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
Basic EPS (Euro)	*0.187*	*0.250*

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
Diluted EPS (Euro)	*0.185*	*0.249*

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

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

Analysing the table shows that the fair value is different from the book value only in the case of short-term and long-term fixed-rate financial debts. This difference, corresponding to Euro 6,156 thousand, is generated by a recalculation of these loans at year-end date at current market rates.
Fair value is classified as Level 2 in the fair value hierarchy (see paragraph "Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy") and was measured using generally accepted discounted cash flow models and a free-risk discount rate.

(in thousands of Euro)	Book value		Fair value	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Financial assets				
Cash and cash equivalents	125,344	85,209	125,344	85,209
Securities held for trading	14	15	14	15
Held-to-maturity investments	7,462	8,199	7,462	8,199
Assets for derivative financial instruments	32	15	32	15
Current financial receivables	-	-	-	-
Trade receivables	145,837	155,161	145,837	155,161
Other receivables	7,827	9,109	7,827	9,109
Other assets	3,692	3,559	3,692	3,559
Other financial assets available for sale	439	489	439	489
Non-current trade receivables	4	-	4	-
Non-current financial receivables	-	-	-	-
Other non-current receivables	31,582	30,157	31,582	30,157
Financial liabilities				
Short-term fixed rate financial debts	7,685	11,678	8,058	11,855
Other floating rate short-term financial debts	75,950	86,295	75,950	86,295
Other short-term liabilities for derivative financial instruments	93	1,011	93	1,011
Trade and other payables	285,410	282,050	285,410	282,050
Other current liabilities	8,055	8,765	8,055	8,765
Other fixed rate medium/long-term financial debts	142,886	13,902	148,669	15,558
Other floating rate medium/long-term financial debts	189,453	262,692	189,453	262,692
Other medium/long-term liabilities for derivative financial instruments	21,378	13,708	21,378	13,708

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its risk management activities, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a whole series of financial instruments other than derivatives, such as bank loans, financial *leases*, rentals, sight deposits, payables and receivables deriving from normal operating activities.
The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Floating rate debts, which represent 65% of the net book value of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the Income Statement of changes in the interest rate. At present, hedging transactions cover around 84% of the net book value of the Group's floating-rate debts. After such transactions, floating-rate loans exposing the Group to a cash flow risk fall to 10% of the net book value of the Group's total loans.

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments, which are exposed to interest rate risk as of December 31, 2013, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE	(7,685)	(9,820)	(8,887)	(14,251)	(13,098)	(96,830)	(150,571)
TOTAL FLOATING RATE - ASSET	132,852	-	-	-	-	-	132,852
TOTAL FLOATING RATE - LIABILITIES	(76,043)	(74,333)	(69,559)	(56,809)	(10,130)	-	(286,874)

Financial instruments booked to “Total floating rate – Asset” refer to “Cash and cash equivalents” and “Other financial assets” (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments).
Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as of December 31, 2013, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2013		12.31.2012	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	951	7,943	(1,113)	2,841
- 100 basis points	(960)	(8,346)	1,113	(2,841)

The effect on Equity differs from the effect on the Income Statement by Euro 6,992 thousand (in the event of an increase in interest rates), and by Euro -7,386 thousand (in the event of a decrease in interest rates), which reflects the change in fair value of the instruments hedging the interest rate risk.

Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is potentially exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then the risk is hedged through forward currency purchases.
More specifically, the Holding Company Sogefi S.p.A. made one private placement of bonds for the amount of USD 115 million in 2013. The exchange risk on this financing was hedged through cross currency swap contracts (please see paragraph “Hedging – Exchange risk hedges” for more details).

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change that is considered reasonably possible in exchange rates of the main foreign currencies. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as of December 31, 2013 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As of December 31, 2013, exchange risk was concentrated mainly in transactions with the Euro.

A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	12.31.2013		12.31.2012	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(481)	(481)	(613)	(613)
- 5%	540	540	661	661

These effects are mainly due to the following exchange rates:
-EUR/CNY mainly due to the debt exposure for the trade and financial payables in Euro of Chinese subsidiaries;
-EUR/ARP mainly due to the debt exposure for the trade payables in Euro of Argentinean subsidiaries.

The cross currency swaps on the private placement mentioned above neutralise the effect of possible fluctuations in the EUR/USD exchange rate.

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.
The risk is handled in the best way possible thanks to centralised purchasing and a policy of having various suppliers for each kind of raw material, operating in different parts of the world.
We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the increase in raw material costs to selling prices.
The price risk on Group investments classified as "Securities held for trading" and "Other financial assets available for sale" is not significant.

Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both *Original Equipment* and the *Aftermarket*, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers.
As regards the *Aftermarket*, on the other hand, the Group's main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international *standing*.
The Group's maximum exposure to credit risk as of December 31, 2013 is represented by the book value of the financial assets shown in the financial statements (Euro 322,233 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (Euro 11,459 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 140,576 thousand as of December 31, 2013 (Euro 156,245 thousand as of December 31, 2012), written down by Euro 4,703 thousand (Euro 5,263 thousand as of December 31, 2012).
Receivables are backed by mainly insurance guarantees for Euro 6,174 thousand (Euro 4,652 thousand as of December 31, 2012). The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

(in thousands of Euro)	12.31.2013	12.31.2012
Opening balance	5,263	5,319
Change to the scope of consolidation	-	-
Accruals for the period	491	706
Utilisations	(240)	(627)
Provisions not used during the period	(660)	(104)
Other changes	(36)	6
Exchange differences	(115)	(37)
TOTAL	4,703	5,263

The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

(in thousands of Euro)	12.31.2012		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	12,631	(3)	12,628
30-60 days	3,981	(39)	3,942
60-90 days	1,783	(153)	1,630
over 90 days	8,938	(5,068)	3,870
Total receivables past due	27,333	(5,263)	22,070
Total receivables still to fall due	128,912	-	128,912
TOTAL	156,245	(5,263)	150,982

(in thousands of Euro)	12.31.2013		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	6,791	(55)	6,736
30-60 days	4,740	(101)	4,639
60-90 days	2,060	(96)	1,964
over 90 days	7,926	(4,398)	3,528
Total receivables past due	21,517	(4,650)	16,867
Total receivables still to fall due	119,059	(53)	119,006
TOTAL	140,576	(4,703)	135,873

As of December 31, 2013, gross receivables past due were Euro 5,816 thousand less than at the end of the previous year; this is mainly attributable to subsidiaries Systèmes Moteurs S.A.S. and Sogefi Engine Systems Canada Corp. The decrease is concentrated in the “0-30 days” bracket (Euro -5,840 thousand).
The impact of gross receivables past due on total receivables stands at 15.3% compared to 17.5% in the previous year.
Past due receivables have been written down by 21.6% of the total (19.3% as of December 31, 2012) and 55.5% (56.7% as of December 31, 2012) considering only the “over 90 days” bracket. Writedowns refer mainly to disputed amounts or receivables that have been due for a significant period of time and can no longer be collected.
Net receivables past due account for 12.4% of total net receivables, compared to 14.6% in the previous year.
The item “Total receivables still to fall due” does not contain significant positions that have been renegotiated.

Considering the nature of the Sogefi Group's customers (cars and industrial vehicles manufacturers and important international purchasing groups), a Credit risk analysis by type of customer is not considered meaningful.

Liquidity risk

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.
Its solid capital structure makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Group has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.

The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
Fixed rate							
Finance lease Sogefi Filtration Ltd	(161)	(181)	(202)	(227)	(257)	(1,352)	(2,380)
Finance lease Allevard Sogefi U.S.A. Inc.	(613)	(634)	(655)	(677)	(699)	(1,723)	(5,001)
Private Placement USD 115 million Sogefi S.p.A.	-	-	-	(11,913)	(11,913)	(59,083)	(82,909)
Private Placement USD 25 million Sogefi S.p.A.	-	-	-	-	-	(24,926)	(24,926)
Sogefi (Suzhou) Auto Parts Col., Ltd loan	-	(3,972)	-	-	-	-	(3,972)
Sogefi Filtration do Brasil Ltda loan	-	-	(6,377)	-	-	-	(6,377)
Systèmes Moteurs S.A.S. loan	(1,710)	(437)	-	-	-	-	(2,147)
Sogefi Engine Systemes Moteurs Canada Corp. loan	(597)	(635)	(676)	(658)	-	-	(2,566)
Government financing	(589)	(623)	(620)	(507)	(229)	(365)	(2,933)
Other fixed rate loans	(4,015)	(3,338)	(357)	(269)	-	-	(7,979)
Future interest	(7,055)	(7,922)	(7,939)	(6,186)	(5,372)	(10,894)	(45,368)
Liabilities for derivative financial instruments	-	-	-	-	-	(9,381)	(9,381)
TOTAL FIXED RATE	(14,740)	(17,742)	(16,826)	(20,437)	(18,470)	(107,724)	(195,939)
Floating rate							
Cash and cash equivalents	125,344	-	-	-	-	-	125,344
Financial assets	7,476	-	-	-	-	-	7,476
Assets for derivative financial instruments	32	-	-	-	-	-	32
Current financial receivables	-	-	-	-	-	-	-
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(6,885)	-	-	-	-	-	(6,885)
Sogefi S.p.A. loans	(41,371)	(71,040)	(65,722)	(54,107)	-	-	(232,240)
Shanghai Sogefi Auto Parts Co., Ltd loans	(11,009)	-	-	-	-	-	(11,009)
Sogefi Filtration S.A. loan	(1,400)	(1,400)	(700)	-	-	-	(3,500)
Systèmes Moteurs S.A.S. loan	(3,500)	-	-	-	-	-	(3,500)
Sogefi Engine Systems Canada Corp. Loans	(2,039)	(636)	(674)	(653)	-	-	(4,002)
Allevard Rejna Autosuspensions S.A. loan	(4,000)	-	-	-	-	-	(4,000)
Finance lease Allevard Rejna Autosuspensions S.A.	(344)	-	-	-	-	-	(344)
Other floating rate loans	(4,780)	(428)	(592)	(1,017)	-	-	(6,817)
Future interest	(10,633)	(8,368)	(5,314)	(2,713)	-	-	(27,028)
Liabilities for derivative financial instruments - exchange risk hedging	(93)	-	-	-	-	-	(93)
Future financial expenses on derivative instruments - interest risk hedging *	(4,330)	(4,498)	(4,472)	(4,230)	(1,637)	-	(19,167)
TOTAL FLOATING RATE	41,846	(87,199)	(78,303)	(62,927)	(1,637)	-	(188,220)
Trade receivables	145,837	-	-	-	-	-	145,837
Trade and other payables	(285,410)	-	-	-	-	-	(285,410)
TOTAL FINANCIAL INSTRUMENT - ASSET	278,689	-	-	-	-	-	278,689
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	(391,156)	(104,941)	(95,129)	(83,364)	(20,107)	(107,724)	(802,421)

* The amount is different compared to Liabilities for derivative instruments - interest risk hedging (equal to a total amount of Euro 11,998 thousands) representing not discounted cash flow.

Hedging

a) exchange risk hedges – not designated in hedge accounting

The Sogefi Group has the following contracts to hedge the exchange risk on financial balances. Note that even though the Group considers these instruments as exchange risk hedges from a financial point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to the Consolidated Income Statement (this difference is offset within Income Statement by the fair value change of the asset/liability denominated in a certain currency).

As of December 31, 2013, the Holding Company Sogefi S.p.A. held the following forward sale contracts to hedge exchange risk on intercompany financial positions:

Forward sale	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 7,230,000	12/20/2013	1.37490	02/20/2014	1.37485
GBP 4,000,000	12/20/2013	0.84010	02/20/2014	0.84050

As of December 31, 2013, the fair value of these contracts was negative for Euro 23 thousand in terms of net value and was recognised in “Other financial assets – Assets for derivative financial instruments” (Euro 16 thousand) and to “Other short-term liabilities for derivative financial instruments” (Euro 39 thousand).

The subsidiary Sogefi Filtration Ltd has the following forward purchase contract to hedge the exchange risk on intercompany financial positions:

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 2,500,000	12/20/2013	0.84010	02/20/2014	0.84050

As of December 31, 2013, the fair value of the contract was negative for Euro 19 thousand and was booked to “Other short-term liabilities for derivative financial instruments”.

The subsidiary Systèmes Moteurs S.A.S. holds the following forward purchase contract to hedge the exchange risk on intercompany financial positions:

Forward purchase	Date opened	Spot price €/currency	Date closed	Forward price €/currency
CAD 12,300,000	12/20/2013	1.46210	02/20/2014	1.46389

As of December 31, 2013, the fair value of this contract was negative for Euro 27 thousand and was booked to “Other short-term liabilities for derivative financial instruments”.

As of December 31, 2013, subsidiary Filtrauto S.A. held the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 150,000	12/16/2013	1.37480	01/09/2014	1.37466
USD 200,000	12/16/2013	1.37480	02/10/2014	1.37463

As of December 31, 2013 the fair value of those contracts amounts to zero.

The subsidiary Allevard Springs Ltd held the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 200,000	12/17/2013	0.84470	01/10/2014	0.84473
EUR 200,000	12/17/2013	0.84470	02/10/2014	0.84489

As of December 31, 2013, the fair value of these contracts was negative for Euro 5 thousand and was booked to "Other short-term liabilities for derivative financial instruments".

The subsidiary S.C. Systemes Moteurs S.r.l. holds the following forward purchase contract to hedge the exchange risk on intercompany financial positions:

Forward purchase	Date opened	Spot price RON/currency	Date closed	Forward price RON/currency
EUR 2,700,000	12/03/2013	4.43850	02/07/2014	4.45200

As of December 31, 2013, the fair value of this contract was positive for Euro 16 thousand and was booked to "Other financial assets – Assets for derivative financial instruments".

The subsidiary Systemes Moteurs India Pvt Ltd holds the following forward purchase contracts to hedge the exchange risk on intercompany financial positions:

Forward purchase	Date opened	Spot price INR/currency	Date closed	Forward price INR/currency
EUR 1,200,000	12/16/2013	85.27000	03/17/2014	87.60000
EUR 800,000	11/19/2013	84.05000	01/17/2014	85.70000

As of December 31, 2013, the fair value of these contracts was negative for Euro 3 thousand and was booked to "Other short-term liabilities for derivative financial instruments".

b) Exchange risk hedges – in hedge accounting

At the end of the year, the Holding Company Sogefi S.p.A had the following contracts in place to hedge its interest rate risk (in thousands of Euro) on financial debts drawdown:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2013	Fair value at 12.31.2012
Hedging of Sogefi S.p.A. loan for Euro 200 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	02/19/2013	12/04/2017	30,000	0.838%	(210)	-
Hedging of Sogefi S.p.A. loan for Euro 200 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	02/20/2013	12/04/2017	30,000	0.860%	(208)	-
Hedging of Sogefi S.p.A. loan for Euro 200 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	02/21/2013	12/04/2017	30,000	0.857%	(203)	-
Hedging of Sogefi S.p.A. loan for Euro 200 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	02/20/2013	12/04/2017	30,000	0.856%	(204)	-
TOTAL			120,000		(825)	-

In 2011, the Holding Company Sogefi S.p.A. held the following Interest Rate Swap contracts (in thousands of Euro) as part of a macro cash flow hedge strategy aimed at hedging the risk of fluctuations in future cash flows deriving from the envisaged future long term indebtedness of the Company.

Relating cash flows exchanges from June 2013 onwards; as of December 31, 2013 said instruments cover both existing loans on that date and expected future indebtedness (pursuant to 2014-2017 long-term plan approved by Group management).

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2013	Fair value at 12.31.2012
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/10/2011	06/01/2018	10,000	3.679%	(1,117)	(1,386)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/23/2011	06/01/2018	10,000	3.500%	(1,108)	(1,387)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/11/2011	06/01/2018	10,000	3.545%	(1,128)	(1,407)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/23/2011	06/01/2018	10,000	3.560%	(1,127)	(1,345)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/27/2011	06/01/2018	10,000	3.670%	(1,182)	(1,470)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	05/13/2011	06/01/2018	10,000	3.460%	(1,092)	(1,365)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	06/24/2011	06/01/2018	10,000	3.250%	(1,001)	(1,261)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	06/28/2011	06/01/2018	10,000	3.250%	(1,002)	(1,260)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	11/28/2011	06/01/2018	10,000	2.578%	(712)	(925)
TOTAL			90,000		(9,469)	(11,806)

In 2013, the Holding Company Sogefi S.p.A. held the following Interest Rate Swap contracts (in thousands of Euro) as part of a macro cash flow hedge strategy aimed at hedging the risk of fluctuations in future cash flows deriving from the envisaged future long term indebtedness of the Company; future indebtedness is believed to be highly probable as it is envisaged by the 2014-2107 long-term plan approved by management.
Relating cash flows will be exchanged as follows: Euro 35,000 thousand from 2014, Euro 40,000 thousand from 2015 and Euro 25,000 thousand from 2016:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2013	Fair value at 12.31.2012
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/07/2013	06/01/2018	15,000	1.445%	(79)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/11/2013	06/01/2018	5,000	1.225%	(51)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/11/2013	06/01/2018	5,000	1.425%	(30)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/19/2013	06/01/2018	10,000	1.440%	(62)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/21/2013	06/01/2018	10,000	1.660%	(21)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/01/2013	06/01/2018	10,000	1.310%	(119)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/06/2013	06/01/2018	10,000	1.281%	(109)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/11/2013	06/01/2018	5,000	1.220%	(50)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/11/2013	06/01/2018	5,000	1.240%	(27)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/12/2013	06/01/2018	5,000	1.420%	(52)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/13/2013	06/01/2018	5,000	1.500%	(36)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/19/2013	06/01/2018	10,000	1.650%	(17)	-
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/21/2013	06/01/2018	5,000	1.660%	(8)	-
TOTAL			100,000	-	(661)	-

These financial instruments envisage payment by the Group of an agreed fixed rate and payment by the counterparty of the floating rate that is the basis of the underlying loan.

c) exchange risk hedges – in hedge accounting

On April 30, 2013, the Holding Company Sogefi S.p.A. entered into three cross currency swap (CCS) contracts maturing in June 2023, designated in hedge accounting, in order to hedge exchange rate risk relating to the private placement of USD 115 million bonds. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount is collected by the Company on a quarterly basis against payment of a fixed interest payable on a notional amount in EUR corresponding to the USD notional amount converted at the fixed exchange rate of 1.3055.

Details of these contracts are as follows:

Description of CCSwap	Date opened	Contract maturity	Notional (in thousands of Usd)	Fixed rate	Fair value at 12.31.2013	Fair value at 12.31.2012
Private placement USD 115 million (05/03/2013 maturity 06/01/2013), coupon 600 bps	04/30/2013	06/01/2023	55,000	6.0% USD receivable 5.6775% Euro payables	(4,363)	-
Private placement USD 115 million (05/03/2013 maturity 06/01/2013), coupon 600 bps	04/30/2013	06/01/2023	40,000	6.0% USD receivable 5.74% Euro payables	(3,320)	-
Private placement USD 115 million (05/03/2013 maturity 06/01/2013), coupon 600 bps	04/30/2013	06/01/2023	20,000	6.0% USD receivable 5.78% Euro payables	(1,698)	-
TOTAL			115,000		(9,381)	-

d) derivatives no longer in hedge accounting

As of December 31, 2013, the Group held the following Interest Rate Swap contracts that had become ineffective according to the effectiveness tests performed as of December 31, 2013, so that the hedging relationship was discontinued and the derivatives were reclassified as a FVTPL instrument.

Derivative held by the Holding Company Sogefi S.p.A.:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2013	Fair value at 12.31.2012
Hedging of Sogefi S.p.A. loan for Euro 60 million (04/29/2011 maturity 12/31/2016), rate Euribor 3 months + 200 bps	05/11/2011	12/31/2016	24,000	2.990%	(986)	(1,791)
TOTAL			24,000		(986)	(1,791)

Derivative held by the subsidiary Sogefi Filtration S.A.:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value at 12.31.2013	Fair value at 12.31.2012
Hedging of Sogefi Filtration S.A. loan for Euro 7 million (05/30/2011 maturity 05/30/2016), rate Euribor 3 months + 225 bps	08/30/2011	05/30/2016	1,750	2.651%	(56)	(111)
TOTAL			1,750		(56)	(111)

The non-application of hedge accounting had the following impact on the financial statements as of December 31, 2013:

- a financial gain of Euro 336 thousand, representing the amount of the change in fair value of these derivative since the last effectiveness test (June 30, 2013), was immediately recognised in the Income Statement;
- a financial charge of Euro 200 thousand was recognised in the Consolidated Income Statement; this amount reflects the portion of the reserve previously booked to Other Comprehensive Income that will be recycled in the Consolidated Income Statement over the same period of time as the differentials relating to the underlying hedged item.

e) fair value of derivatives
The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as of December 31, 2013, also taking into account a credit valuation adjustment/ debit valuation adjustment (this is a new element introduced in the measurement method after December 31, 2012). The fair value amounts of derivatives are classified as Level 2 in a hierarchy of levels that describes the significance of the inputs used in fair value measurements.
The aim of these contracts is to limit the risk of changes in interest and exchange rates, this is why they have been treated in hedge accounting as hedging instruments and the related fair value is booked to equity.
Reference should be made to the paragraph on "Interest risk" for further information on the level of hedging of interest risk.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio (gearing ratio). For the purposes of determination of the net financial position reference is made to note 22. Total equity is analysed in note 21.

As of December 31, 2013, gearing stands at 1.61 (1.48 as of December 31, 2012).

Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as of December 31, 2013.
For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:
- level 1: if the financial instrument is quoted in an active market;

- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2013.

(in thousands of Euro)	Note	Book value 2013	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the Income Statement	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	5	125,344	125,344	-	-	-	-	
Securities held for trading	6	14	-	-	-	-	14	1
Held-to-maturity investments	6	7,462	-	-	7,462	-	-	
Assets for derivative financial instruments	6	32	-	-	-	-	32	2
Trade receivables	8	145,837	145,837	-	-	-	-	
Other receivables	8	7,827	7,827	-	-	-	-	
Other assets	8	3,692	3,692	-	-	-	-	
Non-current assets								
Other financial assets available for sale	12	439	-	439 *	-	-	-	
Non-current trade receivables	13	4	4		-			
Other non-current receivables	13	31,582	31,582	-	-	-	-	
Current liabilities								
Short-term fixed rate financial debts	16	7,685	-	-	-	7,685	-	
Short-term variable rate financial debts	16	75,950	-	-	-	75,950	-	
Other short-term liabilities for derivative financial instruments	16	93	-	-	-	-	93	2
Trade and other payable	17	285,410	-	-	-	285,410	-	
Other current liabilities	18	8,055	-	-	-	8,055	-	
Non-current liabilities								
Medium/long-term fixed rate financial debts	16	142,886	-	-	-	142,886	-	
Medium/long-term variable rate financial debts	16	189,453	-	-	-	189,453	-	
Other medium/long-term liabilities for derivative financial instruments	16	21,378	-	-	-	-	21,378 **	2

* relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

** of which € 20,336 thousand relating to hedge instruments accounted according to the cash flow hedge method.

The following table therefore shows the fair value hierarchy of financial assets and liabilities measured at fair value, as of December 31, 2012:

(in thousands of Euro)	Note	Book value 2012	Receivables and financial assets	Financial assets available for sale	Held-to-maturity investments	Financial liabilities	Fair Value with changes booked in the income	
							Amount	Fair value hierarchy
Current assets								
Cash and cash equivalents	*5*	85,209	85,209	-	-	-	-	
Securities held for trading	*6*	15	-	-	-	-	15	*1*
Held-to-maturity investments	*6*	8,199	-	-	8,199	-	-	
Assets for derivative financial instruments	*6*	15	-	-	-	-	15	*2*
Trade receivables	*8*	155,161	155,161	-	-	-	-	
Other receivables	*8*	9,109	9,109	-	-	-	-	
Other assets	*8*	3,559	3,559	-	-	-	-	
Non-current assets								
Other financial assets available for sale	*12*	489	-	489 *	-	-	-	
Other non-current receivables	*13*	30,157	30,157	-	-	-	-	
Current liabilities								
Short-term fixed rate financial debts	*16*	11,678	-	-	-	11,678	-	
Short-term variable rate financial debts	*16*	86,295	-	-	-	86,295	-	
Other short-term liabilities for derivative financial instruments	*16*	1,011	-	-	-	-	1,011 **	*2*
Trade and other payables	*17*	282,050	-	-	-	282,050	-	
Other current liabilities	*18*	8,765	-	-	-	8,765	-	
Non-current liabilities								
Medium/long-term fixed rate financial debts	*16*	13,902	-	-	-	13,902	-	
Medium/long-term variable rate financial debts	*16*	262,692	-	-	-	262,692	-	
Other medium/long-term liabilities for derivative financial instruments	*16*	13,708	-	-	-	-	13,708 **	*2*

* of which € 439 thousand relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not avaible.

** of which € 14,553 thousand relating to hedge instruments accounted according to the cash flow hedge method.