



CIR S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€300,000,000

5.75 per cent. Notes due 2024

Issue Price: 98.81 per cent.

The €300,000,000 5.75 per cent. Notes due 2024 (the Notes) are to be issued by CIR S.p.A. (the Issuer). The Notes constitute *obbligazioni* pursuant to Articles 2410 — *et seq.* of the Italian civil code.

Interest on the Notes will be payable annually in arrear on 16th December in each year. The first such payment will be made on 16th December, 2005.

Unless previously redeemed by the Issuer for taxation reasons in accordance with “*Terms and Conditions of the Notes – Redemption and Purchase*” herein, the Notes will be redeemed on 16th December, 2024.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes will initially be represented by a temporary global Note (the **Temporary Global Note**), without interest coupons, which will be deposited with a common depository for the respective accounts of Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear) and Clearstream Banking, société anonyme (Clearstream, Luxembourg) on or about 16th December, 2004 (the **Closing Date**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global Note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 26th January, 2005, upon certification as to non-US beneficial ownership. The Permanent Global Note will be exchangeable for definitive bearer Notes, in the denominations of €50,000 and integral multiples of €1,000 above €50,000, each with interest coupons attached, only in the limited circumstances set out in the Permanent Global Note and as set out in “*Provisions Relating to the Notes While Represented by the Global Notes*” herein. For so long as the Notes are represented by Global Notes and the relevant clearing system(s) so permit, the Notes shall be tradeable in such denominations, subject always to the minimum denomination and trading amount of €50,000. There is no assurance, however, that the relevant clearing system(s) will enforce the minimum trading requirement.

Lead Manager and Sole Bookrunner

LEHMAN BROTHERS

Co-Manager

BANCA AKROS S.P.A.

(GRUPPO BANCA POPOLARE DI MILANO)

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. This Offering Circular may only be used for the purposes for which it has been published.

No person has been authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Managers (as defined under “*Subscription and Sale*” below). Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investors in the Notes of any information coming to their attention. The investors should review, *inter alia*, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Issuer when deciding whether or not to purchase any Notes.

The Managers have not separately verified the information contained herein other than the information relating to the Managers themselves. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular, which relates to the Issuer and/or the Notes or any other information provided by the Issuer in connection with the Notes.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the issue of the Notes constitutes an offer by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes. Neither this Offering Circular nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Managers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any Notes.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Incorporation by Reference*” below). This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This Offering Circular does not constitute, and may not be used for purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation (see “*Subscription and Sale*” below). The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Managers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Managers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes.

In this Offering Circular, references to euro and € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended.

IMPORTANT NOTICE

The Issuer is a holding company without any significant operating businesses of its own. As such, it is both wholly dependent on dividends and intercompany payments (either advances or repayments) from its subsidiaries. The ability of the Issuer's subsidiaries to pay dividends and make intercompany payments to the Issuer depends on both their earnings and those of their associates. The subsidiaries have no obligations, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer to enable it to pay any amounts due under the Notes. Generally, claims in respect of indebtedness incurred, and guarantees issued, by a subsidiary, and claims of preference shareholders (if any) of such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over the claims of the creditors of its parent company. The Notes, therefore, will be effectively subordinated to creditors (including trade creditors) and preference shareholders (if any) of the Issuer's direct and indirect subsidiaries.

TABLE OF CONTENTS

	Page
Important Notice	2
Incorporation by Reference	4
Terms and Conditions of the Notes	5
Use of Proceeds	14
Provisions Relating to the Notes While Represented by the Global Notes	15
Consolidated Capitalisation of CIR S.p.A.	17
Capitalisation of the "Aggregate" of CIR S.p.A. and its Wholly-Owned Financial Subsidiaries	18
CIR S.p.A. and the CIR Group	19
Financial Information of CIR S.p.A. and the CIR Group	43
Taxation	61
Subscription and Sale	66
General Information	68

IN CONNECTION WITH THIS ISSUE OF NOTES, LEHMAN BROTHERS INTERNATIONAL (EUROPE) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

INCORPORATION BY REFERENCE

The following financial statements are incorporated by reference into this Offering Circular:

- the audited consolidated and non-consolidated financial statements of the Issuer as at, and for the years ended, 31st December, 2003 and 2002;
- the interim consolidated and non-consolidated financial statements of the Issuer as at, and for the six month periods ended, 30th June, 2004 and 2003 (subject to limited review); and
- the unaudited interim consolidated financial statements of the Issuer as at and for the three month period ended 30th September, 2004.

Copies of such financial statements are freely obtainable and may be inspected during usual business hours at the specified office of the Paying Agent (as defined in “*Terms and Conditions of the Notes*” herein) in Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form, if issued.

The €300,000,000 5.75 per cent. Notes due 2024 (the **Notes**, which expression shall in these Terms and Conditions include any further notes issued pursuant to Condition 13 and forming a single series with the Notes) of CIR S.p.A. (the **Issuer**) are constituted by a Trust Deed dated 16th December, 2004 (the **Trust Deed**) made between the Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 29th November, 2004.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 16th December, 2004 (the **Agency Agreement**) made between the Issuer, Deutsche Bank AG (acting through its London branch) (the **Principal Paying Agent**, which expression shall include any successor), the other initial Paying Agents named therein (the **Paying Agents**, which expression shall include any successor(s) and, unless the context otherwise requires, the Principal Paying Agent) and the Trustee are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date of issue of the Notes at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England) and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

- 1.1 The Notes are in bearer form in the denominations of €50,000 and integral multiples of €1,000 above €50,000, each with Coupons attached on issue. Notes of one denomination cannot be exchanged for Notes of any other denomination.
- 1.2 Title to the Notes and to the Coupons will pass by delivery.
- 1.3 The Issuer, any Paying Agent, the Noteholders' Representative (as defined below) and the Trustee may (to the fullest extent permitted by applicable laws and except as otherwise provided for by a court of competent jurisdiction or an official authority) deem and treat the holder of any Note and the holder of any Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

2. STATUS

The Notes and the Coupons are direct, unconditional, (subject to the provisions of Condition 3) unsecured and unsubordinated obligations of the Issuer and rank, and will rank, *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, to the extent permitted by law, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Notes constitute "*obbligazioni*" pursuant to Article 2410 – *et seq.* of the Italian civil code.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer will not, and will procure that no Principal Subsidiary will, create or permit to subsist any mortgage, charge, lien or other encumbrance or security interest (each a **Security**), other than a Permitted Encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Specified Indebtedness of any person or any guarantee in respect thereof, unless the Issuer shall, in the case of the creation of Security, before or at the same time, and, in any other case, promptly, take any and all action necessary to ensure that: (i) the benefit of such Security is extended to secure on a *pari passu* and *pro rata* basis the Issuer's obligations in respect of the Notes and the Trust Deed to the satisfaction of the Trustee or (ii) there is provided for the Issuer's obligations in respect of the Notes and the Trust Deed such other Security or such guarantee or other arrangement as either (a) the Trustee shall in its absolute discretion deem to be not materially less beneficial to the Noteholders or (b) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

As used herein:

Latest Consolidated Accounts means, at any date, the then latest annual audited consolidated accounts forming part of the group accounts of the Issuer prepared in accordance with then prevailing Italian generally accepted accounting principles or, as the case may be, accounting principles issued by the International Accounting Standards Board;

Permitted Encumbrance means:

- (a) any lien arising by operation of law in the ordinary course of business;
- (b) any Security existing at 16th December, 2004 (including any additional Security required to be given pursuant to that Security) so long as such Security secures only that indebtedness (including principal, premium and other amounts in relation thereto and interest thereon) which it secured at such date;
- (c) any Security created after 16th December, 2004 on any asset acquired by the person creating such Security and securing only indebtedness incurred for the sole purpose of financing or re-financing that acquisition provided that the principal amount of such indebtedness so secured does not exceed the cost of that acquisition;
- (d) any Security created by any company upon the whole or any part of its undertaking or assets and subsisting at the time such company merges or consolidates with or is demerged, contributed or merged into or transferred to the Issuer or any Principal Subsidiary or at the time it becomes a Principal Subsidiary or at the time it sells, contributes or transfers all or substantially all of its assets to the Issuer or any Principal Subsidiary and not created in contemplation thereof provided that the principal amount of indebtedness secured by such Security shall not be increased; and
- (e) any Security created in connection with, or pursuant to, a limited-recourse financing, securitisation or other like arrangement where the payment obligations in respect of the indebtedness secured by the relevant Security are to be discharged solely from the revenues generated by assets over which such security is created (including, without limitation, receivables), provided that the aggregate nominal amount of the assets over which such Security is created shall not at any time exceed €150,000,000.

Principal Subsidiary means at any time any Subsidiary of the Issuer where (a) the aggregate revenues of, or attributable to, such Subsidiary as shown by the then most recent audited accounts of such Subsidiary constitutes 10 per cent. or more of the consolidated revenues of the Issuer and its consolidated Subsidiaries as shown by the Latest Consolidated Accounts or (b) the total assets of such Subsidiary as shown by the then most recent audited accounts of such Subsidiary constitutes 10 per cent. or more of the consolidated total assets of the Issuer and its consolidated Subsidiaries as shown by the Latest Consolidated Accounts, provided that if a Subsidiary itself has Subsidiaries and produces, in respect of any year, audited consolidated accounts of such Subsidiary and its consolidated Subsidiaries, the reference above to the revenues or the total assets of such Subsidiary shall be construed as a reference to the consolidated revenues or consolidated total assets, as the case may be, of such Subsidiary and its consolidated Subsidiaries, and the reference to the then most recent audited accounts of such Subsidiary shall be construed as a reference to the then most recent audited consolidated accounts of such Subsidiary and its consolidated Subsidiaries and provided further that any Subsidiary to which is transferred the whole or substantially the whole of the assets and undertaking of a Principal Subsidiary shall become a Principal Subsidiary.

A certificate signed by two Directors of the Issuer that, in their opinion, a company is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

Specified Indebtedness means any present or future Indebtedness for Borrowed Money (as defined below) in the form of or represented by notes, debentures or other similar debt securities which (with the consent of the Issuer) are, or are capable of being quoted, listed or ordinarily dealt in on any regulated stock exchange or other securities market (including securities markets located outside the European Union); and

Subsidiary of a company or corporation (the **First Person**) means a company or corporation (the **Second Person**) in which, as provided for by Article 2359, paragraph 1, no. 1 and no. 2, and paragraph 2 of the Italian civil code, the First Person holds, directly or indirectly:

- (a) the majority of the votes capable of being voted in any ordinary shareholders' meeting of the Second Person; or
- (b) a number of votes sufficient so as to exercise a dominant influence ("*influenza dominante*") in ordinary shareholders' meetings of the Second Person.

4. INTEREST

- 4.1 The Notes bear interest at the rate of 5.75 per cent. per annum from and including 16th December, 2004 payable annually in arrear on 16th December in each year (each, an **Interest Payment Date**), the first payment (representing a full year's interest) to be made on 16th December, 2005. Where interest is required to be calculated in respect of a period ending other than on an Interest Payment Date, it shall be calculated on the basis of the number of days in the period from and including the most recent Interest Payment Date (or, if none, 16th December, 2004) to but excluding the relevant payment date divided by the actual number of days in the period from and including the most recent Interest Payment Date (or, if none, 16th December, 2004) to but excluding the next (or first) scheduled Interest Payment Date.
- 4.2 Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of the payment in which event interest shall continue to accrue as provided in the Trust Deed.

5. PAYMENTS

- 5.1 Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupons, in each case at the specified office (outside the United States) of any of the Paying Agents.
- 5.2 Payments will be made at the specified office of any Paying Agent (outside the United States), at the option of the holder, by credit or transfer to a euro account (or any other account to which euros may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.
- 5.3 Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7.2) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8), or, if later, five years after the date on which the Coupon would have become due, but not thereafter.
- 5.4 If the date for payment of any amount in respect of any Note or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment until the next following Payment Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Date** means any day which is or falls after the relevant due date and (subject to Condition 8) is:
- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation; and
 - (b) a day on which the Trans-European Automated Real-Time Automated Gross Settlement Express Transfer (TARGET) System is open.
- 5.5 The names of the initial Paying Agents and their initial specified offices are set out at the end of these Terms and Conditions. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that: (a) it will at all times maintain a Principal Paying Agent; (b) it will at all times maintain a Paying Agent having a specified office in a major European city which, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, shall be Luxembourg; and (c) it undertakes that it will maintain a Paying Agent having a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 11.

6. REDEMPTION AND PURCHASE

- 6.1 Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 16th December, 2024.
- 6.2 If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that (a) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision of, or any authority in, or of, the Republic of Italy having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 15th December, 2004, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 and (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable) and to the Trustee, redeem all the Notes, but not some only, at any time, at their principal amount together with accrued interest thereon, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of any such change or amendment and the Trustee shall be entitled to accept the certificate and legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.
- 6.3 In the event of a Change of Control (as defined below), each Noteholder may, during the Early Redemption Period (as defined below), notify the Issuer, as further provided below, that it requires the early redemption of all or some of its Notes. The Issuer will redeem in whole (but not in part) the Notes the subject of the notice on the following Interest Payment Date (unless such Interest Payment Date falls less than 25 Business Days after the date on which notice of the Change of Control is given to the Noteholders in accordance with Condition 11, in which case the Issuer will redeem the Notes the subject of the notice on the next Interest Payment Date following the expiry of such 25 Business Day period) at their principal amount together with accrued interest thereon up to (but excluding) such Interest Payment Date.

Any Change of Control shall be notified to the Trustee and the Noteholders in accordance with Condition 11 by the Issuer within five Business Days of its occurrence. Such notice shall also indicate the relative Early Redemption Period. The Issuer shall also notify the Luxembourg Stock Exchange promptly of any Change of Control.

Any such notification will indicate the date of the Change of Control, the period in which the early redemption of the Notes may be requested (the **Early Redemption Period**) and the Interest Payment Date on which the relevant Notes shall be redeemed. The Early Redemption Period will run for 20 Business Days following the date on which notice of the Change of Control is given to the Noteholders in accordance with Condition 11.

To exercise the right to require early redemption of any Notes, the holder of the Notes must deliver at the specified office of any Paying Agent, on any Business Day during the Early Redemption Period, a duly signed and completed notice of exercise in the form (for the time being current and which may, if such Notes are held in a clearing system, be in any form acceptable to such clearing system and may be delivered in any manner acceptable to such clearing system) obtainable from the specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by such Notes or evidence satisfactory to the Paying Agent concerned that such Notes will, following the delivery of the Put Notice, be held to its order or under its control. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice.

As used herein:

Business Day means any day, not being a Saturday or a Sunday, on which commercial banks and foreign exchange markets are open for general business in Milan and on which the TARGET System is operating; and

Change of Control means, other than on terms previously approved in writing by the Trustee or an Extraordinary Resolution of the Noteholders, any event or series of events pursuant to which the Issuer (or any entity which becomes the Issuer pursuant to any Permitted Reorganisation) ceases to control, directly or indirectly, such number of shares in the capital of Gruppo Editoriale L'Espresso S.p.A. (or any Person (a

Successor) formed by the consolidation of Gruppo Editoriale L'Espresso S.p.A. with or into another Person or into which Gruppo Editoriale L'Espresso S.p.A. is merged, demerged or contributed or to whom Gruppo Editoriale L'Espresso S.p.A. has conveyed, assigned, transferred or leased all or substantially all of its properties or assets) carrying more than 40 per cent. of the voting rights normally exercisable at a general meeting of Gruppo Editoriale L'Espresso S.p.A. or any Successor.

- 6.4 The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.
- 6.5 All Notes which are purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes. All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled. Notes or Coupons which are cancelled may not be reissued or resold.
- 6.6 Upon the expiry of any notice as is referred to in Condition 6.2 or 6.3, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

7. TAXATION

- 7.1 All payments in respect of the Notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Republic of Italy, or any political subdivision of, or any authority in, or of, the Republic of Italy having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:
- (a) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of the Note or Coupon; or
 - (b) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
 - (c) presented for payment by, or on behalf of, a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union, but fails to do so; or
 - (d) to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or
 - (e) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Date; or
 - (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (g) in each case, in which the formalities to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Italian Legislative Decree No. 239 of 1st April, 1996 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents.
- 7.2 In these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer in accordance with Condition 11.
- 7.3 Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5.

9. EVENTS OF DEFAULT

9.1 The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money of the Issuer (other than the Notes) or any Indebtedness for Borrowed Money of a Principal Subsidiary (in each case being indebtedness of an aggregate principal amount of €20,000,000 or more, or its equivalent in any other currency) (1) becomes, or becomes capable of being declared, prematurely repayable by reason of default in respect of the terms thereof, or (2) is not paid when due and such failure to make payment shall continue for more than the grace period, if any, applicable thereto, or (ii) any guarantee or indemnity in respect of Indebtedness for Borrowed Money of any person in an aggregate principal amount of €20,000,000 or more, or its equivalent in any other currencies, given by the Issuer or any Principal Subsidiary is not honoured when due; or
- (d) if a resolution is passed or a petition is presented by the Issuer or, as the case may be, a Principal Subsidiary to a court of competent jurisdiction for the Issuer or such Principal Subsidiary to be wound up or dissolved, except for the purposes of, or pursuant to, an amalgamation, merger, demerger, contribution, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement (not arising out of the bankruptcy or insolvency of the relevant entity) (i) which is, or is part of, a Permitted Reorganisation; or (ii) under which, in respect of any Principal Subsidiary, all of the assets of the Principal Subsidiary are transferred, sold, assigned or contributed to a third party or parties (whether associated or not) for full consideration received by the Issuer or the Principal Subsidiary on an arm's length basis; or (iii) on terms previously approved in writing by (1) the Trustee (provided that the Trustee shall approve the terms of such amalgamation, merger, demerger, contribution, reconstruction, voluntary solvent winding-up or other similar arrangement or of such transfer sale, assignment or contribution if the Issuer shall provide the Trustee with written advice (in form and content satisfactory to the Trustee) of an independent investment bank of international repute that such transaction will not have a material adverse effect on the financial condition, assets or liabilities of the Issuer and its consolidated Subsidiaries (the **Group**) and will not be materially prejudicial to the interest of the Noteholders) or (2) by an Extraordinary Resolution of the Noteholders; or
- (e) if a distress, execution or seizure is levied or enforced upon or sued out against any material part of the assets of the Issuer or any Principal Subsidiary and is not discharged within 60 days thereof, except where the Issuer or such Principal Subsidiary (as the case may be) satisfies the Trustee that it is taking appropriate steps in good faith to contest the relevant proceedings; or
- (f) if the Issuer or any Principal Subsidiary (i) is, or is deemed by law or by a court to be, insolvent or bankrupt or unable to pay its debts as and when they fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts or (ii) ceases or announces its intention to cease to carry on the whole or substantially the whole of its business otherwise, in the case of (ii) only, than (1) for the purposes of an amalgamation, merger, demerger, contribution, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement (not arising out of the bankruptcy or insolvency of the relevant entity) which is, or is part of, a Permitted Reorganisation or (2) in respect of any Principal Subsidiary only, where all of the assets of the Principal Subsidiary are transferred, sold, assigned or contributed to a third party or parties (whether associated or not) for full consideration received by the Issuer or the Principal Subsidiary on an arm's length basis (provided that the Trustee shall approve the terms of such transfer, sale, assignment or contribution if the Issuer shall provide the Trustee

with written advice (in form and content satisfactory to the Trustee) of an independent investment bank of international repute or a certificate signed by the Managing Director of the Issuer or, as the case may be, such Principal Subsidiary that such transaction has been effected for full consideration received by the Issuer or, as appropriate, such Principal Subsidiary, on an arm's length basis and will not have a material adverse effect on the financial condition, assets or liabilities of the Group and will not be materially prejudicial to the interests of the Noteholders); or

- (g) if (i) proceedings shall have been initiated against the Issuer or any Principal Subsidiary or a trustee or receiver is appointed over the whole or any material part of the assets or undertaking of the Issuer or any Principal Subsidiary under any applicable bankruptcy or insolvency law or (ii) any encumbrancer takes possession of the whole or any material part of the assets or undertaking of the Issuer or any Principal Subsidiary and such proceedings, appointment or action, as the case may be, shall not have been discharged or stayed within a period of 60 days (such period commencing, in the case of the Issuer or any Principal Subsidiary incorporated under Italian law, on the date of the first hearing of the relevant petition or application), except where the Issuer or such Principal Subsidiary (as the case may be) satisfies the Trustee that it is taking appropriate steps in good faith to contest the relevant proceedings, appointment or action, as the case may be; or
- (h) if the Issuer or any Principal Subsidiary shall initiate or formally consent to proceedings relating to any of them under any applicable bankruptcy or insolvency law or shall make a general conveyance or assignment for the benefit of, or enter into any composition with, its creditors.

PROVIDED that, in the case of any Event of Default other than those described in sub-paragraph (a) above, the Trustee has certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

As used herein:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) of any person for moneys borrowed or raised;

material part of the undertaking or assets of any Person means an aggregate amount equal to or greater than 10 per cent. of the aggregate book value of such undertaking or assets (as the case may be) of such Person shown by the most recent audited accounts (where applicable, on a consolidated basis) of such Person;

Permitted Reorganisation means:

- (a) any " *fusione* " or " *scissione* " (such expressions bearing the meanings ascribed to them by the laws of the Republic of Italy) or any other amalgamation, reorganisation or restructuring (including any transfer, demerger, merger or contribution) whilst solvent of the Issuer which is part of a related sequence of events whereby, during or upon completion of the sequence, all or substantially all of the rights and obligations of the Issuer (including to the satisfaction of the Trustee all of the obligations of the Issuer under or in respect of the Notes and the Trust Deed) will be assumed in accordance with applicable Italian law by another Person which, immediately before such assumption, was a member of the group consisting of the Issuer and its consolidated Subsidiaries; or
- (b) in respect of any Principal Subsidiary, under which all or substantially all of the assets of the Principal Subsidiary are transferred, sold, contributed or assigned to the Issuer or any of its other Subsidiaries (which shall thereby become a Principal Subsidiary for the purposes of these Terms and Conditions); and

Person means any individual, corporation, partnership, joint venture, trust or unincorporated organisation.

- 9.2 The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, these Terms and Conditions, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms

as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide, in an Italian language daily newspaper of general circulation in the Republic of Italy and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any notice shall be deemed to have been given on the date of the first publication in all such newspapers. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed as well as with any applicable Italian rules and regulations. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND SUBSTITUTION

- 12.1 The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Trust Deed. The directors of the Issuer and/or the Noteholders' Representative (as defined below), at their discretion may, and, if so requested in writing by the holders of at least five per cent. in principal amount of the Notes then outstanding shall, convene such a meeting. The quorum and the majority at any meeting convened for passing an Extraordinary Resolution shall be one or more persons present being or representing Noteholders holding the percentage of the then outstanding Notes set out in the third paragraph of Article 2415 of the Italian civil code. If the business of such meeting includes consideration of proposals, *inter alia* (i) to amend the date of maturity or redemption of the Notes or any date for payment of interest on the Notes; (ii) to reduce the rate of interest in respect of the Notes or to vary the method or basis of calculating the rate or amount of interest in respect of the Notes; or (iii) to vary the currency or currencies of payment or denomination of the Notes, in each such case the necessary quorum and majority shall be one or more persons present being or representing Noteholders holding the percentage of the then outstanding Notes set out in the second sentence of the third paragraph of Article 2415 of the Italian civil code which refers to the resolutions under item 2) of the first paragraph of the same Article. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.
- 12.2 The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest or proven (to the satisfaction of the Trustee) error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 11.
- 12.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Noteholders' Representative, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

- 12.4 A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**) (who might, subject to mandatory provisions of Italian law, also be the same legal entity as the Trustee) may be appointed pursuant to Article 2417 of the Italian civil code. If the Noteholders' Representative is not appointed by a meeting of the Noteholders, the Noteholders' Representative shall be appointed by a decree of the President of the Court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall be appointed for a maximum period of three years but may be re-appointed again thereafter.
- 12.5 The Trustee may, without the consent of the Noteholders or Couponholders, agree to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any of its Subsidiaries, subject to:
- (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer;
 - (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by such substitution; and
 - (c) certain other conditions set out in the Trust Deed being complied with.

In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes and/or the Trust Deed *provided* that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Upon the substitution of the Issuer, a Supplementary Offering Circular shall be filed with the Luxembourg Stock Exchange which will be made available at the specified office of each of the Paying Agents free of charge. In addition, notification of any substitution of the Issuer shall be made to the Noteholders in accordance with Condition 11. For the avoidance of doubt, a substitution of the Issuer effected pursuant to a Permitted Reorganisation shall not require the approval of the Trustee, the Noteholders' Representative, the Noteholders or the Couponholders.

13. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

14. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

- 14.1 The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.
- 14.2 The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the Issuer and/or any of its Subsidiaries and/or the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- 16.1 The Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

- 16.2 The Issuer has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as **Proceedings**) may be brought in the courts of England.
- 16.3 The Issuer has in the Trust Deed irrevocably and unconditionally waived, and agreed not to raise, any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum, and irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon it, and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- 16.4 The Issuer has in the Trust Deed hereby irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has, in the Trust Deed, undertaken that in the event of such agent ceasing so to act, it will appoint another person as its agent for that purpose.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately €294,930,000 (less certain expenses related to the issue of the Notes), will be used to refinance certain outstanding indebtedness as well as for general corporate purposes.

PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as **Events of Default**;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date, the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which have not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 26th January, 2005, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11, provided that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notice will also be given by publication in a leading newspaper with general circulation in Luxembourg which is expected to be the *Luxemburger Wort*. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement, by or on behalf of the Principal Paying Agent, of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.3 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly, within the time limits set forth in that Condition.

8. Euroclear and Clearstream, Luxembourg

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

CONSOLIDATED CAPITALISATION OF CIR S.p.A.

The following table sets forth the consolidated capitalisation of the Issuer as at 30th June, 2004 and as at 31st December, 2003, as adjusted to reflect the Notes now being issued.

	As at 31st December, 2003	As at 30th June, 2004
	(audited) (euro millions)	(subject to limited review) (euro millions)
Bank overdrafts	50.0	48.7
Current portion of bonds	–	–
less own bonds on hand	–	–
Bonds maturing over one year	1,080.0	1,005.0
less own bonds on hand	(42.4)	(51.2)
The Notes now being issued	300.0	300.0
Current portion of convertible bonds	–	–
less own bonds on hand	–	–
Convertible bonds maturing over one year	–	–
Current portion of secured long-term bank loans	9.4	8.5
Secured long-term bank loans	26.6	28.7
Current portion of long-term bank loans-others	74.1	12.7
Long-term bank loans-others	260.4	408.6
Current portion of long-term debt with other providers of funds	1.6	1.5
Long-term debt with other providers of funds	8.5	7.9
Total debt	<u>1,768.2</u>	<u>1,770.4</u>
Minority interest	369.9	465.4
Share capital-ordinary shares ⁽¹⁾	385.2	385.5
Additional paid-in capital	3.7	4.1
Share capital-savings shares	–	–
Legal reserve	116.0	116.0
Reserve for treasury stock	22.8	22.8
Other reserves	284.2	315.0
Net profit/(loss)	<u>62.8</u>	<u>89.7</u>
Total owners' equity	<u>1,244.6</u>	<u>1,398.5</u>
	<u>3,012.8</u>	<u>3,168.9⁽²⁾</u>

Notes:

- (1) CIR S.p.A. has an authorised share capital of €399,043,545.00 and an issued share capital of €385,681,883.50, comprised of 771,363,767 ordinary shares of par value €0.50 each.
- (2) Save for the information disclosed above, there has been no material change to the capitalisation of the Issuer since 30th June, 2004.

**CAPITALISATION OF THE “AGGREGATE”⁽¹⁾ OF CIR S.p.A. AND ITS WHOLLY-OWNED
FINANCIAL SUBSIDIARIES**

The following table sets forth the “aggregate” capitalisation of the Issuer and its wholly-owned financial subsidiaries as at 30th June, 2004 and as at 31st December, 2003, as adjusted to reflect the Notes now being issued.

	As at 31st December, 2003	As at 30th June, 2004
	(audited) (euro millions)	(subject to limited review) (euro millions)
Bank overdrafts	–	–
Current portion of exchangeable bonds	–	–
less own bonds on hand	–	–
Bonds maturing over one year	800.0	725.0
less own bonds on hand	–	–
Current portion of convertible bonds	–	–
less own bonds on hand	–	–
The Notes now being issued	300.0	300.0
Convertible bonds maturing over one year	–	–
Current portion of long-term bank loans-other	45.0	–
Long-term bank loans-other	–	–
Other debt	0.7	0.7
Total debt	<u>1,145.7</u>	<u>1,025.7</u>
Total owners’ equity	<u>874.7</u>	<u>933.1</u>
Total capitalisation	<u><u>2,020.4</u></u>	<u><u>1,958.8⁽²⁾</u></u>

Notes:

- 1 This includes the Issuer, CIR International S.A. and Sasib International B.V.
- 2 Save for the information disclosed above, there has been no material change to the “aggregate” capitalisation of the Issuer since 30th June, 2004.

CIR S.p.A. AND THE CIR GROUP

GENERAL

CIR – Compagnie Industriali Riunite S.p.A. (CIR) was incorporated under the laws of the Republic of Italy on 4th July, 1905, with a limited duration to 31st December, 2050. Pursuant to Article 7 of CIR's By-laws, the purpose of the company is the management both directly and indirectly of industrial, commercial, real estate, agricultural and financial activities. Its registered office is at Strada Volpiano 53, Leini (Turin), Republic of Italy and its operating office is at Via Ciovassino 1, Milan, Republic of Italy.

In 1976, Carlo De Benedetti purchased CIR and began to diversify that company from its main activity which, at that time, was the manufacture of leather goods. CIR has since developed significant interests over a number of diverse business sectors through the acquisition (directly and indirectly) of controlling interests in Italian and other European and South American companies. Carlo De Benedetti and other De Benedetti family members continue to exercise control over CIR through their ownership of Cofide S.p.A. which has a controlling interest in CIR.

CIR is a management holding company without operating businesses of its own. Most of its income is derived from the profit distributions of its subsidiaries. The general composition of the balance sheet is also characterised by financial investments in, and loans to, its direct and indirect subsidiary companies. See "Important Notice" at page 3 of this Offering Circular.

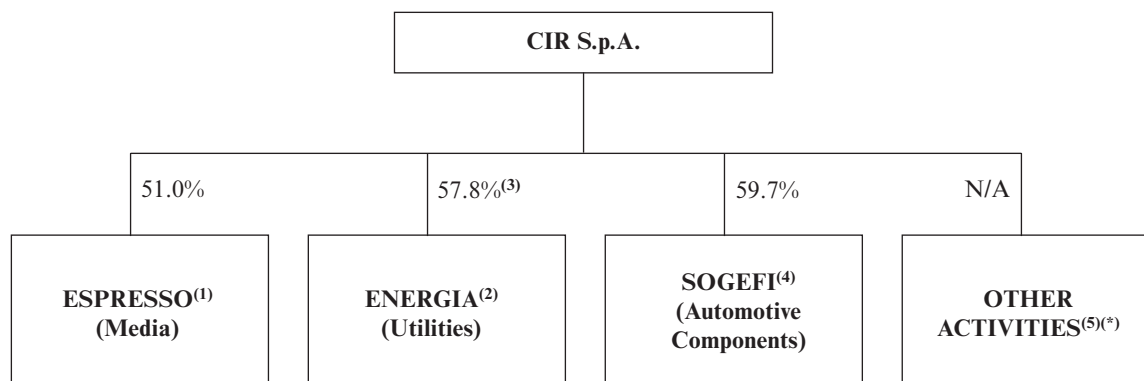
In addition to profit distributions, CIR also receives certain fees from its subsidiary companies on account of various activities carried on by CIR on behalf of such companies, including financing, provision of guarantees related to financing and the provision of administrative, financial, management and strategic support and communication services.

CIR currently has 26 employees.

THE CIR GROUP

Introduction

CIR and its direct and indirect subsidiaries (the **CIR Group**) operate in a number of different sectors including, principally, media, utilities and automotive components. The following diagram illustrates the CIR Group by sector and the respective holdings of CIR in the parent company of each of its principal subsidiary groups as at 30th September, 2004:



Notes:

- (1) Gruppo Editoriale L'Espresso S.p.A. as parent company of the "L'Espresso Group". See "L'Espresso Group" below.
- (2) held indirectly through Energia Holding S.p.A., parent company of the "Energia Group". See "Energia Group" below.
- (3) held indirectly through Energia Holding S.p.A.
- (4) Sogefi S.p.A. as parent company of the "Sogefi Group". See "Sogefi Group" below.
- (5) CIR also operates in a number of other sectors, including, principally, food and packaging machinery and healthcare services. In addition, CIR holds certain investments. See "Other Activities" below.
- (*) A full list of the Issuer's subsidiaries can be found in the Issuer's Annual Report.

L'Espresso Group

The L'Espresso Group is the main subsidiary group of CIR, accounting for approximately 37.0 per cent. of the CIR Group's consolidated revenues in 2003 and approximately 35.6 per cent. of the CIR Group's consolidated revenues

for the first six months of 2004. Its activities, conducted principally in the Republic of Italy, include newspaper and magazine publishing, radio and digital television broadcasting, and internet services.

Sogefi Group

The Sogefi Group is a major manufacturer of filters and suspension components for motor vehicles, with plants throughout Europe, South America and Asia. The Sogefi Group accounted for approximately 31.8 per cent. of the CIR Group's consolidated revenues in 2003 and approximately 32.3 per cent. of the CIR Group's consolidated revenues for the first six months of 2004.

Energia Group

The Energia Group operates in the Italian electricity and natural gas markets. Energia S.p.A. (**Energia**) started supplying electricity to businesses on 1st January, 2000 and now has approximately 4,400 clients throughout the Republic of Italy, mainly individual companies or consortia of businesses. In October 2001, Energia started supplying natural gas to industrial clients, after signing important long-term agreements with the Eni Group of Italy for the importation of gas. Energia now has approximately 300 clients in the Italian gas market. The Energia Group accounted for approximately 28.5 per cent. of the CIR Group's consolidated revenues in 2003 and approximately 30.4 per cent. of the CIR Group's consolidated revenues for the first six months of 2004.

Other Activities and Investments

Other activities include, principally, controlling interests in (i) Dry Products S.p.A., the parent company of a group (the **Dry Products Group**) which manufactures food and packaging machinery and (ii) Holding Sanità e Servizi S.p.A. (**HSS**), a new initiative of the CIR Group targeting the healthcare services sector in the Republic of Italy and, in particular, hospital services, rehabilitation facilities and residential care services for chronically ill patients.

The CIR Group's other activities contributed approximately 2.7 per cent. of the consolidated revenues of the CIR Group in 2003 and 1.7 per cent. of the CIR Group's consolidated revenues for the first six months of 2004.

The CIR Group's investments include a minority interest of 1.66 per cent. (held through its controlled company CIRTEL International) in Hutchison 3G Italia S.p.A. (**H3G**), a company which holds third generation mobile telephone licences in the Republic of Italy. CIRTEL International, in its capacity as a shareholder of H3G, extended loans to H3G in 2000 for a total amount equal to €373 million. The loans, which matured in November 2001, have not yet been repaid. A decision of the International Court of Arbitration, charged with settling the dispute between CIRTEL International and H3G regarding such loans, dated 29th November, 2004 was issued on 3rd December, 2004. The arbitral tribunal's decision, described as a final award, ordered, *inter alia*, that H3G was obliged, and ordered it, to pay to CIRTEL International the principal amount of the loans, totalling approximately €373 million plus interest thereon at a rate of 4.70 per cent. per annum from 1st December, 2001 until the date of repayment. The result of the arbitration proceedings will be reflected appropriately in CIR's consolidated financial statements. CIR's consolidated net financial position as set out in its annual, semi-annual and quarterly reports does not currently take into account the financial receivables related to these loans (see "*Other Activities and Investments*" and "*Litigation*").

Through Medinvest Plc, a fund of hedge funds listed in Dublin, CIR collects the permanent surplus cash of the CIR Group and invests it in hedge funds. CIR also controls 74.4 per cent. of the share capital of Cofidefin Servicos de Consultoria, the management company of Medinvest Plc.

In addition, the CIR Group also owns a venture capital fund focused on investments in the technology sector.

Recent Financial Results

CIR publishes both consolidated and non-consolidated financial accounts as at 31st December in each year for that calendar year and at 30th June in each year for the preceding six months. The annual accounts are audited while the semi-annual accounts are not audited but subject to a limited review report. In addition, CIR publishes consolidated accounts on a quarterly basis which are not subject to external review.

The following is a discussion of certain of the results of CIR as set out in its consolidated accounts for each of the years ended 31st December, 2003 and 2002 and the six month periods ended 30th June, 2004 and 2003. The full consolidated and non-consolidated accounts (excluding the notes and the auditors' reports pertaining thereto) in respect of the years ended 31st December, 2003 and 2002 and the six month periods ended 30th June, 2004 and 2003 are set out under "*Financial Information of CIR S.p.A. and the CIR Group*".

Audited consolidated results of CIR as at and for the year ended 31st December, 2003 and consolidated results of CIR as at and for the six month period ended 30th June, 2004 (subject to limited review)

In 2003, the consolidated revenues of CIR totalled €2,839 million compared with €2,582 million in 2002 (an increase of 10.0 per cent.) while for the six months ended 30th June, 2004, consolidated revenues amounted to €1,534.7 million compared with €1,384.0 million for the same period in 2003 (an increase of 10.9 per cent.).

Consolidated operating income of CIR in 2003 amounted to €255.1 million (equivalent to 8.8 per cent. of value of production), compared to €207.8 million in 2002 (equivalent to 7.9 per cent. of value of production). This increase was attributable primarily to the business development action put in place over the last few years and the effects of initiatives aimed at cutting operating costs. Consolidated operating income of CIR in the first six months of 2004 amounted to €143.5 million (equivalent to 9.2 per cent. of value of production) compared to €105.2 million (equivalent to 7.4 per cent. of value of production) in first six months of 2003.

Consolidated profit before taxes, minority interests and extraordinary gains and losses reported by CIR in 2003 was €223.7 million, as compared to €186.7 million in 2002, representing an increase of 19.8 per cent. Consolidated profit before taxes, minority interests and extraordinary gains and losses reported by CIR in the first six months of 2004 was €133.0 million as compared to €90.0 million in the first six months of 2003, representing an increase of 47.8 per cent.

In 2003, consolidated net profit of CIR was €62.8 million as compared to €68.2 million in 2002 while the figure for the first six months of 2004 was €89.7 million up from €28.2 million for the first six months of 2003.

In respect of the year ended 31st December, 2003, the most significant contributions to the consolidated revenues and profit of CIR were provided by the L'Espresso Group and the Sogefi Group which reported consolidated net profits in 2003, respectively, of €67.8 million (as compared to €46.1 million in 2002) and €28.5 million (as compared to €23.5 million in 2002). In respect of the six month period ended 30th June, 2004, the most significant contributions to the consolidated revenues and profit of CIR were provided by the Energia Group and the L'Espresso Group which reported consolidated net profits, respectively, of €94.3 million (as compared to €2.3 million for the six month period ended 30th June, 2003) and €47.3 million (as compared to €25.6 million for the six month period ended 30th June, 2003). The significant increase in the Energia Group's consolidated net profits for the six month period ended 30th June, 2004 compared to the same period in 2003 was principally due to an extraordinary gain of approximately €88 million realised in relation to a capital increase of Energia subscribed by Verbund (CIR's partner in the Energia Group).

The following table sets forth the summary form audited consolidated income statements of CIR for the year ended 31st December, 2003, broken down by subsidiary group.

	Espresso	Energia	Sogefi	Others	2003 Consolidated Total
	(euro millions)				
Revenues	1,051.1	808.0	902.4	77.5	2,839.0
Other revenues and changes in inventory	15.0	20.2	22.2	9.0	66.4
Total value of production	1,066.1	828.2	924.6	86.5	2,905.4
Cost of production	(903.5)	(800.1)	(842.1)	(104.6)	(2,650.3)
Operating income	162.6	28.1	82.5	(18.1)	255.1
Financial income and expenses and adjustments to the value of financial assets	(26.3)	(0.3)	(10.8)	6.0	(31.4)
Extraordinary gains and losses	(3.0)	–	(17.3)	8.4	(11.9)
Results before taxes and minority interests	133.3	27.8	54.4	(3.7)	211.8
Income taxes	(65.0)	(10.1)	(23.7)	0.4	(98.4)
Results for the period including minority interests	68.3	17.7	30.7	(3.3)	113.4
(Profit) loss attributable to third parties in the sector's subsidiaries	(0.5)	(2.9)	(2.2)	(–)	(5.6)
Net results for the sector	67.8	14.8	28.5	(3.3)	107.8
(Profit) loss attributable to third parties in the sector's parent company	(33.5)	(3.9)	(11.4)	3.8	(45.0)
Net results for the CIR Group	34.3	10.9	17.1	0.5	62.8
Holding percentage	50.5%	67.3%*	60.1%	N/A	–

* CIR's holding in Energia S.p.A. is held indirectly through Energia Holding S.p.A.

The following table sets forth the summary form consolidated income statements of CIR for the six month period ended 30th June, 2004 (subject to limited review), broken down by subsidiary group.

					30th June, 2004
	<u>Espresso</u>	<u>Energia</u>	<u>Sogefi</u>	<u>Others</u>	<u>Consolidated Total</u>
	(euro millions)				
Revenues	545.6	465.8	495.3	28.0	1,534.7
Other revenues and changes in inventory	6.8	3.4	8.5	3.9	22.6
Total value of production	552.4	469.2	503.8	31.9	1,557.3
Cost of production	(458.7)	(451.3)	(460.8)	(43.0)	(1,413.8)
Operating income	93.7	17.9	43.0	(11.1)	143.5
Financial income and expenses and adjustments to the value of financial assets	(5.6)	(2.9)	(5.2)	3.2	(10.5)
Extraordinary gains and losses	(0.7)	87.5	(0.1)	(5.9)	80.8
Results before taxes and minority interests	87.4	102.5	37.7	13.8	213.8
Income taxes	(39.9)	(6.3)	(18.2)	(1.1)	(65.5)
Results for the period including minority interests	47.5	96.2	19.5	(14.9)	148.3
(Profit) loss attributable to third parties in the sector's subsidiaries	(0.2)	(1.9)	(1.2)	(–)	(3.3)
Net results for the sector	47.3	94.3	18.3	(14.9)	145.0
(Profit) loss attributable to third parties in the sector's parent company	(23.3)	(25.1)	(7.4)	0.5	(55.3)
Net results for the CIR Group	24.0	69.2	10.9	(14.4)	89.7
Holding percentage	50.7%	56.5%*	59.8%	N/A	–

* CIR's holding in Energia S.p.A. is held indirectly through Energia Holding S.p.A.

The following table sets forth the consolidated revenues for the periods indicated broken down by source as between the Republic of Italy, other European countries and the rest of the world.

	For the year ended				Change	
	<u>31st December, 2003</u>		<u>31st December, 2002</u>		<u>Actual</u>	<u>Percentage change 2003/2002</u>
	<u>Amount</u>	<u>Percentage of total revenues</u>	<u>Amount</u>	<u>Percentage of total revenues</u>		
	<u>(euro millions)</u>		<u>(euro millions)</u>			
Italy	2,000.1	70.4	1,700.1	65.8	300.0	17.6
Other European Countries	713.7	25.1	716.8	27.8	(3.1)	(0.4)
Rest of World	125.2	4.5	165.1	6.4	(39.9)	(24.2)
Total	<u>2,839.0</u>	<u>100.0</u>	<u>2,582.0</u>	<u>100.0</u>	<u>257.0</u>	<u>10.0</u>

The following table sets forth the consolidated revenues for the periods indicated broken down by source as between the Republic of Italy, other European countries and the rest of the world.

	For the six month period ended				Change	
	30th June, 2004		30th June, 2003		Actual (euro millions)	Percentage change semi-annual 2004/2003
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues		
Italy	1,083.1	70.6	954.6	69.0	128.5	13.5
Other European Countries	394.6	25.7	360.2	26.0	34.4	9.6
Rest of World	57.0	3.7	69.2	5.0	(12.2)	(17.6)
Total	1,534.7	100.0	1,384.0	100.0	150.7	10.9

With respect to balance sheet results, shareholders' equity for the CIR Group as at 31st December, 2003 was €874.7 million compared to €848.8 million as at 31st December, 2002. The increase of €25.9 million was principally due to the following movements: an increase due to net income of €62.8 million for the year; a decrease due to the payment of dividends for €31.4 million, and "other movements" for €5.5 million (essentially exchange rate differences on the conversion of the financial statements in foreign currencies of the foreign subsidiaries). The shareholders' equity for the CIR Group as at 30th June, 2004 was €933.1 million.

The following table sets forth the summary form consolidated balance sheets of CIR as at 31st December, 2003, broken down by subsidiary group.

	Espresso	Energia	Sogefi	Others	2003 Consolidated Total
	(euro millions)				
Net operating working capital	46.3	34.1	129.1	488.2	697.7
Fixed assets	566.2	266.8	375.8	218.4	1,427.2
Medium- and long-term liabilities	(129.8)	(5.8)	(82.7)	(109.6)	(327.9)
Net invested capital	482.7	295.1	422.2	597.0	1,797.0
Net financial debt	(149.5)	(88.1)	(213.4)	(101.4)	(552.4)
Total shareholders' equity	333.2	207.0	208.8	495.6	(1,244.6)
Shareholders' equity attributable to third parties in the subsidiaries of the sector	(9.9)	(73.9)	(14.4)	–	(98.2)
Shareholders' equity for the sector	323.3	133.1	194.4	495.6	1,146.4
Shareholders' equity attributable to minority interests of the parent company of the sector	(160.0)	(35.4)	(77.5)	1.2	(271.7)
Shareholders' equity for the CIR Group	163.3	97.7	116.9	496.8	874.7
Employees as at 31st December, 2003	3,166	93	6,548	353.0	10,160

The following table sets forth the summary form consolidated balance sheets of CIR as at 30th June, 2004, broken down by subsidiary group.

	30th June, 2004				
	<u>Espresso</u>	<u>Energia</u>	<u>Sogefi</u>	<u>Others</u>	<u>Consolidated Total</u>
	(euro millions)				
Net operating working capital	44.1	64.2	153.8	447.9	710.0
Fixed assets	603.4	355.4	377.6	218.4	1,570.0
Medium- and long-term liabilities	(172.1)	(9.2)	(77.3)	(109.6)	(345.8)
Net invested capital	475.4	410.4	454.1	597.0	1,934.2
Net financial debt	(145.9)	(41.2)	(237.0)	(101.4)	(535.7)
Total shareholders' equity	329.5	369.2	217.1	495.6	1,398.5
Shareholders' equity attributable to third parties in the subsidiaries of the sector	(9.7)	(140.8)	(16.8)	–	(167.9)
Shareholders' equity for the sector	319.8	228.4	200.3	495.6	1,230.6
Shareholders' equity attributable to minority interests of the parent company of the sector	(157.7)	(60.7)	(80.5)	1.2	(297.5)
Shareholders' equity for the CIR Group	162.1	167.7	119.8	496.8	933.1
Employees as at 30th June, 2004	3,184	102	6,605	353.0	10,360

SUBSIDIARY GROUPS

L'Espresso Group

Gruppo Editoriale L'Espresso S.p.A. (**Espresso**) and its direct and indirect subsidiaries (the **L'Espresso Group**) constitute the main subsidiary group of CIR, accounting for approximately 37.0 per cent. of the CIR Group's consolidated revenues in 2003 and approximately 35.6 per cent. of the CIR Group's consolidated revenues for the first six months of 2004. Its activities include newspaper and magazine publishing, radio and digital television broadcasting, and internet services. The L'Espresso Group's national newspaper, *La Repubblica*, was the most widely-read newspaper in the Republic of Italy in 2003 with 625,000 average daily copies (ADS data for 2003) (626,000, average daily copies for the first six months of 2004; source: management estimates) reaching an average of 2.85 million readers per day (Audipress, 1st Cycle 2004). The L'Espresso Group also controls 16 local newspapers throughout the Republic of Italy, totalling 486,500 average daily copies (ADS data for 2003) (483,000, average daily copies for the first six months of 2004; source: management estimates) and reaching an average of 3.1 million readers per day (Audipress, 1st Cycle 2004).

The periodical division of the L'Espresso Group publishes the flagship magazine *L'Espresso*, which had an average of 404,000 copies and 2.3 million readers per issue in 2003 (ADS Data for 2003) (399,000, average copies for the first six months of 2004; source: management estimates). Five other weekly and monthly titles are published by the L'Espresso Group, in addition to *La Repubblica's* weekly supplements. The L'Espresso Group's broadcasting activities include three Italian national radio stations, *Radio DeeJay*, *Radio Capital* and *m2o*, as well as two minor stations outside Italy, with approximately 8.2 million combined daily average listeners in the Republic of Italy (Audiradio, 1st Cycle 2004), and a satellite television music channel, *DeeJay TV*. The L'Espresso Group's internet activities are concentrated in its subsidiary Kataweb, which featured 276 million monthly pageviews in June 2004 (as certified by Red Sheriff).

As at 31st December, 2003, the L'Espresso Group had 3,166 employees (including temporary staff) which rose to 3,184 as at 30th June, 2004.

Recent Financial Results

Audited consolidated financial statements as at and for the year ended 31st December, 2003 and consolidated results of Espresso as at and for the six month period ended 30th June, 2004 (subject to limited review)

For the year ended 31st December, 2003, the L'Espresso Group reported net profits of €67.8 million on revenues of €1,051.1 million compared with net profits of €46.1 million on revenues of €963.7 million for the year ended 31st December, 2002. For the six months ended 30th June, 2004, the L'Espresso Group's net profits of €47.3 million on revenues of €545.6 million compared with net profits of €25.6 million on revenues of €487.8 million for the same period in 2003.

Consolidated revenues of the L'Espresso Group in 2003 increased by 9.1 per cent. from 2002. The increase was largely attributable to the success of the new editorial initiatives (**add-ons**) by *La Repubblica* and *L'Espresso*, the continuation of cost reduction initiatives, a restructuring of the internet division and reduced paper costs. The following table sets forth a breakdown of revenues for the L'Espresso Group for the periods indicated.

	For the year ended				Change Percentage change 2003/2002
	31st December, 2003		31st December, 2002		
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	
Circulation	482.8	45.9	400.0	41.5	20.7
Advertising	534.0	50.8	527.9	54.8	1.2
Other	34.3	3.3	35.8	3.7	(4.2)
Total	1,051.1	100.0	963.7	100.0	9.1

The following table sets forth a breakdown of revenues for the L'Espresso Group for the periods indicated.

	For the six month period ended				Change Percentage change semi-annual 2004/2003
	30th June, 2004		30th June, 2003		
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	
Circulation	249.6	45.8	205.5	42.1	21.5
Advertising	276.3	50.6	265.2	54.4	4.2
Other	19.7	3.6	17.1	3.5	15.2
Total	545.6	100.0	487.8	100.0	11.8

The improvement in circulation revenues during the first six months of 2004 was linked principally to the fact that sales of all publications remained strong as well as to the continued success of sales of add-ons. During the first half of 2004, *L'Enciclopedia di Repubblica*, an add-on sold alongside *La Repubblica*, sold approximately 4.8 million copies, with average sales of over 280,000 copies per issue.

Consolidated shareholders' equity at 31st December, 2003 was €332.0 million compared with €401.9 million at 31st December, 2002 and €333.3 million as at 30th June, 2004.

As at 31st December, 2003, net consolidated financial indebtedness of the L'Espresso Group amounted to €149.5 million, compared with €62.9 million as at the end of 2002 and €145.9 million as at 30th June, 2004.

The L'Espresso Group maintained a leadership position in the daily newspaper market in the Republic of Italy, with a total circulation figure of over 1.1 million copies per day in 2003 (1.1 for the first six months of 2004) from its 16 local papers and from *La Repubblica*. Circulation revenues grew by 20.7 per cent. compared with 2002 (and 21.5 per cent. in the first six months of 2004 compared to the same period in 2003), largely due to the success of sales of add-ons together with *la Repubblica*, *L'Espresso* and the local dailies, whose turnover is included within circulation revenues. The sale of add-ons (including items such as books, CDs and DVDs) follows a strategy of brand extension and exploitation of the strong relationship existing between the L'Espresso Group's readers and the editors of the titles published by the L'Espresso Group. Since 2002, when this strategy was implemented, add-ons have proven to represent a successful, profitable and sustainable new line of business. During 2003, *La Repubblica* recorded a marginal increase of 0.32 per cent. from 623,000 to 625,000 average copies per issue (625,000 for the first six months of 2004) while the local papers fell marginally from 490,000 to 486,500 average copies (483,000 for the first six months of 2004). Sales of *L'Espresso* increased from 388,000 to 402,000 average copies in 2002 and 2003, respectively (399,000 for the first six months of 2004), an increase of 4.1 per cent.

Consolidated advertising revenues increased from €527.9 million in fiscal year 2002 to €534.0 million in 2003, an increase of 1.2 per cent. For the six months ended 30th June, 2004, consolidated advertising revenues totalled €276.3 million compared with €265.2 million for the same period in 2003, an increase of 4.2 per cent.

Of note, in 2003, the advertising revenues of *La Repubblica* and its supplements recorded an overall decline of 2.2 per cent., linked to the negative trend of commercial advertising nationwide. In October 2004, *La Repubblica* completed an enhancement of its colour printing capabilities, allowing it to expand its offering of colour advertising. With respect to local newspapers, gross advertising revenues recorded growth of 0.6 per cent. compared with the previous year with a considerable difference between trends in advertising at the national level, which declined by 11.2 per cent., and that at the local level which increased by 4.1 per cent. mainly due to the increase in the sale of colour advertising space. In the first half of 2004, advertising revenues followed the trend of the market at the national level, showing strong growth from radio and from Internet sites and a recovery of commercial advertising (which impacted on *La Repubblica*).

Consolidated operating income rose from €122.4 million (12.7 per cent. of sales) in 2002 to €175.1 million (16.7 per cent. of sales) in 2003. For the first six months of 2004, consolidated operating income increased to €94.4 million (17.3 per cent. of sales) from €64.4 million (13.2 per cent. of sales) for the same period in 2003.

The reclassified consolidated income statements of Espresso for the years ended 31st December, 2003 and 2002 and the six month periods ended 30th June, 2004 and 2003 are set forth in the following table.

	For the six months ended		For the year ended	
	30th June, 2004	30th June, 2003	31st December, 2003	31st December, 2002
	(subject to limited review)		(audited)	
	(euro millions)		(euro millions)	
Revenues				
Circulation	249.6	205.5	482.8	400.0
Advertising	276.3	265.2	534.0	527.9
Other operating revenues	19.7	17.1	34.3	35.8
Total revenues	545.6	487.8	1,051.1	963.7
Cost of production				
Paper	(49.1)	(51.9)	(102.6)	(108.3)
Printing and miscellaneous materials	(41.9)	(40.3)	(79.6)	(83.6)
Other production costs	(54.4)	(32.3)	(85.4)	(58.5)
Total cost of production	(145.4)	(124.5)	(267.6)	(250.4)
Operating Costs				
Promotion	(20.0)	(19.0)	(43.3)	(42.0)
Distribution	(14.7)	(13.6)	(28.3)	(27.0)
Publishers' fees	(11.1)	(9.2)	(19.0)	(19.6)
Agents/agency	(14.3)	(13.3)	(27.9)	(26.2)
Other	(87.6)	(88.3)	(183.9)	(171.2)
Total operating costs	(147.7)	(143.4)	(302.4)	(286.0)
Labour costs	(133.2)	(128.6)	(249.6)	(246.5)
Gross operating profit	119.3	91.3	231.5	180.8
Depreciation and amortisation				
Depreciation of fixed assets	(17.3)	(18.7)	(40.6)	(42.5)
Amortisation of goodwill	(7.6)	(8.2)	(15.8)	(15.9)
Operating profit	94.4	64.4	175.1	122.4
Non-operating income (expense)				
Net interest income (expense)	(6.0)	(14.6)	(28.6)	(2.5)
Leasing fees	(0.7)	(0.7)	(1.4)	(1.6)
Net income (loss) from investments in affiliated companies	0.4	1.8	(9.0)	(4.5)
Extraordinary and other income (expense)	(0.7)	(0.2)	(2.9)	(6.1)
Profit before taxes	87.4	50.7	133.2	107.7
Income taxes	(39.9)	(25.0)	(65.0)	(62.9)
Minority interests	(0.2)	(0.1)	(0.4)	1.3
Net profit (loss) for the year	47.3	25.6	67.8	46.1

The reclassified consolidated balance sheets of Espresso as at 31st December, 2003 and 2002 and 30th June, 2004 are set forth in the following table.

	As at 30th June, 2004 <u>(subject to limited review)</u> (euro millions)	As at 31st December, 2003 <u>(audited)</u> (euro millions)	As at 31st December, 2002
Tangible assets, net	222.7	181.7	136.6
Deferred costs	36.7	36.7	44.5
Premiums paid for names of publications	271.5	276.2	285.7
Consolidation adjustments	22.9	23.3	28.3
Investments, net	24.9	25.6	26.5
Own shares	13.5	8.7	8.2
Trade receivables, net	220.5	231.5	223.3
Inventories	30.2	36.5	33.6
Trade payables	(148.7)	(156.1)	(147.4)
Net operating assets	<u>102.0</u>	<u>111.9</u>	<u>109.5</u>
Income tax (payable)/receivable	14.3	23.2	(1.7)
Other tax (payable)/receivable	9.7	10.2	3.6
Due to employees and social security institutions	(36.4)	(40.3)	(37.2)
Reserve for severance indemnities and similar	(100.6)	(98.5)	(92.6)
Other reserves	(26.1)	(25.9)	(24.2)
Other assets/(liabilities)	(66.1)	(41.4)	(12.7)
Net capital invested	<u>489.0</u>	<u>491.4</u>	<u>474.5</u>
Cash and short-term investments	95.2	90.3	181.3
Short-term debt	(16.5)	(12.7)	(10.6)
Medium/long-term debt	(224.6)	(227.1)	(233.6)
Net financial position	<u>(145.9)</u>	<u>(149.5)</u>	<u>(62.9)</u>
Capital stock	64.8	64.8	64.6
Other reserves	221.2	199.4	291.2
Net profit (loss) for the year	47.3	67.8	46.1
Shareholders' equity	<u>333.3</u>	<u>332.0</u>	<u>401.9</u>
Minority interests in shareholders' equity	9.8	9.9	9.7

The Divisions

The following is a description of each of the divisions within the L'Espresso Group.

(a) *La Repubblica Division*

La Repubblica, published by Editoriale la Repubblica S.p.A., is the Republic of Italy's largest national newspaper in terms of readership and had an average circulation of 625,000 daily copies in 2003 (as compared to 623,000 copies in 2002) and an average circulation of 626,000 daily copies for the first six months of 2004.

In 2003, Editoriale la Repubblica S.p.A. reported total revenues of €537.6 million compared to €481.1 million in 2002, representing an increase of 11.7 per cent. For the first six months of 2004, total revenues increased to €276.0 million from €234.4 million for the same period in 2003, an increase of 17.8 per cent.

The operating income of the division in 2003, which was €112.3 million, showed a notable improvement compared with the figure of €89.3 million in 2002 (an increase of 25.7 per cent.). This growth was principally due to the effects of cost cutting as well as to a fall in the price of paper. For the first six months of 2004, operating income increased to €51.4 million from €36.0 million for the same period in 2003, an increase of 42.8 per cent.

(b) *Local Newspaper Division*

The L'Espresso Group's local newspaper division publishes 16 local newspapers which are owned by Finegil Editoriale S.p.A. In aggregate, the dailies published by the local newspaper division had an average circulation in 2003 of 487,000 copies (as compared to an average of 491,000 copies in 2002) and an average circulation of 483,000 copies for the first six months of 2004.

Consolidated revenues of the local newspaper division rose from €239.3 million in 2002 to €244.3 million in 2003, an increase of 2.1 per cent. The increase was largely due to an increase in circulation revenues resulting from the publishing initiatives sold with the regional newspaper *La Nuova Sardegna* and with the local newspapers of the Triveneto area (north-eastern Republic of Italy). For the first six months of 2004, consolidated revenues increased to €124.9 million from €119.6 million for the same period in 2003, an increase of 4.4 per cent.

Advertising revenues increased slightly compared with the previous year, increasing 0.6 per cent. Sales of colour advertising space grew by 9 per cent. compared to 2002. For the first six months of 2004, advertising revenues grew 2.3 per cent. compared to the same period in 2003.

Operating income of the local newspaper division rose from €36.9 million in 2002 to €40.3 million in 2003 (an increase of 9.2 per cent.). The ratio of operating income to total sales went up from 15.4 per cent. to 16.5 per cent. due to cost cutting activities and a fall in the price of paper. Operating income increased from €17.7 million in the first half of 2003 to €19.7 million in the first half of 2004, an increase of 11.3 per cent. During those periods, the ratio of operating income to total sales also increased, from 14.8 per cent. to 15.8 per cent.

(c) *L'Espresso Division*

The L'Espresso Division includes the Italian weekly magazine *L'Espresso*, together with a number of smaller magazines including *Le Guide*, *Limes* and *Micromega*. *L'Espresso* is one of the leading Italian weekly news magazines in terms of circulation (after *Panorama*), with an average circulation per issue of 402,000 copies in 2003 (representing an increase of 4.1 per cent. from 2002) and 399,000 copies per issue in the first half of 2004.

The L'Espresso Division recorded revenues of €110.9 million in 2003, an increase of 23.4 per cent. compared with the figure of €89.9 million for 2002. Revenues for the first half of 2004 were €56.8 million, down marginally from €57.9 million for the first half of 2003.

The operating income of the division for 2003 totalled €13.4 million (compared to €6.7 million in 2002, an increase of 100.0 per cent.). The significant growth in income was driven by a 4 per cent. increase in circulation as well as by the positive performance of the optional extras sold each week with the magazine. The operating income of the division for the first six months of 2004 totalled €8.9 million, an increase of 25.4 per cent. over the figure of €7.1 million recorded for the first six months of 2003.

(d) *Radio Division*

Through its subsidiary Elemedia S.p.A., the L'Espresso Division owns and operates the following three national commercial radio stations in the Republic of Italy:

- *Radio DeeJay*, which is targeted at young listeners, offers music and other entertainment, and is the market leader in commercial radio in the Republic of Italy with an average of approximately 5.5 million daily listeners in the first six months of 2004 (Audiradio, 1st Cycle 2004);
- *Radio Capital*, which is targeted at listeners who are between 25 and 40, offers news coverage and entertainment and reached an average of almost 2.0 million daily listeners in the first six months of 2004 (Audiradio, 1st Cycle 2004); and
- *m2o*, launched in 2002, which is targeted at very young and teenage listeners, offers a programme consisting entirely of music, fast programming and new music trends, and reached an average of approximately 0.8 million daily listeners in the first six months of 2004 (Audiradio, 1st Cycle 2004).

Each of the radio stations also operates a website under its brand name.

The Radio Division recorded revenues of €55.3 million in 2003, up by 16.3 per cent. compared with the figure of €47.6 million for 2002. Revenues of the division for the first six months of 2004 totalled €33.1 million, an increase of 20.7 per cent. over the figure of €27.4 million recorded for the first six months of 2003.

The operating income of the division in 2003, which was €13.8 million, showed, an increase of 60.5 per cent. compared with €8.6 million recorded in 2002. For the first six months of 2004, operating income totalled €12.9 million compared to €8.0 million for the first six months of 2003.

(e) *Kataweb*

The L'Espresso Group's Internet activities are concentrated in Kataweb S.p.A. (**Kataweb**), which operates online editorial and publishing activities, offers software development and integrated solutions to the small to medium-size business market (through its subsidiary Ksolutions S.p.A.) and sells content and value added services to individuals and telephone and internet service providers.

The L'Espresso Group's newspapers are sold on the internet as a premium service through Kataweb's content distribution platform. Sales of the L'Espresso Group's newspapers on the internet are considered revenues of the

Internet business unit. The www.repubblica.it site is the leading site for news in the Republic of Italy, which registered an average audience of 3,466,249 individual users (as certified by Red Sheriff) in June 2004.

Kataweb operates www.kataweb.it, a web portal featuring channels including financial news and stock quotes, weather, maps, telephone white pages and job search and recruiting. Content is published 24 hours a day, seven days a week in the telephone directory, in order to focus advertising on audience segments more effectively. According to data certified by Red Sheriff, in June 2004 Kataweb's site network recorded over 5.8 million individual users and 276 million monthly page visits.

In 2003, consolidated revenues of Kataweb (net of intercompany sales) totalled €23.3 million compared with €25.9 million in the previous year. Consolidated revenues of the division for the first six months of 2004 totalled €13.7 million, an increase of 26.5 per cent. over the figure of €10.9 million recorded for the first six months of 2003.

The operating income of the division in 2003, which was a loss of €12.5 million, showed an improvement compared with a loss of €23.7 million in 2002 (a decrease of 47.3 per cent. compared to the loss incurred in 2002). For the first six months of 2004, operating income was a loss of €2.3 million, an improvement over the loss of €6.4 million for the first six months of 2003.

Energia Group

Energia operates in the Italian electricity and natural gas market. Founded in July 1999 by CIR and Verbund (the leading Austrian electricity operator), Energia has experienced significant growth and has established itself as a leading operator in the Italian eligible (or "open") energy market.

Energia started supplying electricity to businesses on 1st January, 2000 and now has approximately 4,400 clients throughout the country (mainly individual companies or consortia of businesses). In November 2001, Energia began supplying natural gas to industrial clients, after signing important long-term agreements with the Eni Group of Italy for the import of gas and now has approximately 300 clients.

Energia is actively moving into the electricity generation business through two recently-purchased relatively small sized hydroelectric plants in Valle d'Aosta (Republic of Italy) and by developing a 800 MW CCGT plant project in Molise (Republic of Italy). Energia, jointly with domestic and international partners, also acquired Tirreno Power (formerly Interpower), the third of the electricity generation companies which Italian market leader and former Italian state-owned monopoly power provider Enel was forced to divest due to regulatory requirements.

Commencing in 1999, the Italian electricity sector has undergone a radical transformation from a state-run monopoly to a regulated competitive market. Legislation regarding further deregulation in the Italian electricity sector was approved in April 2002. Energia's strategy is directed at exploiting opportunities created by this liberalisation.

In 2003, Energia distributed a total amount of 6,952 GWh of energy and over 1,200 million cubic metres of natural gas as compared to 5,302 GWh and 781 million cubic metres of energy and natural gas, respectively, in 2002. For the first six months of 2004, Energia distributed a total of 3,482 GWh of energy and over 823 million cubic metres of natural gas as compared to 3,471 GWh and 555 million cubic metres of energy and natural gas, respectively, for the first six months of 2003.

Recent Financial Results

Audited consolidated financial statements of Energia as at and for the year ended 31st December, 2003 and consolidated financial statements of Energia as at and for the six month period ended 30th June, 2004 (subject to limited review)

During 2003, Energia recorded sales revenues of €808 million, an increase of 40.8 per cent. compared with the figure of €574.0 million of the previous year. For the first six months of 2004, sales revenues of the division were €465.8 million, an increase of 18.9 per cent. over the figure of €391.7 million for the first six months of 2003.

The net income for 2003 was €16.1 million, an increase of 15.8 per cent. over the figure of €13.9 million reported in the previous year. For the first six months of 2004, net income was €8.8 million, an increase of 267 per cent. over the figure of €2.4 million for the first six months of 2003.

The following tables set forth a breakdown of revenues for Energia for the periods indicated.

	For the year ended				Change Percentage change 2003/2002
	31st December, 2003		31st December, 2002		
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	
Electricity	571.1	70.8	429.1	74.8	33.2
Gas	236.3	29.2	144.9	25.2	63.1
Other revenues	0.2	–	–	–	–
Total	808.0	100.0	574.0	100.0	40.8

	For the six months ended				Change Percentage change semi-annual 2004/2003
	30th June, 2004		30th June, 2003		
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	
Electricity	315.7	67.8	281.9	72.0	12
Gas	149.9	32.2	109.8	28.0	36.5
Other revenues	0.2	N/A	–	–	N/A
Total	465.8	100.0	391.7	100.0	18.9

The gross operating margin rose 23.2 per cent. from €30.2 million in 2002 to €37.2 million in 2003, an increase of 18.8 per cent.

Operating income for 2003 was €28.2 million, an increase of 9.7 per cent. compared with €25.7 million in the previous year. For the first six months of 2004, operating income totalled €17.9 million compared to the figure of €14.7 million for the first six months of 2003.

Shareholders' equity rose from €30.7 million at 31st December, 2002 to €205.8 million at 31st December, 2003. The figure as at 30th June, 2004 was €362.0 million.

As at 31st December, 2003 the Energia Group had 93 employees compared with the 62 on the payroll at 31st December, 2002. The figure as at 30th June, 2004 was 102 employees.

The reclassified income statements of the Energia Group for the years ended 31st December, 2003 and 2002 and the six month periods ended 30th June, 2004 and 2003 are set forth in the following table.

	<u>For the six months ended</u>		<u>For the year ended</u>	
	<u>30th June, 2004</u>	<u>30th June, 2003</u>	<u>31st December, 2003</u>	<u>31st December, 2002</u>
	<u>(subject to limited review)</u>		<u>(audited)</u>	
	<u>(euro millions)</u>		<u>(euro millions)</u>	
Sales revenues	465.8	391.7	808.0	574.0
Other revenues and income	3.4	11.9	20.2	5.6
Net revenues	469.2	403.6	828.2	579.6
Additions to internally produced fixed assets	–	–	–	–
Value of production	469.2	403.6	828.2	579.6
Consumption of raw materials	(324.8)	(277.3)	(586.3)	(396.6)
Services	(115.7)	(100.9)	(196.7)	(150.3)
Lease and rental and other miscellaneous costs (including changes in inventory)	(1.5)	(2.2)	(1.2)	2.4
Added value	27.2	23.2	44.0	35.1
Labour costs	(3.7)	(3.3)	(6.8)	(4.9)
of which: <i>Severance Indemnity (TFR)</i>	(0.2)	(0.2)	(0.4)	(0.2)
Gross operating margin	23.5	19.9	37.2	30.2
Amortisation, depreciation and write-downs of fixed assets	(1.3)	(1.2)	(2.4)	(1.4)
Provisions to reserves for write-downs of receivables	(1.1)	(0.5)	(1.6)	(1.1)
Provisions to reserves for risks and losses	(3.2)	(3.5)	(5.0)	(2.0)
Operating income – net	17.9	14.7	28.2	25.7
Financial income (expenses) – net	(2.4)	(2.9)	(4.0)	(1.5)
Revaluation (write-down) of financial assets	(0.5)	(7.2)	3.7	–
Income before extraordinary items and taxes	15.0	4.6	27.9	24.2
Extraordinary income (charges)	0	–	–	–
Income before taxes	15.0	4.6	27.9	24.2
Income taxes for the period	(7.7)	(6.4)	(10.2)	(11.2)
Deferred tax credits (payables)	1.4	1.4	–	0.9
Net income for the period	8.7	(0.4)	17.7	13.9
Income (loss) for the period – minority interests	0.1	2.8	(1.6)	–
Net income (loss) for the period	8.8	2.4	16.1	13.9

The reclassified balance sheets of the Energia Group as at 31st December, 2003 and 2002 and as at 30th June, 2004 is set forth in the following table.

	As at 30th June, 2004, <u>(subject to limited review)</u> (euro millions)	As at, 31st December, 2003, <u>(audited)</u> (euro millions)	As at 31st December, 2002,
Fixed assets – net			
Intangible fixed assets – net	8.4	8.5	7.7
Tangible fixed assets – net	92.3	11.3	10.6
Financial fixed assets – net	254.7	247.0	22.9
	<u>355.4</u>	<u>266.8</u>	<u>41.2</u>
Net working capital			
Inventories	6.1	6.4	4.4
Trade receivables	184.4	196.2	158.2
Other assets	69.5	49.8	37.9
Accrued income and prepaid expenses	2.7	1.8	0.9
Reserves for risks and losses	(8.3)	(5.1)	(2.0)
Trade payables	(182.4)	(198.9)	(147.3)
Other liabilities	(15.7)	(21.8)	(7.8)
Accrued expenses and deferred income	(1.0)	–	(0.1)
	<u>55.3</u>	<u>28.4</u>	<u>44.2</u>
Medium/long term liabilities			
Employee severance indemnity	(0.9)	(0.7)	(0.5)
	<u>(0.9)</u>	<u>(0.7)</u>	<u>(0.5)</u>
Net capital invested	<u>409.8</u>	<u>294.5</u>	<u>84.9</u>
Financed by:			
Shareholders' equity			
Shareholder receivables	(0.4)	(0.4)	–
Share capital	7.7	5.5	5.4
Additional paid-in capital	243.1	0.2	0.1
Legal reserve	1.1	1.1	1.0
Other reserves	(1.0)	94.2	–
Retained (earnings) losses	28.2	18.7	10.3
(Net income) loss for the period	8.8	16.1	13.9
Minority interests in shareholders' equity	74.5	70.4	–
	<u>362.0</u>	<u>205.8</u>	<u>30.7</u>
Net financial debt			
Medium/long terms loans	267.0	159.0	25.0
Short-term loans	2.2	2.0	30.2
Cash and cash equivalents	(221.4)	(72.3)	–
Financial receivables	–	–	(1.0)
	<u>47.8</u>	<u>88.7</u>	<u>54.2</u>
Total sources of funds – net	<u><u>409.8</u></u>	<u><u>294.5</u></u>	<u><u>84.9</u></u>

The Divisions

Energy Division

Energia has operated as a wholesaler of electric power on the eligible customer market (single industrial users of consortia of companies) since January 2000.

As described above, in May 2004 Verbund, CIR's partner in the Energia Group subscribed a capital increase of €150 million in Energia. These financial resources will be invested in the development of the industrial plan of Energia. Energia is committed to implementing a programme of greenfield thermoelectric power plants each of around 800 MW in various locations in the Republic of Italy. Energia is also developing other power generating projects using renewable sources, particularly wind farms.

Work has commenced on the construction of the 770 MW combined cycle electricity and steam generating plant fired by natural gas in Termoli (Campobasso, Republic of Italy). The power plant is scheduled to be completed by the end of the first half of 2006.

In addition, during the first half of 2004, the implementation of the repowering plan of Tirreno Power continued. This plan involves an increase in the installed capacity of the plant (from 2.6 TW at the time of the acquisition to approximately 2.9 TW).

Gas Division

Energia started its gas wholesaling activity in November 2001. In order to satisfy its supply requirements the Energia Group has signed several agreements with the Eni Group to import up to 2 billion cubic metres per year of gas.

The Sogefi Group

Sogefi S.p.A. (**Sogefi**) and its direct and indirect subsidiaries (together, the **Sogefi Group**) manufacture filters and suspension auto components for motor vehicles in plants throughout Europe, South America and Asia. The Sogefi Group operates in the original equipment market (sales of parts to motor vehicle manufacturers to include in the production of new motor vehicles), the original equipment spares market (sales of vehicle manufacturer-branded spare parts) and the after market (sales of spare parts other than vehicle manufacturer-branded spare parts) (with consolidated revenues split approximately 61 per cent. and 39 per cent. between, respectively, the original equipment market and the after market).

The Sogefi Group's client base, which includes many of the most prominent automobile manufacturers, is diversified, with the top ten clients by revenues representing approximately 58 per cent. of consolidated sales revenues.

Recent Financial Results

Audited consolidated financial statements of Sogefi as at and for the year ended 31st December, 2003 and consolidated financial statements of Sogefi as at and for the six month period ended 30th June, 2004 (subject to limited review)

Consolidated sales revenues for 2003 of the Sogefi Group were €902.4 million, substantially unchanged compared with the figure of €905.6 million reported in the previous year. Consolidated net income was €28.5 million, up from €23.5 million in 2002. Consolidated sales revenues of the Sogefi Group per business segment for the years ended 31st December, 2003 and 2002 are as set out in the table below.

	For the year ended				Change Percentage change 2003/2002
	31st December, 2003		31st December, 2002		
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	
Filters	496.0	55.0	502.5	55.5	(1.3)
Suspension components	404.8	44.9	392.2	43.3	3.2
Other	1.6	0.1	10.9	1.2	(85.3)
Total	902.4	100.0	905.6	100.0	(0.35)

Consolidated sales revenues for the first six months of 2004 of the Sogefi Group were €495.3 million, an increase of 8.3 per cent. compared with the figure of €457.4 million reported in the same period in the previous year. Consolidated net income was €18.3 million for the first six months of 2004, up from €15.8 million for the first six months of 2003. Consolidated sales revenues of the Sogefi Group per business segment for the six month periods ended 30th June, 2004 and 2003 are as set out in the table below.

	For the six months ended				Change Percentage change semi-annual 2004/2003
	30th June, 2004		30th June, 2003		
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	
Filters	266.0	53.7	249.0	54.4	6.8
Suspension components	229.3	46.3	207.4	45.4	10.6
Other	–	–	1.0	0.2	N/A
Total	495.3	100.0	457.4	100.0	8.3

The Sogefi Group operates globally, with particular emphasis on Europe, South America and Asia. The revenues of the Sogefi Group for the periods indicated may be broken down geographically as set out in the following tables.

	For the year ended					
	31st December, 2003		31st December, 2002		Change	
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	Actual (euro millions)	Percentage change 2003/2002
Italy	135.5	15.0	147.4	16.3	(11.9)	(8.1)
Other European Countries	682.4	75.6	659.2	72.8	23.2	3.5
Rest of World	84.5	9.4	99.0	10.9	(14.5)	(14.6)
Total	902.4	100.0	905.6	100.0	(3.2)	(0.35)

	For the six months ended					
	30th June, 2004		30th June, 2003		Change	
	Amount (euro millions)	Percentage of total revenues	Amount (euro millions)	Percentage of total revenues	Actual (euro millions)	Percentage change semi-annual 2004/2003
Italy	65.9	13.3	71.9	15.7	(6.0)	(8.3)
Other European Countries	381.0	76.9	345.3	75.5	35.7	10.3
Rest of World	48.4	9.8	40.2	8.8	8.2	20.4
Total	495.3	100.0	457.4	100.0	37.9	8.3

Consolidated operating income for 2003 totalled €78.6 million (8.7 per cent. of sales), slightly higher than the figure of €77.6 million (8.6 per cent. of sales) reported in 2002. For the first six months of 2004, consolidated operating income was €43.4 million (8.8 per cent. of sales), an increase of 13.5 per cent. over the figure of €38.3 million (8.4 per cent. of sales) for the first six months of 2003. This increase was principally due to stronger than expected European car sales and automobile production in South American markets, an increase in the Sogefi Group's market share in the original equipment market and the success of new products (such as stabilisers and oil filtration systems).

Consolidated shareholders' equity at 31st December, 2003 was €198.2 million compared with €187.9 million at 31st December, 2002 and €204.0 million as at 30th June, 2004.

As at 31st December, 2003, net consolidated financial indebtedness of Sogefi S.p.A. amounted to €213.4 million, compared with €241.5 million as at the end of 2002 and €237.0 million as at 30th June, 2004.

The costs of researching and developing new products and processes totalled €18.0 million during 2003, compared with €16.2 million in 2002 while for the first six months of 2004, the figure was €10.7 million compared to €9.8 million for the first six months of 2003.

As at 31st December, 2003 the Sogefi Group employed 6,548 people, 155 less than the 6,703 on the payroll at 31st December, 2002. As at 30th June, 2004, the Sogefi Group employed 6,605 people a marginal increase from the figure as at 31st December, 2003.

The reclassified consolidated income statements of Sogefi for the years ended 31st December, 2003 and 2002 and the six month periods ended 30th June, 2004 and 2003 are set out in the following table

	For the six months ended		For the year ended	
	30th June 2004	30th June, 2003	31st December, 2003	31st December, 2002
	(subject to limited review) (euro millions)		(audited) (euro millions)	
Sales	495.3	457.4	902.4	905.6
Cost of production	362.5	333.8	659.7	660.9
Gross Industrial Income	132.8	123.6	242.7	244.7
Sale costs, overheads and administrative costs	89.4	85.3	164.1	167.1
Operating Income	43.4	38.3	78.6	77.6
Financial expenses – net	(3.8)	(5.1)	(10.8)	(14.9)
Miscellaneous income (expenses) – net	(0.4)	1.9	3.9	(4.9)
Extraordinary expenses – net	(1.5)	(4.5)	(17.3)	(6.4)
Income Before Taxes and Minority Interests	37.7	30.6	54.4	51.4
Income taxes	18.2	13.7	23.7	25.9
Income Before Minority Interests	19.5	16.9	30.7	25.5
Loss (income) attributable to minority interests	(1.2)	(1.1)	(2.2)	(2.0)
Net Income for the Year	18.3	15.8	28.5	23.5

The reclassified consolidated balance sheets of Sogefi as at 31st December, 2003 and 2002 and as at 30th June, 2004 are set forth in the following table.

	As at 30th June, 2004,	As at, 31st December, 2003,	As at 31st December, 2002,
	(subject to limited review) (euro millions)	(audited) (euro millions)	
Short-term operating assets	405.5	370.6	361.6
Short-term operating liabilities	(252.2)	(241.5)	(226.8)
Net Working Capital	153.3	129.1	134.8
Equity investments (including treasury stock)	10.0	11.3	13.1
Intangible and tangible fixed assets	371.5	368.3	372.9
Capital Invested	534.8	508.7	520.8
Other medium and long-term liabilities	(77.0)	(82.7)	(78.9)
Capital Invested – Net	457.8	426.0	441.9
Financial indebtedness – net	237.0	213.4	241.5
Shareholders' equity – minority interests	16.8	14.4	12.5
Consolidated shareholders' equity group	204.0	198.2	187.9
Total	457.8	426.0	441.9

The Divisions

The Sogefi Group's core business units are the filter division, which manufactures mainly oil and air filters, and the suspension division, which manufactures suspension components such as coil and leaf springs and stabiliser bars. A very minor part of the production is represented by horns, silencers and sports car accessories.

Filter Division

The Sogefi Group's filter division produces filters under the brand names "Fiaam", "Fram", "Coopers", "Pbr", "Purflex", "Tecnocar", and "Crossland", and includes a wide range of filters for automotive application: oil, fuel, diesel, air, cabin and hydraulic. The Sogefi Group's operations in this sector are mainly concentrated in the Republic of Italy, the United Kingdom, France, Germany and Spain. As at 31st December, 2003, the Sogefi Group was a

leader in the production of filters with an estimated 38 per cent. market share in Europe and an estimated 8 per cent. market share world-wide (*source*: management estimates).

In 2003, the filter division achieved revenues, net of intercompany sales, of €496 million, down by 1.3 per cent. compared with the previous year when it reported a figure of €502.5 million. The filter division's revenues for the first six months of 2004 totalled €266.0 million, an increase of 6.8 per cent. over the figure of €249.0 million recorded for the first six months of 2003.

The consolidated operating income of the division was €49.4 million (10.0 per cent. of sales), largely unchanged from the figure of €49.5 million (9.9 per cent. of sales) in 2002. For the first six months of 2004, consolidated operating income was €26.3 million (9.9 per cent. of sales), an increase of 9.6 per cent. over the figure of €24.0 million (9.6 per cent. of sales) for the first six months of 2003.

Suspension Component Division

The Sogefi Group's suspension components division produces such items as leaf springs, coil springs, stabilisers and torsion bars for various types of motor vehicles, railway coaches and wagons. As at 31st December, 2003, the Sogefi Group's suspension components division was the largest producer of suspension components in Europe with an estimated 43 per cent. market share (and 15 per cent. of the market world-wide) (*source*: management estimates).

The suspension components and precision spring division, whose sales are essentially directed at the original market, suffered the effects of the downturn in demand by vehicle manufacturers. Sales revenues of the division amounted to €404.8 million, up by 3.2 per cent. from the figure of €392.2 million of the previous year. For the first six months of 2004, sales revenues of the division were €229.3 million, an increase of 10.6 per cent. over the figure of €207.4 million for the first six months of 2003.

The consolidated operating income of the division in 2003 was €37.2 million (9.2 per cent. of sales), up from €34.7 million (8.9 per cent. of sales) in 2002. For the first six months of 2004, consolidated operating income was €21.9 million (9.5 per cent. of sales), an increase over the figure of €18.6 million (9.0 per cent. of sales) for the first six months of 2003.

Other Activities and Investments

Dry Products Group

CIR controls Dry Products S.p.A., the parent company of the Dry Products Group in which it holds a 55 per cent. interest. The Dry Products Group consists of the parent company, Dry Products S.p.A., and its direct and indirect subsidiaries and is a global producer and seller of numerous kinds of food, bakery and packaging machinery.

HSS

The CIR Group's interest in the Italian healthcare services sector are held through HSS, a newly-formed vehicle controlled by the CIR Group. Investments in this sector are directed at hospital services, rehabilitation facilities and residential care services for chronically ill patients. As at 30th June, 2004, HSS was managing healthcare facilities with a total of 800 beds.

H3G

The CIR Group (through CIRTEL International, a Luxembourg company controlled indirectly as to 100 per cent. by the Issuer) has a 1.66 per cent. stake in the share capital of H3G (Hutchison 3G Italia S.p.A.). Through its operating subsidiary H3G S.p.A., H3G holds one of the UMTS third generation mobile telephone licences awarded in October 2000. The first phase of the launch of the services began at the beginning of 2003 and in September 2004 had, approximately 1.5 million clients.

CIRTEL International, in its capacity as a shareholder of H3G, extended loans to H3G in 2000 for a total amount equal to €373 million. The loans, which matured in November 2001, have not yet been repaid. A decision of the International Court of Arbitration, charged with settling the dispute between CIRTEL International and H3G regarding such loans, dated 29th November, 2004 was issued on 3rd December, 2004. The arbitral tribunal's decision, described as a final award, ordered, *inter alia*, that H3G was obliged, and ordered it, to pay to CIRTEL International the principal amount of the loans, totalling approximately €373 million plus interest thereon at a rate of 4.70 per cent. per annum from 1st December, 2001 until the date of repayment. The result of the arbitration proceedings will be reflected appropriately in CIR's consolidated financial statements. CIR's consolidated net financial position as set out in its annual, semi-annual and quarterly reports does not currently take into account the financial receivables related to these loans.

Medinvest Plc

Through Medinvest Plc, a fund of hedge funds listed in Dublin, CIR collects the permanent surplus cash of the CIR Group and invests it in hedge funds. CIR also controls 74.4 per cent. of the share capital of Cofidefin Servicios de Consultoria, the management company of Medinvest Plc.

CIR Ventures

During 2002 a US venture capital fund, CIR Ventures L.P., was set up in order to give a more suitable and more streamlined structure to the Group's management of direct venture capital investments in the technology sector.

RECENT DEVELOPMENTS

The information set out below has been derived from an English translation of the text of the CIR Group's Report on Operations for the Nine-month Period ended 30th September, 2004. The results have not been audited or reviewed externally. The report was issued by CIR on 29th October, 2004.

In the first nine months of 2004, consolidated net income totalled €105.9 million compared with the figure of €30.9 million for the corresponding period in 2003. It should be noted, however, that the results of the first nine months of 2004 reflect an extraordinary gain of €64 million resulting from the subscription in May 2004 of a capital increase of €150 million in Energia (representing 17.7 per cent. of the share capital of Energia following the capital increase) by Verbund, CIR's partner in the Energia Group. The consolidated statement of income for the first nine months of 2003 also included extraordinary net capital gains of approximately €13 million from the sale by CIR of two non-instrumental real estate properties. The results of the subsidiaries contributed a total of €39.1 million to the net income figure of CIR for the first nine months of 2004 compared with €14.7 million in the same period of 2003, representing an increase of €24.4 million.

Consolidated sales revenues for the first nine months of 2004 were €2,205.2 million up from €2,030.6 million in the same period of 2003 (an increase of 8.6 per cent.), and would rise to an increase of by 9.4 per cent. if considered on the same basis of consolidation and at the same exchange rates as the first nine months of 2003 (from €2,006.4 million to €2,195.6 million). This improvement was due in particular to the contributions of the Energia Group in the amount of €97.3 million, of the Sogefi Group in the amount of €47.7 million and of the L'Espresso Group in the amount of €44.2 million.

In the first nine months of 2004, CIR International S.A. bought back €75 million in nominal amount of its €500,000,000 5.25 per cent. Guaranteed Notes due 2009 which were cancelled (subsequently a further €25 million in nominal amount of these Notes were bought back by CIR International S.A. and will be cancelled by year end). In addition, during the third quarter of 2004 approximately €22 million in nominal value of CIR International S.A.'s €300,000,000 6.375 per cent. Guaranteed Notes due 2011 were also bought back (subsequently a further €53 million in nominal amount of these Notes was bought back by CIR International and, together with the €22 million in nominal amount purchased earlier, will be cancelled by year end).

The consolidated net financial position of the CIR Group at 30th September, 2004 showed indebtedness of €543.1 million (compared to €535.7 million at 30th June, 2004 and €552.4 million at 31st December, 2003), which is the aggregate debt of CIR and its wholly owned financial subsidiaries (€87.3 million) and the total debt of all the operating groups (€455.8 million).

As at 30th September, 2004, the CIR Group had shareholders' equity of €950.3 million (€933.1 million at 30th June, 2004 and €874.7 million at 31st December, 2003) and €87.3 million of aggregate net financial debt (€101.3 million at 30th June, 2004 and €96.9 million at 31st December, 2003). The shareholders' equity and the aggregate net financial position of the CIR Group at 30th September, 2004 do not include capital gains accrued on the liquidity invested in Medinvest (the book value of which was €164.5 million as at 30th September 2004), which have not been accounted for as they have not yet been realised. As at 30th September, 2004 these gains amounted to €62.7 million.

As at 30th September, 2004 the CIR Group had 10,368 employees on its payrolls, compared with 10,360 at 30th June, 2004 and 10,160 at 31st December, 2003.

L'Espresso Group – The L'Espresso Group closed the first nine months of 2004 with consolidated net income of €53.3 million, compared with €35 million in the corresponding period in 2003, and consolidated sales revenues of €766.2 million, up by 6.1 per cent. over the same period in 2003.

These results were due to the positive performance of add-ons to the L'Espresso Group's publications, which now constitute a consolidated and structural business line, and to the rise in advertising revenues which, in spite of being erratic, were nevertheless up by 2.4 per cent. compared with the same period in the previous year.

The operating cash-flow of €151 million led to a reduction of net financial debt from €149.5 million at 31st December, 2003 to €124.5 million at 30th September, 2004, despite investments totalling €72.8 million and dividends paid out of €47.1 million.

Energia Group – During the first nine months of 2004, the Energia Group recorded consolidated net income of €7.3 million compared with a loss of €7.2 million in the first nine months of 2003.

Consolidated sales revenues were €680.6 million, up from €583.3 million (an increase of 16.7 per cent.) mainly due to the increase in the volumes of gas sold.

The significant improvement in earnings was due in particular to the substantial contribution of the electricity sector while the gas marketing sector in the first nine months of 2004 was affected by a less favourable environment, in spite of higher sales volumes. The results for the first nine months of 2003, however, were negatively affected by higher amortisation relating to the goodwill of Tirreno Power.

At 30th September, 2004 the Energia Group reported net indebtedness of €102.6 million compared with €88.7 million at 31st December, 2003. This change was mainly due to the above-mentioned capital injection of €150 million offset by investments of €130 million made in the Termoli combined cycle power plant and by the €44 million rise in working capital.

Sogefi Group – In the first nine months of 2004, the Sogefi Group achieved consolidated net income of €26.3 million compared with the figure of €22.8 million recorded in the same period in 2003.

Consolidated sales revenues reached €719.6 million, an increase of 7.1 per cent. compared with the same period in the previous year. The rise in revenues and profitability was due both to the growth of the Sogefi Group's market share in the original market and to the effect of the action taken to bring selling prices into line with the costs of raw material, as well as to the greater efficiency in production following the reduction of the number of industrial sites and the lower structure costs achieved after the reorganisation of the companies in the filter business. The net financial position at 30th September, 2004 showed net indebtedness of €219.1 million compared with €247.1 million at 30th September, 2003 and €213.4 million at 31st December, 2003.

DIRECTORS

The Board of Directors of the Issuer has the ultimate responsibility for the administration of its affairs.

The current Board of Directors of the Issuer and their respective functions, together with their principal outside offices are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal Offices Outside of the Issuer</u>
Carlo De Benedetti	Chairman	President of Cofide S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. President of Sogefi S.p.A. President of CDB Web Tech S.p.A. Director of Valeo S.A. Director of Pirelli S.p.A. Director of Banca Intermobiliare S.p.A.
Rodolfo De Benedetti	Managing Director and CEO	Managing Director of Cofide S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. Director of Sogefi S.p.A. President of Energia S.p.A. Vice President of Hutchison 3G Italia S.p.A. Director of RAS S.p.A.
Giampio Bracchi	Director	Vice President of Banca Intesa S.p.A. Director of the Associazione Bancaria Italiana (ABI) Director of CDB Web Tech S.p.A.
Franco Debenedetti	Director	Director of Cofide S.p.A.
Pierluigi Ferrero	Director	Director of Cofide S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. Director of Sogefi S.p.A.
Giovanni Germano	Director	Director of Sogefi S.p.A.
Franco Girard	Director	Director of Cofide S.p.A. Director of Sogefi S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. Vice President of CDB Web Tech S.p.A. Director of Aedes S.p.A.
Paolo Mancinelli	Director	Director of Gruppo Editoriale L'Espresso S.p.A.
Luca Paravicini Crespi	Director	Managing Director of Kairos Partners SGR S.p.A.
Claudio Recchi	Director	Director of Pirelli & C. Real Estate S.p.A. Director of Toro Assicurazioni S.p.A. Director of Aon Italia S.p.A.
Massimo Segre	Director	Director of Cofide S.p.A. Director of CDB Web Tech S.p.A. Director of Aedes S.p.A. Director of Banca Intermobiliare S.p.A. Director of Borsa Italiana S.p.A.
Guido Tabellini	Director	Professor, Bocconi University, Milan
Umberto Zanni	Director	President of Air Liquide Italia S.r.l. Member of the Supervisory Board of Deutsche Bank (Italia)

LITIGATION

Certain CIR Group companies have various non-material litigation claims pending connected with their normal business activities. In the view of the directors of the Issuer, these claims are not material with respect to the Issuer or the CIR Group.

With respect to approximately 95 per cent. of the claims outstanding against the CIR Group brought by the Italian tax authorities, CIR elected in 2003 to avail itself of tax amnesty provisions contained in the Italian budget (*Legge Finanziaria*). Pursuant to these provisions, CIR made certain payments, and the suits of the Italian tax authorities in relation to which tax amnesty was claimed were permanently resolved.

CIRTEL International, in its capacity as a shareholder of H3G, extended loans to H3G in 2000 for a total amount equal to €373 million. The loans, which matured in November 2001, have not yet been repaid. A decision of the International Court of Arbitration, charged with settling the dispute between CIRTEL International and H3G

regarding such loans, dated 29th November, 2004, was issued on 3rd December, 2004. The arbitral tribunal's decision, described as a final award, ordered, *inter alia*, that H3G was obliged, and ordered it, to pay to CIRTEL International the principal amount of the loans, totalling approximately €373 million plus interest thereon at a rate of 4.70 per cent. per annum from 1st December, 2001 until the date of repayment. The result of the arbitration proceedings will be reflected appropriately in CIR's consolidated financial statements. CIR's consolidated net financial position as set out in its annual, semi-annual and quarterly reports does not currently take into account the financial receivables related to these loans.

All litigation which, in the opinion of the directors of the Issuer, is likely to be material with respect to the financial position of the company involved is, in the view of the directors of the Issuer, adequately covered by the risk reserves of those respective companies.

FINANCIAL INFORMATION OF CIR S.p.A. AND THE CIR GROUP

CIR S.p.A.

AUDITED CONSOLIDATED INCOME STATEMENTS

For the years ended 31st December, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	<u>(euro thousands)</u>	
(A) VALUE OF PRODUCTION		
1. Revenues from sales and services	2,838,992	2,581,957
2. Change in inventories of work in process, semi-finished and finished goods +(-)	2,035	(702)
3. Change in contracted work in progress +(-)	943	447
4. Increases in fixed assets resulting due to internal processing	8,920	15,208
5. Other revenues and income		
(a) Operating grants	1,900	4,316
(b) Other	52,658	41,371
Total other revenues and income	<u>54,558</u>	<u>45,687</u>
TOTAL VALUE OF PRODUCTION (A)	<u>2,905,448</u>	<u>2,642,597</u>
(B) COST OF PRODUCTION		
6. Raw materials, secondary materials, consumables and goods	1,185,140	1,025,501
7. Services	706,090	638,048
8. Lease and rental expenses	73,539	67,258
9. Personnel expenses:		
(a) Salaries and wages	366,588	379,022
(b) Social Security contributions	108,416	107,910
(c) Severance indemnity	18,179	19,056
(d) Retirement and similar benefits	5,682	6,343
(e) Other expenses	9,354	9,984
Total personnel expenses	<u>508,219</u>	<u>522,315</u>
10. Amortisation, depreciation and write-downs:		
(a) Amortisation of intangible fixed assets	40,076	44,827
(b) Depreciation of tangible fixed assets	75,406	73,653
(c) Other write-downs of fixed assets	15,343	14,585
(d) Write-downs of accounts receivables included in current assets and of cash and cash equivalents	8,585	7,363
Total amortisation, depreciation and write-downs	<u>139,410</u>	<u>140,428</u>
11. Change in inventories of raw materials, secondary materials, consumables and goods +(-)	(4,378)	2,340
12. Risk provisions	12,380	11,749
13. Other provisions	8,242	5,589
14. Miscellaneous operating expenses	21,686	21,554
TOTAL COST OF PRODUCTION (B)	<u>2,650,328</u>	<u>2,434,782</u>
OPERATING INCOME (A-B)	<u>255,120</u>	<u>207,815</u>
(C) FINANCIAL INCOME AND EXPENSES		
15. Income from equity		
(a) Subsidiaries	11,268	3,183
(b) Affiliates	303	167
(c) Other companies	53,744	56,951
Total income from equity investment	<u>65,315</u>	<u>60,301</u>
16. Other financial income:		
(a) from receivables included in fixed assets		
– Subsidiaries	2,717	7
– Other companies	91	84
Total from receivables included in fixed assets (a)	<u>2,808</u>	<u>91</u>
(b) From securities included in fixed assets, which are not classified as equity investments	2,714	4,796
(c) From securities entered in current assets, that do not constitute investments	30,332	30,413
(d) Income other than the above		
– Subsidiaries	410	460
– Affiliates	1	3
– Other income	141,069	100,252
Total income other than the above (d)	<u>141,480</u>	<u>100,715</u>
Total other financial income (16)(a+b+c+d)	<u>177,334</u>	<u>136,015</u>

AUDITED CONSOLIDATED INCOME STATEMENTS (continued)

For the years ended 31st December, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	<u>(euro thousands)</u>	
17. Interest and other financial expenses		
(a) Subsidiaries	2,459	3,981
(b) Affiliates	1	8
(c) Other financial expenses	<u>273,291</u>	<u>176,357</u>
Total interest and other financial charges (17)	<u>275,751</u>	<u>180,346</u>
TOTAL FINANCIAL INCOME AND EXPENSES (C) (15+16-17)	<u>(33,102)</u>	<u>15,970</u>
(D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18. Revaluation:		
(a) Of equity investments	6,457	2,437
(b) Of securities in current assets, which are not classified as equity	<u>348</u>	<u>152</u>
Total revaluations	<u>6,805</u>	<u>2,589</u>
19. Write-downs		
(a) Of equity investments	3,056	30,463
(b) Of financial fixed assets which are not classified as equity investments	542	4,933
(c) Of securities included in current assets, which are not classified as equity investments	<u>1,475</u>	<u>4,255</u>
Total devaluations (19)	<u>5,073</u>	<u>39,651</u>
TOTAL ADJUSTMENTS (D) (18-19)	<u>1,732</u>	<u>(37,062)</u>
(E) EXTRAORDINARY GAINS AND LOSSES		
20. Gains		
(a) Capital gains from disposal of assets	15,618	1,518
(b) Other gains	10,487	21,927
Total gains (20)	26,105	23,445
21. Losses		
(a) Capital losses from disposal of assets	2,462	1,805
(b) Taxes from prior periods	7,526	1,832
(c) Other losses	<u>28,054</u>	<u>17,152</u>
Total losses (21)	<u>38,042</u>	<u>20,789</u>
TOTAL EXTRAORDINARY GAINS AND LOSSES (E) (20-21)	<u>(11,937)</u>	<u>2,656</u>
INCOME (LOSS) BEFORE TAXES (A-B+C+D+E)	211,813	189,379
22. Income Taxes for the period	(98,364)	(84,585)
23. Income (loss) for the period including minority interests	113,449	104,794
24. Loss (income) for the period attributable to minority interests	<u>(50,610)</u>	<u>(36,627)</u>
NET INCOME (LOSS) FOR THE GROUP	<u>62,839</u>	<u>68,167</u>

AUDITED CONSOLIDATED BALANCE SHEETS

As at 31st December, 2003 and 2002

	2003	2002
	(euro thousands)	
ASSETS		
(A) SHAREHOLDER RECEIVABLES FOR OUTSTANDING PAYMENTS		
Uncalled portion	631	212
TOTAL SHAREHOLDER RECEIVABLES (A)	631	212
(B) FIXED ASSETS		
I. Intangible fixed assets		
1. Start-up and expansion costs	972	1,752
2. Research, development and advertising costs	12,752	9,494
3. Industrial patent rights and intellectual property rights	5,352	5,445
4. Concessions, licences, trade-marks and similar rights	284,844	291,917
5. Goodwill	35,702	41,272
6. Assets in process and advance payments	3,162	4,155
7. Other	5,581	9,188
8. Consolidated difference	163,062	176,585
Total intangible assets (BI)	511,427	539,808
II. Tangible assets		
1. Land and buildings	114,069	131,088
2. Equipment and machinery	194,285	212,013
3. Industrial and commercial equipment	13,517	20,103
4. Other assets	19,484	23,479
5. Assets in process and advance payments	119,729	49,658
Total tangible assets (BII)	461,084	436,341
III. Financial fixed assets		
1. Equity Investments in:		
(a) Subsidiaries	147,428	38,357
(b) Affiliates	29,883	32,944
(c) Other companies	77,594	77,638
<i>Total investments (1)</i>	254,905	148,939
2. Accounts Receivables:	*	*
(a) Subsidiaries	– 116,509	– 1,321
(b) Affiliates	133 133	133 133
(c) Other	343 9,777	1,802 12,606
<i>Total accounts receivables (2)</i>	476 126,419	1,935 14,060
3. Other securities	22,288	32,343
4. Treasury stock	22,811	22,811
Total financial assets (BIII)	426,423	218,153
TOTAL FIXED ASSETS (B)	1,398,934	1,194,302
(C) CURRENT ASSETS		
I Inventories		
1. Raw materials, secondary materials and consumables	66,443	64,919
2. Work in progress and semi-finished goods	19,792	33,457
3. Contracted work in progress	6,170	27,335
4. Finished goods and merchandise	66,203	71,996
5. Advance payments	1,560	4,521
Total inventories (CI)	160,168	202,228

* amounts due within the following year

AUDITED CONSOLIDATED BALANCE SHEETS (Continued)

As at 31st December, 2003 and 2002

		<u>2003</u>	<u>2002</u>
	(euro thousands)		
II Accounts Receivables	**		**
1. Clients	866	675,907	2,831
2. Subsidiaries	5	21,582	3
3. Affiliates	–	613	–
4. Other	28,431	174,668	17,943
Total Accounts receivables (CII)	<u>29,302</u>	<u>872,770</u>	<u>20,777</u>
III Financial assets which are not classified as fixed assets			
1. Other equity investments		2,717	29,206
2. Other securities		530,970	666,308
3. Financial receivables – Subsidiaries		2,517	20,831
4. Financial receivables – Other		448,548	431,610
Total financial assets (CIII)		<u>984,752</u>	<u>1,147,955</u>
IV Cash and cash equivalents			
1. Bank and post office deposits		371,375	221,187
2. Checks		556	356
3. Cash and valuables on hand		384	1,711
Total cash and cash equivalents (CIV)		<u>372,315</u>	<u>223,254</u>
TOTAL CURRENT ASSETS		<u>2,390,005</u>	<u>2,383,125</u>
(D) ACCRUED INCOME AND PREPAID EXPENSES			
1. Bond issuance premiums and other similar financial charges		5,022	4,342
2. Other accrued income and prepaid expenses		74,974	75,497
		<u>79,996</u>	<u>79,839</u>
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)		<u>79,996</u>	<u>79,839</u>
TOTAL ASSETS (A+B+C+D)		<u>3,869,566</u>	<u>3,657,478</u>
* of which, amounts due beyond the following period			
LIABILITIES AND SHAREHOLDERS' EQUITY			
(A) SHAREHOLDERS' EQUITY			
I Share Capital		385,186	385,186
II Additional paid-in capital		3,699	3,699
III Revaluation reserves		–	–
IV Legal reserve		115,969	115,969
V Reserve for Treasury stock held		22,811	22,811
VI Statutory reserves		21	21
VII Other reserves		260,584	227,811
VIII Retained earnings (losses)		23,547	25,089
IX Net income (loss) for the Group		<u>62,839</u>	<u>68,167</u>
CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP		874,656	848,753
Minority capital and reserves		<u>369,915</u>	<u>297,306</u>
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP AND MINORITY INTERESTS (A)		<u>1,244,571</u>	<u>1,146,059</u>
(B) RESERVES FOR RISKS AND LOSSES			
1. Retirement and similar obligations		23,292	21,795
2. Taxes		18,716	21,689
3. Other		166,573	143,703
TOTAL RESERVES FOR RISKS AND LOSSES		<u>208,581</u>	<u>187,187</u>
(C) EMPLOYEE SEVERANCE INDEMNITY FUND		<u>115,478</u>	<u>115,507</u>

** amounts due beyond the following year

AUDITED CONSOLIDATED BALANCE SHEETS (Continued)

As at 31st December, 2003 and 2002

		<u>2003</u>		<u>2002</u>
		(euro thousands)		
(D) ACCOUNTS PAYABLES	**		**	
1. Bonds	1,037,611	1,037,611	765,141	1,102,280
2. Loans from banks	287,045	420,562	207,457	319,463
3. Loans from other financial institutions	8,475	9,296	16,069	17,902
4. Advance payments	–	5,113	–	32,737
5. Trade payables	20	563,725	65	492,987
6. Notes payable	–	5,076	–	4,703
7. Payables – subsidiaries	–	788	–	2,110
8. Payables – affiliates	–	1,035	–	741
9. Taxes payable	2,125	61,831	6,189	63,553
10. Social security payables	72	29,756	–	29,268
11. Other payables	1,657	72,012	138	73,754
TOTAL PAYABLES (D)	<u>1,337,005</u>	<u>2,206,805</u>	<u>995,059</u>	<u>2,139,498</u>
(E) ACCRUED EXPENSES AND DEFERRED INCOME				
1. Other accrued expenses and deferred income		94,131		69,227
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME (E)		<u>94,131</u>		<u>69,227</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A + B + C + D + E)		<u>3,869,566</u>		<u>3,657,478</u>
MEMO ACCOUNTS				
1. Guarantees issued				
(a) Guarantees on behalf of				
– Subsidiaries	–		238	
– Affiliates	–		2,726	
– Other	96,753		85,097	
		96,753		88,061
(b) Bill guarantees		–		–
(c) Other guarantees on behalf of:				
– Subsidiaries	1,680			
– Other	15,135		11,395	
		16,815		11,395
Total personal loan guarantees issued (1)		<u>113,568</u>		<u>99,456</u>
2. Collateral security				
(a) For loans and other third-party debts				
– Others	–		–	
		–		–
(b) For debt shown in the balance sheet		7,284		15,730
(c) For other company obligations		13,066		12,858
Total collateral security provided (2)		<u>20,350</u>		<u>28,588</u>
3. Commitments				
(a) To purchase		243,562		124,676
(b) To sell		339,157		318,315
(c) Other		11,926		15,603
Total commitments (3)		<u>594,645</u>		<u>458,594</u>
4. Risk accounts				
(a) Discounted notes		10,059		8,778
(b) Other		16,512		8,160
Total risk accounts (4)		<u>26,571</u>		<u>16,938</u>
TOTAL MEMO ACCOUNTS		<u>755,134</u>		<u>603,576</u>

** amounts due beyond the following year

AUDITED NON-CONSOLIDATED INCOME STATEMENTS

For the years ended 31st December, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	(euro)	(euro)
(A) VALUE OF PRODUCTION		
1. Revenues from sales and service	-	-
2. Change in inventories of work-in-progress, semi-finished and finished goods +(-)	-	-
3. Change in contracted work in progress +(-)-	-	-
4. Additions to internally produced fixed assets	-	-
5. Other revenues and income	-	-
(a) Operating grants	-	-
(b) Other	6,128,905	7,925,586
Total other revenues and income (5)	<u>6,128,905</u>	<u>7,925,586</u>
TOTAL VALUE OF PRODUCTION (A)	<u>6,128,905</u>	<u>7,925,586</u>
(B) COST OF PRODUCTION		
6. Raw materials, secondary materials, consumables and goods	-	-
7. Services	8,173,154	7,083,104
8. Lease and rental expenses	291,838	248,434
9. Personnel expenses:		
(a) Salaries and wages	2,494,838	2,463,752
(b) Social Security contributions	763,974	607,740
(c) Severance indemnity	211,106	203,724
(d) Retirement and similar benefits	-	-
(e) Other expenses	-	-
Total for personnel (9)	<u>3,469,918</u>	<u>3,275,216</u>
10. Amortisation, depreciation and write-downs:		
(a) Amortisation of intangible assets	34,043	40,549
(b) Depreciation of tangible assets	220,662	1,222,575
(c) Other write-downs of fixed assets	18,623	-
(d) Write-downs of accounts receivables included in current assets and of cash and cash equivalents	-	-
Total amortisation, depreciation and devaluations (10)	<u>273,328</u>	<u>1,263,124</u>
11. Changes in inventories of raw materials, secondary materials, consumables and goods (+)-	-	-
12. Risk provisions	2,313,712	2,265,426
13. Other provisions	-	-
14. Various operating expenses	1,581,005	1,402,530
TOTAL COST OF PRODUCTION (B)	<u>16,102,955</u>	<u>15,537,834</u>
OPERATING INCOME (A-B)	<u>(9,974,050)</u>	<u>(7,612,248)</u>
(C) FINANCIAL INCOME AND EXPENSES		
15. Income from equity investments		
(a) Subsidiaries	137,223,528	47,888,189
(b) Affiliates	-	-
(c) Other companies	16,097,657	19,812,231
Total investment income (15)	<u>153,321,185</u>	<u>67,700,420</u>
16. Other financial income:		
(a) from receivables included in fixed assets:		
- Subsidiaries	-	-
- Affiliates	-	-
- Parent companies	-	-
- Other companies	-	-
Total from receivables included in fixed assets (a)	-	-
(b) From securities included in fixed assets, which are not classified as equity investments	-	-
(c) From securities included in current assets, which are not classified as equity investments	1,082,776	1,072,545

AUDITED NON-CONSOLIDATED INCOME STATEMENTS (continued)

For the years ended 31st December, 2003 and 2002

	<u>2003</u>	<u>2002</u>
	<u>(euro)</u>	<u>(euro)</u>
(d) Income other than the above:		
– Interest and commissions from subsidiaries	719,512	935,305
– Interest and commissions from affiliates	–	–
– Interest and commissions from parent companies	–	–
– Interest and commissions from other and miscellaneous income	2,448,493	4,947,137
<i>Total income other than the above (d)</i>	<u>3,168,005</u>	<u>5,882,442</u>
Total other financial income (16)(a+b+c+d)	<u>4,250,781</u>	<u>6,954,987</u>
17. Interest and other financial expenses		
(a) Subsidiaries	2,863,612	2,830,940
(b) Affiliates	–	–
(c) Parent companies	–	–
(d) Others	9,969,445	16,170,919
Total interest and other financial expenses (17)	<u>12,833,057</u>	<u>19,001,859</u>
TOTAL FINANCIAL INCOME AND EXPENSES (C) (15+16-17)	<u>144,738,909</u>	<u>55,653,548</u>
(D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18. Revaluation		
(a) Of equity investments	62,366,700	70,689,946
(b) Of financial fixed assets which are not classified as equity investments	–	–
(c) Of securities included in current assets which are not classified as equity investments	–	–
Total revaluations (18)	<u>62,366,700</u>	<u>70,689,946</u>
19. Write-downs		
(a) Of equity investments	115,675,412	49,111,160
(b) Of financial fixed assets which are not classified as equity investments	–	–
(c) Of securities included in current assets which are not classified as equity investments	35,308	–
(d) Of financial receivables	–	–
Total write-downs (19)	<u>115,710,720</u>	<u>49,111,160</u>
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D) (18-19)	<u>(53,344,020)</u>	<u>21,578,786</u>
(E) EXTRAORDINARY GAINS AND LOSSES		
20. Gains		
(a) Capital gains from disposal of assets	15,597,974	1,389,641
(b) Other gains	27,986	56,924
Total gains (20)	<u>15,625,960</u>	<u>1,446,565</u>
21. Losses		
(a) Capital losses from disposal of assets	–	9
(b) Taxes from previous periods	629,402	1,500,000
(c) Other losses	6,078,786	–
Total losses (21)	<u>6,708,188</u>	<u>1,500,009</u>
TOTAL OF EXTRAORDINARY GAINS AND LOSSES (E) (20-21)	<u>8,917,772</u>	<u>(53,444)</u>
INCOME (LOSS) BEFORE TAXES (A-B+C+D+E)	<u>90,338,611</u>	<u>69,566,642</u>
22. Income Taxes for the period		
(a) Current taxes	(24,400,000)	(8,100,000)
(b) Deferred taxes	(3,100,000)	6,700,000
23. NET INCOME (LOSS) FOR THE PERIOD	<u>62,838,611</u>	<u>68,166,642</u>

AUDITED NON-CONSOLIDATED BALANCE SHEETS

As at 31st December, 2003 and 2002

	2003	(euro)	2002
ASSETS			
(A) SHAREHOLDER RECEIVABLES FOR PAYMENTS OUTSTANDING			
Called portion	–		–
Uncalled portion	–		–
TOTAL SHAREHOLDER RECEIVABLES (A)	–		–
(B) FIXED ASSETS			
I Intangible fixed assets			
1. Start-up and expansion costs	–		–
2. Research, development and advertising costs	–		–
3. Industrial patent right and intellectual property rights	–		–
4. Concessions, licences, trade marks and similar rights	7,651		37,595
5. Goodwill	–		–
6. Assets in process and advance payments	42,000		–
7. Other	34,297		54,877
Total intangible assets (BI)	83,948		92,472
II Tangible assets			
1. Land and buildings	1,108,278		15,584,423
2. Equipment and machinery	2,783		38,307
3. Industrial and commercial equipment	–		–
4. Other assets	886,468		907,418
5. Assets in process and advance payments	11,370,061		8,917,673
Total tangible fixed assets (BII)	13,367,590		25,447,821
III Financial Equity assets			
1. Equity Investments in:			
(a) Subsidiaries	668,984,279		664,175,581
(b) Affiliates	–		–
(c) Parent companies	–		–
(d) Other companies	162,571		162,571
<i>Total investments (1)</i>	669,146,850		664,338,152
2. Accounts Receivables:			
(a) Subsidiaries	–		–
(b) Affiliates	–		–
(c) Parent companies	–		–
(d) Other companies	243,042		126,189
<i>Total accounts receivables (2)</i>	243,042		126,189
3. Other securities	–		–
4. Treasury stock*	22,811,002		22,811,002
Total financial assets (BIII)	692,200,894		687,275,343
TOTAL FIXED ASSETS (B)	705,652,432		712,815,636
(C) CURRENT ASSETS			
I Inventory			
1. Raw materials, secondary materials and consumables	–		–
2. Work in process and semi-finished goods	–		–
3. Contracted work in progress	–		–
4. Finished goods and merchandise	–		–
5. Advance payments	–		–
Total inventory (CI)	–		–
II Accounts Receivables			
1. Clients	–	**	100,883
2. Subsidiaries	56,695	–	5,229
3. Affiliates	–	–	–
4. Parent companies	–	–	–
5. Other	–	–	–
	30,571,790	–	31,742,654
Total accounts receivables (CII)	30,628,485	–	31,848,766

* no. 9,795,000 shares, corresponding to €4,897,500.00 nominal value

** amounts due beyond the following year

AUDITED NON-CONSOLIDATED BALANCE SHEETS (Continued)

As at 31st December, 2003 and 2002

	<u>2003</u>	(euro)	<u>2002</u>
III Financial assets which are not classified as fixed assets			
1. Equity Investments in subsidiaries	-		-
2. Equity Investments in affiliates	-		-
3. Equity Investments in parent companies	-		-
4. Other Equity investments	631,173		29,204,720
5. Treasury stock	-		-
6. Other securities	80,456,364		20,127,808
7. Financial receivables – subsidiaries	15,817,788		20,281,820
8. Financial receivables – affiliates	-		-
9. Financial receivables – other	-		-
Total financial assets (CIII)	<u>96,905,325</u>		<u>69,614,348</u>
IV Cash and Cash equivalents assets			
1. Bank and post office deposits	114,188,272		106,719,020
2. Checks	-		-
3. Cash and valuables on hand	11,819		11,798
Total cash and cash equivalents assets (CIV)	<u>114,200,019</u>		<u>106,730,818</u>
TOTAL CURRENT ASSETS (C)	<u>241,733,901</u>		<u>208,193,932</u>
(D) ACCRUED INCOME AND PREPAID EXPENSES			
1. Bond issuance premiums and other similar expenses	-		-
2. Other accrued income and prepaid expenses	803,795		3,571,843
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)	<u>803,795</u>		<u>3,571,843</u>
TOTAL ASSETS (A+B+C+D)	<u>948,190,128</u>		<u>924,581,411</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
(A) SHAREHOLDERS' EQUITY			
I Share Capital	385,185,795		385,185,795
II Additional paid-in capital	3,699,415		3,699,415
III Revaluation reserves	-		-
IV Legal reserve	115,969,308		115,969,308
V Reserve Treasury stock held	22,811,002		22,811,002
VI Statutory reserves	20,788		20,788
VII Other reserves	260,583,840		227,810,777
VIII Retained earnings (losses)	23,547,508		25,089,462
IX Net income (loss) for the period	62,838,611		68,166,642
TOTAL SHAREHOLDERS' EQUITY	<u>874,656,267</u>		<u>848,753,189</u>
(B) RESERVES FOR RISKS AND LOSSES			
1. Retirement and similar obligations	-		-
2. Taxes	700,000		3,495,866
3. Other	4,526,180		4,234,311
TOTAL RESERVES FOR RISKS AND LOSSES (B)	<u>5,226,180</u>		<u>7,730,177</u>
(C) EMPLOYEE SEVERANCE INDEMNITY FUND	<u>1,348,371</u>		<u>1,226,005</u>
(D) ACCOUNTS PAYABLES	**	**	
1. Bonds	-	-	-
2. Convertible bonds	-	-	-
3. Loans from banks	-	45,000,000	40,000,000
4. Loans from other financial institutions	-	-	-
5. Advance payments	-	-	2,970,000
6. Trade payables	-	728,721	864,838
7. Notes payable	-	-	-
8. Payables – subsidiaries	-	12,053,910	11,590,299
9. Payables – affiliates	-	-	-
10. Payables – parent companies	-	-	-
11. Taxes payable	1,543,748	4,075,950	569,632
12. Social security payables	-	158,517	114,990
13. Other payables	-	4,559,010	3,478,702
TOTAL AMOUNTS PAYABLE (D)	<u>1,543,748</u>	<u>66,576,108</u>	<u>61,898,461</u>

** amounts due beyond the following year

AUDITED NON-CONSOLIDATED BALANCE SHEETS (Continued)

As at 31st December, 2003 and 2002

	<u>2003</u>	(euro)	<u>2002</u>
(E) ACCRUED EXPENSES AND DEFERRED INCOME			
1. Bond Issuance premiums	-		-
2. Other accrued expenses and deferred income	<u>383,202</u>		<u>4,973,579</u>
TOTAL ACCRUED DEFERRED INCOME (E)	<u>383,202</u>		<u>4,973,579</u>
TOTAL LIABILITIES (A+B+C+D+E)	<u>948,190,128</u>		<u>924,581,411</u>
MEMO ACCOUNTS			
1. Guarantees issued			
(a) Guarantees on behalf of:			
- Subsidiaries	804,256,527	807,455,760	
- Affiliates	-	-	
- Parent companies	-	-	
- Subsidiaries of parent companies	-	-	
- Other	13,764,006	19,038,668	
(b) Bill guarantees on behalf of:			
- Subsidiaries	-	-	
- Affiliates	-	-	
- Parent companies	-	-	
- Subsidiaries of parent companies	-	-	
- Other	-	-	
(c) Other guarantees on behalf of:			
- Subsidiaries	343,264,199	376,999,516	
- Affiliates	-	-	
- Parent companies	-	-	
- Subsidiary of parent companies	-	-	
- Other	5,421,116		
Total guarantees issued (1)	<u>1,166,705,848</u>		<u>1,203,493,944</u>
2. Collateral security provided			
(a) For loans and third-party obligations			
- Subsidiaries	-	-	
- Affiliates	-	-	
- Parent companies	-	-	
- Subsidiary of parent companies	-	-	
- Other	-	-	
(b) For debt shown in the balance sheet	-	-	
(c) For other company obligations	-	-	
Total collateral security (2)	<u>-</u>		<u>-</u>
3. Commitments			
(a) To purchase	7,659,000	23,725,000	
(b) To sell	-	33,264,165	
(c) Others	-	-	
Total commitments	<u>7,659,000</u>		<u>56,989,165</u>

CONSOLIDATED INCOME STATEMENTS (SUBJECT TO LIMITED REVIEW)

For the six month periods ended 30th June, 2004 and 2003

	30th June, 2004	30th June, 2003
	(euro thousands)	
(A) VALUE OF PRODUCTION		
1. Revenues from sales and services	1,534,724	1,384,008
2. Change in inventories of work in progress, semi-finished and finished goods + (-)	(1,375)	4,815
3. Change in contracted work in progress + (-)	2,275	(138)
4. Additions to internally produced fixed assets	6,630	4,888
5. Other revenues and income:		
(a) operating grants	387	413
(b) other	14,662	28,005
Total other revenues and income (5)	15,049	28,418
TOTAL VALUE OF PRODUCTION (A)	1,557,303	1,421,991
(B) COST OF PRODUCTION		
6. Raw materials, secondary materials, consumables and goods	637,574	581,445
7. Services	393,110	350,642
8. Lease and rental expenses	33,891	34,964
9. Personnel expenses		
(a) salaries and wages	195,744	194,244
(b) social security contributions	56,812	56,344
(c) severance indemnity	9,153	9,364
(d) retirement and similar benefits	2,609	2,871
(e) other expenses	3,853	4,697
Total personnel expenses (9)	268,171	267,520
10. Amortization, depreciation and write-downs:		
(a) amortization of intangible assets	19,491	20,702
(b) depreciation of tangible assets	37,052	37,306
(c) other write-downs of fixed assets	294	227
(d) write-downs of accounts receivable included in current assets and of cash and cash equivalents	5,833	3,466
Total amortization, depreciation and write-downs (10)	62,670	61,701
11. Change in inventories of raw materials, secondary materials, consumables and goods (+)-	1,345	(154)
12. Risk provisions	3,694	4,278
13. Other provisions	4,285	4,836
14. Miscellaneous operating costs	9,040	11,538
TOTAL COST OF PRODUCTION (B)	1,413,780	1,316,770
Operating Income (A-B)	143,523	105,221
(C) FINANCIAL INCOME AND EXPENSES		
15. Income and equity investments:		
(a) subsidiaries	171	4,650
(b) affiliates	28	78
(c) other companies	23,668	22,182
Total income from equity investments (15)	23,867	26,910
16. Other financial income:		
(a) from receivables included in fixed assets:		
– subsidiaries	2,002	–
– Other companies	30	50
Total from receivables included in fixed assets (a)	2,032	50
(b) from securities included in fixed assets which are not classified as equity investments	2,029	1,242
(c) from securities included in current assets which are not classified as equity investments	9,916	12,700
(d) income other than the above:		
– subsidiaries	178	220
– affiliates	–	–
– other companies	36,485	32,461
Total income other than the above (d)	36,663	32,681
TOTAL OTHER FINANCIAL INCOME (16) (a+b+c+d)	50,640	46,673

CONSOLIDATED INCOME STATEMENTS (SUBJECT TO LIMITED REVIEW) (continued)

For the six month period ended 30th June, 2004 and 2003

	<u>30th June, 2004</u>	<u>30th June, 2003</u>
	(euro thousands)	
17 Interest and other financial expenses:		
(a) subsidiaries	17	2,454
(b) affiliates	–	1
(c) other financial expenses	83,021	94,692
Total interest and other financial expenses (17)	83,038	97,147
17-bis) Foreign exchange gains and losses	<u>650</u>	<u>13,319</u>
TOTAL FINANCIAL INCOME AND EXPENSES		
(C) (15+16+17+17 bis)	<u>(7,881)</u>	<u>(10,245)</u>
(D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18 Revaluation:		
(a) of equity investments	1,062	4,721
(c) of securities included in current assets which are not classified as equity investments	101	398
Total revaluation (18)	1,163	5,119
19 Write-downs:		
(a) of equity investments	2,244	9,679
(b) of financial fixed assets which are not classified as equity investments	120	26
(c) of securities included in current assets which are not classified as equity investments	1,475	376
Total write-downs (19)	<u>3,839</u>	<u>10,081</u>
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D) (18-19)	<u>(2,676)</u>	<u>(4,962)</u>
(E) EXTRAORDINARY GAINS AND LOSSES		
20 Gains:		
(a) capital gains from disposal of assets	1,409	15,357
(b) other gains	87,966	1,480
Total gains (20)	89,375	16,837
21 Losses:		
(a) capital losses from disposal of assets	1	12
(b) taxes from prior periods	393	7,563
(c) other losses	8,173	10,838
Total losses (21)	<u>8,567</u>	<u>18,413</u>
TOTAL EXTRAORDINARY GAINS AND LOSSES (E) (20-21)	<u>80,808</u>	<u>(1,576)</u>
INCOME (LOSS) BEFORE TAXES (A+B+C+D+E)	<u>213,774</u>	<u>88,438</u>
22 Income taxes for the period, current, deferred and advanced	(65,481)	(46,240)
23 Income (loss) for the period including minority interests	148,293	42,198
24 Loss (income) for the period attributable to minority interests	(58,562)	(14,009)
25 NET INCOME (LOSS) FOR THE GROUP	89,731	28,189

CONSOLIDATED BALANCE SHEETS (SUBJECT TO LIMITED REVIEW)

As at 30th June, 2004 and 2003

	30th June, 2004		30th June, 2003
		(euro thousands)	
ASSETS			
(A) SHAREHOLDER RECEIVABLES FOR PAYMENTS OUTSTANDING			
Called portion	–		350
uncalled portion	652		213
Total Share Holder Receivables (A)	652		563
(B) FIXED ASSETS			
I Intangible assets			
1. Start-up and expansion costs	1,639		1,456
2. Research, development and advertising costs	13,691		10,800
3. Industrial patent rights and intellectual property rights	4,358		6,984
4. Concessions, licenses, trademark and similar rights	279,851		287,638
5. Goodwill	36,798		38,337
6. Assets in process and advance payments	7,454		1,766
7. Other	8,470		9,046
8. Consolidation differences	166,273		178,758
Total intangible assets (BI)	518,534		534,785
II Tangible Assets			
1. Land and buildings	120,807		116,929
2. Equipment and machinery	245,034		199,938
3. Industrial and commercial equipment	13,112		14,567
4. Other assets	21,995		21,763
5. Assets in process and advance payments	191,841		64,824
Total tangible assets (BII)	592,789		418,021
III Financial Assets			
1. Equity investments in:			
(a) subsidiaries	139,625		68,119
(b) affiliates	27,922		31,008
(c) other companies	77,432		79,504
Total equity investments (1)	244,979		178,631
2. Accounts receivable:	*	*	
(a) subsidiaries	–	126,857	–
(b) affiliates	133	212	133
(c) Other companies	756	9,556	3,431
Total accounts receivable (2)	889	136,625	187,897
3. Other securities	24,604		31,461
4. Treasury stock	22,811	**	22,811
Total financial assets (BIII)	429,019		420,800
TOTAL FIXED ASSETS (B)	1,540,342		1,373,606
(C) CURRENT ASSETS			
I Inventories			
1. Raw materials, secondary materials and consumables	62,776		67,345
2. Work in progress and semi-finished goods	19,657		39,786
3. Contracted work in progress	8,422		27,845
4. Finished goods and merchandise	68,438		66,916
5. Advance payments	629		3,346
Total inventories (CI)	159,922		205,238
II Accounts receivable			
	***	***	
1. Clients	767	685,001	3,188
2. Subsidiaries	–	13,322	32
3. Affiliates	–	360	–
4. Parent companies	–	220	–
4-bis) Tax receivables - subsidiaries	23,437	149,074	8,231
4-ter) Advanced taxes	6,548	42,775	–
5. Other	284	19,625	78
Total accounts receivable (CII)	31,036	910,377	11,529

* amounts due within the following year

** no. 9,795,000 shares, corresponding to €4,897,500.00 nominal value

*** amounts due beyond the following year

CONSOLIDATED BALANCE SHEETS (SUBJECT TO LIMITED REVIEW) (continued)

As at 30th June, 2004 and 2003

	<u>30th June, 2004</u>	<u>30th June, 2003</u>
		(euro thousands)
III Financial Assets which are not classified as fixed assets		
4. Other equity investments	2,721	24,012
6. Other securities	472,877	522,575
7. Financial receivables - subsidiaries	2,616	15,440
8. Financial receivables - others	<u>457,949</u>	<u>455,833</u>
Total financial assets (CIII)	<u>936,163</u>	<u>1,017,860</u>
IV Cash and cash equivalents		
1. Bank and post office deposits	455,633	506,773
2. Checks	463	179
3. Cash and valuables on hand	<u>1,290</u>	<u>2,133</u>
Total cash and cash equivalents (CIV)	<u>457,386</u>	<u>509,085</u>
TOTAL CURRENT ASSETS (C)	<u>2,463,848</u>	<u>2,635,134</u>
(D) ACCRUED INCOME AND PREPAID EXPENSES		
1. Bond issuance premiums and other similar loan costs	4,182	5,534
2. Other accrued income and prepaid expenses	<u>65,675</u>	<u>71,911</u>
Total accrued income and prepaid expenses (D)	<u>69,857</u>	<u>77,445</u>
TOTAL ASSETS (A+B+C+D)	<u>4,074,699</u>	<u>4,086,748</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
(A) SHAREHOLDER EQUITY		
I Share capital	385,546	385,186
II Additional paid-in capital	4,085	3,699
III Revaluation reserves	-	-
IV Legal reserve	115,969	115,969
V Statutory reserves	21	21
VI Reserve for treasury stock held	22,811	22,811
VII Other reserves	278,521	263,412
VIII Retained earnings (losses)	36,413	23,547
IX Net income (loss) for the Group	<u>89,731</u>	<u>28,189</u>
Consolidated Shareholders' Equity of the Group	<u>933,097</u>	<u>842,834</u>
Minority capital and reserves	<u>465,422</u>	<u>367,422</u>
Total Consolidated Shareholders' Equity of the Group and Minority Interests (A)	<u>1,398,519</u>	<u>1,210,256</u>
(B) RESERVES AND RISKS AND LOSSES (B)		
1. For retirement and similar obligations	24,234	22,801
2. For taxes	20,343	20,276
3. Other	<u>183,238</u>	<u>160,320</u>
Total Reserves for Risks and Losses (B)	<u>227,815</u>	<u>203,397</u>
(C) EMPLOYEE SEVERANCE INDEMNITY FUND	<u>116,291</u>	<u>116,770</u>

CONSOLIDATED BALANCE SHEETS (SUBJECT TO LIMITED REVIEW) (continued)

As at 30th June, 2004 and 2003

		<u>30th June, 2004</u>	<u>30th June, 2003</u>
		<u>(euro thousands)</u>	
(D) ACCOUNTS PAYABLE	***		***
1. Bonds	953,789	953,789	1,047,811
4. Loans from banks	437,389	507,177	297,118
5. Loans from other financial institutions	7,910	8,704	14,989
6. Advance payments	–	6,644	1
7. Trade payables	37	554,083	1,945
8. Notes payable	–	4,656	–
9. Payables - subsidiaries	–	5,926	–
10. Payables – affiliates	–	607	–
11. Payables - companies	–	908	–
12. Taxes payable	1,274	90,302	3,827
13. Social security payables	350	24,107	47
14. Other payables	53	82,144	388
Total Payables (D)	<u>1,400,802</u>	<u>2,239,047</u>	<u>1,366,126</u>
(E) ACCRUED EXPENSES AND DEFERRED INCOME			
1. Other accrued expenses and deferred income		93,027	80,554
Total Accrued Expenses and Deferred Income (E)		<u>93,027</u>	<u>80,554</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)		<u>4,074,699</u>	<u>4,086,748</u>

*** amounts due beyond the following year

**NON-CONSOLIDATED RECLASSIFIED INCOME STATEMENTS
(SUBJECT TO LIMITED REVIEW)**

For the six month periods ended 30th June, 2004 and 2003

	<u>30th June, 2004</u>	<u>30th June, 2003</u>
(euro thousands)		
FINANCIAL INCOME AND EXPENSES		
1 Income from equity investments		
Subsidiaries	33,341	51,542
Other companies	449	12,324
Total income from equity investments	<u>33,790</u>	<u>63,866</u>
2 Other financial income		
From securities included in current assets which are not classified as equity investments	1,721	531
Income other than the above		
Interest income from subsidiaries	317	385
Interest and other miscellaneous income	970	1,567
Total interest other than the above	<u>1,287</u>	<u>1,952</u>
Total other financial income	<u>3,008</u>	<u>2,483</u>
3 Interest and other financial expenses		
Subsidiaries	(240)	(2,630)
Other companies	(1,463)	(8,153)
Total interest and other financial expenses	<u>(1,703)</u>	<u>(10,783)</u>
TOTAL FINANCIAL INCOME AND EXPENSES	<u>35,095</u>	<u>55,566</u>
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
4 Revaluation		
Of equity investments	105,913	28,047
Of securities included in current assets which are not classified as equity investments	8	-
5 Write-downs		
Of equity investments	(38,534)	(35,663)
Of securities included in current assets which are not classified as equity investments	(356)	-
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	<u>67,031</u>	<u>(7,616)</u>
OTHER OPERATING INCOME (6)	<u>3,386</u>	<u>3,362</u>
OTHER OPERATING COSTS		
7 Non-financial services	(5,263)	(5,536)
8 Lease and rental expenses	(145)	(139)
9 Personnel	(1,965)	(1,890)
10 Amortization, depreciation and write-downs	(92)	(127)
11 Risk provisions	(1,004)	(4,434)
12 Miscellaneous operating costs	(599)	(726)
TOTAL OPERATING COSTS	<u>(9,068)</u>	<u>(12,852)</u>
INCOME (LOSS) BEFORE EXTRAORDINARY GAINS AND LOSSES	<u>96,444</u>	<u>38,460</u>
EXTRAORDINARY GAINS AND LOSSES		
14 Gains	95	15,365
15 Losses	(5,988)	(6,636)
INCOME (LOSS) BEFORE INCOME TAXES	<u>90,551</u>	<u>47,189</u>
16 Income taxes, current, deferred and advanced		
Current taxes	(100)	(16,800)
Deferred taxes	(720)	(2,200)
NET INCOME (LOSS) FOR THE PERIOD	<u>89,731</u>	<u>28,189</u>

NON-CONSOLIDATED BALANCE SHEETS (SUBJECT TO LIMITED REVIEW)

As at 30th June, 2004 and 2003

	<u>30th June,</u> <u>2004</u>		<u>30th June,</u> <u>2003</u>	
	(euro thousands)			
ASSETS				
(A) SHAREHOLDER RECEIVABLES FOR PAYMENTS OUTSTANDING)				
(B) FIXED ASSETS				
I Intangible assets				
4	Concessions, licenses, trademarks and similar rights	59		31
6	Assets in process and advance payments	–		–
7	Other	24		45
	Total intangible assets (BI)	<u>83</u>		<u>76</u>
II Tangible Assets				
1.	Land and buildings	1,072		1,177
2.	Equipment and machinery	2		10
4	Other assets	977		893
5	Assets in process and advance payments	12,038		10,543
	Total tangible assets (BII)	<u>14,089</u>		<u>12,623</u>
III Financial Assets				
1.	Equity investments in:			
	(a) subsidiaries	741,220		723,953
	(b) other companies	162		162
	<i>Total equity investments (1)</i>	741,382		724,115
2.	Accounts receivable:			
	(d) other	43	224	66
	<i>Total receivables (2)</i>	43	224	66
3.	Other securities			
4.	Treasury stock	22,811	**	22,811
	Total financial assets (BIII)	<u>764,417</u>		<u>747,057</u>
	TOTAL FIXED ASSETS (B)	<u>778,589</u>		<u>759,756</u>
(C) CURRENT ASSETS				
I Inventories				
		–		–
II Accounts receivable ***				
1.	Clients	–	57	–
2.	Subsidiaries	–	2,105	–
4.	Parent companies	–	220	–
4-bis)	Tax receivables	–	11,099	–
4-ter)	Advanced taxes	–	3,500	–
5.	Other	–	2,630	–
	Total receivables (CII)	<u>–</u>	<u>19,611</u>	<u>–</u>
III Financial assets which are not classified as fixed assets				
4.	Other equity investments	631		23,784
6.	Other securities	120,203		19,925
7.	Financial receivables - subsidiaries	16,185		18,209
	Total financial assets (CIII)	<u>137,019</u>		<u>61,918</u>
IV Cash and cash equivalents				
1.	Bank and post office deposits	30,746		69,706
3.	Cash and valuables on hand	14		10
	Total cash and cash equivalents (CIV)	<u>30,760</u>		<u>69,716</u>
	Total Current Assets (C)	<u>187,390</u>		<u>161,563</u>
(D) ACCRUED INCOME AND PREPAID EXPENSES				
1.	Other accrued income and prepaid expenses	2,323		954
	TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)	<u>2,323</u>		<u>954</u>
	TOTAL ASSETS (A+B+C+D)	<u>968,302</u>		<u>922,273</u>

* amounts due within the following year

** 9,795,000 shares, corresponding to €4,897,500.00 nominal value

*** amounts due beyond the following year

NON-CONSOLIDATED BALANCE SHEETS (SUBJECT TO LIMITED REVIEW) (continued)

As at 30th June, 2004 and 2003

	<u>30th June, 2004</u>		<u>30th June, 2003</u>
	(euro thousands)		
LIABILITIES AND SHAREHOLDERS' EQUITY			
(A) SHAREHOLDERS' EQUITY			
I Share capital	385,546		385,186
II Additional paid-in capital	4,085		3,699
III Revaluation reserves	-		-
IV Legal reserve	115,969		115,969
V Statutory reserves	21		21
VI Reserve for treasury stock held	22,811		22,811
VII Other reserves	278,521		263,412
VIII Retained earnings (losses)	36,413		23,547
IX Net income (loss) for the Group	89,731		28,189
Total Shareholders' Equity (A)	<u>933,097</u>		<u>842,834</u>
(B) RESERVES FOR RISKS AND LOSSES			
2. For taxes, including deferred taxes	620		700
3. Other	8,598		8,103
Total Reserves For Risks And Losses (B)	<u>9,218</u>		<u>8,803</u>
(C) EMPLOYEE SEVERANCE INDEMNITY FUND			
	<u>1,275</u>		<u>1,294</u>
(D) ACCOUNTS PAYABLE			
4. Loans from banks	-	-	40,000
7. Trade payables	-	958	720
9. Payables - subsidiaries	-	12,054	11,707
11. Payables – parent companies	-	783	773
12. Taxes payable	926	4,320	2,161
13. Social security payables	-	96	101
14. Other payables	-	5,936	9,916
Total Payables (D)	<u>926</u>	<u>24,147</u>	<u>2,161</u>
(E) ACCRUED EXPENSES AND DEFERRED INCOME			
1. Other accrued expenses and deferred income	565		1,534
Total Accrued Expenses And Deferred Income (E)	<u>565</u>		<u>1,534</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)	<u>968,302</u>		<u>922,273</u>

TAXATION

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Law No. 80 of 7th April, 2003 for the reform of the Italian tax system was approved by the Italian Parliament on 26th March, 2003 and authorises the Italian Government, *inter alia*, to issue, within two years of the entering into force of such law, legislative decrees introducing a general reform of the tax treatment of financial income, which may impact the tax regime of the Notes, as described under "Italian Taxation" below.

Legislative Decree No. 344 of 12th December, 2003 published in the Italian Official Gazette of 16th December, 2003, No. 261 (Ordinary Supplement No. 190), effective as of 1st January, 2004 introduced the reform of taxation of corporations and of certain financial income amending the Italian Income Taxes Consolidated Code.

Italian Taxation

The following is a summary of current Italian law and practise relating to the taxation of the Notes. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of the Notes

Legislative Decree no. 239/1996, as amended and restated, provides for a specific regime with respect to the tax treatment of interest, premium and other proceeds (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian listed corporations, provided that such Notes are issued for an original maturity of not less than 18 months.

Italian resident Noteholders

Where an Italian resident Noteholder, for tax purposes, is (i) an individual, holding the Notes not in connection with entrepreneurial activities (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according to Article 7 of Legislative Decree No. 461/1997 – the **Asset Management Option**), (ii) a non-commercial partnership, (iii) a non-commercial private or public entity other than companies, not carrying out commercial activities as its exclusive or principal purpose (including the Italian State and public entities), or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

The 12.5 per cent. final *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries or the permanent establishment in the Republic of Italy of a non-Italian resident financial intermediary (**Intermediaries** and each **Intermediary**) that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any entity paying interest to a Noteholder.

Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent. annual substitute tax (the **Asset Management Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Where a Noteholder resident in the Republic of Italy for tax purposes is (i) a corporation, a commercial partnership, an individual entrepreneur holding the Notes in connection with entrepreneurial activities or permanent establishments in the Republic of Italy of a non resident corporation to which the Notes are effectively connected provided that the Notes are deposited with an Intermediary, (ii) a collective investment fund, SICAV and Italian pension fund referred to in Legislative Decree No. 124/1993 provided that the Notes are deposited with an Intermediary, (iii) an individual holding the Notes not in connection with entrepreneurial activity who has entrusted

the management of its financial assets, including the Notes, to an Italian authorised financial intermediary and has opted for the Asset Management Option, and (iv) a real estate investment fund (**Fondo comune di investimento immobiliare**), interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*.

Interest and other proceeds accrued on the Notes held by Italian resident corporations, commercial partnerships, individual entrepreneurs holding the Notes in connection with entrepreneurial activities or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected, must be included in the taxable base for the purposes of: (i) corporate income tax (*imposta sul reddito delle società*, **IRES**) levied at the current rate of 33 per cent.; or (ii) individual income tax (*imposta sul reddito delle persone fisiche*, **IRPEF**), levied at progressive rates, plus local surtaxes, if applicable; under certain circumstances, such interest must be included in the taxable basis of the regional tax on productive activities (*imposta regionale sulle attività produttive*, **IRAP**), levied at the current rate of 4.25 per cent. (regions may vary the rate up to 1 per cent.).

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (the **Fund**) or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but to a 12.5 or to a 5 per cent. annual substitute tax (each the **Collective Investment Fund Tax**). The 12.5 per cent. substitute tax is calculated on the net result accrued at the end of the tax period. Pursuant to Article 12 of Law Decree 30th September, 2003, No. 269 (**Decree No. 269**), the 5 per cent. substitute tax on the net result accrued at the end of the tax period applies, if: (i) according to the Fund management regulation or to the SICAV by-laws, the Fund or the SICAV hold a participation of at least 2/3 of their portfolio in small or medium capitalised companies listed on EU Stock Exchanges; and, (ii) following the first year from the application of this tax regime and during the subsequent years (with certain days of tolerance in each year), the participation in small or medium capitalised companies is equal at least to 2/3 of the portfolio of the Fund or of the SICAV. For the purpose of Article 12 of Decree No. 269, a small or medium capitalised company is a company with a market capitalisation not greater than Euro €800,000,000, calculated with reference to the market price as registered in the last trading day of each quarter.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by articles 14, 14-ter and 14-quater, paragraph 1 of Legislative Decree No. 124 of 21st April, 1993) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax (the **Pension Fund Tax**).

Under the current regime provided by Law Decree No. 351 of 25th September, 2001, converted into law with amendments by Law No. 410 of 23rd November, 2001, as clarified by the Italian Revenue Agency through Circular No. 47/2003, payments of interest, premium or other proceeds in respects of the Notes made to Italian real estate funds created under Article 37 of Legislative Decree No. 58/1998 and Article 14-bis of Law No. 86/1994 (the **Real Estate Funds**), are subject neither to substitute tax nor to any other income tax at the fund level.

Non-Italian resident Noteholders

Where the Noteholders are non-Italian resident for tax purposes, an exemption from the *imposta sostitutiva* applies with respect to any beneficial owner with no permanent establishment in the Republic of Italy to which the Notes are effectively connected, provided that:

- (a) they are resident in a country which allows satisfactory exchange of information with the Republic of Italy. The exemption from *imposta sostitutiva* also applies to (i) non resident “institutional investors” (i.e. entities the activity of which consists of making or managing investments on their own behalf or on behalf of other persons, as defined by *Circolare dell’Agenzia delle Entrate* dated 1 March 2002 No. 23/E), even if they do not possess the status of taxpayers in their country of residence, but provided that they are resident in a country which allows an adequate exchange of information with the Republic of Italy, (ii) international organizations created pursuant to international treaties that are effective in the Republic of Italy, and (iii) Central Banks or entities managing also the official reserves of a foreign State;
- (b) the Notes are deposited directly or indirectly: (i) with a bank or an Italian securities dealing firm (**SIM**) resident in the Republic of Italy; (ii) with the Italian permanent establishment of a non-resident bank or SIM which is via computer directly connected with the Italian Ministry of Economy and Finance; or (iii) with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance;
- (c) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is a resident of that country. The self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved with Decree of the Ministry of Economy and Finance 12th December, 2001, published on the Ordinary Supplement No. 287 to the Official Journal No. 301 of 29th December, 2001), is valid until revoked by the investor and does not have

to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes; in the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the relevant management body; and

- (d) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive.

Non-resident Noteholders are subject to the 12.5 per cent. substitute tax on interest and other proceeds on the Notes if any of the above conditions (a), (b), (c) and (d) is not satisfied.

Early redemption

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed in full or in part prior to 18 months from their date of issue the Issuer will be required to pay an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. Such payment will be made by the Issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes.

Capital gains tax

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated for the purpose of corporate income tax and of individual income tax as part of the taxable income of Noteholders (and, in certain cases, depending on the status of the Noteholders, may also be included in a taxable basis IRAP), and therefore subject to tax in the Republic of Italy according to the relevant tax provisions, if realised by Noteholders who are:

- (a) Italian resident corporations;
- (b) Italian resident commercial partnerships;
- (c) permanent establishments in the Republic of Italy of foreign corporations to which the Notes are effectively connected; or
- (d) Italian resident individuals carrying out a commercial activity to which the Notes are connected.

Pursuant to Legislative Decree No. 461 of 21st November, 1997, any capital gain realised by Italian resident individuals holding the Notes not in connection with entrepreneurial activity and certain other persons upon the sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 12.5 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. These individuals must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed with the Italian tax authorities for such year and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the **Risparmio Amministrato** regime). Such separate taxation of capital gains is allowed subject to: (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the **Risparmio Amministrato** regime being timely made in writing by the relevant Noteholder. The financial intermediary, on the basis of the information provided by the taxpayer, is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholders for this purpose. Under the **Risparmio Amministrato** regime, where a sale or redemption of Notes results in capital loss, such loss may be deducted from capital gains subsequently realised in the same tax year or in the following tax years up to the fourth. Under the **Risparmio Amministrato** regime, the Noteholder is not required to declare capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to the Asset Management Tax to be paid on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax return.

Any capital gains realised by Noteholders who are Italian resident open-ended or closed-ended investment funds and SICAVs will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Collective Investment Fund Tax.

Any capital gains realised by Noteholders who are Italian resident pension funds will be included in the computation of the taxable basis of Pension Fund Tax.

The tax regime of capital gains in respect of the Notes realised by real estate funds depends on the fund's status and the applicable legislation. Capital gains realised by Italian real estate funds set up after 26 September 2001 on the disposal of the Notes are not subject to any withholding or substitute tax.

Capital gains realised by non-Italian-resident Noteholders from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (i) is resident in a country which allows a satisfactory exchange of information with the Republic of Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in the Republic of Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is resident in a country which allows a satisfactory exchange of information with the Republic of Italy, even if it does not possess the status of a taxpayer in its own country of residence.

If none of the conditions described above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in the Republic of Italy to which the Notes are connected, that may benefit from a double taxation treaty with the Republic of Italy providing that capital gains realised upon the sale or redemption of notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* on any capital gains realised upon the sale or redemption of the Notes.

Italian inheritance and gift tax

The Republic of Italy no longer applies inheritance and gift taxes.

However, according to Law 18th October, 2001 No. 383, transfer of the Notes as a gift to persons other than spouses, siblings, ascendants, descendants or relatives within the fourth degree, if and to the extent that the value of gifts attributable to each person exceeds €180,759.91, the gift of Notes is subject to the ordinary transfer taxes relating to transfers for consideration.

Article 16 of Law No. 383 of 18th October, 2001, provides certain anti-avoidance provisions in case of abusive transactions, the application of which may deny the benefits of the exemption on inheritance and gift tax as described above.

Transfer tax

General

Pursuant to Italian Legislative Decree No. 435 of 21st November, 1997, which amended the regime laid down by Royal Decree No. 3278 of 30th December, 1923, the transfer of the Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) in the following cases and at the following rates:

- (i) contracts entered into directly between private parties or between the parties through entities other than authorised intermediaries (banks, SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23rd July, 1996, as superseded by Legislative Decree No. 58 of 24th February, 1998, or stockbrokers) are subject to a transfer tax of €0.0083 for every €51.65 (or a fraction thereof) of the price at which the Notes are transferred;
- (ii) contracts between private parties through banks, SIMs or other authorised professional intermediaries or stockbrokers, or between private parties and banks, SIMs or other authorised intermediaries or stockbrokers,

are subject to a transfer tax of €0.00465 for every €51.65 (or a fraction thereof) of the price at which the Notes are transferred; and

- (iii) contracts between banks, SIMs or other authorised professional intermediaries or stockbrokers are subject to a transfer tax of €0.00465 for every €51.65 (or a fraction thereof) of the price at which the Notes are transferred.

In the cases listed above under (ii) and (iii), however, the amount of transfer tax cannot exceed €929.62 for each transaction.

Exemptions

In general, transfer tax is not levied, *inter alia*, in the following cases:

- (i) contracts relating to the transfer of securities entered into on regulated markets (e.g. the Luxembourg Stock Exchange), including contracts between the Intermediary and its principal or between qualified Intermediaries;
- (ii) off-markets contracts relating to securities which are admitted to listing on regulated markets entered into:
 - (a) between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to the Legislative Decree No. 415 of 23rd July, 1996, as superseded by Legislative Decree No. 58 of 24th February, 1998, or stockbrokers; or
 - (b) between authorised intermediaries as referred to in paragraph (a) above and non-Italian residents; or
 - (c) between authorised intermediaries as referred to in paragraph (a) above, also non-Italian residents, and undertakings for collective investment in transferable securities;
- (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets;
- (iv) contracts for a consideration not exceeding €206.58; and
- (v) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (ii) (a) above, on the one hand, and non-Italian residents, on the other hand.

EU Savings Directive

On 3rd June, 2003 the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, from a date not earlier than 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

Lehman Brothers International (Europe) (the **Lead Manager**) and Banca Akros S.p.A. (Gruppo Banca Popolare di Milano) (collectively with the Lead Manager, the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 15th December, 2004, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 98.81 per cent. of the principal amount of Notes, less total commissions of 0.50 per cent. of the principal amount of the Notes. The Issuer will also reimburse the Lead Manager in respect of certain of its expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;
- (b) it has only communicated or caused to be communicated, and it will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

Each Manager has agreed that (i) the offering of any Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, it has not offered, sold or delivered and will not offer, sell or deliver any Notes or distribute or make available any Notes or copies of this Offering Circular or of any other document relating to the Notes and (ii) no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed or made available in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended provided that such professional investors will act in that capacity and not as depositaries or nominees for other holders;
- (b) in circumstances which are exempt from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the **Financial Services Act**) and its implementing CONSOB

regulations including Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended; or

- (c) to an Italian resident who submits an unsolicited offer to purchase such Notes.

Any offer, sale or delivery of Notes or distribution of copies of this Offering Circular or any other document relating to any Notes in the Republic of Italy under (a), (b) or (c) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the **Banking Act**), as amended and the implementing guidelines of the Bank of Italy; and
- (ii) in compliance with Article 129 of the **Banking Act** and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics and in accordance with any other applicable laws and regulations including any relevant limitations which may be imposed by CONSOB or the Bank of Italy.

The Netherlands

Only denominations of at least €50,000 may be offered in the Netherlands.

France

Each of the Managers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles L.411-1 and L.411-2 of the *Code Monétaire et Financier* and décret no. 98-880 dated 1st October, 1998.

General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction, except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange. In connection therewith the legal notice (*notice légale*) relating to the issue of the Notes is being lodged, and copies of the constitutional documents of the Issuer have been lodged, prior to listing, with the Luxembourg Trade and Companies Register (*Registre du Commerce et des Sociétés*) where copies thereof may be obtained on request.

Corporate

CIR S.p.A. is a *società per azioni* registered under number 00519120018 in the Turin Company Register. The address of the Issuer's registered office is Strada Volpiano, 53, 10040 Leini (Turin).

Authorisation

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer dated 29th November, 2004.

Accounts

Copies in English of each of the following financial statements, together with such financial statements as are published thereafter for the life of the Notes, will be available free of charge during usual business hours on request at the principal office of the Paying Agent in Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange:

- (a) the audited consolidated and non-consolidated financial statements of the Issuer as at and for the years ended 31st December, 2003 and 2002;
- (b) the consolidated and non-consolidated financial statements of the Issuer as at and for the six month periods ended 30th June, 2004 and 2003 (subject to limited review) and the unaudited consolidated financial statements as at and for the three month period ended 30th September, 2004; and
- (c) the most recently published future audited annual financial statements of the Issuer (both consolidated and non-consolidated) and the most recently published future unaudited interim financial statements of the Issuer.

The Issuer publishes interim consolidated and non-consolidated accounts on a semi-annual basis which are subject to limited review and unaudited interim consolidated accounts on a quarterly basis.

No Material Adverse Change

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer or the CIR Group since 30th June, 2004.

Litigation

Save as disclosed under "*CIR S.p.A. and the CIR Group – Litigation*" above, there are no legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have (or have had in the past 12 months) a material adverse effect on the financial position of the Issuer or the CIR Group.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers S.p.A., who have audited the Issuer's consolidated and non-consolidated financial statements, without qualification, as at and for the financial years ended 31st December, 2003, 2002 and 2001 and conducted a limited review on the Issuer's consolidated and non-consolidated financial statements, without qualification, as at and for the six month periods ended 30th June, 2004 and 2003.

Clearing

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 020776617 and an ISIN of XS0207766170.

Documents Available

Copies of each of the following documents will be available for inspection (and, in the case of (b) below, for collection) during usual business hours on request at the specified office of each of the Paying Agents:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the Offering Circular, together with any future offering circulars, information memoranda and supplements to the Offering Circular;
- (c) the Trust Deed;
- (d) the Agency Agreement; and
- (e) the Subscription Agreement.

THE ISSUER

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