

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	Note	2013		2012 (*)	
		Amount	%	Amount	%
Sales revenues	23	1,334,987	100.0	1,319,233	100.0
Variable cost of sales	24	932,374	69.8	927,396	70.3
CONTRIBUTION MARGIN		402,613	30.2	391,837	29.7
Manufacturing and R&D overheads	25	130,750	9.8	132,811	10.2
Depreciation and amortization	26	57,336	4.3	58,402	4.4
Distribution and sales fixed expenses	27	39,631	3.0	39,279	3.0
Administrative and general expenses	28	67,049	5.0	68,880	5.1
OPERATING RESULT		107,847	8.1	92,465	7.0
Restructuring costs	30	17,813	1.3	12,242	0.9
Losses (gains) on disposal	31	(1,599)	(0.1)	(7,675)	(0.6)
Exchange losses (gains)	32	4,123	0.3	655	-
Other non-operating expenses (income)	33	18,384	1.4	23,845	1.9
- of which non-recurring		1,717		7,530	
EBIT		69,126	5.2	63,398	4.8
Financial expenses (income), net	34	28,361	2.1	18,537	1.4
Losses (gains) from equity investments	35	289	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS		40,476	3.1	44,861	3.4
Income taxes	36	15,745	1.2	13,410	1.1
NET RESULT BEFORE NON-CONTROLLING INTERESTS		24,731	1.9	31,451	2.3
Loss (income) attributable to non-controlling interests		(3,607)	(0.3)	(3,205)	(0.2)
GROUP NET RESULT		21,124	1.6	28,246	2.1
Earnings per share (EPS) (Euro):	38				
Basic		0.187		0.250	
Diluted		0.185		0.249	

(*) Certain values for the year 2012 were restated after the application of the amendments to IAS 19 - Employee Benefits.

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT

23. SALES REVENUES

Revenues from sales and services

The Sogefi Group recorded net revenues for the amount of Euro 1,334,987 thousand during the period, versus Euro 1,319,233 thousand in the previous year (+1.2% in percentage terms). On a constant currency basis (at the average exchange rates of the previous year), corresponding revenues would amount to Euro 1,391,642 thousand (+5.5%).

Revenues from the sale of goods and services break down as follows:

By business sector:

(in thousands of Euro)	2013		2012	
	Amount	%	Amount	%
Engine systems	818,566	61.4	792,624	60.1
Suspension components	518,615	38.8	528,604	40.1
Intercompany eliminations	(2,194)	(0.2)	(1,995)	(0.2)
TOTAL	1,334,987	100.0	1,319,233	100.0

By geographical area of "destination":

(in thousands of Euro)	2013		2012	
	Amount	%	Amount	%
Europe	859,338	64.4	877,027	66.5
Mercosur	224,381	16.8	231,398	17.5
Nafta	187,399	14.0	150,569	11.4
Asia	59,260	4.4	46,611	3.5
Rest of the World	4,609	0.4	13,628	1.1
TOTAL	1,334,987	100.0	1,319,233	100.0

Non-European countries account for 36% of the total revenues of the Sogefi Group, up two percentage points from 2012 (38% net of exchange differences). The Group performed well in South America, where revenue growth would have been higher than in the reference market – net of exchange differences – thanks to the good competitive position of Sogefi. In Europe the Group reported revenues of Euro 859.3 million, down 2.0%, which however are in line with the reference market.

24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2013	2012
Materials	697,957	686,597
Direct labour cost	113,286	116,644
Energy costs	35,754	35,942
Sub-contracted work	19,958	22,609
Ancillary materials	18,154	18,904
Variable sales and distribution costs	44,116	43,249
Royalties paid to third parties on sales	4,236	4,022
Other variable costs	(1,087)	(571)
TOTAL	932,374	927,396

In percentage terms, the impact on revenues of “Variable cost of sales” fell from 70.3% in 2012 to 69.8% for the year 2013, mainly thanks to a lesser impact of “Direct labour cost” and of the cost of employees under labour flexibility schemes included in line “Sub-contracted work”.

The decrease in “Direct labour cost” and “Sub-contracted work” in terms of absolute value reflects the impact of exchange rates for the amount of Euro 4,908 thousand, and variable and indirect production costs reclassified to improve amount allocation between the two items for approximately Euro 2,000 thousand. The remaining portion gives account of how the sales growth recorded by the Engine Systems business unit and its product mix – with the direct labour component weighing less than other cost factors – contributed to the overall change in the item.

The increase in "Materials", and its percentage on revenues up from 52% to 52.3%, is closely related to the growth of total sales.

25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2013	2012
Labour cost	107,429	105,646
Materials, maintenance and repairs	25,205	26,686
Rental and hire charges	9,163	8,876
Personnel services	8,361	8,161
Technical consulting	4,660	5,677
Sub-contracted work	1,823	1,668
Insurance	3,404	3,721
Utilities	2,478	1,611
Capitalisation of internal construction costs	(32,249)	(31,034)
Other	476	1,799
TOTAL	130,750	132,811

“Manufacturing and R&D overheads” show a decrease of Euro 2,061 thousand which is mainly due to the negative effect of exchange rates. On a constant currency basis, this item would have increased by Euro 2,216 thousand.

The most significant changes are discussed below:

- “Labour cost” increased by Euro 1,783 thousand due to the increase of direct labour at the Chinese subsidiaries and at subsidiary Allevard Sogefi U.S.A. Inc., topped with the reclassification of overheads and variable costs mentioned above. The increase was partly offset by a reduction in labour cost at subsidiary Sogefi Filtration Ltd after the Llantrisant manufacturing plant was shut down and as a result of the downsizing measures at the French subsidiaries Filtrauto S.A. and Systèmes Moteurs S.A.S.;
- “Materials, maintenance and repairs” decreased by Euro 1,481 thousand, mainly pertaining to subsidiaries Sogefi Rejna S.p.A. and Allevard Rejna Autosuspension S.A.;
- “Technical consulting” fell by Euro 1,017 thousand, due to a less extensive use of external consulting services for the development of new products mainly by subsidiaries Systèmes Moteurs S.A.S. and LPDN GmbH;
- “Utilities” increased by Euro 867 thousand, mainly as a result of a better allocation of costs between line “Administrative and general expenses” and item “Manufacturing and R&D overheads”;
- “Capitalisation of internal construction costs” increased by Euro 1,215 thousand, as a result of the capitalisation of R&D expenses in the Chinese subsidiaries, S.ARA Composite S.A.S. and Filtrauto S.A.;
- lastly, the item “Other” decreased by Euro 1,323 thousand due to a reduction in industrial services at subsidiaries Allevard Rejna Autosuspension S.A. and Sogefi Filtration Argentina S.A..

Total costs for Research and Development (not reported in the table) amounts to Euro 35,043 thousand (2.6% of sales).

26. DEPRECIATION AND AMORTISATION

Details are as follows:

(in thousands of Euro)	2013	2012
Depreciation of tangible fixed assets	36,143	39,819
<i>of which: assets under finance leases</i>	854	1,085
Amortisation of intangible assets	21,193	18,583
TOTAL	57,336	58,402

Item “Depreciation and amortisation” amounts to Euro 57,336 thousand compared with Euro 58,402 thousand in the previous year. Net of negative exchange effects (Euro 1,573 thousand), this item would have been Euro 58,909 thousand.

Depreciation of tangible fixed assets amounts to Euro 36,143 thousand, down from the Euro 3,676 thousand posted in 2012. This reduction gives account of a negative effect of exchange rates for the amount of Euro 1,131 thousand and lower depreciation posted by subsidiaries Systèmes Moteurs S.A.S. (after certain assets purchased during past years have been fully depreciated), Sogefi Engine Systemes Canada Corp. (when depreciation rates were revised after a reassessment of the useful life of certain specific equipment), and Sogefi Filtration Ltd (after the Llantrisant plant, UK, was shut down).

Amortisation of intangible assets increased by Euro 2,610 thousand and mainly refer to French subsidiary Systèmes Moteurs S.A.S. and to the Holding Company Sogefi S.p.A. for the implementation of the new information system (Euro 515 thousand).

27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2013	2012
Labour cost	24,054	23,599
Sub-contracted work	5,906	5,373
Advertising, publicity and promotion	3,413	3,860
Personnel services	3,214	3,277
Rental and hire charges	1,509	1,577
Consulting	612	661
Other	923	932
TOTAL	39,631	39,279

“Distribution and sales fixed expenses” increased by Euro 352 thousand (+0.9%) compared with the previous year. On a constant currency basis, this item would have increased by Euro 1,812 thousand.

“Labour cost” increased by Euro 455 thousand, with the South American subsidiaries under the Suspension Business Unit accounting for Euro 341 thousand.

The increase in “Sub-contracted work” (by Euro 533 thousand) is connected with rising inventory management costs for external warehouses at subsidiaries Sogefi Filtration Ltd and Filtrauto S.A..

Line “Advertising, publicity and promotion” decreased by Euro 447 thousand as a result of subsidiaries Sogefi Filtration do Brasil Ltda, LPDN GmbH and Holding Company Sogefi S.p.A. cutting down on relating costs.

28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2013	2012
Labour cost	36,301	34,713
Personnel services	5,225	4,795
Maintenance and repairs	5,193	3,917
Cleaning and security	3,047	3,763
Consulting	5,280	6,113
Utilities	2,986	2,868
Rental and hire charges	3,311	3,658
Insurance	1,135	1,309
<i>Participation des salaires</i>	590	1,737
Administrative, financial and tax-related services provided by Parent Company	1,820	1,820
Audit fees	1,488	1,626
Directors' and statutory auditors' remuneration	2,085	1,445
Sub-contracted work	638	610
Capitalisation of internal construction costs	(6,970)	(3,087)
Other	4,920	3,593
TOTAL	67,049	68,880

“Administrative and general expenses” fell by Euro 1,831 thousand, Euro 1,312 thousand of which are traced back to exchange effects.

The increase in “Labour cost”, for the amount of Euro 1,588 thousand, mainly reflects newly hired workforce at subsidiary Filtrauto S.A. engaged in the management of IT systems, at Chinese subsidiaries to complete the administration department and at the Holding Company Sogefi S.p.A..

This increase was partly offset by a reduction in labour cost at subsidiary Sogefi Filtration Ltd after the Llantrisant manufacturing plant was shut down and at the subsidiaries Systèmes Moteurs S.A.S. and Allevard Rejna Autosuspension S.A..

The increase in item “Personnel services” for the amount of Euro 430 thousand mainly refers to the French subsidiaries Systèmes Moteurs S.A.S. and Allevard Rejna Autosuspension S.A..

“Maintenance and repairs” increased by Euro 1,276 thousand; most of the increase refers to the subsidiary Filtrauto S.A., which supported the Holding Company Sogefi S.p.A. in implementing the integrated Group information system.

The decrease in item “Consulting”, for the amount of Euro 833 thousand, cannot be traced back to any specific company, as most subsidiaries cut down on these costs.

The decrease in item “*Participation des salaires*” by Euro 1,147 thousand reflects lower results posted by the French subsidiaries Systèmes Moteurs S.A.S. and Filtrauto S.A..

Line “Directors' and statutory auditors' remuneration” increased by Euro 640 thousand as a result of the cost of the fair value of phantom stock options rising by Euro 1,269 thousand. A decrease was recorded when the former Managing Director ceased from office on April 19, 2013; the Chief Executive Officer took over the office on the same date and his remuneration is charged to “Labour cost”.

Item “Capitalisation of internal construction costs” includes the capitalisation of the costs incurred in developing the Group integrated information system.

The increase in item “Other” by Euro 1,327 thousand mainly relates to third party operating expenses connected with the new Group information system incurred by the Holding Company Sogefi S.p.A., and to the release of certain funds that had been allocated during the past years by subsidiary LPDN GmbH occurred in 2012.

29. PERSONNEL COSTS

Personnel

Regardless of their destination, “Personnel costs” as a whole can be broken down as follows:

(in thousands of Euro)	2013	2012
Wages, salaries and contributions	276,859	276,810
Pension costs: defined benefit plans	2,411	2,319
Pension costs: defined contribution plans	1,762	1,633
<i>Participation des salaries</i>	590	1,737
Imputed cost of stock option and stock grant plans	1,562	1,233
Other costs	302	535
TOTAL	283,486	284,267

“Personnel costs” have dropped by Euro 781 thousand (-0.3%) compared to the previous period. On a constant currency basis, “Personnel costs” would have increased by Euro 8,142 thousand (+2.9%).

The impact of “Personnel costs” on sales drops to 21.2% from 21.5% in the previous year.

The decrease in item “*Participation des salaries*” is mainly due to lower results posted by the French subsidiaries.

“Wages, salaries and contributions”, “Pension costs: defined benefit plans” and “Pension costs: defined contribution plans” are posted in the tables provided above at lines “Labour cost” and “Administrative and general expenses”.

“*Participation des salaries*” is included in “Administrative and general expenses”.

“Other costs” is included in “Administrative and general expenses”.

“Imputed cost of stock option and stock grant plans” is included in “Other non-operating expenses (income)”. The following paragraph “Personnel benefits” provides details of the stock option and stock grant plans.

The average number of Group employees, broken down by category, is shown in the table below:

(Number of employees)	2013	2012
Managers	109	114
Clerical staff	1,841	1,812
Blue collar workers	4,808	4,816
TOTAL	6,758	6,742

Personnel benefits

Sogefi S.p.A. implements share-based incentive plans for the Managing Director of the Company and for employees of the Company and of its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The share-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "Stock grant plans", "Stock option plans" and "Phantom stock option plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.

As laid down in IFRS 2, only plans allocated after November 7, 2002 must be considered (note that the Company does not have any plans prior to said date) and therefore, in addition to that issued in 2013, the plans issued in the period from 2004 until 2012 must also be considered. The main details of these plans are provided below.

Stock grant plans

The stock grant plans provide for the free assignment of conditional rights (called units) that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under these plans: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value established in the regulation.

The regulation provides for a minimum holding period during which a portion of the shares held for the plan can not be disposed of.

All shares assigned under these plans will be treasury shares held by Sogefi S.p.A.. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On April 19, 2013, after the Shareholders' Meeting approved the 2013 stock grant plan to assign a maximum of 1,700,000 conditional rights, the Board of Directors executed the 2013 stock grant plan restricted to employees of the Company and of its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2015 and ending on January 31, 2017. Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as defined in the Regulation) at that date.

The fair value of the rights assigned during 2013 has been determined at the time the rights were assigned using the binomial option pricing model (so-called Cox, Ross and Rubinstein model) for US options and amounts to Euro 1,890 thousand overall.

Input data used for measuring the fair value of the 2013 stock grant plan are provided below:

- curve of EUR/GBP/SEK/CHF-riskless interest rates as of April 19, 2013;
- prices of the underlying (equal to price of Sogefi S.p.A. share as of April 19, 2013, and equal to Euro 2.156) and of the securities included in the benchmark basket, again as of April 19, 2013;
- standard prices of Sogefi S.p.A. share and of the securities included in the benchmark basket during the period starting on March 19, 2013 and ending on April 19, 2013 for the determination of the stock grant Performance Units limit;
- historical volatility rate of stock and exchange rates during 260 days, as of April 19, 2013;
- null dividend yield for stock grant valuation;
- historical series of the logarithmic returns of involved securities and EUR/GBP, EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the three non-EUR denominated securities and associated exchange rates (to adjust for estimated trends).

The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:

- 2011 stock grant plan to assign a maximum of 1,250,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 757,500 Units (320,400 of which were Time-based Units and 437,100 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2013 and ending on January 20, 2015. Performance Units will vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation.

- 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2014 and ending on January 31, 2016.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.

The imputed cost for 2013 for existing stock grant plans is Euro 1,522 thousand, booked to the Income Statement under “Other non-operating expenses (income)”.

The table below reports the overall number of existing units relating to the plans of period 2011-2013:

	2013	2012
Not exercised/not exercisable at the start of the year	1,854,618	757,500
Granted during the year	1,045,977	1,152,436
Cancelled during the year	(199,821)	(55,318)
Exercised during the year	(217,686)	-
Not exercised/not exercisable at the end of the year	2,483,088	1,854,618
Exercisable at the end of the year	57,970	-

Stock option plans

The stock option plans provide beneficiaries with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.

The main characteristics of the *stock option* plans approved during previous years and still under way are outlined below:

- 2004 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.60% of share capital as of December 31, 2013) at a price of Euro 2.64 per share, to be exercised at the end of each four-month period starting on September 30, 2004 and ending on September 30, 2014;
- 2005 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.65% of the share capital as of December 31, 2013) with a subscription price of Euro 3.87, to be exercised between September 30, 2005 and September 30, 2015;
- 2006 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.51% of the share capital as of December 31, 2013) with a subscription price of Euro 5.87, to be exercised between September 30, 2006 and September 30, 2016;
- 2007 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 715,000 shares (0.61% of the share capital as of December 31, 2013) with an initial subscription price of Euro 6.96, to be exercised between September 30, 2007 and September 30, 2017. On April 22, 2008, the Board of Directors, under the authority vested in it by the Shareholders’ Meeting, adjusted the exercise price from Euro 6.96 to

Euro 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders' Meeting on the same date;

- 2008 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of the share capital as of December 31, 2013) with a subscription price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018.
- 2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (1.99% of the share capital as of December 31, 2013) with a subscription price of Euro 1.0371, to be exercised between September 30, 2009 and September 30, 2019;
- 2009 extraordinary stock option plan restricted to beneficiaries of 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, after having waived their rights under the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (0.87% of share capital as of December 31, 2013) of which 475,000 (first Tranche options) with a subscription price of Euro 5.9054, to be exercised between June 30, 2009 and September 30, 2017 and 540,000 (second Tranche options) with a subscription price of Euro 2.1045, to be exercised between June 30, 2009 and September 30, 2018;
- 2010 stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.08% of the share capital as of December 31, 2013) with a subscription price of Euro 2.3012, to be exercised between September 30, 2010 and September 30, 2020.

The imputed cost for 2013 for existing plans is Euro 40 thousand, booked to the Income Statement under "Other non-operating expenses (income)".

The following table shows the total number of existing options with reference to the 2004-2010 plans and their average exercise price:

	2013		2012	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	7,178,400	2.96	7,767,400	3.02
Granted during the year	-	-	-	-
Cancelled during the year	(175,000)	2.97	(498,600)	4.19
Exercised during the year	(468,900)	1.64	(90,400)	1.04
Not exercised/not exercisable at the end of the year	6,534,500	3.06	7,178,400	2.96
Exercisable at the end of the year	6,104,100	3.11	5,760,400	3.22

The line "Not exercised/not exercisable at the end of the period" refers to the total number of options, net of those exercised or cancelled during the current and previous years.

The line "Exercisable at the end of the period" refers to the total amount of options matured at the end of the period and not yet subscribed.

With reference to the options exercised during 2013, the average weighted price of the Sogefi share at the exercise dates is equal to Euro 2.98.

Details of the number of options exercisable at December 31, 2013 are given below:

	Total
Number of exercisable options remaining at December 31, 2012	5,760,400
Options matured during the year	1,052,600
Options cancelled during the year	(240,000)
Options exercised during the year	(468,900)
Number of exercisable options remaining at December 31, 2013	6,104,100

Phantom stock option plans

Unlike traditional share option plans, phantom stock option plans do not envisage the granting of a right to subscribe or to purchase a share, but entail paying the beneficiaries an extraordinary variable cash amount corresponding to the difference between the Sogefi share price in the option exercise period and the Sogefi share price at the time the option was awarded.

In 2009, as shown in the paragraph entitled “Stock option plans”, the Holding Company gave the beneficiaries of the 2007 and 2008 phantom stock option plans the opportunity to waive the options of the above-mentioned plans and to join the 2009 extraordinary stock option plan.

The main characteristics of existing plans are as follows:

- 2007 phantom stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan, managers and project workers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,760,000 options at the initial grant price of Euro 7.0854, adjusted to Euro 5.9054 in 2008, to be exercised between September 30, 2007 and September 30, 2017. Following subscription to the 2009 extraordinary stock option plan, 475,000 options were waived;
- 2008 phantom stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to managers of the Holding Company, as well as to managers of Italian subsidiaries, for a maximum of 1,700,000 options at the grant price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018. Following subscription to the 2009 extraordinary stock option plan, 540,000 options were waived.

Details of the number of phantom stock options as of December 31, 2013 are given below:

	2013
Not exercised/not exercisable at the start of the year	1,830,000
Granted during the year	-
Cancelled during the year	-
Exercised during the year	-
Not exercised/not exercisable at the end of the year	1,830,000
Exercisable at the end of the year	1,830,000

The fair value as of December 31, 2013 of the options awarded was calculated using the Black-Scholes method and amounts to Euro 1,299 thousand. The negative change compared to the previous year, corresponding to Euro 1,269 thousand, was booked to the Income Statement under “Directors' and statutory auditors' remuneration”.

30. RESTRUCTURING COSTS

These amounted to Euro 17,813 thousand (compared with Euro 12,242 thousand the previous year) and relate to restructuring plans under way mainly in the Engine Systems business unit in view of the planned shutdown of the Saint Père plant and of the relocation of production to the Argentan plant in Vire.

“Restructuring costs” relate for the most part to personnel costs and are made up of the accruals to the “Provision for restructuring” (Euro 15,447 thousand, net of the not used provisions made during the previous years) and for the remaining part of costs incurred and paid during the year.

31. LOSSES (GAINS) ON DISPOSAL

Net gains amounted to Euro 1,599 thousand (net gains for the amount of Euro 7,675 thousand as of December 31, 2012), Euro 462 thousand of which refer to the sale of an industrial building of subsidiary Sogefi Rejna S.p.A. (in Melfi), whereas Euro 616 thousand relate to the sale of equipment (almost completely depreciated) from the Llantrisant plant by subsidiary Sogefi Filtration Ltd, Euro 436 thousand to the assignment of the (almost completely depreciated) Custine site by subsidiary Allevard Rejna Autosuspensions S.A. and, for the remaining portion, to other assignments for lesser amounts.

32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of December 31, 2013 amounted to Euro 4,123 thousand (Euro 655 thousand as of December 31, 2012).

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amounted to Euro 18,384 thousand compared with Euro 23,845 thousand of the previous year. The following table shows the main elements:

(in thousands of Euro)	2013	2012
Indirect taxes	8,194	8,759
Other fiscal charges	3,263	4,150
Imputed cost of stock option and stock grant plans	1,562	1,233
Other non-operating expenses (income)	5,365	9,703
TOTAL	18,384	23,845

“Indirect taxes” include tax charges such as property tax, taxes on sales revenues (French companies), non-deductible VAT and taxes on professional training.

“Other fiscal charges” consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of fixed assets and on added value. The decrease from past year's figure relates to subsidiary Systèmes Moteurs S.A.S., which had been impacted by a non-recurring accrual in the previous period.

The main components of “Other non-operating expenses (income)” are as follows:

of which non-recurring

- costs associated with the transfer of a production line from subsidiary Allevard Sogefi USA Inc. to subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd for the amount of Euro 614 thousand;
- impairment reversals on tangible fixed assets that had been written down during the previous year relating to subsidiary Allevard Sogefi USA Inc. for the amount of Euro 257 thousand;
- writedown of plant and machinery no longer used at subsidiary Shanghai Sogefi Auto Parts Co., Ltd by Euro 1,360 thousand.

of which recurring

- other writedowns of tangible fixed assets for the amount of Euro 1,116 thousand, mainly relating to inactive assets of the UK subsidiaries;
- writedowns of intangible fixed assets for the amount of Euro 819 thousand relating for the most part to research and development projects capitalised in previous years by subsidiary Sogefi Engine Systems Shanghai Co., Ltd currently in liquidation;
- decrease in the value of obligations for pension funds of the subsidiary Allevard Springs Ltd of Euro 769 thousand, relating for the most part to “Past service cost”;
- provisions for legal disputes with employees and third parties mainly relating to the subsidiaries Sogefi Filtration do Brasil Ltda, Sogefi Rejna S.p.A., Allevard Rejna Argentina S.A. and Allevard Rejna Autosuspensions S.A. for a total of Euro 1,456 thousand;
- pension costs for employees no longer on the books of Allevard Federn GmbH for the amount of Euro 102 thousand;
- costs for business development consulting for the amount of Euro 201 thousand incurred by Holding Company Sogefi S.p.A.;
- other recurring costs for the amount of Euro 723 thousand.

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2013	2012
Interests on non convertible loans	4,254	-
Interest on amounts due to banks	13,389	10,676
Financial charges under lease contracts	412	428
Financial component of pension funds and termination indemnities	1,122	1,591
Loss on interest-bearing hedging instruments	3,818	2,143
Other interest and commissions	7,012	4,934
TOTAL FINANCIAL EXPENSES	30,007	19,772

Financial income is detailed as follows:

(in thousands of Euro)	2013	2012
Gain on interest-bearing hedging instruments	325	22
Interest on amounts given to banks	1,062	1,027
Other interest and commissions	259	186
TOTAL FINANCIAL INCOME	1,646	1,235
TOTAL FINANCIAL EXPENSES (INCOME), NET	28,361	18,537

“Financial expenses, net” show an increase of Euro 9,824 thousand mainly due to a higher average cost of indebtedness.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

Losses from equity investments as of December 31, 2013 amount to Euro 289 thousand and refer to the writedown of the investment in joint venture Mark IV Assets (Shanghai) Auto Parts Co. Ltd (consolidated applying the equity method) in view of the planned wind-up, as it is not expected that its net carrying amount will be recovered. As of December 31, 2012, this item amounted to zero.

36. INCOME TAXES

(in thousands of Euro)	2013	2012
Current taxes	18,599	22,047
Deferred tax liabilities (assets)	(2,854)	(9,132)
Income (expenses) from Group tax filing system	-	495
TOTAL	15,745	13,410

The year 2013 recorded a tax rate of 38.9% compared to 29.9% in the previous year.

The line “Income (expenses) from Group tax filing system” includes the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2013 and 2012 is shown in the table below. Taxes

have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard tax rate are included in the line “Other permanent differences and tax rate differentials”.

(in thousands of Euro)	2013		2012	
		Tax rate %		Tax rate %
Result before taxes	40,476	27.5%	44,861	27.5%
Theoretical income taxes	11,131		12,337	
<i>Effect of increases (decreases) with respect to the standard rate:</i>				
Statutory amortisation of goodwill	(242)	-0.6%	(247)	-0.6%
Non-deductible costs, net	(41)	-0.1%	283	0.6%
Use of deferred tax assets not recognised in previous years	(2,007)	-5.0%	(6,185)	-13.8%
Deferred tax assets on losses for the year not recognised in the financial statements	2,890	7.1%	5,864	13.1%
Taxed portion of dividends	2,560	6.3%	938	2.1%
Other permanent differences and tax rate differentials	1,454	3.7%	420	1.0%
Income taxes in the consolidated income statement	15,745	38.9%	13,410	29.9%

The item “Use of deferred tax assets not recognised in previous years” mainly relates to subsidiaries Allevard Sogefi USA Inc. and Sogefi Filtration Ltd; use of past losses for which no deferred tax assets had been recognised in previous years resulted in no taxes being posted on the positive results of these companies.

“Deferred tax assets on losses for the year not recognised in the financial statements” are mainly attributable to the French subsidiaries operating under the Suspension Business Unit and to subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd, for which there was no probability at the end of the year that such losses would be recovered.

The “Taxed portion of dividends” refers to the portion of dividends received from Group companies that is not tax-exempt and to the taxes on dividends paid by the French subsidiaries after applicable French law was amended in 2013.

Item “Other permanent differences and tax rate differentials” includes Euro 811 thousand relating to the settlement of a tax dispute with local European tax authorities.

37. DIVIDENDS PAID

Dividends paid to shareholders of the Holding Company during the year 2013 amounted to Euro 14,667 thousand, corresponding to a dividend per share of Euro 0.13. Dividends paid to non-controlling-interest shareholders totalled Euro 2,573 thousand.

The Holding Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2013	2012
Net result attributable to the ordinary shareholders (in thousands of Euro)	21,124	28,246
Weighted average number of shares outstanding during the year (thousands)	112,969	112,997
<i>Basic EPS (Euro)</i>	<i>0.187</i>	<i>0.250</i>

Diluted EPS

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the stock options granted to Group employees.

	2013	2012
Net result attributable to the ordinary shareholders (in thousands of Euro)	21,124	28,246
Average number of shares outstanding during the year (thousands)	112,969	112,997
Weighted average number of shares potentially under option during the year (thousands)	3,953	1,075
Number of shares that could have been issued at fair value (thousands)	(2,547)	(561)
Adjusted weighted average number of shares outstanding during the year (thousands)	114,375	113,510
<i>Diluted EPS (Euro)</i>	<i>0.185</i>	<i>0.249</i>

The “Weighted average number of shares potentially under option during the year” represents the average number of shares that are potentially outstanding under stock option plans (only for potentially dilutive options, i.e. with an exercise price lower than the average annual fair value of the ordinary shares of Sogefi S.p.A.), for which the subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on basic EPS and are therefore taken into consideration in the calculation of diluted EPS.

The “Number of shares that could have been issued at fair value” represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which in 2013 amounted to Euro 2.8377, compared to Euro 1.9856 in 2012.

Please note that 2,155,386 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for 2013 because their exercise price is higher than the average annual fair value of the ordinary shares of Sogefi S.p.A. in 2013.

E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments