

g) Provisions

Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at each balance sheet date so as to reflect the best estimate of its fair value as of that date (Note 27). Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and has been communicated to those affected by it.

h) Government or other public entities subsidies

Government subsidies are recognized at their fair value if only it is highly likely that it will receive them and will be able to accomplish the conditions required to its concession.

Non-repayable subsidies obtained to finance investments in tangible fixed assets are recorded as “Other non-current liabilities” and “Other current liabilities”. These subsidies are recognized in the statement of profit and loss in accordance with the depreciation of the related tangible fixed assets.

Subsidies related to incurred costs are recorded as income in the financial statements since there is reasonable assurance that they will be received, the entity has already incurred in costs and all conditions to reimbursement are fulfilled.

i) Pension complements

As mentioned in Note 22, the Group has assumed (through its Parent company and some subsidiaries) commitments to provide pension complements to its employees due to age or disability, which comprise defined benefit plans. For this effect, the Group has constituted pension funds and insurances.

With the purpose of estimating its responsibilities related to these commitments, the Group determines each year the actual cost of those responsibilities, based in the “Projected Unit Credit Method”.

In accordance with IAS 19 – “Employees Benefits” the costs with past responsibilities are immediately recognized in situations where the benefit is being paid. Otherwise, they are recognized on a straight line basis during the average estimated period until the start of the benefits payment.

The responsibilities related to pensions complements recognized at balance sheet date represent the present value of the future benefits, adjusted by actuarial gains/losses and/or past responsibilities non-recognized, deducted of the fair value of net pension funds assets.

j) Accrual basis and Revenue recognition

Income and expenses are recorded on an accrual basis. Under this basis, income and expenses are recognized in the period to which they relate independently of when the amounts are received or paid. Differences arising between the amounts received and paid and the corresponding income and expenses are recorded in the captions “Accruals and deferrals” included in “Other current assets” and “Other current liabilities”.

Revenue arising from the sale of goods is recognised in the consolidated income statement when (i) the risks and benefits have been transferred to the buyer, (ii) the Company retains neither continued management involvement in a degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of the revenue can be measured reasonably, (iv) it is likely that the economic benefits associated with the transaction will flow to the Company, and (v) the costs incurred or to be incurred related with the transaction can be reliably measured. Sales are recorded net of taxes, discounts and other expenses arising from the sale, and are measured at the fair value of the amount received or receivable.

Income and expenses for which the actual amount is yet unknown, are recorded based on the best estimate of the Board of Directors of the Group companies.

k) Income tax

Income Tax for the year is determined based on the taxable results of the companies included in the consolidation, in accordance with tax legislation in force in each company´s jurisdiction, and considers deferred taxation.

Current Income Tax is computed based on the taxable results of the companies included in consolidation.

Deferred taxes are computed using the balance sheet liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the correspondent amounts for tax purposes. Deferred taxes are computed an reassessed on a yearly basis using the tax rate that is expected to be in force at the time these temporary differences are reversed.

Deferred tax assets are only recorded when there is reasonable expectation that sufficient taxable profits will arise in the future to allow such deferred tax assets to be used. At the end of each period the Company reviews its recorded and unrecorded deferred tax assets which are reduced whenever its recoverability ceases to be likely, or recorded if it is likely that taxable profits will be generated in the future to enable them to be recovered.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if related to items directly recorded in equity. In these cases the corresponding deferred tax is also recorded in equity captions.

l) Tax consolidation

The Income Tax accrual that is reflected in the consolidated financial statements is computed in accordance with the Special Taxation Regime for Groups of Companies (“Regime Especial de Tributação dos Grupos de Sociedades”), which includes most of CIN Group companies with headquarters in Portugal. Cin Group companies with headquarters in Spain: Amida Inversiones, S.L., Barnices Valentine, S.A., Pinturas Cin Canárias, S.A. and Cin Inmuebles, S.L. are also taxed by the respective consolidated tax result, in accordance with Spanish legislation. CIN Group companies with headquarters in France are also taxed by the respective consolidated tax result, in accordance with French legislation. Additionally, the other CIN Group companies are taxed on an individual basis and according to the applicable legislation.

m) Balance sheet classification

All assets and liabilities, including deferred taxes, accomplishable or demandable in more than one year after the balance sheet date are classified as “Non-current assets or liabilities”. Deferred taxes are also included as “Non-current assets or liabilities”.

n) Legal reserve

Portuguese commercial legislation requires that, at least, 5% of net profit for each year must be appropriated for increases in legal reserve until it represents at least 20% of share capital. Such reserve is not attributable unless the Company is under liquidation, but it can be used either to absorb losses after the extinction of all the other reserves or to be incorporated in share capital.

o) B alances and transactions expressed in foreign currencies

All assets and liabilities expressed in foreign currencies were translated to Euro using the exchange rates at the date of the balance sheet.

Favorable and unfavorable exchange differences arising from changes in the exchange rates between those prevailing on the dates of the transactions and those in force on the dates of payment, collection or as of the balance sheet date are recorded in the consolidated statement of profit and loss of the year.

p) Impairment of assets, except Goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit and loss under the caption "Provisions and impairment losses". The recoverable amount is the higher of an asset's net selling price and its value of use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal. The value of use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is recorded when the company concludes that the impairment losses previously recognized for the asset no longer exist or have decreased. The reversal is recorded in the statement of profit and loss as "Other income". However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Evidence of impairment in accounts receivable arises when:

- the counterparty presents significant financial difficulties;
- there are significant delays in payments by the main counterpart; and
- it is likely that the debtor goes into liquidation or in financial restructuring.

For accounts receivable, the Group uses historical information and information for its legal department, which allow estimate the amounts in impairment. For inventories, the impairments are based on market values and in several indicators of rotation of inventories.

q) Financial expenses

The financial expenses related with loans obtained (interests, bonus, accessory costs and lease contracts' interest) are recorded as costs in the statement of profit and loss, on an accrual basis, except if the expense is related to construction/development of assets that qualify. The capitalization of these expenses takes place after the beginning of the construction preparation activities' and ends when the asset is ready for use or the project is suspended.

r) Contingent assets and liabilities

Contingent liabilities are defined by the Company as (i) possible obligations that arise from past events and which existence will be confirmed, or not, by one or more occurrences of uncertain future events not controlled by the Company, or (ii) present obligations that arise from past events but that are not recorded because it is unlikely that an outflow of resources occurs to settle the obligation or the obligation amount cannot be reliably measured.

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case no disclosure is made.

Contingent assets are possible assets arising from past events and whose existence will be confirmed, or not, by uncertain future events not controlled by the Company.

Contingent assets are not recorded in the consolidated financial statements but only disclosed when the existence of future economic benefits is likely.

s) Judgments and estimates

In preparing the consolidated financial statements, the Board of Directors based it on the best knowledge and experience of past and/ or current events considering certain assumptions concerning future events.

The most significant accounting estimates reflected in the consolidated financial statements for the twelve month period ended 31 December 2014 and 31 December 2013 include:

a) Useful lives of the tangible and intangible assets;
b) Impairment analysis of goodwill and intangible assets with indefinite useful life;
c) Recognition of adjustments on assets (accounts receivable and inventories) and provisions;
d) Recoverability of deferred tax assets;
e) Computation of derivative financial fair value instruments; and
f) Computation of retirement benefits obligations.

The estimates were based on the best information available at the time of preparation of consolidated financial statements and based on best knowledge and experience of past and/ or current events. However, situations that occur in subsequent periods which are not foreseeable at the time, were not considered in these estimates. Changes to these estimates, which occur after the date of the consolidated financial statements will be corrected by results of a prospective as required by IAS 8. For this reason and given the degree of uncertainty associated, the actual results of these transactions may differ from corresponding estimates.

The key estimates and assumptions concerning future events included in the preparation of consolidated financial statements, are described in the corresponding notes.

t) Risk management policies

The Group is exposed to several risks in the course of its activity, namely: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Group's risk management program focuses in the financial market unpredictability and aims to minimize the collateral effects in its financial performance.

Group's risk management is assured by the financial department of CIN in accordance with the policies approved by the Board of Directors. Accordingly, the Board of Directors has been setting the main overall risk management policies and some specific rules for certain areas, such as interest rate risk hedging, credit risk and liquidity risk.

i) Exchange rate risk

In the course of its operations, the Group performs non Euro transactions. The normal procedure is to elect a functional currency to each subsidiary that fits its main economic environment and that best represents the composition of its cash-flows. Thus, this exchange rate risk arises mainly from trade, resulting from the purchase and sale of products and services in currencies other than the functional currency of each business. The management policy of exchange rate risk and transaction of the Group seeks to minimize or eliminate this risk, contributing to a lower sensitivity of the results of the Group to currency fluctuations.

The amount of assets and liabilities (in Euro) of the Group recorded in currency other than Euro can be summarized as follows:

Tintas CIN de Angola

	31.12.2014	31.12.2013
Assets	33.094.643	25.372.732
Liabilities	(5.294.277)	(3.660.753)
	27.800.366	**21.711.979**

Tintas CIN (Moçambique)

	31.12.2014	31.12.2013
Assets	5.403.997	4.918.150
Liabilities	(957.519)	(624.681)
	4.446.478	**4.293.468**

The Board of Directors believes that any changes in the exchange rate will not have a significant effect on the consolidated financial statements.

Foreign companies' financial statement translation risk or accounting risk consists of the impact on the Parent company's net equity as a result of having to 'translate' the foreign subsidiaries' financial statements. The existing guidelines to cover this risk include an individual approach of each hedging opportunity given the specific currency at stake and the subsidiary's capital structure (as of 31 December 2014, this situation only applies to subsidiaries disclosed above).

As mentioned in note 1.2 d), assets and liabilities in the financial statements of foreign entities are translated to Euro using the exchange rates in force at the balance sheet date. Gains and losses, as well as cash flows are translated to Euro using the average exchange rate for the year. The underlying exchange difference is posted into equity in caption "Conversion reserves".

ii) Price risk

Price risk mainly applies to raw materials such as zinc, resin and titanium dioxide.

There is a permanent monitoring of price evolution and trends for these raw materials as to develop expectations and act upon them.

In relation to zinc, price risk is managed through futures' market hedging. As of 31 December 2014 there are no open positions for these instruments.

Resin and titanium dioxide price change risk is minimized by contracts celebrated with suppliers that fix a steady price for larger periods, typically, one semester.

Abnormal price variations in raw materials may be reflected in the selling prices.

iii) Credit risk

The Group's exposure to credit risk mainly relates to accounts receivable resulting from its operating activities. Credit risk is the risk that the counterpart fails its contractual obligations, thus originating a Group loss.

Credit risk is essentially associated with receivables from sales and services rendered to customers. Managing this risk assures that effective collections are performed in the agreed terms so that the Group's financial position is not affected. This risk is monitored on a regular basis, ensuring that (a) credit to customers is limited and is based on the average days of sales outstanding of each customer; (b) credit limit evolution is assessed on a regular basis; (c) receivables impairment assessments are performed in a timely manner.

Group's credit risk is moderate and it is not focused in a single customer or group of customers, as receivables balance are composed by a large variety of entities from different business segments and geographical areas. Credit guarantees are asked whenever a customer's financial position might be questionable. These guarantees may consist of credit insurances and bank guarantees.

Accounts receivables impairment losses are computed according to the following criteria: (a) the customer credit profile; (b) the average days of sales outstanding; (c) the customer's financial position. Adjustments recorded in the years ended as of 31 December 2014 and 2013 are disclosed in Note 27.

As of 31 December 2014 and 2013 the Group does not consider the need for any additional impairment losses, besides those recorded and disclosed in Note 27.

Amounts regarding financial assets recorded in the accompanying consolidated financial statements are net of accumulated impairment losses, and represent the maximum exposure of the Group to credit risk.

iv) <u>Liquidity risk</u>

Liquidity risk is the lack of capacity to fulfill all due liabilities in the agreed terms and at a reasonable cost. Liquidity indicators must be set to manage the liquidity levels as to ensure that the maximum return is obtained at a minimum cost and in a safe and efficient way.

CIN Group's liquidity risk management aims to:

- Liquidity – to ensure permanent, efficient and sufficient access to funds to liquidate obligations in due time;
- Security – to minimize the likelihood of non collection of applications of funds; and
- Financial efficiency – to minimize the opportunity cost of excess liquidity detention in the short term.

The Group's procedures seek to match assets and liabilities maturity dates. Group's balances as of 31 December 2014 and 2013 show that the 'permanent capital' is higher than non-current assets, thus confirming Group's concern towards a well-balanced financial management. The Group ensures that the financial instruments and credit lines and amounts meet the businesses and subsidiaries' specific needs and allow a reasonable liquidity surplus. Typically, these credit facilities are obtained without the concession of guarantees.

v) <u>Interest rate risk</u>

The exposure of the Group to interest rate risk results of loans that bear interest at variable rates.

Borrowing costs are therefore vulnerable to variable interest rate changes. The impact of volatility on the Group's results and net equity isn't significant as Group's financial debt level is low. Moreover, the presumed correlation between interest market rates and economic growth allows operating gains and compensates the additional borrowing costs ('natural hedge').

As of 31 December 2014 and 2013 the financial net debt of the Group amounts to 68,862,247 Euros and 68,305,323 Euros, respectively. These balances are composed of current and non-current loans (Note 21), and cash and cash equivalents (Note 17) celebrated with different entities

Group's income and cash-flows are not very influenced by interest rate changes, as Group's cash and bank balances as well as eventual loans granted to Group companies depend only on the Euro interest rates, which volatility is historically low.

As for long term loans, the procedure is to use whenever appropriate cash-flow hedging derivative instruments (e.g. 'interest rate swaps'), that perfectly cover interest rate risk.

<u>Interest Rate Sensitivity Analysis</u>

The sensitivity analysis was conducted based in the exposure to the interest rate risk as of balance sheet date and both for derivate and non-derivative financial instruments. As for liabilities based on variable interest rates, the following assumptions were made:

- The liabilities amount was stable throughout the year and price re-fixation happened in the beginning of the year;
- Variations in market interest rates changes interest amounts to be paid or received of variable interest rate financial instruments;
- Fixed interest rate financial instrument's interest to be paid or received are only affected if financial instruments are expressed at fair value;
- Changes in interest market rates will be reflected in the fair value of hedging derivatives and all hedging derivatives are efficient;
- Derivative financial instruments (swaps) fair value of any financial asset or liability is estimated by discounting future cash-flows to the present time at interest market rates at the end of each year, assuming a parallel variation in the yields' curves.

Sensitivity analysis was performed on a 'ceteris paribus' basis, this is, by manipulating one variable and assuming that all the others remain unchanged. Realistically, this situation isn't often met and changes in some of the assumptions might be correlated.

If interest rates have been higher or lower in 0.75 basis points, ceteris paribus, [hardly that could have happened], the estimated impact on the Group's net result and reserves had been the following:

	2014		2013	
	-0,75 b.p.	+ 0,75 b.p.	-0,75 b.p.	+ 0,75 b.p.
Net profit (1)	418.000	(328.000)	398.000	(190.000)
Net equity (2)	(16.000)	18.000	(118.000)	158.000

(1) mainly results from the Group's exposure to interest rate risk on its variable interest rate loans;

(2) mainly results from changes in the fair value of hedging derivatives.

It is the Board of Director's understanding that this sensitivity analysis doesn't properly reflect the Group's inherent interest rate risk, as the exposure at year end might not reflect the exposure throughout the year and because it does not account for payments made during the year.

u) Subsequent events

Post balance sheet date events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post balance sheet date events that provide information about conditions that have only arised after the balance sheet date are considered non adjusting events and are disclosed in the Notes to the financial statements, if material.

2. Changes in accounting policies and corrections of misstatements

During the year ended as of 31 December 2014 there were no changes in accounting policies and no material mistakes related with prior periods.

3. Group companies included in consolidation

The affiliated companies included in consolidation by the full consolidation method, their headquarters and percentage participation held as of 31 December 2014, are as follows:

		Share Capital held		
Designation	Headquarters	Direct	Indirect	Effective
With headquarters in Portugal:				
CIN - Corporação Industrial do Norte, S.A. ("Parent company")	Maia	-	-	-
Cin Indústria, S.A. ("Cin Indústria")	Maia	-	100%	100%
Sotinco Refinish, S.A. ("Refinish")	Maia	-	100%	100%
Terraços do Souto – Sociedade Imobiliária, S.A. ("Terraços do Souto")	Maia	100%	-	100%
Martolar – Materiais de Construção, Lda. ("Martolar")	Alenquer	100%	-	100%
Nictrading – Comércio Internacional, Lda. ("Nictrading")	Machico	-	100%	100%
Navis – Marine Paints, S.A. ("Navis", ex–Pintácaba – Empresa de Pinturas e Acabamentos, S.A.)	Maia	45%	-	45%
Atossa Imobiliária, Sociedade Unipessoal, Lda. ("Atossa")	Maia	100%	-	100%
With headquarters in others countries:				
Barnices Valentine, S.A. ("Barnices Valentine")	Barcelona (Spain)	-	100%	100%
Pinturas Cin Canarias, S.A. ("Pinturas Cin Canarias")	Tenerife (Spain)	-	100%	100%
Amida Inversiones, S.L. ("Amida Inversiones")	Barcelona (Spain)	5%	95%	100%
Cin Inmuebles, S.L. ("Cin Inmuebles")	Barcelona (Spain)	-	100%	100%
Cin Internacional B.V. ("Cin BV")	Amesterdam (Netherlands)	100%	-	100%
Tintas Cin de Angola, SARL ("Cin Angola")	Benguela (Angola)	1%	99%	100%
Tintas Cin (Moçambique), SARL ("Cin Moçambique")	Maputo (Mozambique)	-	100%	100%
Coatings RE, S.A. ("Coatings RE")	Luxemburgo	-	100%	100%
Vita Investments, S.A. ("Vita Investments")	Luxemburgo	-	100%	100%
PF Investissements, S.A. ("PF Investissements")	Lyon (France)	-	100%	100%
Celliose, S.A. ("Celliose")	Lyon (France)	-	100%	100%

These subsidiaries were included in the consolidated financial statements using the full consolidation method, as established in IAS 27 – "Consolidated and Separate Financial Statements" (subsidiary control through the major voting rights or other method, being owner of the company's share capital - Note 1.2.a)).

During the year end as of 31 December 2014 the company Financière Celliose, S.A.S was merged in the company PF Investissements, S.A.. During the year ended as of 31 December 2013 it was concluded the process of discontinuation of business activity Celliose Paint Coatings HK Co., Ltd. and Celliose Paint Coatings Wuxi Co., Ltd..

During the year end as of 31 December 2014, the group sold 55% of the participation held on Navis – Marina Paints, S.A.. However, according with the provisions of IFRS, the Group maintains control over that company, so it was included in the consolidation by full consolidation method (Note 20).

4. Subsidiaries excluded from consolidation

The subsidiaries excluded from consolidation, their respective headquarters and the proportion of capital held as of 31 December 2014, are as follows:

			Share Capital held		
Designation	Headquarters	Book Value	Direct	Indirect	Effective
Held by CIN:					
Tintas Cin Guiné, Lda. ("Cin Guiné")	Bissau	-	51%	-	51%
Tintas Cin Macau, Lda. ("Cin Macau")	Macau	-	90%	-	90%

The financial investments in Group companies – CIN Guiné and CIN Macau are recorded at acquisition cost. Impairment losses are recorded to reduce these investments to their estimated net realizable value in order to reflect restrictions motivated by their country conditions, or by their inactivity.

During the year end as of 31 December 2014, the Group constituted the subsidiaries "CINBRASIL Participações, Ltda.", "CIN Pinturas y Barnices Espanha, S.L.U." (Spain), "CIN Coatings South Africa (PTY), Ltd. (South Africa), Cin Coatings Turkey, Limited" (Turkey) and Global Paint – S.P., ZO.O (Poland), which present no relevant activity and were also excluded from consolidation. Overall net amount of the investment amounts to 224.468 Euro.

Additionally, during the year ended as of 31 December 2013, the Group established the subsidiary "CIN Coatings México S de RL de CV" (Mexico) with a share capital of 60 Euros, which has no activity and therefore was also excluded from consolidation scope.

The Board of Directors of CIN believes that the non-inclusion of these companies is not relevant for the accompanying consolidated financial statements.

5. Tangible assets

During the years ended as of 31 December 2014 and 2013, the movement in tangible assets, as well as in the respective accumulated depreciation and accumulated impairment losses was as follows:

	2014							
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Office equipment	Other tangible assets and tools and utensils	Tangible assets in progress	Total
Gross assets								
Opening Balance	22.499.135	105.003.347	61.819.682	2.950.579	22.580.625	2.320.675	3.702.606	220.876.649
Additions	-	255.093	529.157	438.990	394.046	309.836	3.359.348	5.286.470
Disposals and write-offs	(628.145)	(477.746)	(414.243)	(122.664)	(57.989)	(724)	-	(1.701.511)
Transfers	143.565	306.426	873.642	314.880	-	-	(1.520.189)	118.323
Adjustments	-	458.539	271.303	215.751	65.338	229.202	321.314	1.561.447
Closing Balance	22.014.554	105.545.659	63.079.541	3.797.535	22.982.019	2.858.990	5.863.080	226.141.378
Accumulated depreciation and impairment losses								
Opening Balance	-	53.605.337	50.500.650	2.317.341	14.134.252	1.315.040	-	121.872.619
Depreciations	-	4.290.647	2.297.424	373.261	1.429.401	203.939	-	8.594.673
Disposals and write-offs	-	(473.030)	(388.650)	(101.717)	(52.569)	(603)	-	(1.016.570)
Transfers	-	47.896	(120.931)	(20.818)	-	-	-	(93.853)
Adjustments	-	102.077	185.847	162.873	43.472	123.718	-	617.988
Closing Balance	-	57.572.927	52.474.341	2.730.940	15.554.556	1.642.094	-	129.974.857
Net value	**22.014.554**	**47.972.731**	**10.605.200**	**1.066.596**	**7.427.464**	**1.216.896**	**5.863.080**	**96.166.521**

	2013							
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Office equipment	Other tangible assets and tools and utensils	Tangible assets in progress	Total
Gross assets								
Opening Balance	22.594 .98	102.598.372	56 090 179	3.014.905	23.239.613	2.211.004	10.924.204	220.673.275
Additions	-	507.054	389 518	333.859	206.651	184.578	2.230.492	3.852.151
Disposals and write-offs	(95.863)	(957.711)	(440 408)	(328.978)	(933.352)	(9.017)	(24.081)	(2.789.409)
Transfers	-	2.999.699	5 873 575	-	89.382	-	(9.220.065)	(257.409)
Adjustments	-	(144.067)	(93 183)	(69.207)	(21.669)	(65.889)	(207.945)	(601.959)
Closing Balance	22.499.135	105.003.347	61 819 682	2.950.579	22.580.625	2.320.675	3.702.606	220.876.649
Accumulated depreciation and impairment losses								
Opening Balance	-	49.410.447	48.881.476	2.382.848	13.716.186	1.150.539	-	115.541.496
Depreciations	-	4.839.675	2.059.955	315.008	1.329.667	203.738	-	8.748.044
Disposals and write-offs	-	(813.771)	(426.375)	(293.299)	(877.583)	(6.550)	-	(2.417.577)
Transfers	-	199.021	47.699	212	(20.083)	-	-	226.850
Adjustments	-	(30.036)	(62.107)	(87.429)	(13.935)	(32.687)	-	(226.194)
Closing Balance	-	53.605.337	50.500.650	2.317.341	14.134.252	1.315.040	-	121.872.619
Net value	**22.499.135**	**51.398.010**	**11.319.032**	**633.238**	**8.446.373**	**1.005.636**	**3.702.606**	**99.004.030**

During the year 2013 have been completed the investments made in the expansion of the building and the production lines at the factory “Megadur” and that allowed a significant increase in production capacity of that factory site and consequently the subsidiary Cin Industry, SA.

As of 31 December 2014 and 2013, the caption “Tangible assets in progress” was made up as follows:

	31.12.2014	31.12.2013
Warehouse (Angola)	3.043.038	2.522.259
New facilities factory solvents - France	871.912	-
New facilities factory solvents (3rd phase) - Portugal	681.149	-
Investments in Information Technologies	482.364	692.284
Real estate projects	124.261	147.501
Others	660.356	340.562
	5.863.080	**3.702.606**

Following the transfer operation of industrial facilities of subsidiarie Barnices Valentine, on 18 July 2006, the “Junta de Gobierno del Ayuntamiento de Montcada y Reixach” finally approved the “Proyecto de Reparcelación en el âmbito del Plan Parcial Urbanístico del Sector Discontinuo Can Milans – Can Cuiás Nord”. According to the above referred land division plan, Barnices Valentine swapped its owned parcels of land denominated “Can Cuyás”, by another parcel of property owned by the municipality and denominated “Can Milans”, where the new industrial facilities were built. According to IAS 16 – Tangible assets – the land received was stated at its fair value based on an external evaluation performed by an expert.

Part of the transfers included in caption “Machinery and equipment” relate to the transfer of tintometric systems from “Inventory” to “Tangible assets”, as these equipment’s were being used by Group stores and delegations (Note 13).

6. Goodwill

During the years ended as of 31 December 2014 and 2013, there was no movement occurred in Goodwill.

The Group performs formal impairment analysis as of the date of presentation of annual financial accounts.

The net accounting value of “Consolidation differences” as of 31 December 2014 and 2013 was as follows:

Company / Business	Acquisition date	Net accounting value
Nitin	2000	680.705
Fundo de comércio “La Llar del Pintor”	2000	930.119
Pinturas Cin Canárias	2001	1.755.208
Nictrading	2004	336.217
Ibercoat	2005	1.812.978
Jorges & Mineiro	2005	1.060.512
Grupo Celliose	2009	8.704.940
Indústrias de la Pintura, S.L.	2009	5.162.049
		20.442.728

The impairment tests to the consolidation differences registered in the financial statements are made regarding the business plans approved by the Board of Directors of each company. The tests are prepared in accordance with the projected cash flows for the next 5 years. The discount rates use the weighted average cost estimated regarding each unit. The discount rates vary from 10% to 12%. In perpetuity the growth rates used are approximately 1.5%.

An 0.25% increase in the assumed discount rates over the projection years does not imply the need to record impairment losses as of 31 December 2014. Similarly, the reduction of 0.5% on the assumption of growth rates would not result in significant losses as of 31 December 2014.

7. Intangible assets

During the years ended as of 31 December 2014 and 2013, the movement in intangible assets as well as in the respective accumulated depreciation and accumulated impairment losses, was as follows:

	2014				
	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Total
Gross value:					
Opening balance	12.110	5.962.361	5.420.549	2.396.734	13.791.753
Additions	-	134.380	286.354	-	420.734
Adjustments	411	-	-	949	1.360
Closing balance	12.521	6.096 741	5.706.903	2.397.683	14.213.846
Depreciations and accumulated impairment losses:					
Opening balance	12.110	5.474.166	1.523.921	81.939	7.092.135
Depreciations	-	310.499	58.941	35.687	405.127
Adjustments	411	-	-	890	1.301
Closing balance	12.521	5.784.665	1.582.862	118.516	7.498.564
Net value		**312.076**	**4.124.041**	**2.279.166**	**6.715.283**

	2013				
	Installation expenses	Development expenses	Industrial property and other rights	Goodwill	Total
Gross value:					
Opening balance	12.239	5.342.052	5.932.831	2.397.031	13.684.152
Additions	-	620.309	148.949	-	769.258
Disposals and write-offs	-	-	(661.231)	-	(661.231)
Adjustments	(129)	-	-	(297)	(426)
Closing balance	12.110	5.962.361	5.420.549	2.396.734	13.791.753
Depreciations and accumulated impairment losses:					
Opening balance	12.239	5.090.603	2.034.612	55.805	7.193.259
Depreciations	-	383.563	150.540	26.172	560.275
Disposals and write-offs	-	-	(661.231)	-	(661.231)
Adjustments	(129)	-	-	(38)	(168)
Closing balance	12.110	5.474.166	1.523.921	81.939	7.092.135
Net value	**-**	**488.195**	**3.896.628**	**2.314.794**	**6.699.618**

As of 31 December 2014 and 2013, the detail of the gross value of the captions “Development expenses” and “Industrial property and other rights”, was as follows:

	31.12.2014	31.12.2013
Development expenses:		
Studies and Projects – “ERP” implementation	4.121.285	4.121.285
Others studies and projects	1.975.456	1.841.076
	6.096.741	**5.962.361**
Industrial property and other rights:		
“Decocenter” Brand	3.502.200	3.502.200
Industrial property	42.673	42.673
Software	1.538.796	1.303.535
Others rights and licences	623.234	572.141
	5.706.903	**5.420.549**

On 20 December 2006, the Group acquired the "Decocenter" brand by the amount of Euro 3,500,000. This brand is currently being used by Barnices Valentine and the acquisition cost was supported on an independent valuation appraisal. This brand was classified as an intangible asset with an indefinite useful life, and consequently, it's not subject to depreciation, but is subject to an annual impairment assessment.

The impairment test to "Decocenter" its made regarding a business plan approved by the Board of Directors of that company, which is prepared resorting to the use of projected cash flows in 10 years. The discount rate is calculated with the weighted average cost of capital of 10%. Its used a perpetuated of 1,5% growth rate.

The caption 'Goodwill' includes the amount of Euro 2,107,069 relating to the contract signed between CIN and Tintas Robbialac, S.A. in 19 November 2007, by which CIN acquired Robbialac's business denominated "Industry Segment" and which includes:

- intangible assets (brands, registration rights,…) relating to this business;
- the necessary calculations, formulas and procedures concerning the production of this business segment;
- the rights and obligations emerged from the commercial transactions with customers and suppliers; and
- the workers (up to a maximum of 5) allocated to this business.

The referred contract also includes a "non competition agreement" to be fulfilled by the vendor for a period of five years.

The Group does not proceed to the amortization of that goodwill, performing on an annual basis, formal tests of impairment.

The formal impairment test assumes as cash-generating unit the revenue associated with the segment of products purchased under this contract, and is made regarding the business plan approved by the Board of Directors, which is prepared in accordance with the projected cash flows for the next 10 years. The discount rate used is based on the weighted average cost of capital, and is 10%. In perpetuity the growth rate used is approximately 1.5%.

8. Investment properties

As of 31 December 2014, the caption "Investment properties" includes real estate assets held by CIN Group, mainly located in Guardeiras, Maia that is held for capital appreciation. These assets are stated at the respective acquisition cost.

Additionally, according to external evaluations reported to previous years, carried out by independent experts, and in accordance with evaluation criteria usually accepted for real estate market, the fair value of those investment properties amounted to approximately Euro 14.5 million. Despite the consensus developments in the decrease appreciation of the real estate market, the Board of Directors believes that such developments are not material to the values recorded in the balance sheet.

As of 31 December 2014 and 2013, the movement in these captions was as follows:

	31.12.2014	31.12.2013
Investment properties:		
Balance as of 1 January	7.023.926	8.066.741
Disposals	-	(1.042.815)
Balance as of 31 December	**7.023.926**	**7.023.926**

During the year ended as of 31 December 2013, the Company sold a property (a land located in Oporto city), which does not generated a significant income.

Investment properties have generated costs in the amount of approximately 2.063 Euro, which were recorded in the income statement.

9. Classes of financial instruments

The financial instruments in accordance with the policies described in Note 1.3 d), were classified as follows:

Financial assets

	Notes	Loans and account receivables	Investments available for sale	Sub-total	Assets not covered by IFRS 7	Total
31 December 2014						
Non-current assets						
Investments available for sale	10	-	2.952.359	2.952.359	-	2.952.359
Other non-current assets	12	222.107	-	222.107	-	222.107
		222.107	2.952.359	3.174.466	-	3.174.466
Current assets						
Customers	14	33.445.402	-	33.445.402	-	33.445.402
Other current debtors	15	4.031.069	-	4.031.069	-	4.031.069
State and other public entities		-	-	-	1.590.513	1.590.513
Other current assets	16	2.974.615	-	2.974.615	-	2.974.615
Investments available for sale	10	11.882.149	-	11.882.149	-	11.882.149
Cash and cash equivalents	17	59.582.437	-	59.582.437	-	59.582.437
		111.915.672	-	111.915.672	1.590.513	113.506.185
		112.137.779	**2.952.359**	**115.090.138**	**1.590.513**	**116.680.651**
31 December 2013						
Non-current assets						
Investments available for sale	10	-	4.595.291	4.595.291	-	4.595.291
Other non-current assets	12	253.035	-	253.035	-	253.035
		253.035	4.595.291	4.848.326	-	4.848.326
Current assets						
Customers	14	32.525.770	-	32.525.770	-	32.525.770
Other current debtors	15	3.260.880	-	3.260.880	-	3.260.880
State and other public entities		-	-	-	1.689.610	1.689.610
Other current assets	16	2.245.656	-	2.245.656	-	2.245.656
Cash and cash equivalents	17	42.833.198	-	42.833.198	-	42.833.198
		80.865.504	-	80.865.504	1.689.610	82.555.114
		81.118.540	**4.595.291**	**85.713.831**	**1.689.610**	**87.403.441**

Financial liabilities

	Notes	Hedging derivatives	Financial liabilities registered at amortized cost	Sub-total	Liabilities not covered by IFRS 7	Total
31 December 2014						
Non-current liabilities						
Long term bank loans	21	-	121.790.579	121.790.579	-	121.790.579
Other non current creditors	24	-	5.214.517	5.214.517	-	5.214.517
Derivative financial instruments	21	118.200	-	118.200	-	118.200
		118.200	127.005.096	127.123.296	-	127.123.296
Current liabilities						
Bank loans	21	-	16.536.254	16.536.254	-	16.536.254
Suppliers	23	-	25.743.159	25.743.159	-	25.743.159
Other current creditors	24	-	2.928.951	2.928.951	-	2.928.951
State and other public entities	25	-	-	-	5.365.974	5.365.974
Other current liabilities	26	-	11.372.066	11.372.066	-	11.372.066
		-	56.580.430	56.580.430	5.365.974	61.946.404
		118.200	**183.585.526**	**183.703.726**	**5.365.974**	**189.069.700**
31 December 2013						
Non-current liabilities						
Long term bank loans	21	-	63.670.773	63.670.773	-	63.670.773
Other non current creditors	24	-	6.009.340	6.009.340	-	6.009.340
Derivative financial instruments	21	699.049	-	699.049	-	699.049
		699.049	69.680.113	70.379.162	-	70.379.162
Current liabilities						
Bank loans	21	-	47.467.748	47.467.748	-	47.467.748
Suppliers	23	-	24.958.053	24.958.053	-	24.958.053
Other current creditors	24	-	3.314.087	3.314.087	-	3.314.087
State and other public entities	25	-	-	-	4.835.331	4.835.331
Other current liabilities	26	-	11.265.006	11.265.006	-	11.265.006
		-	87.004.894	87.004.894	4.835.331	91.840.225
		699.049	**156.685.007**	**157.384.056**	**4.835.331**	**162.219.387**

Financial instruments recognized at fair value

The table below details the financial instruments measured at fair value after initial recognition, grouped into three levels according to the possibility of observing its fair market value:

Level 1: fair value is determined based on current active market prices;

Level 2: fair value is determined based on valuation techniques. The main inputs of the valuation models are observable in the market;

Level 3: fair value is determined based on valuation models, whose main inputs are not observable in the market.

	31-12-2014		
	Level 1	**Level 2**	**Level 3**
Financial assets measured at fair value			
Investments availabe for sale (Note 10)	**2.952.359**	-	-
Financial liabilities measured at fair value			
Financial derivative instruments (Note 21)	-	**118.200**	-

	31-12-2013		
	Level 1	Level 2	Level 3
Financial assets measured at fair value			
Investments availabe for sale (Note 10)	**4.497.627**	-	-
Financial liabilities measured at fair value			
Financial derivative instruments (Note 21)	-	**699.049**	-

10. Other financial assets

As of 31 December 2014 and 2013, these captions included financial investments classified as available for sale and had the following movement in the year:

	2014		
	Gross value	Impairment losses (Note 27)	Net value
Investments available for sale:			
Balances as of 1 January 2014	4.723.178	(127.887)	4.595.291
Fair value variations	(131.695)	-	(131.695)
Increases	4.640	-	4.640
Decreases	(1.515.879)	-	(1.515.879)
Balance as of 31 December 2014	**3.080.244**	**(127.887)**	**2. 952.359**

	2013		
	Gross value	Impairment losses (Note 27)	Net value
Investments available for sale:			
Balance as of 1 January 2013	5.791.409	(130.993)	5.660.416
Fair value variations	65.591	-	65.591
Increases	723.205	-	723.205
Decreases	(1.857.027)	3.106	(1.853.921)
Balance as of 31 December 2013	**4.723.178**	**(127.887)**	**4.595.291**

As of 31 December 2014, the fair value of the Boero Bartolomeo, S.p.A. shares, corresponding to 2.515% of this entity's share capital, amounted to, approximately, Euro 2,193,530 (2,279,551 Euro as of 31 December 2013), based on the year end stock quotation.

The Group held shares of listed companies in Euronext Lisbon Stock Exchange Marcket, by the amount of 660,772 Euro (706,446 as of 31 December 2013).

During the year end on 31 December 2014, the Gruop sold financial assets listed on stock Exchange marcket, by the amount of 1,515,879 Euro (1,857,027 Euro on the previous year), has not generated relevant profits or losses.

As of 31 December 2013, the Group holds bonds from several societies, whose fair value amounted to at same date, approximately, Euro 1,511,630.

The remaining financial investments referred to above mainly represented small investments in non listed companies. The Board of Directors believes that the net value of these investments is similar to the respective fair value.

As of 31 December 2014, the amounts classified as short-term, included investments in banks that did not meet the requirements for classification as "Cash and cash equivalents".

11. Taxes

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2014, are as follows:

Deferred tax assets:	Opening balances	Recorded in results	Recorded in net Equity	Closing balances
Depreciation not accepted for tax purposes	341.933	182.105	-	524.038
Provisions and impairment losses not accepted for tax purposes	2.889.207	(124.861)	70.501	2.834.847
Pension fund (referring to accrued costs)	244.220	(16.713)	-	227.507
Write-off of intangible and tangible assets not capitalisable (net from accumulated depreciation)	60.458	(60.458)	-	-
Merger reserve	1.303.694	(251.426)	-	1.052.267
Tax losses carried forward	539.991	(87.335)	(449.994)	2.662
Financial losses not accepted for tax purposes	1.212.961	268.246	(1.481.207)	-
SIFIDE	289.532	(289.532)	-	-
Tax credits (Spain)	4.908.023	-	(4.908.023)	-
Financial hedging derivative instruments avaliation	171.267	-	(144.672)	26.595
Others	172.381	33.830	-	206.211
	12.133.668	**(346.144)**	**(6.913.395)**	**4.874.128**

Deferred tax liabilities:	Opening balances	Recorded in results	Recorded in net Equity	Closing balances
Revaluations depreciation not accepted for tax purposes	10.558	(1.542)	-	9.016
Reinvestment of gains on fixed assets disposals	14.918	(3.416)	-	11.501
Pension fund (referring to deferred costs)	26.975	(4.736)	-	22.239
Fair value of land swapped by Barnices Valentine	981.538	-	-	981.538
Fair value of investments held for sale	122.462	-	(25.488)	96.974
Write-off of provisions	2.346.077	-	(165.111)	2.180.966
Adjustment to the fair value of the properties	1.484.812	(72.956)	-	1.411.856
Others	520.953	(53.004)	(5.040)	462.909
	5.508.292	**(135.654)**	**(195.639)**	**5.176.998**

The detail of the amounts and nature of assets and liabilities for deferred taxes recorded in the accompanying consolidated financial statements, and the respective movement as of 31 December 2013, are as follows:

Deferred tax assets:	Opening balances	Recorded in results	Recorded in net Equity	Closing balances
Depreciation not accepted for tax purposes	42.104	299.829	-	341.933
Provisions and impairment losses not accepted for tax purposes	2.622.751	288.189	(21.733)	2.889.207
Pension fund (referring to accrued costs)	180.150	64.070	-	244.220
Write-off of intangible and tangible assets not capitalisable (net from accumulated depreciation)	130.787	(70.329)	-	60.458
Merger reserve	1.350.254	(46.560)	-	1.303.694
Tax losses carried forward	959.859	(419.868)	-	539.991
Financial losses not accepted for tax purposes	567.850	645.111		1.212.961
SIFIDE	833.036	(543.504)	-	289.532
Tax credits (Spain)	5.095.314	(187.291)	-	4.908.023
Financial hedging derivative instruments avaliation	466.914	-	(295.647)	171.267
Others	77.488	163.089	(68.196)	172.381
	12.326.507	**192.735**	**(385.576)**	**12.133.668**

Deferred tax liabilities:	Opening balances	Recorded in results	Recorded in net Equity	Closing balances
Revaluations depreciation not accepted for tax purposes	12.831	(2.273)	-	10.558
Reinvestment of gains on fixed assets disposals	18.725	(3.807)	-	14.918
Pension fund (referring to deferred costs)	32.161	(5.186)	-	26.975
Fair value of land swapped by Barnices Valentine	981.538	-	-	981.538
Fair value of investments held for sale	103.027	-	19.435	122.462
Write-off of provisions	2.144.504	201.573	-	2.346.077
Adjustment to the fair value of the properties	1.557.768	(72.956)	-	1.484.812
Others	564.667	33.326	(77.040)	520.953
	5.415.221	**150.676**	**(57.606)**	**5.508.292**

The "Merger reserve" is a consequence of the merger held in previous years by former Spanish subsidiaries of subsidiary Barnices Valentine (and that was written-off in the previous years in the consolidation process) and is being depreciated for tax purposes over a period of 20 years.

In accordance with the applicable legislation, the income tax returns of CIN and other Group companies are subject to review and correction by the tax authorities for a 4-year period (5-year for Social Security) except when tax losses have occurred or tax benefits have been granted, or tax inspections, claims or refutations are in progress, in which cases and depending on the circumstances, the deadlines are delayed or suspended. Therefore, the tax declarations of the Group Companies (established in Portugal) since 2011 are still subject to review.

The Board of Directors of CIN believes that eventual corrections following such revisions/inspections by the tax authorities will not have significant effect on the consolidated financial statements as of 31 December 2014.

In Spain, since the beginning of the year 2014, tax losses no longer have time limit for future use. In France, the future use of tax losses not also has a time limit.

As of 31 December 2014, the following Group companies had tax losses that can be carried forward, as follows (in accordance with the respective tax returns):

Year	Spain	France
1999	337.303	-
2004	143.761	-
2005	1.583.106	-
2006	887.467	-
2008	5.381.982	-
2009	-	273.248
2010	15.196.261	581.203
2011	10.693.323	2.226.426
2012	9.667.500	1.442.147
2013	6.935.936	14.942
2014	4.375.658	-
	55.202.297	**4.537.966**

For the calculation and recording of deferred tax assets, were considered tax losses of Navis subsidiary, generated in 2014, which led to a deferred tax asset of 2,662 Euros.

The Group holds Euro 4,908,023 relating to tax credits for use, primarily generated in 2008 (Euro 4,901,396), which compensation deadline is 2026. The Company performed the assessment of the assumptions on which were recorded its deferred tax assets in prior years, and proceeded to its derecognition, against the equity caption "Other reserves", as it considers that this movement has not a significant impact for reading the financial statements and not restated the financial statements as of 31 December 2013, presented for comparative purposes. Similarly, made the derecognition of deferred tax assets related to excess net financial losses and unused tax losses carried forward in the amounts of 1,481,207 Euros and 449,994 Euros, respectively.

SIFIDE

As of 31 December 2014, an amount of Euro 289,532 of deferred tax assets regarding the applications to a SIFIDE tax incentive, as such candidatures related, to the exercise of 2013, were already formally approved. The legislation establishes this tax credit to be deducted in a period not exceeding six annual periods.

The Group companies Amida Inversiones, S.L., Barnices Valentine, S.A., Pinturas Cin Canárias, S.A. and Cin Inmuebles, S.L., located in Spain, are being in accordance with theirs consolidated tax result, whose parent company is Amida Inversiones, S.L.U., which aggregates the tax losses generated by the companies in the tax perimeter. The Group companies located in France are also taxed in accordance with theirs consolidated tax result, in accordance with French legislation.

As of 31 December 2014 and 2013, the tax rates used to calculate the assets and liabilities for deferred taxes can be detailed as follows:

	Tax rates	
	31.12.2014	**31.12.2013**
Country of origin of the subsidiary:		
Portugal	22,5%	24,5%
Spain	28,0% / 25,0%	30,0%
Luxembourg	29,63%	29,63%
Angola	35,0%	35,0%
Mozambique	32,0%	32,0%
France	33,3%	33,3%

In accordance with article 81 of Corporate Income Tax Code ("Código do Imposto sobre o Rendimento das Pessoas Colectivas") CIN and its subsidiaries with headquarters in Portugal are also subject to an autonomous taxation over a group of expenses at the rates defined in the referred article.

Tax benefits and exemptions

(I) Spain - Canaries

According to Spanish legislation, namely "Ley 19/1994, of 6 July – Modificación del Régimen Económico y Fiscal de Canarias", production companies located in Canarias are able to take full advantage of a 50% benefit over Income Tax on beneficiary activities. CIN Canarias have adopted this tax benefit in 2005. Additionally, in order to fulfill the necessary requirements established by this legislation, Pinturas CIN Canarias, S.A. created, during 2007, a special reserve amounting to Euro 3,096,371, which is included in the net equity's caption "Other reserves". To be able to take full advantage of the referred tax benefit, this subsidiary has made specific investment over a defined period.

(II) Angola

Cin Angola's investment project related with the construction of new production facilities in the province of Benguela (Angola), carried out in 2006, was approved by ANIP – Agência Nacional para o Investimento Privado da República de Angola (National Agency for Foreign Investment in the Republic of Angola). Following this approval, the following tax and customs benefits were granted (according to "Lei nr. 17/03", of 25 July):

- Three years customs rights payments exemption, which already expired;
- Eight years Industrial Tax payments exemption, which have expired during the financial year 2013;
- Five years Capital Gains Tax payments exemption, which already expired.

Consequently, for the year ended in 31 December 2014, CIN Angola didn't benefit from any tax exemption.

12. Other non-current assets

As of 31 December 2014 and 2013, the composition of the caption was up as follows:

	31.12.2014	31.12.2013
Retirement benefits (Note 22)	98.843	114.707
Guarantee	123.264	138.328
	222.107	**253.035**

13. Inventories

As of 31 December 2014 and 2013, the composition of the caption was up as follows:

	31.12.2014	31.12.2013
Raw, subsidiary and consumable materials	14.423.276	11.934.438
Merchandise	2.254.096	1.850.625
Finished and intermediate goods	28.477.642	26.510.692
	44.975.015	**40.295.754**
Finished and intermediate goods (Note 27)	(6.010.894)	(5.648.184)
	38.964.121	**34.647.570**

The cost of goods sold and consumed for the years ended as of 31 December 2014 and 2013 were computed as follows:

	31.12.2014	31.12.2013
Opening balances		
Raw, subsidiary and consumable materials	11.934.438	13.314.740
Merchandise	1.850.625	1.850.117
Purchases	100.017.419	90.259.917
Inventory adjustments	(93.741)	(566.004)
Closing balance:		
Raw, subsidiary and consumable materials	(14.243.276)	(11.934.438)
Merchandise	(2.254.096)	(1.850.625)
	97.211.369	**91.073.709**

Part of the inventory adjustments – Merchandise – refers to tangible equipment transfers – tintometric systems, as these equipments are being used by Group's delegations (Note 5).

The changes in inventories of finished goods and work in progress for the years ended as of 31 December 2014 and 2013, was computed as follows:

	31.12.2014	31.12.2013
Closing balances	28.477.642	26.510.692
Inventory adjustments	730.959	345.346
Opening balances	(26.510.692)	(27.269.208)
	2.697.909	**(413.170)**

14. Customers

As of 31 December 2014 and 2013, this caption was made up as follows:

	31.12.2014	31.12.2013
Customers, current accounts	35.066.309	33.028.525
Customers, notes receivable	1.417.194	2.146.281
Customers, doubtful accounts	15.377.878	17.034.370
	51.861.381	**52.209.176**
Accumulated impairment losses on costumers (Nota 27)	(18.415.979)	(19.683.406)
	33.445.402	**32.525.770**

The Group's exposure to credit risk is mainly attributable to the accounts receivable resulting from its operating activities. The amounts presented in the balance sheet are net of accumulated impairment losses for doubtful accounts that were estimated by the Group, in accordance with its experience and based on the analysis of the economic environment. The Board of Directors believes that the net accounting values of the accounts receivable from customers are similar to their respective fair value. The Group has not a significant concentration of credit risk, as this risk is diluted within a vast number of customers.

In accordance with the information of the Group's balance sheet, the aging of accounts receivable from customers as of 31 December 2014 and 2013 is as follows:

	31.12.2014	31.12.2013
Not due	20.981.084	23.295.918
Due and not adjusted:		
0-30 outstanding days	7.090.453	6.901.678
30-90 outstanding days	3.538.939	2.156.208
More than 90 outstanding days	1.834.926	171.965
Vencido e provisionado:		
0-90 outstanding days	904.557	781.053
90-180 outstanding days	823.533	966.680
180-360 outstanding days	1.781.391	1.751.055
More than 360 outstanding days	14.906.498	16.184.618
	51.861.381	**52.209.176**

15. Other debtors

As of 31 December 2014 and 2013, this caption was made up as follows:

	31.12.2014	31.12.2013
Suppliers debtors balances	238.384	457.896
Personnel	116.975	138.890
Advances to suppliers and suppliers of fixed assets	59.197	78.526
Others debtors	4.256.956	3.226.038
	4.671.512	**3.901.350**
Accumulated impairment losses (Note 27)	(640.443)	(640.470)
	4.031.069	**3.260.880**

16. Other current assets

As of 31 December 2014 and 2013, this caption was made up as follows:

	31.12.2014	31.12.2013
Bonus receivable from suppliers	852.817	614.004
Prepaid insurance	81.670	132.465
Prepaid rental	509.229	490.193
Prepaid financial expenses	520.842	228.547
Prepaid specialized work expenses	201.498	180.431
Others	808.559	600.016
	2.974.615	**2.245.656**

17. Cash and cash equivalents

As of 31 December 2014 and 2013, the caption "Cash and cash equivalents" was as follows:

	31.12.2014	31.12.2013
Cash and cash equivalents:		
Cash	53.539	50.426
Bank deposits on demand	36.994.518	22.126.393
Securities	22.485.229	20.563.433
Cash equivalents	49.151	92.946
	59.582.437	**42.833.198**

Securities correspond to bank term deposits made by several companies included in consolidation which mature within less than three months and bear interest at normal market rates.

As of 31 December 2014, the Company and its subsidiaries have credit facilities amounting to Euro 28,294,632 available for future operating activities and to meet financial commitments, without any restriction to its use.

18. Share capital

As of 31 December 2014, CIN – Corporação Industrial do Norte, S.A.'s fully subscribed and paid up capital consisted of 25,000,000 bearer shares, with a nominal value of 1 Euro each.

As of 31 December 2014, Pleso Holding B.V. owned 100% of the Company's share capital (Introduction).

19. Equity

Legal reserve

Portuguese commercial legislation defines that at least, 5% of annual net profit must to be allocated to the legal reserve until it represents 20% of a company's share capital. This reserve can not be distributed to shareholders unless the company is to be liquidated. This reserve can be used to compensate accumulated losses provided that all other reserves are used first and can be incorporated into share capital.

Revaluation reserves

The revaluation of reserves may not be distributed to shareholders unless it is fully depreciated or if the property subject to reassessment has been sold.

Currency conversion reserves

The currency conversion reserves reflect the exchange rate changes occurred in the transposition of the financial statements of subsidiaries in currencies other than Euro and cannot be distributed or used to absorb losses.

Fair value reserves

The fair value reserves reflect the changes in fair value of financial instruments available for sale and cannot be distributed or used to absorb losses.

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of CIN, presented according to the *"Sistema de Normalização Contabilística"* (*"SNC"*, Portuguese GAAP).

20. Non-controlling interests

During the year ended 31 December 2014, the movement in the caption "Non-controlling interests", can be detailed as follow:

	31.12.2014
Balance as of 31 January	-
Net profit of the period	-
Others	21.093
Balance as of 31 December	**21.093**

21. Bank loans

As of 31 December 2014, the detail by nature of bank loans was made up as follows:

	Plafond	**Amount in use**	**Current**	**Non-current**
Bank Loans	16.608.076	11.313.444	4.615.926	6.697.518
Commercial paper programs	112.500.000	89.500.000	11.700.000	77.800.000
Bonds	35.000.000	35.000.000	-	35.000.000
Investment subsidies	2.691.237	2.691.237	239.052	2.452.185
Effective interest rate effect	n.a.	n.a.	(18.724)	(159.125)
	166.799.313	**138.504.682**	**16.536.254**	**121.790.579**

Bank loans

As of 31 December 2014, the detail of bank loans (except for commercial paper programs) was made up as follows:

Company	**Plafond**	**Amount in use**	**Current**	**Non-current**
Barnices Valentine	500.000	-	-	-
CIN	9.800.000	5.005.362	5.362	5.000.000
CIN Industria	2.211.507	2.211.507	597.259	1.614.248
CIN Canárias	-	6	6	-
Amida	2.000.000	2.000.000	2.000.000	-
Celliose	88.054	88.054	4.784	83.270
Tintas CIN Angola	2.008.515	2.008.515	2.008.515	-
	16.608.076	**11.313.444**	**4.615.926**	**6.697.518**

The other bank loans referred above bear interest at market rates.

Commercial Paper Programs

As of 31 December 2014, the Commercial Paper Programs can be detailed as follows:

	Program total amount	Nominal value	Current	Non-current	Interest	Book value as at December 31, 2014
CIN- Corporação Industrial do Norte, S.A						
Contract (5.000.000 Euros) 115th Issuance	5.000.000	2.000.000	2.000.000	-	12.297	1.987.703
Contract (25.000.000 Euros) 45th Issuance	25.000.000	25.000.000	2.500.000	22.500.000	71.697	24.928.303
Contract (7.500.000 Euros) Not used	7.500.000	-	-	-	-	-
Contract (35.000.000 Euros) 215th Issuance	35.000.000	22.500.000	-	22.500.000	87.428	22.412.579
Contract (20.000.000 Euros) 4th Issuance	20.000.000	20.000.000	2.200.000	17.800.000	29.583	20.000.000
Contract (15.000.000 Euros) 10th Issuance	15.000.000	11.500.000	-	11.500.000	15.573	11.500.000
Contract (5.000.000 Euros) 14th Issuance	5.000.000	5.000.000	5.000.000	-	6.342	4.993.566
Barnices Valentine SL						
Contract (15.000.000 Euros) 9th Issuance	contrato grupado	1.000.000	0	1.000.000	1.354	1.000.000
Amida Inversiones						
Contract (15.000.000 Euros) 8th Issuance	contrato grupado	2.500.000	0	2.500.000	3.385	2.500.000
	112.500.000	**89.500.000**	**11.700.000**	**77.800.000**	**227.659**	**89.322.151**

Commercial Paper Program balances have the following underlying contracts:

Company	Program total amount	Beginning date	Maturity
CIN - Corporação Industrial do Norte, S.A.	25.000.000	May, 2014	May, 2019
CIN - Corporação Industrial do Norte, S.A.	35.000.000	May, 2012	May, 2017
CIN - Corporação Industrial do Norte, S.A.	5.000.000	June, 2013	June, 2018
CIN - Corporação Industrial do Norte, S.A.	20.000.000	September, 2014	September, 2019
CIN - Corporação Industrial do Norte, S.A.	15.000.000	September, 2014	September, 2019
CIN - Corporação Industrial do Norte, S.A.	5.000.000	March, 2014	March, 2019
CIN - Corporação Industrial do Norte, S.A.	7.500.000	June, 2014	June, 2019
	112.500.000		

In accordance with these contractual terms, the Commercial Paper Programs issuances can be made up to one year, up to the agreed limit. The financial institutions have committed themselves to the full distribution of every issuance.

CIN's Board of Directors intends to use the above mentioned programs within more than one year.

Bonds

On 31 December 2014, this caption consisted of two loans denominated “CIN / 2014-2019” and “CIN 2014/2019”, in the amount of Euro 15,000,000 and Euro 20,000,000 respectively, issued by CIN – Corporação Industrial do Norte, S.A.. According to their conditions, the loans bear interest indexed to Euribor, with 3% and 3.35% spread, and maturity is July and December 2019, respectively.

As of 31 December 2014, Commercial Paper Programs classified as non-current and the bonds, had the following projected repayment and interest payment plan, considering full use of the existing programs:

	Effective interest tax	2015	2016	2017	2018	2019	Total
Repayment			11.900.000	31.900.000	7.000.000	77.000.000	127.800.000
Interest	3,94%	5.536.456	4.801.669	3.855.619	3.167.848	2.078.334	19.439.926
		5.536.456	**16.701.669**	**35.755.619**	**10.167.848**	**79.078.334**	**147.239.926**

Government grants

In 31 December 2014, the remaining loans refer to a refundable subsidy from the Portuguese Agency for the Investment and Foreign Trade ("AICEP"), regarding an application under the incentives program SI Inovação. As the specified conditions, half of this subsidy, which total value reaches Euro 2,691,237, may become a not refundable parcel, under certain circumstances to be measured only in the future. This parcel is granted free of interests and other expenses, with progressive semi-annual reimbursements, and the first payment due in June 2015. At the end of 2014 the total amount used is Euro 2,691,237 and is recorded in non current liability captions, with the exception of the tranche which will be repaid in 2015, totaling Euro 239,052.

Interest rate risk

As of 31 December 2014, CIN Group hedging financial instruments refer to interest rate "swaps" ("cash-flow hedges").

As of the balance sheet date, these interest rate hedging instruments are recorded by their corresponding fair value, determined by valuations performed by the Group. This fair value of these financial investments was determined by updating, as of the balance sheet date, the future "cash-flows" resulting from the difference between the agreed fixed interest rate (interest rate agreed with the bank institution with whom the hedging instrument was contracted) and the agreed indexed interest rate (interest rate agreed with the entity that has granted the loan).

The Group hedging principles defined for the engagement of these financial hedging instruments are as follows:

- "Matching" between paid and received cash-flows, e.g., there is proximity between the interest payment dates and the maturity dates of the derivative instruments;
- "Matching" between indexes: the reference index for the hedging financial instrument and for the loan to which the derivative is underlying is coincident.

In a scenario of increase or extreme decrease of interest rates, the maximum cost of the loan is perfectly limited and calculated.

The counterparts of the hedging instruments are limited to credit institutions with high credit quality and reputation. It is Group's policy to contract these instruments with financial institutions also involved in its financing operations.

As of 31 December 2014, the fair value of the interest rate derivatives, amounting to Euro 118,200 (Euro 699,049 as of 31 December 2013), is recorded in the attached consolidated Balance sheet in the non-current assets caption "Derivative instruments", against the net equity caption "Hedging reserves" and the liability caption "Deferred taxes liabilities". The notional value underlying this hedging instrument is up to Euro 12,500,000 (Euro 50,000,000 in 2013).

The fair value of financial instruments mentioned above were recorded in the equity caption "Fair value reserve", as the Board of Directors believes that these derivative financial instruments meet the requirements of hedge accounting.

These interest rate derivatives were valued at fair-value based on valuations performed by the bank with whom the instruments were hired. The fair value of the swaps was calculated, with reference to the balance sheet date, based upon the discounted cash flow resulting from the difference between the fixed interest rate of the fixed "leg" of the derivative and the indexed variable interest rate of the variable "leg" of the derivate.

22. Pension commitments

CIN Pension Fund:

The CIN Pension Fund, which was created by public deed on 31 December 1987 and is managed by "SGF - Sociedade Gestora de Fundos de Pensões, S.A.", was set up to provide employees retired as from that date, due to age or disability, the right to a monthly pension complement. This pension complement is calculated at the rate of 0.5% per year of employment, up to a maximum of 12.5% of the employee's gross salary at the date of retirement.

In accordance with an actuarial valuation performed by the Fund manager, the present value of the liabilities for past services of retired and current employees as of 31 December 2014 and 2013 was as follows:

	31.12.2014	31.12.2013
Current employees	4.970.487	4.942.420
Retired employees	2.195.820	2.250.386
	7.166.307	**7.192.806**

As of 31 December 2014 and 2013, those liabilities were calculated using the "Projected Unit Credit" method and the mortality table TV 88/90 and disability table SR (Suisse Re). In addition to the technical parameters referred to above, the valuation was made assuming annual salary increases of 2%, a rate of return for the fund of 4.5%, zero rate of increase of the pensions on payment, technical interest rate of 4.5% and personnel "turnover" computed in accordance with the average historical data for the Company.

The movement in the liabilities for past services for the periods ending 31 December 2014 and 2013 was as follows:

	31.12.2014	31.12.2013
Liabilities for past services as of 1 January	7.192.806	6.833.810
Current services cost	203.563	216.561
Interest cost	323.676	292.507
Actuarial losses (gains)	(304.317)	96.177
Retirement complements paid	(249.421)	(246.249)
Liabilities for past services as of 31 December	**7.166.307**	**7.192.806**

During the years 2014 and 2013, the movement in the net assets of the Fund was as follows:

	31.12.2014	31.12.2013
Balance as of 1 January	6.195.986	6.153.995
Net fund income	208.598	240.908
Retirement complements paid	(249.421)	(246.249)
Others	-	47.332
Estimated balance as of 31 December	**6.155.163**	**6.195.986**

The Group maintains recorded in the caption "Retirement benefit obligations" the amount necessary to cover the liabilities for past services not covered by the assets of the Fund in accordance with the actuarial study reported as of 31 December 2014, totaling the balance of this caption Euro 1,011,144 as of 31 December 2014 (Euro 996,820 as of 31 December 2013), which was subjected to an increase in financial year 2014 of Euro 30,188 (Euro 375,597 in 2013), as detailed below:

	31.12.2014	31.12.2013
Current services cost	203.563	216.561
Interest	323.676	292.507
Fund income, net	(208.598)	(240.908)
Actuarial losses (gains)	(304.317)	96.177
Cost of past service ("Deferred costs")	15.864	11.260
	30.188	**375.597**

Consequently, the movement occurred during periods ended 31 December 2014 and 2013 on the caption "Retirement benefit obligations" for retirement benefits not covered by the assets of the Pension Fund was as follows:

	31.12.2014	31.12.2013
Balance as of 1 January	996.820	679.814
Personnel	30.188	375.597
Deferred costs	(15.864)	(11.260)
Others	-	(47.331)
Balance as of 31 December	**1.011.144**	**996.820**

The Group deferred actuarial gains or losses related to changes in criteria in the actuarial estimate of remaining employees active period, which currently amounts to 22 years. Thus, the cost of past services established in 2003, comprising mainly the effects associated with changes in the universe of workers included in the Pension Fund, was recorded in the caption as "Other non-current assets" (Note 12).

Movements in this caption in 2014 and 2013 related to retirement benefits were made up as follows:

	31.12.2014	31.12.2013
Balance as of 1 January	114.707	125.967
Amortization of past service cost	(15.864)	(11.260)
Balance as of 31 December (Note 12)	**98.843**	**114.707**

Barnices Valentine's Convention:

The subsidiary Barnices Valentine has assumed through a collective convention with its workers, the commitment to grant an indemnity ("Prémio por Jubilación") to all its employees that have joined the company before 1 January 1982 and that end their labour contracts after reaching 60 years of age.

Barnices Valentine has set up, in previous years, insurance with an external entity, bound to cover the responsibilities resulting from the above referred convention.

In 2009, this convention was altered, and it is no longer necessary to fulfill the condition to have joined the Company before 1 January 1982, as long as all others conditions are satisfied.

As of 31 December 2014, all responsibilities determined in accordance with an actuarial study are fully covered by the referred insurance by the amount of Euro 27,981 (Euro 28,000 as of 31 December 2013) and are registered in the "Retirement benefit obligations" caption. The actuarial study assumed the mortality table PERM/F-2000 and a technical interest rate of 4.25%.

23. Suppliers

As of 31 December 2014 and 2013 this caption refers to accounts payable for acquisitions resulting from the normal course of the Group's activities, and has the following composition:

	31.12.2014	31.12.2013
Suppliers – current accounts	25.552.926	24.795.113
Suppliers – outstanding bills	190.233	162.940
	25.743.159	**24.958.053**

As of 31 December 2014 and 2012, payables to suppliers are due within less than four months.

24. Other creditors

Current

As of 31 December 2014 and 2013, this caption was made up as follows:

	31.12.2014	31.12.2013
Fixed assets suppliers	1.530.793	1.453.029
Clients credit balance	663.515	559.926
Personnel	253.105	221.156
Others	481.538	1.079.976
	2.928.951	**3.314.087**

Non current

As of 31 December 2014 and 2013, this caption respects entirely about leasing contracts related to hardware.

The minimum payments for leases as of 31 December 2014 and 2013 are detailed as follows:

	Minimum lease payments		Present value	
	2014	2013	2014	2013
1 year	1.046.723	1.141.900	794.824	853.133
1 to 5 years	5.051.488	5.090.926	4.349.626	4.198.741
More than 5 years	884.297	1.891.582	864.890	1.810.599
	6.982.508	8.124.408	6.009.340	6.862.473
Financial effect	(973.168)	(1.261.935)	n/a	n/a
Presente value of minimum lease payments	**6.009.340**	**6.862.473**	**6.009.340**	**6.862.473**

25. State and other public entities

As of 31 December 2014 and 2013, the amounts of liabilities in this caption were as follow:

	31.12.2014	31.12.2013
Corporate Income Tax	2.100.066	1.322.938
Value Added Tax	937.915	1.115.228
Social Security contributions	1.190.020	1.069.627
Withholding Income Taxes	563.505	501.381
Others	574.468	826.157
	5.365.974	**4.835.331**

26. Other current liabilities

As of 31 December 2014 and 2013, this caption was made up as follows:

	31.12.2014	31.12.2013
Accrued costs:		
Accrued payroll	5.942.038	4.776.435
Rappel	2.779.286	2.451.223
Accrued interest	363.574	1.462.376
Accrued insurances	55.430	342.875
Royalties	136.255	524.835
Others	2.012.762	1.614.473
	11.289.345	**11.172.217**
Deferred income:		
Investments Subsidies	-	49.602
Others	82.721	43.187
	82.721	92.789
	11.372.066	**11.265.006**

27. Provisions and accumulated impairment losses

The movement occurred in provisions and accumulated impairment losses for the years ended as of 31 December 2014 and 2013 was as follows:

	2014					
	Opening Balances	Increases	Decreases	Utilizations	Transfers	Closing Balances
Impairment losses in accounts receivable (Notes 14 and 15)	20.323.876	1.637.390	(1.063.928)	(1.840.916)	-	19.056.422
Impairment losses in inventories (Note 13)	5.648.184	900.994	(538.284)	-	-	6.010.894
Impairment losses in available for sale Investments (Note 10)	127.887	-	-	-	-	127.887
Provisions	2.570.424	1.356.926	(372.001)	(307.032)	255.751	3.504.069

	2013					
	Opening Balances	Increases	Decreases	Utilizations	Transfers	Closing Balances
Impairment losses in accounts receivable (Notes 14 and 15)	20.125.447	2.868.557	(1.441.855)	(1.228.272)	-	20.323.876
Impairment losses in inventories (Note 13)	4.970.715	1.249.227	(221.870)	(349.889)	-	5.648.184
Impairment losses in available for sale Investments (Note 10)	130.933	-	(3.106)	-	-	127.827
Provisions	3.203.766	572.612	(199.800)	(1.006.154)	-	2.570.424

The "Accumulated impairment losses" are recorded in the attached consolidated balance sheet as a deduction to the corresponding asset.

28. Sales and services rendered by geographic markets

Sales and services rendered by geographic markets during 2014 and 2013 were as follows:

	31.12.2014	31.12.2013
Domestic market	175.507.313	168.461.438
International market	18.551.740	18.919.841
	194.059.053	**187.381.279**

The Group defines as domestic market the sales made in the countries where it has its operational activity (introduction).

29. Financial results

As of 31 December 2014 and 2013, the financial results were as follows:

	31.12.2014	31.12.2013
Financial expenses:		
Interest	4.797.449	5.112.821
Other financial expenses	1.683.820	2.768.284
	6.481.268	7.881.105
Financial results	(6.122.452)	(7.171.161)
	358.816	**709.944**
Financial income:		
Interest	356.223	471.601
Other financial income	2.593	238.343
	358.816	**709.944**

30. Corporate income tax

The Corporate Income Tax recorded in the years ended as of 31 December 2014 and 2013 can be detailed as follows:

	31.12.2014	31.12.2013
Current tax	2.056.229	(401.155)
Deferred taxes (Nota 11)	210.490	(42.060)
	2.266.719	**(443.215)**

31. Responsibilities for guarantees provided

As of 31 December 2014, the Group had assumed responsibilities for guarantees granted to third parties as follows:

IAPMEI	555.479
Câmara Municipal da Maia	75.000
Customs (Leixões)	24.940
Others	286.750

Additionally, the subsidiary Barnices Valentine has made a guarantee amounting to Euro 586,885 in favour of "Municipio de Montcada Y Reixach", as a guarantee related with the project "Can Milans" (Note 5).

32. Operating leases

During the year end as of 31 December 2014, was recognized as expense of the period the amount of Euro 1,878,683 (Euro 2,051,815 as of 31 December 2013) relating to operating lease contracts.

Additionally, as of the balance sheet date, irrevocable operating lease contracts were in place, which had the following renting payments:

	31.12.2014	31.12.2013
Due in N+1	1.540.340	1.409.901
Due in N+2	983.736	853.265
Due in N+3	733.607	549.909
Due after N+3	1.074.289	1.154.626
	4.331.973	**3.967.700**

The operating lease contracts above mentioned refer essentially to the following situations:

- Leasing of vehicles to serve the Group's sales network , technical services and other employees and directors, whose average duration is 4 years;
- Leasings/ rentals of own shops that can be renewed for further periods by the will of the parties.

33. Earnings per share

The earnings per share, basic and diluted, are calculated dividing the consolidated net result by the average number of existing shares during the period.

34. Contingent assets and liabilities

Tax Payments:

In December 2002, in the context of the Special Regime for the Settlement of Debts to the Tax Authorities and Social Security ("Regime Excepcional de Regularização de Dívidas ao Fisco e Segurança Social" - Decree Law 248-A/2002, of 14 November), and during the year ended as of 31 December 2013, in the context of the Special Regime for the Settlement of Debts ("Regime Excepcional de Regularização de Dívidas" - Decree Law 36/2013, of 24 September), CIN paid additional liquidations of Corporate Income Tax ("Imposto sobre o Rendimento de Pessoas Colectivas"), which were previously contested.

The Company recorded as a debit balance in the caption "State and other public entity" the amount paid of Euro 443,745 and did not create any provision to face the risk of recovery of the amount paid since the Board of Directors believes that the outcome from the claim will be favourable to the Company.

Lawsuits:

On the date of approval of these accounts, the group company, Barnices Valantine, S.L., is co-defendant in several lawsuits brought against the modification of the "General Plan Metropolitano" and, as a consequence of the referred land division plan mentioned in Note 5. The financial statements at December 31, 2013 do not include any provision, since the Board of Directors, supported in its legal counsel, believe that the outcome of such lawsuits will be favourable to the group, as any loss generated will be subject to an indemnity from the state authorities in accordance with the contracts in force.

35. Statutory bodies' members remuneration

As of 31 December 2014 and 2013, CIN ("Mother Company") attributed to its statutory bodies members of the parent company the following remuneration:

	31.12.2014	31.12.2013
Board of Directors	264.000	435.356
Supervisory Board / Statutory Auditor	19.500	19.500
General Assembly	4.000	8.000

36. Number of personnel

As of 31 December 2014 and 2013, the number of employees of the companies included in consolidation was 1,190 e 1,161, respectively.

37. Financial statements approval

The consolidated financial statements were approved by the Board of Directors and authorized for issuance as of 23 April, 2015. Additionally, the attached financial statements as of 31 December 2014 are pending approval by the General Assembly of Shareholders. However, the Board of Directors believes that they will be approved without significant changes.

38. Environmental area information

The Group takes the necessary measures regarding the environmental area, in order to comply with the prevailing legislation.

In relation with this matter, it is important to highlight that CIN Group is currently monitoring and taking the necessary measures to comply with the rules set forth in Decree-Law n.º 181/2006, of 6 September, namely the limitation of the volatile organic compounds ("VOC") emissions from paints and varnishes (that are responsible for the formation of tropospheric ozone) and consequently prevent or reduce atmospheric pollution.

The Board of Directors of CIN Group believes that there are no risks associated to environmental protection and improvement, and confirms that no communication or sanction related with these matters was received during 2014.

39. Explanation added for translation

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IFRS/IAS), some of which may not conform or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails

Maia, 23 April de 2015

THE ACCOUNTANT number 63002

Paula Macedo

The Board of Directors

João Manuel Fialho Martins Serrenho
President

Maria Francisca Fialho Martins Serrenho Bulhosa
Member

Maria João Fialho Martins Serrenho Santos Lima
Member

Ângelo Barbedo César Machado
Member

Manuel Fernando de Macedo Alves Monteiro
Member

Statutory Audit Report

STATUTORY AUDIT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese – Note 39)

Introduction

1. We have examined the accompanying consolidated financial statements of Cin – Corporação Industrial do Norte, S.A. ("Company") and subsidiaries ("CIN Group"), which comprise the Consolidated statement of financial position as of 31 December 2014, that presents a total of 291,091,826 Euro and consolidated shareholders' equity of 92,280,841 Euro, including a consolidated net profit of 3,254,472 Euro, the Consolidated statements of profit and loss by nature, of comprehensive income, of changes in equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The preparation of consolidated financial statements that present a true and fair view of the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of its operations, changes in consolidated equity and its consolidated cash flows, as well as the adoption of adequate accounting principles and criteria and the maintenance of an appropriate system of internal control are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these consolidated financial statements, based on our examination.

Scope

3. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. An examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An examination also includes assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated financial statements. Our examination also comprises verifying that the financial information contained in the Board of Directors' Report is in accordance with the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

4. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Cin – Corporação Industrial do Norte, S.A. and subsidiaries as of 31 December 2014, as well the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Reporting over other legal requirements

5. It is also our opinion that the financial information contained in the Report of the Board of Directors is in accordance with the consolidated financial statements of the year.

Porto, 23 of April 2015

Deloitte & Associados, SROC S.A.
Represented by António Manuel Martins Amaral