

Consolidated financial statements at December 31, 2014

31. Income tax expense

The Group's income tax expense for the year was €39.6 million as follows:

(Amounts in thousands of euros)	2014	2013	Change
Current taxes (income taxes)	29,341	27,346	1,995
Net deferred tax (income) expense	11,466	(16,730)	28,196
Prior year taxes	(6,455)	1,876	(8,331)
Total income taxes	34,352	12,492	21,860
IRAP	5,283	6,992	(1,709)
Total income taxes	39,635	19,484	20,151

An analysis and reconciliation of the theoretical income tax rate, calculated under Italian tax

legislation, and the effective tax rate are set out below:

	INCOME TAXES	
	€m	%
Loss before tax	125.3	
Theoretical tax expense	34.5	27.5%
Effect of permanent differences	(5.3)	(4.2%)
Net effect of foreign taxes	13.1	10.5%
Other	(8.0)	(6.4%)
Total	34.3	27.4%

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The effective tax expense is affected by the following:

- permanent differences;
- recognition of certain taxes paid abroad in accordance with the legislation of the countries

in which the branches of the Italian consolidated companies operate and which have been recovered;

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	€m	%
Operating profit	258.4	
Personnel costs	494.1	
Operating profit for IRAP tax purposes	752.5	
Theoretical tax expense	29.3	3.9%
Tax effect of foreign companies' production	(12.9)	(1.7%)
Tax effect of foreign production	(10.2)	(1.4%)
Tax effect of permanent differences	(0.9)	(0.1%)
Total	5.3	0.7%

The net deferred tax expense contributes negatively to the consolidated profit for €11.5 million as shown below:

(Amounts in thousands of euros)

Deferred tax expense for the year	84,260
Reversal of deferred tax liabilities recognized in previous years	(19,510)
Deferred tax income for the year	(79,138)
Reversal of deferred tax assets recognized in previous years	25,854
Total	11,466