

39. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

As a result of the signing of the steelcord business sale agreement by Pirelli and Bekaert on February 28, 2014, the steelcord business qualifies as a “discontinued operation”.

On December 18, 2014 the sale was finalized of the steelcord business in Italy (Figline), Romania (Slatina) and Brazil (Sumaré) for a counter-value of about euro 150 million in term of enterprise value (about euro 134 million in terms of equity value) consistent - in pro-rata terms - with about euro 255 million of the total value of the agreement, that led to the recognition of a gain for a total of euro 17,878 thousand, net of related taxes (euro 7,820 thousand; also following this disposal, the foreign exchange reserve (negative for euro 3,298 thousand) was reclassified in Income Statement at disposal date.

Assets and liabilities held for sale in the following table refer to business in Turkey (closing announced on February 6, 2015) and China (closing announced on March 27, 2015):

STATEMENT OF FINANCIAL POSITION ASSETS HELD FOR SALE (in thousands of euro)

	12/31/2014
Property, plant and equipment	12,289
Intangible assets	1,422
Investments in associates and J.V.	11,406
Deferred tax assets	1,108
Inventories	7,600
Trade receivables	2,088
Other receivables	2,033
Cash and cash equivalents	5,938
Derivative financial instruments	153
Total Assets	44,037
Employee benefit obligations	3,212
Borrowings from banks and other financial institutions	224
Trade payables	3,945
Other payables	3,244
Provisions for liabilities and charges	1,954
Tax payable	65
Total Liabilities	12,644

In particular, it is noted that the item Investments in Associates and Joint Ventures refers to the investment held in the company Sino Italian Wire Tech. Co. Ltd. (China). The Group shareholding is 49% and the company is fully consolidated by virtue of a call option in favour of Pirelli on a portion of 26% of the share capital. It was reclassified in the item “investments in associates” because on December 15, 2014 this option was no more exercisable following the signing of the sale agreement to Bekaert. In accordance with the requirements of IFRS 10, the value of the non-controlling interest during deconsolidation was measured at fair value resulting in an impairment of euro 784 thousand recognized under “discontinued operations”. It is also noted that the foreign exchange reserve recorded on the steelcord business in Turkey, negative for euro 13,949 thousand at December 31, 2014, will be reclassified in the Income Statement at the time of the disposal.

The net income [loss] from discontinued operations is as follows:

INCOME STATEMENT DISCONTINUED OPERATIONS (in thousands of euro)

	2014	2013
Revenues from sales and services	73,500	85,200
Raw materials and consumables (net of change in inventories)	(24,358)	(28,424)
Personnel expenses	(15,611)	(17,204)
Amortisation, depreciation and impairment	(2,200)	(4,100)
Other costs	(24,999)	(29,172)
Operating income	6,332	6,300
Net income (loss) from equity investments	411	-
Financial expenses	(1,700)	(2,900)
Net income before tax	5,043	3,400
Tax	(2,000)	(1,400)
A Net income	3,043	2,000
Gains on disposal of production units in Italy+Romania+Brazil	25,698	-
Disposal tax effect	(7,820)	-
B Net gains on disposal	17,878	
C Reversal of Romanian reserve on foreign currency translation	(3,298)	
Net income from discontinued operations (A+B+C)	17,623	2,000

The net income [loss] from discontinued operations, positive for euro 3,043 thousand shown in the table above, as described in the "Disposal of the Steelcord Business" of note 2, includes revenues from the sales of the steelcord business realized with third parties outside the Pirelli group (euro 73,500 thousand) and the costs related to these revenues (total of euro 70,457 thousand, also considering the income from investments, interest expense and taxes). It should be noted that the total amount of costs to third parties of the steelcord business, including financial expenses and taxes, amounted in FY 2014 to euro 255,464 thousand. The result of discontinued operations that would have been determined considering the revenues from third parties and the total cost of the business to third parties (including costs related to the revenues earned from the business to the Pirelli group) in FY 2014 would be negative for euro 181,964 thousand.

40. EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) per share are given by the ratio between net income (loss) attributable to the owners of the parent (adjusted to take into account the minimum dividend allocated to savings shares) and the weighted average of the number of ordinary shares outstanding during the period, with the exclusion of treasury shares.

(in thousands of euro)

	2014	2013
Net income (loss) attributable to the Parent from continuing operations	301,668	301,574
Net income (loss) attributable to savings shares reflecting 2% increase	(7,476)	(7,473)
Adjusted net income (loss) attributable to the Parent from continuing operations	294,192	294,101
Basic earning (loss) per ordinary share from continuing operations (in euro per share)	0.619	0.619

	2014	2013
Net income (loss) attributable to the Parent from discontinued operations	17,623	2,000
Net income (loss) attributable to savings shares reflecting 2% increase	(437)	(50)
Adjusted net income (loss) attributable to the Parent from discontinued operations	17,186	1,950
Basic earning (loss) per share from discontinued operations (in euro per share)	0.036	0.004

The diluted earnings (losses) per share have not been calculated because following expiration of the stock option plans, the prerequisites for such calculation are not met.

