

37. INCOME TAXES

The breakdown of the income taxes for the period is as follows

(in thousands of euro)

	2013	2012
Current taxes	209,307	195,031
Deferred taxes	1,085	3,194
	210,392	198,225

The reconciliation between theoretical taxes and effective taxes is presented below

(in thousands of euro)

	2013	2012
Income (loss) before income taxes	516,884	599,073
Reversal of net income (loss) of associates and joint ventures	25,835	21,293
A) Total taxable income	542,719	620,366
B) Theoretical taxes	174,877	206,724
Main causes for changes between theoretical and effective taxes:		
Income not subject to taxation	(59,012)	(54,819)
Non-deductible costs	43,579	47,063
Use of tax losses carried forward	(2,894)	(7,897)
Unrecognised deferred tax assets and/or release of deferred tax assets previously recognised	36,829	20,269
Taxes not related to income and costs for tax assessment	42,792	17,792
Other	(25,779)	(30,908)
C) Effective taxes	210,392	198,225
Theoretical Tax rate (B/A)	32%	33%
Effective tax rate (C/A)	39%	32%

The Group's effective tax burden for 2013 is mainly attributable to taxes payable by the Tyre Business (euro 176,617 thousand) for the positive taxable income of its subsidiaries.

The amount of taxes also includes accounting recognition by Pirelli & C. S.p.A. of the positive effects deriving from the option for domestic tax consolidation.

The total tax burden reflects the impact resulting from assessment of the sustainability of deferred tax assets recognised in relation to prior-period tax losses.

The percentage of effective taxes in relation to total taxable income was 39%, considering the impairment of the Prelios S.p.A. "convertendo", which negatively impacted on pre-tax income.

The Group's theoretical tax burden is calculated taking into account the nominal tax rates of the countries where the Group's principal companies operate, as shown below

	2013	2012
Europe		
Italy	31.40%	31.40%
Germany	29.55%	29.48%
Rumania	16.00%	16.00%
Great Britain	23.25%	24.50%
Turkey	20.00%	20.00%
Russia	20.00%	20.00%
NAFTA		
USA	40.00%	40.00%
Mexico	30.00%	30.00%
Central and South America		
Argentina	35.00%	35.00%
Brazil	34.00%	34.00%
Venezuela	34.00%	34.00%
Asia / Pacific		
China	25.00%	25.00%
Middle East / Africa		
Egypt	25.00%	25.00%

The nominal tax rate in Great Britain fell from 24.50% in 2012 to 23.25% in 2013, in accordance with local tax laws (Finance Act 2012).

38. 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)

	2013	2012
Net income (loss) attributable to owners of the Parent	303,574	387,109
Net income (loss) attributable to savings shares reflecting 2% minimum dividend	(7,523)	(9,593)
Adjusted net income (loss) attributable to owners of the Parent	296,051	377,516
Basic earning (loss) per ordinary share (in euro per share)	0.623	0.794
Weighted average of outstanding ordinary shares (in thousands)	475,389	475,389

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.