ANNUAL REPORT,
CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS

FINANCIAL YEAR 2011

CONTENTS

This Annual Report and Financial Statements as of December 31 2011 were prepared as per the terms of Art. 154 ter of D.Lgs. 58/98 and were drawn up in accordance with international accounting standards applicable as recognized by the European Union in Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of July 19 2002, as well as with the measures issued in implementation of Art. 9 of D. Lgs. No 38/2005.
This Annual Report has been translated into the English language solely for the convenience of international readers.
In the event of any ambiguity the Italian text will prevail.

COMPAGNIE INDUSTRIALI RIUNITE
Limited-liability corporation - Share capital € 396,670,233.50 - Registered Office: Via Ciovassino, 1 – 201291 Milan - www.cirgroup.it
R.E.A. n. 1950112 – Milan Company Register / Fiscal Code / VAT no. 00519120018
Company subject to management and coordination by COFIDE – Gruppo De Benedetti S.p.A.
Office in Rome: Via del Tritone, 169 – 00187 Rome

ADMINISTRATIVE BODIES

BOARD OF DIRECTOS

Honorary Chairman and Director	CARLO DE BENEDETTI
Chairman	STEFANO MICOSSI **(1)**
Chief Executive Officer and General Manager	RODOLFO DE BENEDETTI **(2)**
Directors	MARISTELLA BOTTICINI **(4)**
	GIAMPIO BRACCHI **(3) (4)**
	FRANCO DEBENEDETTI
	SILVIA GIANNINI **(4)**
	FRANCO GIRARD
	MICHAEL PISTAUER **(5)**
	CLAUDIO RECCHI **(3)**
	DOMINIQUE SENEQUIER **(5)**
	GUIDO TABELLINI **(3) (5) (6)**
Secretary to the Board	MASSIMO SEGRE

BOARD OF STATUTORY AUDITORS

Chairman	PIETRO MANZONETTO
Statutory Auditors	LUIGI NANI
	RICCARDO ZINGALES
Alternate Auditors	RAFFAELE CATARINELLA
	LUCA VALDAMERI
	LUIGI MACCHIORLATTI VIGNAT

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A..

Notice in accordance with the recommendation of Consob contained in its Communiqué no. DAC/RM/97001574 of February 20 1997:

(1) Legal Representative
(2) Power to sign with single signature all documents relating to ordinary and extraordinary administration except for those reserved by law to the Board of Directors
(3) Member of the Compensation Committee
(4) Member of the Internal Control Committee
(5) Member of the Appointments Committee
(6) Lead Independent Director

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

CIR S.p.A.
106th Year of Business

Milan, April 26 2012, 1st call
Milan, April 27 2012, 2nd call

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders are invited to attend the Ordinary Annual General Meeting of the Shareholders on April 26 2012 at 10.30. a.m., at the first call, at the Palazzo delle Stelline Congress Centre, Corso Magenta 61, in Milan and, if necessary, at the second call on April 27 2012, same time and place, to discuss and pass resolution on the following

AGENDA

1. Annual Report and Financial Statements for the year ended December 31 2011. Resolutions on the same.
2. Proposal to cancel the resolution of April 29 2011 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
3. Compensation Report.
4. Proposal to approve Stock Grant Plan 2012.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 396,670,233.50 and consists of 793,340,467 ordinary shares each with a nominal value of € 0.50.
As of the date of publication of this notice, the Company owns 49,989,000 of its own shares for which voting rights are suspended.

ATTENDING THE SHAREHOLDERS' MEETING IN PERSON AND IN PROXY

Entitlement to take part in the Meeting and exercise a vote is attested by a notification – made by an authorized intermediary as per the terms of Art. 22 of Joint Consob-Bank of Italy Measure of December 24 2010 – in favour of the individual who has the right to vote based on evidence available at the close of business Tuesday April 17 2012, i.e. the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting. Any persons who have entitlement only after that date will not have the right to attend or vote at the Meeting.
To make it easier to check their entitlement to take part in the proceedings of the Meeting, participants are requested to show their copy of the notice made to the Company which the authorized intermediary, in accordance with current regulations, is required to make available to them.
Any holders of shares that have not yet been dematerialized should present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 17 of Joint Consob / Bank of Italy Measure of December 24 2010, and should request that the notification be sent in as above.
Persons with voting rights can appoint a proxy to represent them at the Shareholders' Meeting in accordance with Art. 2372 of the Civil Code and with any other rules or regulations applicable. The proxy form at the bottom of the notification issued by the authorized intermediary may be used or alternatively there is a proxy form which can be downloaded from the company website www.cirgroup.it in the section Governance. The proxy form can be sent by registered post with advice of receipt (A.R.) to the Company Offices or, alternatively, may be sent to the certified e-mail address segre@legalmail.it.
In accordance with legislation on the subject, Shareholders can appoint as proxy, without incurring any charges, Compagnia Fiduciaria Nazionale S.p.A. as the Representative Designated by the Company as per the terms of Art. 135-*undecies* of D.Lgs no. 58/1998 and subsequent amendments and additions ("TUF"). The proxy is appointed by signing the appropriate form available in the above-mentioned section of the website. The signed document must be sent to the Designated Representative Compagnia Fiduciaria Nazionale S.p.A. – Galleria De Cristoforis, 3 – 20122 Milan by registered post with advice of receipt (A.R.) or sent by e-mail to the certified address cofidnaz_terzi@postemailcertificata.it, by the end of the

second trading day before the date fixed for the first call of the Shareholders' Meeting, i.e. by April 24 2012. The proxy is not valid for the motions for which no voting instructions have been given.
The proxy and the voting instructions are revocable until April 24 2012.
The notice sent to the company by the authorized intermediary attesting the Shareholder's entitlement to attend the meeting is needed even when the Designated Representative of the company is appointed as proxy. Therefore, in the absence of the above-cited notification the proxy will not be valid.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

Shareholders who wish to ask questions regarding the items on the Agenda of the Shareholders' Meeting may send their questions by registered post with advice of receipt (A.R.) to the Company offices or by certified e-mail to the address segre@legalmail.it attaching the certification issued by an authorized intermediary proving that they are entitled to exercise this right. Questions must reach the company by the close of the third trading day preceding the date fixed for the first call of the meeting, i.e. by the close of April 23 2012.
The company will give its response during the Shareholders' Meeting at the latest. Questions with the same content will receive a single response.

ADDITIONS TO THE AGENDA

As per the terms of Art. 126-*bi*s of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may request, within ten days of the publication of this notice, an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed. It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, as per the terms of the law, vote on a proposal made by the directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.
The request should be made by registered post with advice of receipt (A.R.) to the registered office of the Company or by certified e-mail to the address segre@legalmail.it and must be accompanied by a report on the subject being put forward as well as by the certification(s) issued by an authorized intermediary attesting the person's entitlement to exercise this right.

DOCUMENTATION

The documentation relating to the items on the Agenda, as set out in current legislation, which includes, among other things, the complete text of the proposed resolutions, is available to the public as per the terms of the law at the Company Registered Office (in Milan, Via Ciovassino 1) and at Borsa Italiana S.p.A. and is also available on the Company website www.cirgroup.it in the section Governance. Shareholders may obtain a copy of the documentation.
The Company Bylaws are available on the Company website www.cirgroup.it. in the section Governance.

THE BOARD OF DIRECTORS

The Notice of Meeting was published in the newspaper "la Repubblica" on March 27 2012

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2011 concluded with a considerable deterioration in the international economic scenario and new disruption of the financial markets. The epicentre of this stage of the crisis was once again Europe, due to fears concerning public accounts and the financial system of certain European countries. Many observers in the latter part of the year began to place the very survival of the euro in doubt, and even now, despite an improvement in the markets situation compared to the end of 2011, the worries persist.

The extraordinary difficulties experienced by the international economic and financial system from the second half of the year have, in effect, compromised the positive signals that emerged from the first part of the year. This situation inevitably weighed upon the performance of our group, which nevertheless, and despite the slowdown recorded in the last quarter, ended 2011 with solid operating results and increasing margins. In fact, the four main companies in the CIR Group (Sorgenia for utilities, Espresso for media, Sogefi for automotive components and KOS for healthcare) achieved significant increases in their operating results through their excellent competitive position, management quality and the every day commitment of all those who work in them. We have pursued development and investments in all the core business segments and, as always, despite the constant commitment to reduce costs, we have continued to seek new development opportunities.

The most important opportunity seized in the automotive components segment was the acquisition of Systèmes Moteurs, a world leader in the production of airflow and engine systems. As a result of this transaction, Sogefi performed an interesting integration in geographical and business terms, achieving the objective of consolidating its position among the world leaders in the filter systems industry. Also worthy of note are the news concerning other companies in our group: Sorgenia completed the operational start-up of the Lodi plant and announced new products for the residential market targeting energy efficiency and environmental protection. L'Espresso launched new development initiatives both in traditional media and especially digital media. Lastly, KOS continued along its path to expand its organisation with a focus on support service quality, also implementing a new start-up in India.

The good operating results of our major subsidiaries were sadly not reflected in the net income of the group, which compared to the previous year was penalised by a lower net result from Sorgenia - which in 2010 benefited from a significant extraordinary component - and from the negative adjustment to the fair value of securities in portfolio in view of the turbulence seen on the financial markets. Despite the lower profit, however, at the Board of Directors Meeting we decided to propose that the Shareholders' Meeting confirms the dividend in consideration of the solid equity and financial position of our group and of the proposal of dividends payment by Espresso and Sogefi.

2011 was for our group also characterised by the sentence of the Milan Court of Appeal which ordered Fininvest to pay € 564.2 million to CIR as compensation for damages for the twenty years long Lodo Mondadori affair. Fininvest has filed an appeal with the Court of Cassation. In accordance with international accounting standards, the amount collected will have no impact on the income statement of the group up to the highest level of justice and will not lead to any change in our financial management strategy, based on prudent and discerning criteria. We are aware that we will need to face another level of legal proceedings but we are also convinced that the good rationale of *the company, already accepted in a confirmed criminal sentence and by two levels of civil courts, will find further, final acceptance in the new proceedings.*

Another important event in 2011 was the appointment of the new Board of Directors, more streamlined compared to recent years and enhanced by the presence of three highly professional women and two non-Italian directors with impressive international experience. Our Board, characterised by a majority of independent directors, is in line with international best practices and I am certain it will make an important contribution to the future development of the group.

Lastly, in 2011 we completed a new investment in the training and education sector with the acquisition of about 20% of Swiss Education Group, a world leader in management training for the hotel industry.

2012 is expected to be even more complex than the previous year, given the negative forecasts for the European economy, and especially in Italy. After the 2008-2009 crisis we find ourselves in a new recession, the duration and intensity of which is extremely difficult to predict. Our group will endeavour to find rapid and effective responses to all the challenges we can expect to face in this new economic scenario. Our work, in particular, will target continued improvement in operating efficiency, though not neglecting the development opportunities that are normally found in periods of crisis and discontinuity. Also at a time when the economy is tightening and there are structural changes to the international balance the like of which we are experiencing now, our commitment will continue to be inspired by the primary mission of our group: to generate sustainable long-term value for all of you, our Shareholders.

Signed by
The Chief Executive Officer
Rodolfo De Benedetti

ANNUAL REPORT

REPORT ON OPERATIONS

Dear Shareholders,

In 2011 the CIR Group reported consolidated net income of € 10.1 million, down from € 56.9 million in 2010.

The contribution of the four main operating subsidiaries decreased from € 66.6 million to € 59.8 million. The change is due to the lower contribution from Sorgenia, which in 2010 benefited from high tax receivables from investments in new production capacity, only partially offset by the improved net profit of Espresso, Sogefi and Kos.

The result of CIR and the financial holding companies was negative for € 24.7 million compared to the relative break-even of the previous year, which had benefited from significant capital gains on disposal of certain private equity funds. The result for the year was particularly affected by the performance of the financial markets, which led to a negative adjustment to fair value of around € 21.1 million in securities in portfolio. This adjustment refers to equity investments for € 6.1 million, structured securities for € 9.7 million (against which financial income of € 2 million on the same securities) and bonds for € 5.3 million (in this case due mainly to the technical effect of the purchase of securities over par and against financial income on the same securities for € 8.4 million). In the first few months of the year the market upturn offered a significant recovery of losses from recorded adjustments.

In 2011 the CIR Group achieved revenues of € 4,522.7 million, down 2.8% on the € 4,650.8 million of 2010. This change is due to the drop in gas sales by Sorgenia, only partially offset by the increased revenues of the Sogefi Group mainly from the acquisition completed during the year.

As a result of the improved performance of all the main operating subsidiaries the Group achieved a significant increase in margins in 2011. EBITDA stood at € 468.4 million, up 17.1% on the € 400.1 million of 2010.

The CIR group today includes five business sectors: energy (electricity and gas), media (publishing, radio, television and Internet), automotive components (engine systems and suspension components), healthcare (care homes, rehabilitation centres and hi-tech services) and non-core investments (private equity, venture capital and other investments).

In the utilities sector the Sorgenia group recorded revenues of € 2,120.3 million, a 15.7% decrease on the € 2,513.8 million of 2010 due to the drop in gas sales volumes, adjusted EBITDA of € 193.5 million, up 18.1% as a result of the launch of the new Lodi plant and renewable source initiatives that compensated for the difficult economic situation. Net consolidated income was € 15.6 million, against the € 50.4 million of 2010 which had benefited from a significant tax-related non-recurring item.

In the media sector, in an economic scenario characterised by a weak recovery and uncertain prospects, the Espresso Group achieved revenues of € 890.1 million, slightly up (+0.6%) on the previous year due to the increase in advertising revenues and in the digital segment. The consolidated operating result (EBIT) was € 119.8 million, up 9.8%, with a profit margin of 13.5%. Net income came in at € 58.6 million, up from € 50.1 million recorded in the previous year (+17%).

In 2011 the Sogefi Group achieved revenues of € 1,158.4 million, up 25.3% on the previous year, to the absolute highest levels in the group’s thirty-year history. This result was made possible by the acquisition of Systèmes Moteurs business, consolidated from 1 August 2011, and to the increase in the group’s business workforce. EBITDA for the year stood at € 108.3 million (+24.9%) and net income amounted to € 24.7 million, up 31.4%.

The KOS group continued to strengthen its operating activities in order to consolidate its position in the private healthcare market in Italy. In 2011 the group achieved revenues of € 349.6 million (+7.4%) from development of the three business sectors and from acquisitions completed in 2010. EBITDA came in at € 52.2 million (which includes a non recurring item of € 3 million related to a building disposal), up 24% on the € 42.1 million recorded in 2010, and net income was € 8.9 million compared to € 4 million in the previous year.

The results of other subsidiaries, negative for € 17.4 million (negative for € 3.3 million in 2010) were penalised by approximately € 12 million from write-down of the non performing loans portfolio after review of the inflows plan due to the difficult overall situation of the market, and by around € 3.7 million in start-up costs for the new restaurant initiative in Germany.

After the Milan Court of Appeal pronouncement of 9 July 2011 ordering Fininvest to pay compensation for damages resulting from bribery in the “Lodo Mondadori” case, on 26 July 2011 CIR received € 564.2 million from Fininvest, including legal costs and interest. As envisaged in international accounting standards (IAS 37) this amount has had no effect, nor will, on the income statement of the group up to the highest level of justice. The higher available funding recognised to the financial statements against borrowings of the same amount will have no effect on the Group’s financial management strategy, based on prudent and discerning criteria, in a particularly complex financial markets scenario. In fact, the amount was invested with a short-term horizon (cash deposits and funds through CIR S.p.A.) and medium-term horizon (bonds through the 100% subsidiary Dry Products S.p.A.). The income from these investments was essentially in line with the legal interest provisioned.

The charts on the following pages show a breakdown by business sector of the economic and financial results of the Group, a breakdown of the contribution of the main subsidiaries and the aggregate results of the CIR holding and its financial holding company subsidiaries (CIR International, CIGA Luxembourg and Dry Products).

INCOME STATEMENT BY BUSINESS SECTOR AND CONTRIBUTIONS TO GROUP RESULTS

(in millions of euro)

CONSOLIDATED / AGGREGATE	*Revenues*	*Cost of production* (1)	*Other operating income and costs* (2)	*Adjustments to the value of investments consolidated at equity*	*Amortisation, depreciation & write-downs*	*Net financial income and expense* (3)	*Dividends, gains and losses from trading and valuing securities* (4)	*Income taxes*	*Net income - minority interests*	*Net income - Group*	*Net income - Group*
	2011										***2010***
Sorgenia Group	2,120.3	(2,019.5)	70.3	20.9	(102.3)	(75.4)	(5.9)	10.2	(10.5)	8.1	26.0
Espresso Group	890.1	(733.0)	(1.1)	1.0	(37.2)	(14.2)	(0.9)	(46.4)	(25.8)	32.5	27.5
Sogefi Group	1,158.4	(1,023.1)	(22.6)	--	(52.3)	(13.6)	--	(18.9)	(13.5)	14.4	10.8
Kos group	349.6	(288.9)	(12.4)	--	(18.0)	(9.0)	--	(12.1)	(4.4)	4.8	2.3
Total main subsidiaries	**4,518.4**	**(4,064.5)**	**34.2**	**21.9**	**(209.8)**	**(112.2)**	**(6.8)**	**(67.2)**	**(54.2)**	**59.8**	**66.6**
Other subsidiaries	4.3	(32.8)	12.3	--	(1.5)	(2.9)	1.9	0.3	1.0	(17.4)	(3.3)
Total subsidiaries	**4,522.7**	**(4,097.3)**	**46.5**	**21.9**	**(211.3)**	**(115.1)**	**(4.9)**	**(66.9)**	**(53.2)**	**42.4**	**63.3**
<u>CIR and financial holding companies</u>											
Revenues	--								--	--	--
Operating costs		(18.2)							--	(18.2)	(17.8)
Other operating income and costs			3.2						--	3.2	4.5
Adjustments to the value of investments consolidated at equity				--					--	--	--
Amortisation, depreciation & write-downs					(0.9)				--	(0.9)	(0.9)
Net financial income and expense						(4.2)				(4.2)	(17.2)
Dividends, gains and losses from trading securities							(10.7)		--	(10.7)	28.7
Income taxes								6.1	--	6.1	2.6
Total CIR and financial holding companies before non-recurring items	**--**	**(18.2)**	**3.2**	**--**	**(0.9)**	**(4.2)**	**(10.7)**	**6.1**	**--**	**(24.7)**	**(0.1)**
Non-recurring items *(5)*	**--**	**(10.4)**		**--**	**--**	**--**	**--**	**2.8**	**--**	**(7.6)**	**(6.3)**
Total consolidated of the Group	**4,522.7**	**(4,125.9)**	**49.7**	**21.9**	**(212.2)**	**(119.3)**	**(15.6)**	**(58.0)**	**(53.2)**	**10.1**	**56.9**

(1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement.
This item does not consider the € (10.9) million effect of intercompany netting.
(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not consider the € 10.9 million effect of intercompany netting.
(3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.
(4) This item is the sum of "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement.
(5) This item in 2011 is mainly related to legal expenses for the Lodo Mondadori

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

CONSOLIDATED / AGGREGATE	31.12.2011 Fixed assets (1)	Other net non-current assets and liabilities (2)	Net working capital (3)	Net financial position (4)	Total equity	of which:	Minority interests equity	Group equity	31.12.2010 Group equity
Sorgenia Group	2,453.9	241.5	198.7	(1,730.5) (*)	1,163.6		586.1	577.5	586.7
Espresso Group	855.9	(196.2)	15.5	(110.2)	565.0		252.3	312.7	296.4
Sogefi Group	474.2	(23.7)	64.2	(299.8)	214.9		101.2	113.7	113.3
Kos group	382.9	(22.2)	15.4	(165.1)	211.0		99.8	111.2	100.3
Other subsidiaries	14.9	35.0	6.2	(40.3)	15.8		2.2	13.6	16.6
Total subsidiaries	**4,181.8**	**34.4**	**300.0**	**(2,345.9)**	**2,170.3**		**1,041.6**	**1,128.7**	**1,113.3**
CIR and financial holding companies									
Fixed assets	144.5				144.5		--	144.5	127.7
Other net non-current assets and liabilities		173.7			173.7			173.7	139.6
Net working capital			(19.6)		(19.6)		--	(19.6)	(17.2)
Net financial position				10.8	10.8		--	10.8	123.6
Total consolidated of the Group	**4,326.3**	**208.1**	**280.4**	**(2,335.1)**	**2,479.7**		**1,041.6**	**1,438.1**	**1,487.0**

(*) The financial position includes cash and cash equivalents of Sorgenia Holding S.p.A.

(1) This item is the algebraic sum of "intangible assets", "tangible assets", "investment property", "investments in companies consolidated at equity" and "other equity investments" in the consolidated statement of financial position.

(2) This item is the algebraic sum of "other receivables", "securities" and "deferred taxes" under non-current assets and of "other payables", "deferred taxes", "personnel provisions" and "provisions for risks and losses" under non-current liabilities in the consolidated statement of financial position. This item also includes "Available for sale financial assets" and "Available for sale financial liabilities" in the consolidated statement of financial position.

(3) This item is the algebraic sum of "inventories", "contract work in progress", "trade receivables" and "other receivables" under current assets, and of "trade payables", "other payables" and "provisions for risks and losses" under current liabilities in the consolidated statement of financial position.

(4) This item is the algebraic sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" under current assets, of "bond loans" and "other borrowings" under non-current liabilities, and of "bank overdrafts", "bond loans" and "other borrowings" under current liabilities in the consolidated statement of financial position.

1. PERFORMANCE OF THE GROUP

Consolidated revenues for 2011 amounted to € 4,522.7 million compared to € 4,650.8 million in 2010, down € 128.1 million (-2.8%).

Consolidated revenues can be broken down by business sector as follows:

(in millions of euro)	*2011*	*%*	*2010 (*)*	*%*	*absolute*	*Change %*
Energy						
Sorgenia Group	2,120.3	46.9	2,513.8	54.1	(393.5)	(15.7)
Media						
Espresso Group	890.1	19.7	885.0	19.0	5.1	0.6
Automotive components						
Sogefi Group	1,158.4	25.6	924.7	19.9	233.7	25.3
Healthcare						
KOS Group	349.6	7.7	325.4	7.0	24.2	7.4
Other sectors	4.3	0.1	1.9	--	2.4	n.a.
Total consolidated revenues	4,522.7	100.0	4,650.8	100.0	(128.1)	(2.8)
of which: ITALY	3,266.9	74.2	3,729.3	80.2	(462.4)	(12.4)
OTHER COUNTRIES	1,255.8	27.8	921.5	19.8	334.2	36.3

The key figures of the **consolidated income statement** are as follows:

(in millions of euro)	*2011*	*%*	*2010 (*)*	*%*
Revenues	4,522.7	100.0	4,650.8	100.0
Consolidated EBITDA *(1)*	**468.4**	**10.4**	**400.1**	**8.6**
Consolidated EBIT	**256.2**	**5.7**	**215.8**	**4.6**
Financial management result *(2)*	(134.9)	(3.0)	(79.8)	(1.7)
Income taxes	(58.0)	(1.3)	(12.6)	(0.3)
Net income including minority interests	**63.3**	**1.4**	**123.4**	**2.6**
Net income – minority interests	(53.2)	(1.2)	(66.5)	(1.4)
Net income of the Group	**10.1**	**0.2**	**56.9**	**1.2**

1) This balance is the sum of the items "earnings before interest and taxes (EBIT)" and "amortisation, depreciation and write-downs" in the consolidated income statement

(2) This balance is the sum of the items "financial income", "financial expense", "dividends", "gains from trading securities", " losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement

(*)For the presentation of these Consolidated Financial Statements the Group recalculated the comparison balances of the income statement at 31 December 2010 to align their accounting presentation to the financial instrument trading transactions of the sub-holding Sorgenia, executed as part of its normal business activities, to those of the leading energy traders. These reclassifications affected the following item: Revenues. For further details, see Note 1 to the Consolidated Financial Statements.

Consolidated EBITDA in 2011 stood at € 468.4 million (10.4% of revenues) against the € 400.1 million of 2010 (8.6% of revenues), up € 68.3 million (+17.1%) thanks to the improved profit margins of all the key operating groups, particularly Sorgenia and Sogefi.

Consolidated EBIT in 2011 was € 256.2 million (5.7% of revenues) compared to € 215.8 million (4.6% of revenues) in 2010, up € 40.4 million (+18.7%).

The net financial management result was a negative figure of € 134.9 million (a negative € 79.8 million in 2010), which was the result of net financial expense of € 119.2 million (€ 110.9 million in 2010), dividends and net gains from trading securities of € 9.2 million (€ 37 million in 2010) and negative adjustments to the value of financial assets for € 24.9 million (negative for € 5.9 million in 2010).

The **key figures for consolidated equity of the CIR Group** at 31 December 2011, compared to the corresponding position at 31 December 2010, were as follows

(in millions of euro)(1)	*31.12.2011*	*31.12.2010 (*)*
Fixed assets	4,326.3	4,293.6
Other net non-current assets and liabilities	208.1	99.2
Net working capital	280.4	308.6
Net invested capital	**4,814.8**	**4,701.4**
Net financial debt	**(2,335.1)**	**(2,178.5)**
Total equity	**2,479.7**	**2,522.9**
Group equity	1,438.1	1,487.0
Minority interests equity	1,041.6	1,035.9

(1) These figures are the result of a different aggregation of the balance sheet items. For the definition, reference should be made to the notes to the chart "consolidated statement of financial position by business sector" commented earlier.

(*) For the presentation of these Consolidated Financial Statements the Group recalculated the comparison balances of current assets and liabilities at 31 December 2010 to align their accounting presentation to the financial instrument trading transactions of the sub-holding Sorgenia, executed as part of its normal business activities, to those of the leading energy traders. These reclassifications affected the following items: Net working capital, net invested capital and net financial debt. For further details, see Note 1 to the Consolidated Financial Statements.

Net invested capital at 31 December 2011 stood at € 4,814.8 million compared to € 4,701.4 million at 31 December 2010, up € 113.4 million mainly due to the consolidation of Systèmes Moteurs into the Sogefi Group.

The **consolidated net financial position** at 31 December 2011 showed net debt of € 2,335.1 million (up € 156.6 million compared to € 2,178.5 million at 31 December 2010), determined by:

- a financial surplus for CIR and the financial holding companies of € 10.8 million, which compares with € 123.6 million at 31 December 2010. The € 112.8 million reduction is mainly due to equity investments and investments in own shares for a total of € 83.4 million and the negative adjustment to the fair value of securities in portfolio for € 28.5 million, of which € 7.4 million recognised directly to equity for hedge fund units and € 21.1 million to the income statement;

- total net debt of the operating groups of € 2,345.9 million compared to € 2,302.1 million at 31 December 2010. The € 43.8 million increase is essentially due to the higher net debt of the Sogefi group following the acquisition of Systèmes Moteurs, partly offset by the decrease in the net financial position of the other operating groups.

The net financial position includes shares of hedge funds, which totalled € 79 million at 31 December 2011. The accounting treatment of these investments involves recognising changes in the fair value of the funds to equity.

The performance of these investments from their origin (April 1994) up to and including all of 2011 recorded a weighted average return in dollars of 6.7%. In 2011 performance was therefore a negative 7.4%.

Total equity at 31 December 2011 stood at € 2,479.7 million, down € 43.2 million from € 2,522.9 million at 31 December 2010.

Group equity fell from € 1,487 million at 31 December 2010 to € 1,438.1 million at 31 December 2011, a net decrease of € 48.9 million, mainly due to the payment of dividends and negative changes in fair value reserves.

Minority interests equity rose from € 1,035.9 million at 31 December 2010 to € 1,041.6 million at 31 December 2011, a net increase of € 5.7 million.

The evolution of consolidated equity is given in the Notes to the Financial Statements.

The **consolidated statement of cash flow** for 2011, prepared according to a "managerial" format which, unlike the format used in the financial statements, shows changes in the net financial position instead of the changes in cash and cash equivalents, can be broken down as follows:

(in millions of euro)	*2011*	*2010*
SOURCES OF FUNDING		
Net income for the period including minority interests	63.3	123.4
Amortisation, depreciation, write-downs and other non-monetary changes	202.6	114.3
Self-financing	**265.9**	**237.7**
Change in working capital and other non-current assets and liabilities	**(62.9)**	**(15.8)**
CASH FLOW GENERATED BY OPERATIONS	**208.8**	**221.9**
Capital increases	34.4	39.1
TOTAL SOURCES	**243.2**	**261.0**
USES OF FUNDING		
Net investments in fixed assets	(121.9)	(656.9)
Price paid for business combinations	(146.5)	-
Net debt of acquired companies	8.3	-
Buy-back of own shares	(18.3)	(0.1)
Payment of dividends	(40.5)	(6.9)
Other changes in equity	(75.1)	25.5
TOTAL USES OF FUNDING	**(399.8)**	**(638.4)**
FINANCIAL SURPLUS (DEFICIT)	**(156.6)**	**(365.7)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(2,178.5)**	**(1,801.1)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(2,335.1)**	**(2,178.5)**

The composition of the net financial position is given in the Notes to the Financial Statements.

During 2011, consolidated net financial position increased from € 2,178.5 million at the start of the year to € 2,335.1 million at 31 December 2011.
The cash flows generated by operations were characterised by a considerable increase in self-financing compared to the previous year due to a significant increase in amortisation, particularly in connection with the operational start-up of the Lodi plant and to Sogefi's acquisition of Systèmes Moteurs.
The highest absorption of cash flows from net working capital and other non-current assets and liabilities is mainly due to recognition of the Sorgenia Group receivable for the assessment of CO_2 credits not collected in 2011, but due to be reimbursed from 2013 onwards.
The funding sources for the period were also affected by capital increases in the amount subscribed by third parties, particularly in the KOS and Sorgenia groups.
Among the commitments, note the important investment by the Sogefi Group in Systèmes Moteurs for a net value of € 138.2 million.

During the year CIR S.p.A. and other group companies distributed dividends for € 40.5 million and bought back own shares for € 18.3 million.
Lastly, commitments also include changes in net debt, largely due to adjustments to the fair value of cash flow hedges (€ 65 million) and the adjustment to available-for-sale securities (€ 13.5 million).

At 31 December 2011 the CIR Group had 14,072 employees, compared to 12,910 at 31 December 2010, the increase mainly associated with the acquisition of Systèmes Moteurs by the Sogefi Group.

2. PERFORMANCE OF THE PARENT COMPANY

The parent company CIR S.p.A. closed 2011 with a net profit of € 0.3 million, compared to a loss of € 14.7 million in 2010.
Equity stood at € 946 million at 31 December 2011, down from € 968.5 million at 31 December 2010.

The **key income statement figures** of CIR S.p.A. for 2011, compared with those of 2010, are as follows:

(in millions of euro)		*2011*	*2010*
Net operating costs	*(1)*	(20.7)	(13.9)
Other operating costs and amortisation	*(2)*	(3.3)	(6.6)
Financial management result	*(3)*	16.0	2.6
Result before taxes		**(8.0)**	**(17.9)**
Income taxes		8.3	3.2
Net result		**0.3**	**(14.7)**

(1) This item is the algebraic sum of "sundry revenues and income", "costs for services" and "personnel costs" in the income statement of the Parent Company CIR S.p.A..
(2) This item is the sum of "other operating costs" and "amortisation, depreciation and write-downs" in the income statement of the Parent Company CIR S.p.A..
(3) This item is the algebraic sum of "financial income", "financial expense", "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the income statement of the Parent Company CIR S.p.A..

Net operating costs for 2011 came to € 20.7 million, up on the € 13.9 million of 2010. These include expense deriving from share-based incentive schemes for € 4.4 million (€ 4.3 million in 2010) and legal costs for € 10.4 million (€ 4.8 million in 2010).
The financial management result includes the dividends of subsidiaries, which totalled € 29.3 million in 2011 versus € 5.8 million in 2010, net financial expense of € 10,8 million (€ 7.9 million in 2010), losses from trading and valuing securities of € 2.5 million (net gains of € 4.6 million in 2010).
Lastly, 2011 benefited from a positive net tax position of € 8.3 million, up from € 3.2 million in 2010 mainly due to the participaation in the Cir tax consolidation.

The **key figures of the statement of financial position** of CIR S.p.A. at 31 December 2011, compared to the position at 31 December 2010, are as follows:

(in millions of euro)		*31.12.2011*	*31.12.2010*
Fixed assets	*(1)*	1,202.8	939.3
Other net non-current assets and liabilities	*(2)*	310.8	99.6
Net working capital	*(3)*	(12.4)	(5.3)
Net invested capital		**1,501.2**	**1,033.6**
Net financial position	*(4)*	**(555.2)**	**(65.1)**
Equity		**946.0**	**968.5**

1. *This item is the sum of "intangible assets", "tangible assets", "investment property" and "equity investments" in the statement of financial position of the Parent Company CIR S.p.A..*
2. *This item is the algebraic sum of "other receivables" and "deferred taxes" under non-current assets and "personnel provisions" in the non-current liabilities of the statement of financial position of the Parent Company CIR S.p.A..*
3. *This item is the algebraic sum of "other receivables" in current assets and "other payables" and "provisions for risks and losses" in the current liabilities of the statement of financial income of the Parent Company CIR S.p.A..*
4. *This item is the algebraic sum of "Financial receivables"," securities", "available for sale financial assets" and "cash and cash equivalents" and "Financial receivables" under current assets, and "bond loans" under non-current liabilities and "Other Borrowings", "Bank overdrafts" under current liabilities in the statement of financial position the Parent Company CIR S.p.A..*

The net financial position at 31 December 2011 was one of net debt for € 555.2 million which compares with € 65.1 million at 31 December 2010.
The € 490.1 million difference is attributable to the disbursement of a loan to the subsidiary Cir International for € 191 million to repay its bond loan, completed during the year and the investment of € 256.8 million in Dry Products S.p.A., the company responsible for making medium-term investments in debt securities, primarily corporate bonds, to expand its business activities which were previously based only on structured securities and trading securities.

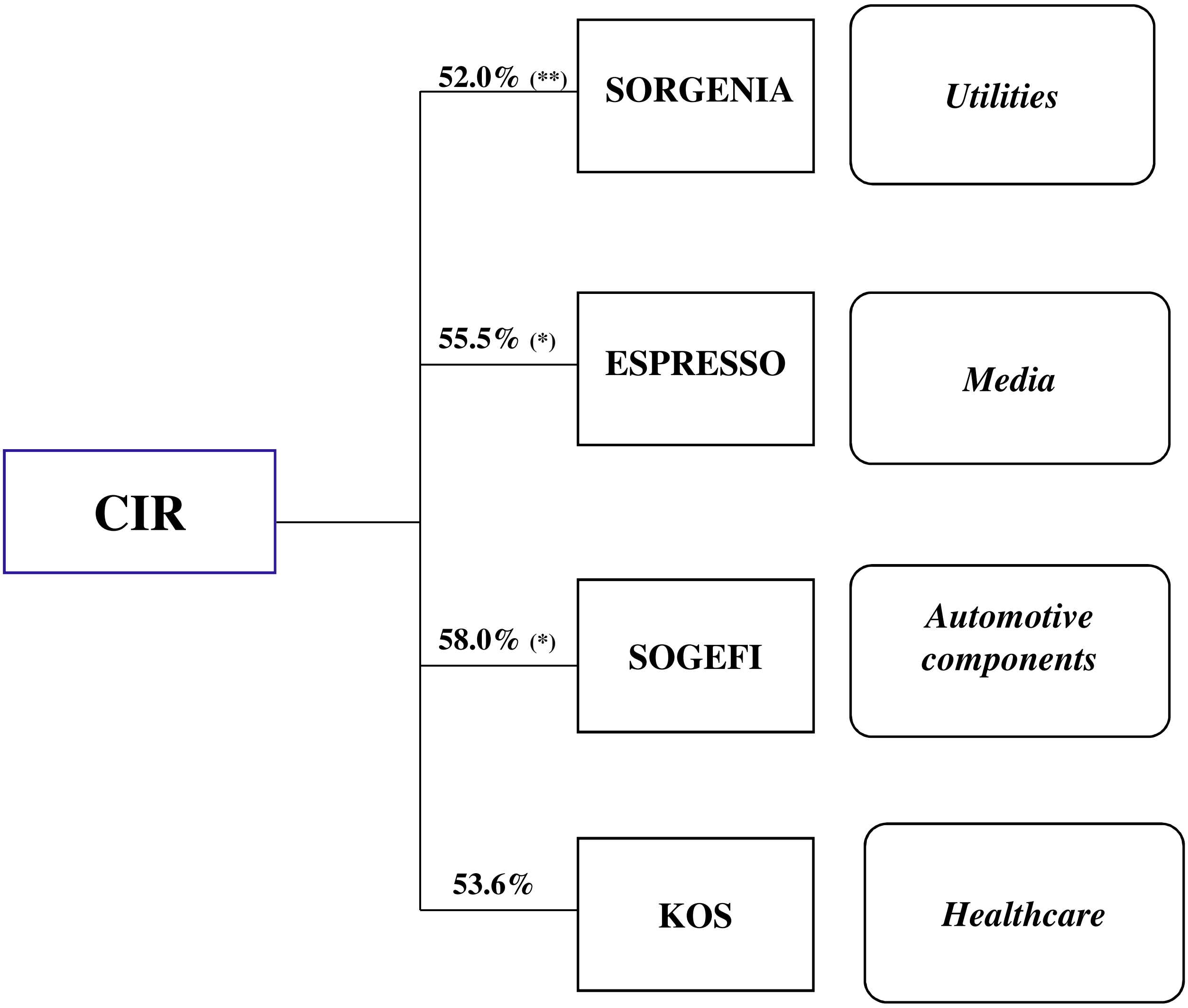
The decrease in equity from € 968.5 million at 31 December 2010 to € 946 million at 31 December 2011 was mainly due on the upside, in addition to the result for the year, to the effects of notional cost accounting of the incentive schemes for € 4.4 million and the related capital increases for € 1.3 million, and on the downside due to the distribution of dividends for € 18.7 million and the buy-back of own shares for € 9.7 million.
At 31 December 2011 a total of 49,989,000 own shares were held, equal to 6.3% of capital, for a total value of € 108.3 million, compared to 43,074,000 (5.44% of capital) for a total value of € 98.6 million at 31 December 2010.

3. CHART RECONCILING THE BALANCE SHEET FIGURES OF THE PARENT COMPANY WITH THOSE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following chart shows the reconciliation of the results for the year and the equity of the Group with the figures of the parent company.

(in thousands of euro)	*Equity 31.12.2011*	*Net result 2011*
Figures of the parent company CIR S.p.A.	946,037	269
- Dividends from companies included in consolidation	(29,282)	(29,282)
- Net contribution of consolidated companies	583,294	37,829
- Difference between carrying values of investee companies and the portions of consolidated equity, net of their contributions	(63,301)	-
- Other consolidation adjustments	1,328	1,328
Consolidated figures - Group share	1,438,076	10,144

MAIN EQUITY INVESTMENTS OF THE GROUP (*)
AT 31 DECEMBER 2011



(*) *The percentage is calculated net of own shares held in portfolio*
(**) *Percentage of indirect control through Sorgenia Holding*

4. PERFORMANCE OF THE BUSINESS SECTORS

ENERGY SECTOR

In 2011 the Sorgenia group achieved consolidated revenues of € 2,120.3 million, down 15.7% on the € 2,513.8 million in 2010. The change is essentially due to the drop in natural gas sales volumes - due to lower availability on existing supply contracts given the temporary closures of the Libyan Greenstream pipeline - and to a different customer mix.

In 2011 the Sorgenia group reported consolidated net income of € 15.6 million, down from € 50.4 million in 2010. The difference from the previous year was primarily due to an extraordinary tax-related item.
The adjusted net income (excluding the fair value measurement of hedging derivatives) was € 22.3 million compared to the € 62.8 million of 2010.

Consolidated revenues can be broken down as follows:

(in millions of euro)	*2011*		*2010*		*Change*
	Values	*%*	*Values*	*%*	*%*
Electricity	1,921.0	90.6	1,940.2	77.2	(1.0)
Natural gas	179.6	8.5	572.1	22.8	(68.6)
Other revenues	19.7	0.9	1.5	0.1	n.a.
TOTAL	2,120.3	100.0	2,513.8	100.0	(15.7)

The adjusted EBITDA amounted to € 193.5 million, up 18.1% on the € 163.9 million of 2010. EBITDA came in at € 192.2 million, up 27.2% from € 151.1 million in 2010. The increase on the previous year is attributable to the commercial start-up of the Bertonico-Turano Lodigiano combined-cycle plant (Lodi) in the first quarter, the sales of photovoltaic plants by Sorgenia Solar, the wind energy joint venture in France with the KKR investment fund and to disposal of the smaller hydroelectric plants. These effects offset the drop in electricity production margins that caused a significant increase in gas prices to the plants, the lower contribution from the investee Tirreno Power, and electricity grid congestion costs that penalised the Modugno (Bari) and Termoli (Campobasso) plants.

Consolidated EBIT for 2011 was € 89.9 million (4.2% of revenues) versus € 68.3 million (2.6% of revenues) in 2010.

Consolidated net debt stood, excluding the impact of cash flow hedge components, amounted at € 1,667.2 million at 31 December 2011, (€ 1,745.7 million at 31 December 2010). This change is due to the sale of 19 MW photovoltaic plants in Italy and 50% of the equity investment in Sorgenia France, a 50-50 joint venture with the KKR Fund, and small hydroelectric plants. These factors, together with cash flows from ordinary operations, more than offset the new production capacity investments and debt service requirement.

At 31 December 2011 the Group had 446 employees, compared to 415 at 31 December 2010.

Concerning the progress of the Business Plan 2011-2016, which during the first quarter of 2011 saw the trading start-up of the Bertonico-Turano Lodigiano power plant (Lodi), construction work has continued on the Aprilia plant (Latina), the fourth and last combined cycle power plant (CCGT) planned by Sorgenia expected to begin operations in the second quarter of 2012.
Preparatory works also began on the construction of two new wind farms in Italy for a total of 20 MW - commercial start-up of which is expected by the end of 2012 - and the new 12.5 MW wind farm in France.
Activities are also progressing in the area of hydrocarbon Exploration and Production (E&P), which holds exploration licenses in Colombia, the North Sea and Poland. 2011 saw the production start-up of the Balay field in Colombia.
In the fourth quarter of 2011, in line with the 2011-2016 Business Plan, Sorgenia announced the launch of new supplies for the residential market. Sorgenia aims to reach 1.5 million new customers by the end of 2016, bringing its total customers to around 2 million. In the first few months after launch, the company caught the attention and a good response from the public for a product that, in addition to being innovative in price terms, focused greatly on energy savings and reducing emissions.

MEDIA SECTOR

The Espresso group closed 2011 with consolidated revenues of € 890.1 million, up 0.6% on the figure of € 885 million in 2010, due to funding from advertising and revenues in the digital sector.
Consolidated net income came in at € 58.6 million compared to € 50.1 million in 2010.

The revenues of the group can be broken down as follows:

(in millions of euro)	*2011*		*2010*		*Change*
	Values	*%*	*Values*	*%*	*%*
Circulation	326.9	36.7	334.2	37.8	(2.2)
Advertising	534.7	60.1	528.4	59.7	1.2
Other revenues	28.5	3.2	22.4	2.5	27.0
TOTAL	890.1	100.0	885.0	100.0	0.6

The weak growth in the economy in 2011 and forecasts for 2012, becoming increasingly negative during the year, led to a drop of 3.8% in the advertising investments market compared to the 2010 figures (source: Nielsen Media Research).
This negative performance affected all traditional media: television (-6.1%, excluding digital and satellite TV channels), radio (-7.8%) and the press (-6.3%). More encouraging, on the other hand, was the funding from new media: Internet (+12.3%) and digital terrestrial channels which practically doubled their revenues.
In terms of circulation, ADS figures (moving average for the last 12 months to November 2011, on the same range of products) show a decline in sales on the news-stands of 4.7% for the daily newspapers, 3.6% for weeklies and 6% for monthlies.

Despite this context, in 2011 the Espresso Group recorded a positive performance in terms of both revenues and operating performance.

Circulation revenues were € 326.9 million (-2.2%) compared to € 334.2 million the previous year.

Based on industry figures, La Repubblica confirmed its leadership position among the dailies in terms of both news-stand sales (ADS at November 2011) and the number of daily readers (Audipress).
The circulation figures for local dailies tended to be weaker, reflecting the general market performance that for these newspapers led to a drop greater than that of the national dailies, also in relation to the central nature of economy-related topics in reading choices. Revenues in any event benefited from the price increase applied on 10 out of 18 of the Group's local titles.

Advertising revenues, totalling € 534.7 million, recorded a 1.2% increase on 2010, the opposite of the negative market trend.
Funding from the Group's press media recorded a slight drop (-1.9%), in a market that recorded a much stronger decline (-6.3%).
Internet funding reported positive developments, up 14.4%, sustained by strong increases in the Group's web site audience (+20.9% with an average 1.8 million individual users per day - source: Audiweb/AWDB). In particular, the leadership of Repubblica.it was consolidated (+20.8% to 1.6 million individual daily users), and the local press web sites and launch of the new web site for women were also a success.
Lastly, radio advertising funding, including from third parties, reported a 6.8% decrease (-7.8% for the market).

Sundry revenues amounting to € 28.5 million increased by 27% on the € 22.4 million recorded in 2010, due to the increase in rentals to third parties of digital terrestrial TV bandwidths and to the first positive developments in subscriptions to digital products.

Total operating costs recorded a 0.6% increase, attributable in full to sectors at sustained development stage (digital publications and the digital terrestrial TV network). After the 17% decrease at 31 December 2010, traditional core business (press and radio) costs decreased by a further 1.2%.

Consolidated EBITDA stood at € 157 million, up 6.6% on the € 147.2 million of 2010.

The consolidated operating result (EBIT) was € 119.8 million, up 9.8% on the € 109.1 million of 2010, with a profit margin of 13.5% (12.3% in 2010).

Consolidated net debt at 31 December 2011 was € 110.2 million, recording a decrease on the € 135 million at 31 December 2010, due to a financial surplus of € 60.5 million before the distribution of € 29.8 million in dividends and the buy-back of own shares for € 6 million.

The Group's workforce, including short-term contracts, fell to 2,673 employees at the end of December and an average workforce 5.1% lower than that of 2010.

The Board of Directors of the parent company Gruppo Editoriale L'Espresso, which met on 29 February 2012, proposed distributing a dividend for 2011 of € 0.0629 per share (€ 0.074 last year).

Given the deterioration in the general situation and in macroeconomic prospects, the developments seen recently can be expected to persist and probably worsen, particularly with regard to funding from advertising.
The Espresso Group in any event faces 2012 challenges with a good profit margin and a significantly reduced net debt, as a result of the reorganisations, cost-cutting initiatives and product developments implemented over the last three years.

Despite the above, the highly critical situation in the economy and its considerable impact on Group business lead to a forecast 2012 result that is particularly positive, but somewhat lower than that of 2011.

AUTOMOTIVE COMPONENTS SECTORS

In 2011 the Sogefi recorded a double-figure increase in all its main economic indicators, despite a complex market scenario and the drop in demand towards the end of the year as a result of the slowing economy.
The strongest impact was recorded on the European market, with a 1.7% drop in new vehicle registrations over the year compared to 2010. The South American, Chinese and Indian markets, though continuing their positive trend, recorded growth rates lower than those of the previous three years. The North American market, on the other hand, saw a strong increase as all the leading manufacturers increased their production and sales levels.

In 2011 the Sogefi group achieved revenues of € 1,158.4 million, up 25.3% on the € 924.7 million recorded in the previous year. This growth was the result of acquisition of Systèmes Moteurs S.A.S. business, consolidated from 1 August 2011, and to the increase in the Group's business workforce. On a like-for-like basis, in fact, revenues would have been € 1,021.2 million with a 10.4% growth. Pro-forma revenues, including Systèmes Moteurs business in the consolidation from 1 January 2011, amounted to € 1,335 million.

The acquisition of Systèmes Moteurs allowed Sogefi to achieve three important business objectives: extension of the product lines for air management and engine cooling systems; greater penetration of the North American, Chinese and Indian markets; and a stronger presence among the German top of the range car manufacturers.

The consolidated net income of the Sogefi group came to € 24.7 million, up by 31.4% on the € 18.8 million of 2010.

The breakdown of consolidated sales of the Sogefi group by business sector is as follows:

(in millions of euro)	*2011*		*2010*		*Change*
	Values	*%*	*Values*	*%*	*%*
Engine systems	611.5	52.8	465.1	50.3	31.5
Suspension components	547.7	47.3	461.6	49.9	18.7
Intercompany	(0.8)	(0.1)	(2.0)	(0.2)	n.a.
TOTAL	1,158.4	100.0	924.7	100.0	25.3

The *Engine Systems Division* achieved revenues of € 611.5 million, up 31.5% with a € 135.7 million contribution from Systèmes Moteurs business. On a like-for-like consolidation, revenues amounted to € 475.9 million (+2.3%).
The *Suspension Components Division* revenues increased to € 547.7 million against € 461.6 million in 2010, a strong growth (+18.6%) resulting from the increase in volumes in both business segments (cars and industrial vehicles) in the first part of the year.

The year was characterised by a higher impact of the cost of materials (especially steel), almost all of which was transferred to sales prices. This impact, also in relation to the stronger impact of Systèmes Moteurs business, reached 49.8% compared to 46% in the previous year. The impact of the cost of labour on total revenues instead fell from 24.6% to 22.9%.
The reorganisation to reduce overheads continued during the year. In particular, the workforce of the Llantrisant plant (Wales) was considerably downsized and other minor reorganisations in most of the Group companies. The total restructuring costs amounted to € 8.8 million compared to € 12 million in 2010.

EBITDA came in at € 108.3 million (9.3% of revenues), up 24.9% from € 86.7 million in 2010 (9.4% of revenues). On a like-for-like basis, so excluding Systèmes Moteurs business and acquisition-related costs, EBITDA would have totalled € 99.8 million (9.8% of revenues).
Pro-forma EBITDA for 2011, including Systèmes Moteurs business from 1 January 2011, was € 123.1 million (9.2% of pro-forma revenues).

EBIT came in at € 59.5 million (5.1% of revenues), up 42.5% from € 41.8 million in 2010 (4.5% of revenues). On a like-for-like basis, excluding Systèmes Moteurs business and acquisition-related costs, EBIT would have been € 55.9 million (5.5% of revenues).

At 31 December 2011 the group's net debt stood at € 299.8 million, compared to € 164.9 million at 31 December 2010. The increase is linked mainly to the acquisition of Systèmes Moteurs and to the payment of € 16.1 million in dividends.

The group had 6,708 employees at 31 December 2011 (including 1,187 from Systèmes Moteurs) compared to 5,574 at 31 December 2010.

At its meeting on 23 February 2012, the Sogefi Board of Directors proposed the distribution of a unit dividend of € 0.13 for 2011 (similar to that of the previous year).

2012 began with a recession in Europe, the Group's main market, and a slowing down in growth in other important markets such as Brazil and China. Despite this, for 2012 the Group forecasts higher revenues and profit margins than in 2011, also as a result of consolidation for the entire year of Systèmes Moteurs business. No price increases are envisaged for the major raw materials at present. Operations will as always be marked by improved flexibility of production resources and a reduction in all cost factors to combat any significant drops in business and revenues not foreseeable at the moment.

HEALTHCARE SECTOR

In 2011 the KOS group reported revenues of € 349.6 million compared to € 325.4 million in the previous year, up 7.4%, thanks to the development of three areas of business and to acquisitions completed in 2010.

The revenues of the group can be broken down as follows:

(in millions of euro)	*2011*		*2010*		*Change*
	Values	*%*	*Values*	*%*	*%*
Care homes	138.3	39.5	134.4	41.3	2.9
Rehabilitation	151.6	43.4	141.5	43.5	7.1
Acute/Hi-tech	59.7	17.1	49.5	15.2	20.8
TOTAL	349.6	100.0	325.4	100.0	7.4

Consolidated EBITDA stood at € 52.2 million (which includes a non-recurring item of € 3.3 million related to a building disposal), up 24% compared to the € 42.1 million of 2010.

Consolidated EBIT was € 30.3 million, up from € 23.5 million in the previous year (+28.9%).

Consolidated net income came in at € 8.9 million against the € 4 million in the previous year.

At 31 December 2011 the KOS Group net debt stood at € 165.1 million, compared to € 189.3 million at 31 December 2010. The improvement is attributable to the deconsolidation of properties contributed to a real estate fund and to the subscription to a € 20 million capital increase in June by the shareholder Axa Private Equity.

At 31 December 2011 consolidated equity amounted to € 207.2 million, up from € 176.9 million at 31 December 2010.

The group had 4,080 employees at 31 December 2011, up from 4,007 at 31 December 2010.

The KOS group, which currently manages a total of over 5,700 beds plus another 1,000 under construction, is active in three sectors:

1) *RSAs* (care homes), with 39 homes under management (3,970 beds in operation in seven regions of Central-Northern Italy);
2) *Rehabilitation* (management of hospitals and rehabilitation units), with 13 rehabilitation facilities (in Lombardy, Emilia Romagna, Trentino and Marche), 9 psychiatric rehabilitation communities (in Liguria, Piedmont and Lombardy) and 13 day hospitals, with a total of 1,685 beds in operation;
3) *Hospital management* (management of one hospital and hi-tech services in public and private facilities) in 19 facilities.

5. NON-CORE INVESTMENTS

These are represented by venture capital, private equity and other investments.

VENTURE CAPITAL E PRIVATE EQUITY

CIR Ventures is the Group's venture capital fund. At December 31 2011 the fund portfolio contained investments in four companies, of which three in the United States and one in Israel. These companies all operate in the sector of information and communications technology. The total fair value of these investments at 31 December 2011 was USD 15.8 million.

Through the subsidiary CIR International, the CIR Group manages a diversified portfolio of funds and minority investments in private equity, the fair value of which at 31 December 2011 - calculated on the reported NAV of the related funds - was approximately € 83.7 million. Remaining commitments outstanding at 31 December 2011 amounted to € 15.4 million.

OTHER INVESTIMENTS

In 2011 the CIR Group invested in share of about 20% of SEG (Swiss Education Group), a world leader in hospitality management training (hotels, restaurants, etc.) for approximately € 28 million equally divided into equity and debt. Founded in 1982, the SEG Group has five hospitality management schools and a language school in Switzerland with a total of around 4,600 students from over 70 countries worldwide. SEG Group annual turnover is approximately € 100 million. This transaction allows the CIR Group an investment in one of the most prestigious hospitality management schools in the world, with impressive growth prospects, and to acquire new skills in the training sector.

During the third quarter of 2011 the subsidiary Food Concepts – with business start-up last year in the European food and beverage sector – opened two new restaurants under the brand name LaBaracca in Düsseldorf (July) and Hamburg (September) as additions to that opened in Munich in spring 2010. In 2011 Food Concepts business activities achieved revenues of € 4.3 million. The 2011 result was a negative € 4.5 million (of which € 3.7 million the CIR portion), discounting start-up costs.

In 2011 Jupiter Finance, which acts as servicer in the recovery of problem receivables acquired from the securitisation vehicles Zeus and Urania, completed the reorganisation required to remedy critical points discovered by the Supervisory Authority. The result for the year for non performing loans was negative for a total € 13.6 million, of which around € 12 million write-down of receivables following the preparation of a business plan that specified an extension of the time envisaged for the collection of these receivables compared to the original plans; at 31 December 2011 the net value of the CIR group investment in these activities totalled approximately € 64.2 million. Servicing business not covered by Jupiter Finance was sold to the Cerved Group in November 2011.

With regard to CQS Holding/Ktesios activities, winding-up procedures began for these companies in 2011, from which no further liability of the CIR Group is expected.

6. SIGNIFICANT EVENTS WHICH OCCURRED AFTER THE CLOSE OF THE YEAR

In relation to the main events occurring after 31 December 2011, note that in January the Espresso Group, as part of its financial management optimisation, implemented a partial buy-back of bonds for a total nominal value of € 28.8 million, at a price 99.85% of the par value.

In March, in line with its innovative tradition, Sogefi arranged the market launch of the first suspension springs produced in composite materials, patented by the group and able to help reduce the weight and fuel consumption of cars. This innovation guarantees a significant improvement in environmental impact of the production process with respect to traditional production.

7. BUSINESS OUTLOOK

The performance of the CIR Group in 2012 will be affected by the evolution of the macroeconomic scenario characterised by a recession with unclear prospects for the future in terms of intensity and duration. In this scenario, as happened in the 2009 recession, the main operating subsidiaries of the Group will continue with their operating efficiency strategy while at the same time engaging in business development initiatives.

8. MAIN RISCKS AND UNCERTAINTIES TO WHICH CIR S.P.A. AND THE GROUP ARE EXPOSED

Risks connected with the general conditions of the economy
In 2011, particularly the second half, the financial markets were marked by a volatility with heavy repercussions on the performance of the entire economy.
The equity and financial position of the Group is influenced by various factors forming the macroeconomic framework, including the level of trust of consumers and businesses, interest rate trends and the cost of raw materials.
In this context the Group's operating companies in any event improved their profit margins of the previous year, in which the first signs of recovery were seen, and achieved positive results. If government and monetary authority measures are not sufficient to overcome these situations and also face the recent international tension, the Group's activities, strategies and prospects would see a direct negative effect on the equity and financial position.

Risks connected with the results of the Group
The CIR Group operates, among other things, in the automotive components sector, which is subject to cyclical factors, and in the media sector which is highly sensitive to the trend of the economic cycle.
It is difficult to forecast how far-reaching the economic cycles will be and how long they will last. However any macroeconomic event, such as a significant decline in a particular market, volatility in the financial markets, a rise in energy prices, the fluctuation of commodity prices etc. could have an effect on the prospects and the activities of the Group, as well as on its economic results and its financial position.

Risks connected with borrowing requirements
The CIR Group expects to be able to meet its borrowing requirements in terms of maturing loans and investment needs from its operating cash flows, cash and cash equivalents and by renewing or rescheduling its loans and/or bond loans. Even in the current market context, the Group aims to maintain a sufficient capacity to generate funds from ordinary operations.
The Group invests any free cash flow, sharing out its investments over a suitable number of lead counterparties, matching the remaining life of the investments with the maturity of obligations on the funding side. However, in light of the current financial crisis, it cannot be ruled out that there may be banking and money market situations that could prevent normal financial transactions from being carried out.

Risks connected with fluctuations in exchange rates and interest rates
A significant part of Group borrowings involve the payment of financial expense calculated at floating interest rates, mainly linked to Euribor rates. Any rise in interest rates could, therefore, cause a rise in funding costs or a rise in the cost of refinancing debt entered into by the Group companies.
In order to limit the risk resulting from interest rate fluctuations, the Group uses interest rate derivatives to keep rates within a predetermined range.
Some companies of the Group, particularly in the Sogefi group, do business in European countries not belonging to the euro area and in countries outside the European market, therefore operating in different currencies which expose them to the risk of fluctuations in foreign exchange rates against the euro. In line with its risk management policies, in order to limit this exchange rate risk the Group enters risk hedging as appropriate.
Despite the hedging carried out by the Group in the financial markets, sharp fluctuations in exchange rates or interest rates could have a negative impact on the economic and financial results of the Group.

Risks connected with relations with customers and suppliers
In its customer relations, the group manages the demand concentration risk by suitable diversification of its customer portfolio, both geographically and in terms of distribution channels. Regarding relations with suppliers the approaches are different according to the business sector concerned. The Sogefi Group, for example, diversifies its sourcing significantly by using several suppliers operating in different parts of the world, which enables the group to reduce its risk of commodity price fluctuation and avoid relying too heavily on key suppliers.

Risks connected with competitiveness in the Group's business sectors
The Group operates in markets which have objective barriers in place against the entry of new competitors due the existence of technological or qualitative gaps, to the need to make substantial initial investments and to the fact that it operates in sectors that are highly regulated and require special authorisations from the competent authorities.
However, particularly in relation to the automotive components sector, if in the future the group is unable to develop and offer innovative and competitive products, then there could be a negative impact on its economic and financial results.

Risks connected with environmental policies
The Group also operates in sectors that are subject to a host of environmental rules and regulations (local, national and supranational) and this regulatory aspect is then often revised to become more

restrictive. The evolution of these regulations and their compliance could lead to very high costs with a potential impact on Group profit margins.

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CIR S.p.A., in its role as Parent Company, is substantially exposed to the same risks and uncertainties described above at Group level.

9. OTHER INFORMATION

Share-based incentive plans

The CIR Group has put in place various share-based incentive plans for the Group company management teams. Reference should be made to the Notes to the Financial Statements for further information on these plans.

Own shares

At 31 December 2011 the parent company owned 49,989,000 own shares (equal to 6.3% of share capital). The Group does not own any shares other than those indicated above.
For further details on the subject of own shares held, reference should be made to the comment on equity in the Notes to the Financial Statements.

At 31 December 2011 the Group has no shares in subsidiaries, nor has it bought or disposed of such shares during the year, either directly or through a trust or third party.

Transactions with Group companies and related parties

On 28 October 2010 the company adopted the Regulations on Related Party Transactions envisaged in Consob Resolution no. 17221 of 12 March 2010, as amended by Resolution no. 17389 of 23 June 2010. This procedure can be found in the Governance section on the web site: www.cirgroup.it.
The procedure aims to establish principles of conduct that the Company is required to adopt in order to guarantee the correct management of related party transaction and it therefore:
1. sets out the criteria and procedures for identifying the Company's related parties;
2. dictates the principles for identifying related party transactions;
3. regulates the procedures for carrying out related party transactions;
4. establishes methods for compliance with the related disclosure obligations.
The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with membership of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

During the year CIR S.p.A. provided management and strategic support services to its subsidiaries and associates which, among other things, involved supplying administrative and financial services, merging and acquisition and disbursing loans.
Transactions with the parent company consisted of providing services of an administrative and financial nature and being supplied with management support and communication services. The main concern of CIR and its counterparties in relation to these services is to ensure quality and a high level of efficiency of the services rendered, which derive from CIR's specific knowledge of Group business activities.
Also note that CIR S.p.A. has signed lease contracts with subsidiaries and executives with strategic responsibilities within the Group.
The Group's related party transactions are settled at arm's length, taking into consideration the quality and specific nature of the services provided.
The most significant financial relations between CIR, its subsidiaries and other related parties are analysed in detail in the Notes to the Financial Statements, in particular the items *Sundry receivables* and *Sundry payables* in the statement of financial position and the items *Sundry revenues and income*, *Costs for Services*, *Financial Charges* and *Dividends* in the income statement.

For further details on related party transactions, reference should be made to paragraph 26 "Other information".

Regarding the main equity transactions reference should be made to the appropriate sections of the Notes to the Financial Statements.

It should be pointed out that the CIR Group did not enter into any transactions with related parties, according to Consob's definition, or with entities other than related parties of an atypical or unusual nature beyond normal business administration or such as to have any significant impact on the economic, financial or equity position of the Group.
The code of conduct governing transactions with related parties was defined by the Board of Directors of the company in September 2002.

National Tax Consolidation

The Income Tax Consolidation Act (TUIR) offers the option for companies belonging to the same group to determine a single total income figure corresponding in principle to the algebraic sum of the taxable incomes of the various companies (parent company and subsidiaries controlled directly and/or indirectly by more than 50% according to certain requisites) and thus to calculate a single income tax figure for the Group companies.
In 2010 CIR and companies of the Espresso, Sogefi, KOS and Jupiter subgroups renewed their participation in the "CIR Tax Consolidation" for the three years 2010-2012. At 31 December 2011 19 companies participate in the CIR Tax Consolidation.

Report on Corporate Governance

The CIR Group's corporate governance model is based on the guidelines contained in the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana and published in March 2006 with the additions and adjustments made necessary by the nature of the Group.
In compliance with regulatory requirements, every year an "Annual Report on Corporate Governance" is prepared, which contains a general description of the corporate governance system

adopted by the Group and gives information on the ownership structure and on compliance with the Code of Conduct, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial disclosure process.

It should be noted that the full text of the "2011 Annual Report on Corporate Governance" was approved in full by the Board of Directors' Meeting convened to approve the Draft Financial Statements at 31 December 2011.

The Annual Report on Corporate Governance will be available to anyone on request, in accordance with the conditions stipulated by Borsa Italiana for their publication. The Report is also available in the Governance section of the company web site (www.cirgroup.it).

In relation to Italian Legislative Decree 231/01, issued with the aim of bringing regulations on the subject of the administrative liability of entities into line with international agreements signed by Italy, on 7 March 2003 the Board of Directors of the company approved the adoption of a Code of Ethics of the CIR Group, published as an attachment to the "Annual Report on Corporate Governance", which defines the values pursued by the Group in the achievement of its objectives and establishes binding principles of conduct for its Directors, employees and Group stakeholders. Moreover, on 29 October 2004, the Board of Directors of the company approved the "Organization Model – the Organizational and Management Model as defined by Legislative Decree 231/01", in line with the instructions laid down in the decree which aims to ensure correctness and transparency in the conduct of business and corporate activities.
The Organization and Management Model as per Legislative Decree 231/01 is continually updated by the Board of Directors to take into account the broadening of the scope of the rules on the subject.

In relation to the obligations set out in Art. 2.6.2, paragraph 15 of the Rules of Borsa Italiana, taking into account the provisions of Articles 36 and 37 of Consob Resolution 16191, it is hereby confirmed that there are no conditions that could prevent the listing of CIR shares on the MTA market organised and managed by Borsa Italiana S.p.A. since the non-EU foreign subsidiaries, which have particular significance for CIR, publish their own articles of association and the composition and powers of their administrative bodies according to the legislation applicable to them or voluntarily, provide the Company's auditors with the information necessary to carry out the audit activity on the annual and interim accounts of CIR, and they have a administrative and accounting system suitable for providing Company Management and its auditors with the economic, patrimonial and financial figures necessary for preparation of the consolidated financial statements. Furthermore, in relation to the fact that the company is subject to management and coordination by its controlling company COFIDE - Gruppo De Benedetti S.p.A., the company has fulfilled all the disclosure obligations and the other obligations required by Article 2497-*bis* of the Italian Civil Code, has the power to negotiate independent relations with customers and suppliers, has no centralised treasury function in common with COFIDE and the Board of Directors of the company, out of a total of 12 members, has 7 who possess the requisites of independence and are thus sufficient to guarantee that their judgement has a significant weight in the decision-making process of the Board.

Preparation of the "Security Policy Document (DPS)"

Regarding compliance with personal data processing regulations pursuant to Italian Legislative Decree no. 196/03, the Code on personal data protection, Italian Law Decree no. 5 of 9 February 2012, known as the "Simplification Decree" repealed the need to prepare a Security Policy Document. All other obligations remain valid.

The fact that this document is no longer required nevertheless does not reduce the level of monitoring of compliance with the aforementioned regulations.
The compliance of corporate processing with the Personal Data Protection Code was verified by means of the risk analysis document produced annually and updating of a separate processing mapping document.

Research and development

In 2011 research and development at Group level largely focused on the utilities sector. Sorgenia activities continued to develop low-enthalpy geothermics. Activities were launched in Tuscany, in partnership with the Universities of Florence and Pisa, and in Lazio. This technology offers a particularly low environmental impact through the use of low-temperature geothermic fluids, not sufficient to produce steam but useful in producing electricity through a "zero environmental impact" procedure.
Sorgenia's commitment to the Noventi Ventures II LP joint venture continues, based in the Silicon Valley and with the aim of promoting business investments to develop innovative technologies for environmental protection, through the production of energy from renewable sources and through smart consumption in terms of energy savings. Following the agreement signed in 2010 with Peugeot, in June 2011 the electric car iOn was presented, customised with the Sorgenia brand. The car was presented during the "Electrifying Aperitifs" meetings organised throughout Italy by the two companies to promote sustainable mobility, and offering locals the chance to test drive the vehicle. Sorgenia is also a partner in the Companies for eMilan Project, involving 10 companies based in Milan interested in promoting electric mobility through the use of electrical vehicles and charger services. As a member of this initiative, Sorgenia will be installing charger stations for electric cars on its own premises.
Also in 2011 the company laid the foundations for its "SMART House" pilot project, in partnership with BNP Paribas Real Estate and FIAMM, to be launched in 2012. The aim of this project is to demonstrate that, by exploiting a special energy accumulation technology, a home fitted with photovoltaic panels and/or geothermic systems can allow the home-owner to "manage" their own energy production and consumption. SMART Houses are designed to have no environmental impact and to be running cost free, as they are able to use self-produced energy and adjust temperatures to their daily needs, also by means of remote devices. SMART Houses are also able to produce energy not only for home consumption, but also for upload to the power grid.

With regard to the components sector, research and development expense for the year totalled € 26.1 million (€ 20.2 million the previous year), for the industrialisation of new automotive platforms and the optimisation of new products, including: suspension springs in composite material, the new "aluminium foam" filter cooling system and the new filter for diesel engines.

Other

CIR S.p.A. – Compagnie Industriali Riunite has its registered office at Via Ciovassino 1, Milan, Italy.

CIR shares have been listed on the Milan Stock Exchange since 1973 (Reuters code: CIRX.MI, Bloomberg code: CIR IM).

This report for the period 1 January-31 December 2011 was approved by the Board of Directors on 12 March 2012. CIR S.p.A. is subject to management and coordination by Cofide – Gruppo De Benedetti S.p.A..

10. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

The financial statements for the year ended December 31 2011, which we are submitting to you for your approval, closed with net income of € 269,144.01 that we propose allocating to the reserve "Retained earnings".

We also propose distributing a unit dividend of € 0.025[1] to each of the shares in circulation with dividend rights as of January 1 2011 (with the exclusion of own shares held as treasury stock), withdrawing the whole amount from the reserve "Retained earnings".

The proposed allocation:

- takes into account the provisions of Art. 2357 ter, 2nd paragraph, of the Civil Code, which states that the dividend rights of own shares shall be distributed proportionally to the other shares;
- also takes into account the dividend rights of 4,941 shares serving 810 former Sasib privileged shares, the conversion of which has not yet been requested..

It should be noted that the actual amounts to be allocated to the dividend payout and the use of the "Retained earnings" reserve will take into account the own shares being held as treasury stock and the ordinary shares in circulation as of the date of the Annual General Meeting of the Shareholders, in case any further purchases are made of own shares or any new shares are issued in exercise of options by beneficiaries of stock option plans.

THE BOARD OF DIRECTORS

Milan, March 12 2012

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[1] *In accordance with an as an effect of Art. 1 of D.M. of April 2 2008, the dividend is understood as being made up of earnings produced in years up to and including the year ended December 31 2007.*

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*Notes*		*31.12.2011*		*31.12.2010*
NON-CURRENT ASSETS			**4,901,207**		**4,791,833**
INTANGIBLE ASSETS	(7.a)		1,493,826		1,391,359
TANGIBLE ASSETS	(7.b)		2,399,721		2,553,835
INVESTMENT PROPERTY	(7.c)		23,551		23,890
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d)		386,253		319,469
OTHER EQUITY INVESTMENTS	(7.e)		22,903		5,041
OTHER RECEIVABLES	(7.f)		247,079		179,082
of which with related parties (*)	(7.f)	*29,481*		*277*	
SECURITIES	(7.g)		107,321		100,772
DEFERRED TAXES	(7.h)		220,553		218,385
CURRENT ASSETS			**2,929,298**		**2,485,685**
INVENTORIES	(8.a)		184,530		151,283
CONTRACT WORK IN PROGRESS			35,330		10,421
TRADE RECEIVABLES	(8.b)		1,215,226		1,137,448
of which with related parties (*)	(8.b)	*9,352*		*7,992*	
OTHER RECEIVABLES	(8.c)		247,878		211,680
of which with related parties (*)		*2,603*		*1,374*	
FINANCIAL RECEIVABLES	(8.d)		11,956		20,976
SECURITIES	(8.e)		613,877		216,552
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f)		126,495		144,244
CASH AND CASH EQUIVALENTS	(8.g)		494,006		593,081
ASSETS HELD FOR DISPOSAL	(8.h)		1,924		722
TOTAL ASSETS			**7,832,429**		**7,278,240**

LIABILITIES AND EQUITY			*31.12.2011*		*31.12.2010*
EQUITY			**2,479,711**		**2,522,940**
ISSUED CAPITAL			396,666		396,059
less OWN SHARES			(24,995)		(21,537)
SHARE CAPITAL	(9.a)		371,671		374,522
RESERVES	(9.b)		293,015		321,923
RETAINED EARNINGS (LOSSES)	(9.c)		763,246		733,733
NET INCOME FOR THE YEAR			10,144		56,850
GROUP EQUITY			**1,438,076**		**1,487,028**
MINORITY INTERESTS EQUITY			1,041,635		1,035,912
NON-CURRENT LIABILITIES			**3,091,529**		**3,118,360**
BOND LOANS	(10.a)		525,802		547,455
OTHER BORROWINGS	(10.b)		2,197,337		2,171,116
OTHER PAYABLES			1,856		2,021
DEFERRED TAXES	(7.h)		168,079		193,228
PERSONNEL PROVISIONS	(10.c)		123,766		124,343
PROVISIONS FOR RISKS AND LOSSES	(10.d)		74,689		80,197
CURRENT LIABILITIES			**2,260,892**		**1,636,940**
BANK OVERDRAFTS			142,485		173,671
BOND LOANS	(11.a)		4,243		157,978
OTHER BORROWINGS	(11.b)		711,600		103,159
of which from related parties (*)	(11.b)	*2*		*2*	
TRADE PAYABLES	(11.c)		979,190		863,344
of which to related parties (*)	(11.c)	*36,629*		*35,496*	
OTHER PAYABLES	(11.d)		337,987		256,437
of which to related parties (*)	(11.d)	*251*		*4,561*	
PROVISIONS FOR RISKS AND LOSSES	(11.e)		85,387		82,351
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR DISPOSAL	(8.h)		297		--
TOTAL LIABILITIES AND EQUITY			**7,832,429**		**7,278,240**

(*) As per Consob Resolution no. 6064293 of 28 July 2006

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	Notes		2011		2010
SALES REVENUES	(12)		4,522,722		4,650,761
of which from related parties (*)	(12)	*17,551*		*150,680*	
CHANGE IN INVENTORIES			(6,582)		2,886
COSTS FOR THE PURCHASE OF GOODS	(13.a)		(2,543,498)		(2,757,125)
of which to related parties (*)	(13.a)	*227,860*		*(282,385)*	
COSTS FOR SERVICES	(13.b)		(844,936)		(783,580)
of which from related parties (*)	(13.b)	*(2,660)*		*(1,244)*	
PERSONNEL COSTS	(13.c)		(720,032)		(681,680)
OTHER OPERATING INCOME	(13.d)		227,706		103,589
of which from related parties (*)	(13.d)	*1,515*		*1,622*	
OTHER OPERATING COSTS	(13.e)		(188,841)		(172,311)
of which to related parties (*)	(13.e)	*(295)*		*(3)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d)		21,928		37,517
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(212,267)		(184,252)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (EBIT)			**256,200**		**215,805**
FINANCIAL INCOME	(14.a)		59,514		54,118
of which with related parties (*)	(14.a)	*8,796*		*10,225*	
FINANCIAL EXPENSE	(14.b)		(178,770)		(165,021)
of which with related parties (*)	(14.b)	*(7,629)*		*(10,200)*	
DIVIDENDS			285		108
of which with related parties (*)		*11*		*16*	
GAINS FROM TRADING SECURITIES	(14.c)		13,806		42,170
LOSSES FROM TRADING SECURITIES	(14.d)		(4,865)		(5,271)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e)		(24,866)		(5,937)
INCOME (LOSS) BEFORE TAXES			**121,304**		**135,972**
INCOME TAXES	(15)		(57,997)		(12,586)
INCOME (LOSS) BEFORE TAXES FROM OPERATING ACTIVITY			**63,307**		**123,386**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL			--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS			**63,307**		**123,386**
- NET INCOME - MINORITY INTERESTS			(53,163)		(66,536)
- **NET INCOME OF THE GROUP**			**10,144**		**56,850**
BASIC EARNINGS PER SHARE (in euro)	(16)		0.0136		0.0759
DILUTED EARNINGS PER SHARE (in euro)	(16)		0.0136		0.0758

(*) As per Consob Resolution no. 6064293 of 28 July 2006

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2011	*2010*
Net income for the year		63,307	123,386
Other items of statement of comprehensive income			
Currency translation differences of foreign operations		50	11,630
Net change in fair value of available-for-sale financial assets		(15,049)	10,010
Net change in cash flow hedge reserve		(88,010)	15,540
Other items of comprehensive income		(2,784)	2,865
Taxes on other items of statement of comprehensive income		24,669	(5,007)
Other items of statement of comprehensive income, net of tax effects		**(81,124)**	**35,038**
TOTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR		**(17,817)**	**158,424**
Total statement of comprehensive income attributable to:			
Shareholders of the parent company		(36,102)	79,189
Minority interests		18,285	79,235
BASIC COMPREHENSIVE EARNINGS PER SHARE (in euro)	(16)	(0.0483)	0.1057
DILUTED COMPREHENSIVE EARNINGS PER SHARE (in euro)	(16)	(0.0483)	0.1056

4. CONSOLIDATED STATEMENT OF CASH FLOW

(in thousands of euro)

	2011	*2010*
OPERATING ACTIVITY		
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS	63,307	123,386
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	212,267	184,252
SHARE OF RESULT OF COMPANIES CONSOLIDATED AT EQUITY	(21,928)	(37,517)
ACTUARIAL VALUATION OF STOCK OPTION PLANS	11,502	9,668
CHANGE IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	(3,049)	(23,052)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	24,866	10,937
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	(96,384)	11,942
(INCREASE) DECREASE IN NET WORKING CAPITAL	33,561	(53,545)
CASH FLOW FROM OPERATING ACTIVITY	224,142	226,071
of which:		
- interest received (paid)	(102,920)	(102,422)
- income tax disbursements	(46,826)	(32,527)
INVESTMENT ACTIVITY		
PRICE PAID FOR BUSINESS COMBINATIONS	(146,501)	--
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	8,311	--
(PURCHASE) SALE OF SECURITIES	(400,684)	18,536
(PURCHASE) DISPOSAL OF FIXED ASSETS	(121,883)	(656,889)
CASH FLOW FROM INVESTMENT ACTIVITY	(660,757)	(638,353)
FUNDING ACTIVITY		
INFLOWS FOR CAPITAL INCREASES	34,436	39,116
OTHER CHANGES IN EQUITY	(75,106)	25,477
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS	468,294	291,110
BUY-BACK OF OWN SHARES	(18,349)	(91)
DIVIDENDS PAID	(40,549)	(6,951)
CASH FLOW FROM FUNDING ACTIVITY	368,726	348,661
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	(67,889)	(63,621)
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	419,410	483,031
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	351,521	419,410

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)	*Attributable to shareholders of the parent company*							*Minority interests*	*Total*
	Issued capital	*less own shares*	*Share capital*	*Reserves*	*Retained earnings (losses)*	*Net income (losses) for the year*	*Total*		
BALANCE AT 31 DECEMBER 2009	396.059	(21.537)	374.522	295.983	582.818	143.432	1.396.755	935.580	2.332.335
Capital increases	--	--	--	--	--	--	--	39.116	39.116
Dividends to Shareholders	--	--	--	--	--	--	--	(6.951)	(6.951)
Retained earnings	--	--	--	--	143.432	(143.432)	--	--	--
Dividends unclaimed as per Art. 23, Articles of Association	--	--	--	15	--	--	15	--	15
Adjustment for own share transactions	--		--	--	--	--	--	--	--
Movements between reserves	--	--	--	(7.483)	7.483	--	--		--
Notional recognition of stock options	--	--	--	4.336	--	--	4.336	--	4.336
Effects of changes in equity of subsidiaries	--	--	--	6.733	--	--	6.733	(11.068)	(4.335)
Comprehensive result for the year									
Fair value measurement of hedging instruments	--	--	--	5.017	--	--	5.017	5.350	10.367
Fair value measurement of securities	--	--	--	11.240	--	--	11.240	(566)	10.674
Securities fair value reserve recognised to income statement	--	--	--	(897)	--	--	(897)	399	(498)
Effects of changes in equity of subsidiaries	--	--	--	951	--	--	951	1.914	2.865
Currency translation differences	--	--	--	6.028	--	--	6.028	5.602	11.630
Result for the year	--	--	--	--	--	56.850	56.850	66.536	123.386
Total comprehensive result for the year	--	--	--	*22.339*	--	*56.850*	*79.189*	*79.235*	*158.424*
BALANCE AT 31 DECEMBER 2010	396.059	(21.537)	374.522	321.923	733.733	56.850	1.487.028	1.035.912	2.522.940
Capital increases	607	--	607	645	--	--	1.252	33.184	34.436
Dividends to Shareholders	--	--	--	--	(18.726)	--	(18.726)	(21.823)	(40.549)
Retained earnings	--	--	--	--	56.850	(56.850)	--	--	--
Dividends unclaimed as per Art. 23, Articles of Association	--	--	--	15	--	--	15	--	15
Adjustment for own share transactions	--	(3.458)	(3.458)	3.458	(9.683)	--	(9.683)	--	(9.683)
Movements between reserves	--	--	--	(1.072)	1.072	--	--		--
Notional recognition of stock options	--	--	--	4.370	--	--	4.370	--	4.370
Effects of changes in equity of subsidiaries	--	--	--	9.922	--	--	9.922	(23.923)	(14.001)
Comprehensive result for the year									
Fair value measurement of hedging instruments	--	--	--	(32.762)	--	--	(32.762)	(32.298)	(65.060)
Fair value measurement of securities	--	--	--	(13.007)	--	--	(13.007)	(543)	(13.550)
Securities fair value reserve recognised to income statement	--	--	--	(307)	--	--	(307)	527	220
Effects of changes in equity of subsidiaries	--	--	--	(1.810)	--	--	(1.810)	(974)	(2.784)
Currency translation differences	--	--	--	1.640	--	--	1.640	(1.590)	50
Result for the year	--	--	--	--	--	10.144	10.144	53.163	63.307
Total comprehensive result for the year	--	--	--	*(46.246)*	--	*10.144*	*(36.102)*	*18.285*	*(17.817)*
BALANCE AT 31 DECEMBER 2011	396.666	(24.995)	371.671	293.015	763.246	10.144	1.438.076	1.041.635	2.479.711

1. *STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS*

These consolidated financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) published by the International Accounting Standards Board ("IASB") and ratified by the European Union, together with all the measures issued in implementation of Art. 9 of Italian Legislative Decree 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements are based on the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with accrual basis accounting and going concern assumptions. In spite of the difficult economic and financial context, the Group has established that there are no significant uncertainties, as defined in paragraph 25 of IAS 1, regarding going concern.

The consolidated financial statements at 31 December 2011 include the parent company CIR S.p.A. (hereinafter "CIR") and its subsidiaries, and were prepared using the positions of individual companies in the consolidation area, corresponding to the related separate interim financial statements, or consolidated statements for sub-groups, examined and approved by their administrative bodies and suitably adjusted and reclassified, where necessary, to bring them into line with the accounting standards listed below where these are compatible with Italian regulations.
The presentation criteria adopted are as follows:
- the statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
- the income statement is shown by type of expenditure;
- the statement of cash flow was prepared using the indirect method;
- the chart showing changes in equity gives a breakdown of the changes that took place in the year and in the previous year;
- the statement of comprehensive income shows the income items suspended in equity.

In order to align its accounting of derivatives financial transactions with underlying commodities, carried on by the sub-holding Sorgenia, during its ordinary business, to those of the leading energy traders, with effect from the semi-annual interim financial report at 30 June 2011 the Group recognises the positive and negative fair values of these trading transactions in the items "Other receivables" and "Other payables" and the related net income to a separate item in the income statement.
Consequently, in reference to such transactions and for the purpose of preparing these consolidated financial statements, the Group recalculated the comparison balances of current assets and liabilities and in the income statement at 31 December 2010, which respectively included the positive and negative fair values according to the presentation method based on the settlement date for each deal and balancing entries under operating income and costs.

The chart below illustrates the effects on 2010 comparison figures of the aforementioned different presentation method.

Consolidated statement of financial position

(in thousands of euro)	*31.12.2010*	*31.12.2010 reclassified*	*Total reclassification*
Current assets			
Other receivables (8.c)	177,660	211,680	34,020
Financial receivables (8.d.)	399,064	20,976	(378,088)
Total assets			(310,048)
Current liabilities			
Other payables (11.d)	234,170	256,437	22,267
Other borrowings (11.b)	469,494	103,159	(366,335)
Total liabilities			344,068

Consolidated income statement

(in thousands of euro)	*2010*	*2010 reclassified*	*Total reclassification*
Sales revenues (12)	4,805,467	4,650,761	(154,706)
Costs for the purchase of goods (13.a.)	(2,911,272)	(2,757,125)	154,147
Other operating income (13.d.)	104,987	103,589	(1,398)
Other operating costs (13.e)	(174,268)	(172,311)	1,957

These financial statements were prepared in thousands of euro, which is the "functional" and "presentation" currency of the Group according to IAS 21, except where expressly indicated otherwise.

Events after the reporting date
After the close of the year no important events took place which could have had a significant effect on the financial, equity and economic position of the Group. See point 6 of the Report on Operations for a description of material events which have taken place since the close of the year.
In accordance with the terms of paragraph 17 of IAS 10, it should be noted that publication of the financial statements was authorised by the Board of Directors of the Company on 12 March 2012.

2. *CONSOLIDATION PRINCIPLES*

2.a. Consolidation methods

All companies over which the group exercises control according to the terms of IAS 27, SIC 12 and IFRIC 2 are considered subsidiaries. In particular, companies and investment funds are considered as subsidiaries when the Group has the power to make decisions regarding financial and operating policy. Such power is presumed to exist when the group holds the majority of voting rights of a company, including potential voting rights exercisable without restrictions or in any case when it has working control over Shareholders' Meetings despite not holding a majority of the voting rights.

Subsidiaries are fully consolidated as from the date on which the Group takes control and are de-consolidated when such control ceases to exist.
Consolidation is carried out using the full line-by-line method. The main criteria adopted for the application of this method are:
- the carrying value of the equity investment is eliminated against the related portion of equity and the difference between acquisition cost and the equity of investee companies is recognised, where the conditions are met, to assets and liabilities included in the consolidation. Any remaining part is recognised to the income statement when negative or to "Goodwill" under assets when positive. Goodwill is impairment tested to determine its recoverable value;
- significant transactions between consolidated companies are eliminated as are payables, receivables and unrealised income resulting from transactions between Group companies, net of any tax effect;
- minority interests' share of equity and net income for the period are shown in special items of the consolidated statement of financial position and consolidated income statement.

Associates

All companies over which the group exercises significant influence, without control as prescribed in IAS 28, are considered associates. Significant influence is presumed to exist when the group holds between 20% and 50% of voting rights (excluding cases of joint control). Associates are consolidated using the equity method as from the date on which the Group acquires significant influence in the associate and they are de-consolidated from the moment significant influence ceases to exist.
The main criteria adopted for applying the equity method are:
- the carrying value of the holding is eliminated against the appropriate portion of equity and any positive difference, identified at the time of acquisition, net of any lasting loss of value resulting from impairment testing to establish its recoverable value; the corresponding share of net income or loss for the period is recognised to the income statement. Whenever the group share of accumulated losses exceeds the carrying value of the associate, the value of the investment is written off and no further losses are recognised unless the group has a contractual obligation to do so;
- any unrealised gains and losses generated by transactions between Group companies are netted out except in cases where losses represent impairment of the assets of the associate;
- the accounting standards of associates are amended, where necessary, in order to make them compatible with the accounting standards adopted by the Group.

Joint ventures:

All companies in which the group exercises joint control with another company according to the terms of IAS 31 are considered joint ventures. In particular it is presumed that joint control exists when the group owns half of the voting rights of a company.
International accounting standards envisage two methods for consolidating investments in joint ventures:
- the standard method, which involves proportional consolidation;
- the alternative method which involves use of the equity method.

The Group has adopted the equity method of consolidation.

2.b. Translation of foreign companies' financial statements into euro

The translation into euro of the financial statements of subsidiaries from outside the Euro Area, none of which has a hyperinflationary economy according to the definition given in IAS 29, is carried out at the year-end exchange rate for the statement of financial position and at the period average exchange rate for the income statement. Any exchange rate differences resulting from the translation of equity at the year-end exchange rate and from translation of the income statement at the average rate for the period are recorded in the item "Other reserves" under equity.

The main exchange rates used are the following:

	31.12.2011		*31.12.2010*	
	Average rate	*31.12.2011*	*Average rate*	*31.12.2010*
US dollar	1.39196	1.2939	1.32572	1.3362
GB pound	0.8675	0.8353	0.8576	0.8607
Brazilian real	2.3239	2.4159	2.3299	2.2177
Argentine peso	5.7369	5.5676	5.1795	5.3098
Chinese renminbi	8.9847	8.1588	8.9646	8.8222
Indian rupee	64.7668	68.713	60.5327	59.7729
Romanian leu	4.2371	4.3233	n.a.	n.a.
Canadian dollar	1.3752	1.3215	n.a.	n.a.
Mexican peso	17.2444	18.0512	n.a.	n.a.
Hong Kong dollar	10.8237	10.0510	n.a.	n.a.
Swedish krona	--	--	9.5374	8.9654

2.c. Consolidation Area

The consolidated financial statements at 31 December 2011 and the Group's consolidated financial statements for the previous year derive from the consolidation at those dates of the parent company CIR and all directly and indirectly controlled, jointly controlled or associated companies. Assets and liabilities scheduled for disposal are reclassified to the relevant assets and liabilities items.

In particular, discontinued assets and liabilities refer to assets of the Sogefi and Kos groups scheduled for disposal in 2012.

The list of equity investments included in the consolidation area, with an indication of the consolidation method used, and of those excluded is given in the appropriate section of these statements.

2.d. Changes in the consolidation area

The main changes in the consolidation area compared with the previous year concern the following:

Energy sector

The following companies are new entries to the consolidation area:

- Parc Éolien de la Source de L'Herbissone S.a.s
- Sorgenia Bonefro S.r.l.
- Sorgenia Caggiano S.r.l.
- Sorgenia Campania S.r.l.
- Sorgenia Green S.r.l.
- Sorgenia Trinidad & Tobago Holding Limited
- PVP1 S.r.l.
- PVP2 S.r.l.
- PVP3 S.r.l.
- Sorgenia Castelvetere S.r.l.
- Sorgenia Ricigliano S.r.l.
- Sorgenia Poland B.V.
- RGS B.V.
- Parc Éolien de la Valle Du Don
- Parc Éolien De Blombay L'Echelle S.a.s.

The following companies are no longer in the consolidation area:

- Soluxia Sarda II S.r.l.
- Sorgenia Solar Power S.r.l.
- Sorgenia Idro S.r.l.

After signing the Share Sale and Purchase Agreement of 1 June 2011, on 8 September 2011 the Sorgenia Group transferred 50% of the share capital of Sorgenia France Productions S.A. (formerly Societè Francais D'Eoliennes S.A.) to a special purpose entity in the group controlled by Kohlberg Kravis Roberts & Co. LP (KKR).

As a result of this transaction, Sorgenia France Production S.A. and its subsidiaries qualify as joint ventures. This led to measurement of this investment and its subsidiaries at equity in the consolidated financial statements of the group at 31 December 2011.

Media sector
During the period there were no changes to the consolidation area compared to 31 December 2010.

Automotive components sector
The following changes occurred in the consolidation area during the year:
- the subsidiary Allevard Rejna Autosospensions S.A. increased its interest in the subsidiary S.ARA. Composite S.a.S. from 81.82% to 86.67% (percentages referring to the capital subscription actually paid in), through capital increases totalling € 2,000 thousand;
- in July 2011 the subsidiary Sogefi Rejna S.p.A. established Sogefi Allevard S.r.L. (Romania). This company, not yet operative at the end of 2011, will operate in the suspension components sector;
- in July 2011 the parent company Sogefi S.p.A. acquired 100% of the capital of the French company Systèmes Moteurs S.A.S., which directly or indirectly holds the following investments:
  - Mark IV Air Intake Systems Corp. (Canada), 100% owned by Systèmes Moteurs S.A.S.;

- Mark IV Air Intake India Pvt. Ltd. (India), 99.52% owned by Systèmes Moteurs S.A.S and 0.48% owned by Systèmes Moteurs China, S.a.r.l. (Luxembourg);
- Systèmes Moteurs China, S.a.r.l. (Luxembourg), 100% owned by Systèmes Moteurs S.A.S.;
- Systèmes Moteurs S.r.l. (Romania), 99% owned by Systèmes Moteurs S.A.S.;
- Mark IV Systèmes Moteurs U.S.A. Inc. (U.S.A.), 100% owned by Systèmes Moteurs S.A.S;
- Mark IV Hong Kong Limited (Hong Kong), 100% owned by Systèmes Moteurs China, S.a.r.l. (Luxembourg);
- Mark IV Asset (Shanghai) Auto Parts Co., Ltd. (China), 50% owned by Mark IV Hong Kong Limited (Hong Kong);
- Mark IV AIS Mexico, S de R.L. de C.V. (Mexico), 99.97% owned by Mark IV Air Intake Systems Corp. (Canada) and 0.03% owned by Systèmes Moteurs S.A.S. (France);
- Mark IV (Shanghai) Trading Co. Ltd. (China), 100% owned by Mark IV Hong Kong Limited (Hong Kong).

The newly acquired companies were included in the consolidation area from the time of acquisition/setup using the line-by-line method.
The effects of these changes to the consolidation area, where significant, are commented in the notes to the individual financial statements items.
For further details regarding acquisition of the Systèmes Moteurs Group, please see paragraph 25 “Corporate Acquisitions”.

Healthcare sector
In 2011 the following transactions led to a change in the consolidation area:

- in the Rehabilitation sector (Istituto di Riabilitazione Santo Stefano S.r.l. and Redancia S.r.l.)

  - Acquisition in March of the minority interest in Jesilab S.r.l., now a 100% subsidiary of Istituto Santo Stefano S.r.l.
  - Acquisition in April of part of the minority interest in La Pineta S.r.l. by Sanatrix S.r.l. In August La Pineta S.r.l. was merged into Villalba S.r.l. which was in turn merged into Sanatrix Gestioni S.r.l. in December 2011.
  - Winding-up in September of Health Equity S.r.l. Prior to this transaction the Fidia S.r.l. investment in Health Equity S.r.l. was sold to Istituto di Riabilitazione S. Stefano.
  - In December 2011 Salfo S.r.l. was merged into Villa Rosa S.r.l.

- In the care home (RSA) sector

  - Acquisition in September 2011 of 100% of Beato Angelico S.r.l., which manages a care home with 58 beds in a property complex owned in Borgo S. Lorenzo (Florence). The company was merged into Residenze Anni Azzurri S.r.l. with effect from 31 December 2011.
  - Acquisition in September 2011 of RPM S.r.l., which manages a 67-bed care home for the elderly in Rapallo.

- in the Hospital Management sector

- Acquisition in February through Medipass S.p.A. of 65% of the capital of Medipass Healthcare Ltd (United Kingdom).
- Acquisition in April through the UK subsidiary Medipass Healthcare Ltd of 51% of Clearmedi Healthcare Private Limited, an Indian company based in New Delhi.

Other companies
During the second half of 2011 the subsidiary Nexenti S.r.l. disposed of the companies Jupiter Asset Management S.r.l., Jupiter Justitia S.r.l. and Resolution S.r.l..

3. ACCOUNTING STANDARDS APPLIED

3.a. Intangible assets (IAS 38)

Intangible assets are recognised only if they can be separately identified, if it is probable that they will generate future economic benefits and if their cost can be measured reliably.
Intangible assets with a finite useful life are valued at purchase or production cost net of amortisation and accumulated impairment.

Intangible assets are initially recognised at purchase or production cost. Purchase cost is represented by the fair value of the means of payment used to purchase the asset and any additional direct cost incurred to prepare the asset for use. The purchase cost is the equivalent price in cash as at the date of recognition and, where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognised as interest for the whole period of deferment.
Amortisation is calculated on a straight-line basis throughout the expected useful life of the asset and starts when the asset is ready for use.
Intangible assets with an indefinite useful life are not amortised but are constantly monitored for any impairment. It is mainly the newspaper, magazine titles and frequencies of the Espresso group that are considered intangible assets with an indefinite useful life.
The carrying value of intangible assets is maintained to the extent that there is evidence that this value can be recovered through use; to this end at least once a year an impairment test is carried out to check that the intangible asset is able to generate future cash flows.

Development costs are recognised as intangible assets when their cost can be measured reliably, when there is a reasonable assumption that the asset can be made available for use or for sale and that it is able to generate future benefits. Once a year or any time it appears to be justified, capitalised costs are impairment tested.
Research costs are charged to the income statement as and when they are incurred.
Trademarks and licenses, which are initially recognised at cost, are subsequently accounted for net of amortisation and any impairment. The period of amortisation is defined as the lower of the contractual duration for use of the license and the useful life of the asset.
Software licenses, including associated costs, are recognised at cost and are recorded net of accumulated amortisation and any impairment.

Goodwill
In the event of acquisition of companies, the identifiable assets, liabilities and potential liabilities acquired are recognised at their fair value as at the acquisition date. The positive difference between the acquisition cost and the Group's share of the fair value of these assets and liabilities is classified as goodwill and is recorded in the statement of financial position as an intangible asset. Any negative difference ("badwill") is instead recognised to the income statement at the moment of acquisition.
After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-producing assets, the ability of which to generate income and cash flows is constantly monitored and impairment tested as appropriate.
See also paragraph 3.x. below (Business Combinations and Goodwill).

3.b. Tangible assets (IAS 16)

Tangible assets are recognised at purchase price or at production cost net of accumulated depreciation.
The cost includes associated expenses and any direct and indirect costs incurred at the moment of acquisition and necessary to make the asset ready for use. Financial charges relating to specific loans for long-term investments are capitalised until the date of operational start-up of the assets concerned.
When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where fixed assets are installed, the value recognised includes a discounted estimate of costs that will be incurred for their disposal.
Fixed assets are depreciated on a straight-line basis each year throughout the remaining useful life of the asset.

Land, assets under construction and advance payments are not depreciated.

Real estate and land not held for instrumental or operating purposes are classified under a special item of assets and are accounted for on the basis of IAS 40 "Investment property" (see Note 3.e. below).

Should there be any event from which impairment of an asset can be assumed, its carrying value is checked against its recoverable value, which is the higher of fair value and value in use. Fair value is defined on the basis of values expressed by the active market, by recent transactions or from the best information available to determine the potential amount obtainable from sale of the asset. Value in use is determined by discounting cash flows resulting from the use expected of that asset, applying the best estimates of its residual useful life and a rate that also takes into account the implicit risk of the Group's specific business sectors. This valuation is carried out for each individual asset or for the smallest identifiable cash generating unit (CGU).
Where there is a negative difference between the values stated above and the carrying value then the asset's carrying value is written down, while as soon as the reasons for impairment cease to exist the asset value is reversed. Write-downs and revaluations are recognised to the income statement.

3.c. Public entity grants

Any grants from a public entity are recognised when there is a reasonable degree of certainty that the beneficiary company will comply with all the conditions envisaged, regardless of whether or not there is a formal resolution on awarding the grant, and the certainty that the grant will be received.
Grants are recognised in the statement of financial position either as deferred income, which is recorded in the income statement on the basis of the useful life of the asset for which it has been granted, as a reduction in depreciation, or deducted directly from the asset to which they refer.
Any public entity grants obtained in the form of reimbursement of expenses and costs already incurred or with the purpose of providing immediate support for the beneficiary company with no future related costs, are recognised as income in the period in which they can be claimed.

3.d. Leases (IAS 17)

Lease contracts for assets where the lessee substantially assumes all the risks and benefits of ownership are classified as finance leases. Where such finance leases exist, the asset is recognised at the lower of its fair value and the present value of the minimum lease payments stipulated in the relevant contracts. The total lease payments are allocated between the liability and financial expense so as to achieve a constant rate on the financial balance outstanding. The residual lease payments, net of financial charges, are classified as borrowings. The financial charge is recognised to the income statement over the term of the lease. Assets acquired under finance leases are depreciated to an extent consistent with the nature of the asset. Lease contracts in which the lessor substantially retains the risks and benefits of ownership, on the other hand, are classified as operating leases and payments made under such leases are charged to the income statement on a straight-line basis over the term of the lease.
In the event of a sale and leaseback agreement, any difference between the price of sale and the carrying value of the asset is not recognised to the income statement unless the asset itself suffers an impairment loss.

3.e. Investment property (IAS 40)

An investment property is a property, either land or building – or part of a building – or both, owned by the owner or by the lessee, also through a finance lease agreement, for the purpose of receiving lease payments or to achieve a gain on the capital invested or both, rather than for the purpose of directly using it for the production or supply of goods or services or for administration of the company or for sales as part of ordinary business activities.
The cost of an investment property is represented by its purchase price, improvements made, replacements and extraordinary maintenance.
For self-constructed investment property an estimation is made of all costs incurred as of the date on which the construction or development was completed. Until that date the conditions of IAS 16 apply.
In the event of an asset held through a finance lease contract, the initial cost is determined according to IAS 17 from the lower of the fair value of the property and the present value of the minimum lease payments due.

The Group has opted for the cost method to be applied to all investment property held. According to the cost method, the estimation is made net of depreciation and any impairment losses.

At the time of disposal or in the event of permanent non-use of the assets, all related income and expenses must be recognised to the income statement.

3.f. Impairment of intangible and tangible assets (IAS 36)

At least once a year the Group verifies whether the carrying value of intangible and tangible assets (including capitalised development costs) are recoverable, in order to determine whether the assets have suffered impairment. If there is such evidence, the carrying value of the asset is reduced to its recoverable value.
An intangible asset with an indefinite useful life is tested for impairment every year or more frequently if there is any indication that it may have suffered impairment.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.
The recoverable value of an asset is the higher of fair value less costs to sell and its value in use.
To determine the value in use of an asset the Group calculates the present value of estimated future cash flows, applying a discount rate consistent with the cash flows, which reflects the current market estimate of the time value of money and the specific risks of the business sector.
An impairment loss is recognised if the recoverable value is lower than the carrying value.
If at a later date the impairment ceases to exist or is reduced, the carrying value of the asset is reversed by up to the new estimated recoverable value but cannot exceed the value which would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

3.g. Other equity investments

Investments in companies where the Parent Company does not exercise a significant influence are accounted for in accordance with IAS 39 and are therefore classified as available-for-sale investments and measured at fair value or at cost if estimation of the fair value or market price is not possible.

3.h. Receivables and payables (IAS 32, 39 and 21)

Receivables are recognised at amortised cost and measured at their presumed realisable value, while payables are recognised at amortised cost.
Receivables and payables in foreign currencies, initially recognised at the spot rates on the transaction date, are adjusted to period-end spot exchange rates and any exchange gains and losses are recognised to the income statement (see Note 3.u. below).

3.i. Securities (IAS 32 and IAS 39)

In accordance with IAS 32 and IAS 39 investments in companies other than subsidiaries and associates are classified as available-for-sale financial assets and are measured at fair value.

Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. When there are impairment losses or when the assets are sold, the gains and losses recognised previously to equity are transferred to the income statement.
Note that purchases and sales are recognised as at the date of the transaction.

This category also includes financial assets bought or issued that are classified as either held for trading or at fair value through profit and loss according to the fair value option.
For a more complete description of the treatment of financial instruments we would refer readers to the note specially prepared on "Financial instruments".

3.l. Income taxes (IAS 12)

Current taxes are recognised and determined on the basis of a realistic estimate of taxable income according to current tax regulations of the country in which the company is based and taking into account any applicable exemptions and tax receivables.
Deferred taxes are calculated on the basis of temporary differences, which are taxable or deductible, between the carrying values of assets and liabilities and their tax bases and are classified under non-current assets and liabilities.
A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary difference can be utilised.
The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent to which it is no longer probable that there will be sufficient taxable income to allow the benefit of this deferred asset to be utilised.

3.m. Inventories (IAS 2)

Inventories are recorded at the lower of purchase or production cost, calculated using the weighted average cost method, and their presumed realisable value.

3.n. Cash and cash equivalents (IAS 32 and IAS 39)

Cash and cash equivalents include cash in hand, demand deposits and short-term and high-liquidity financial investments which are easily convertible into cash and which have an immaterial risk of price changes.

3.o. Equity

Ordinary shares are recognised at nominal value. Costs directly attributable to the issuance of new shares are deducted from equity reserves, net of any related tax benefit.
Own shares are classified in a special item which reduces the reserves; any subsequent sale, re-issuance or cancellation transaction will have no impact on the income statement but will affect only equity.
Unrealised gains and losses, net of tax, on financial assets classified as "available for sale" are recorded under equity in the fair value reserve.
The reserve is reversed to the income statement when the financial asset is realised or when impairment is recognised.

The hedging reserve is formed when fair value changes are recognised on derivatives which, for the purposes of IAS 39, have been designated as "cash flow hedges" or as "hedges of net investments in foreign operations".
The portion of gains and losses considered "effective" is recognised to equity and is reversed to the income statement as and when the elements hedged are in turn recognised to the income statement, or when the subsidiary is sold.

When a subsidiary prepares its financial statements in a currency different from the Group's functional currency, the subsidiary's financial statements are translated and any translation differences are recognised in a special reserve. When the subsidiary is sold the reserve is reversed to the income statement, recording any gains or losses resulting from disposal.
The item "Retained earnings (losses)" includes accumulated earnings and balances transferred from other reserves when these are released from any prior limitations.
This item also shows the cumulative effect of changes in accounting standards and/or the correction of errors accounted for in accordance with IAS 8.

3.p. Borrowings (IAS 32 and IAS 39)

Borrowings are initially recognised at cost, represented by their fair value net of any transaction costs incurred. Subsequently the borrowings are measured at amortised cost calculated by applying the effective interest rate method, taking into consideration any issuance costs incurred and any premium or discount applied at the time the instrument is settled.

3.q. Provisions for risks and losses (IAS 37)

Provisions for risks and losses refer to liabilities which are probable but where the amount and/or maturity are uncertain. They are the result of past events which will cause a future cash outflow. Provisions are recognised exclusively in the presence of a current obligation to third parties, either legal or implicit, which implies an outflow and when a reliable estimate of the amount involved can be made. The amount recognised as a provision is the best estimate of the disbursement required to settle the obligation as at the reporting date. The provisions recognised are reviewed at the close of each accounting period and adjusted to represent the best current estimate. Changes in the estimate are recognised to the income statement.

When the estimated outflow relating to the obligation is expected in a time horizon longer than normal payment terms and the discount factor is significant, the provision represents the present value, discounted at a nominal risk-free rate, of the expected future outflows to settle the obligation.

Contingent assets and liabilities (potential assets and liabilities, or those not recognised because no reliable estimate can be made) are not recognised. However, adequate disclosure on such items is given.

3.r. Revenues and income (IAS 18)

Revenues from the sale of goods are recognised at the moment when ownership and the risks of the goods are transferred, net of returns, discounts and rebates.

Service revenues are recognised at the time the service is provided, with reference to the progress status of the activity as of the reporting date.

Income from dividends, interest and royalties is recognised as follows:
- dividends, when the right to receive payment is established (with a balancing entry under receivables when distribution is approved);
- interest, using the effective interest rate method (IAS 39);
- royalties, on an accruals basis in accordance with the underlying contractual agreement.

3.s. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are subject to actuarial valuation.
Following this methodology, liabilities recognised represent the present value of the obligation adjusted for any actuarial gains or losses not accounted for. Italian Finance Law no. 296/2006 made important changes to employee leaving indemnity (TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes. Therefore employee leaving indemnity accrued as at 31 December 2006 for employees who exercised the above option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial/financial components relating to future changes in salary. Given that this new method of calculation reduces the volatility of actuarial gains/losses the decision was made to abandon the corridor method and recognise all actuarial gains and losses to the Income Statement.

Accounting standard IFRS 2 “Share-based payments” issued in February 2005 with validity as from 1 January 2005 (revised version entering into force on 1 January 2010) requires that application should be retrospective in all cases where stock options were assigned after 7 November 2002 and for which as at the date of entry into force the vesting conditions of the plans had not yet matured.
In accordance with this principle the CIR Group now measures and recognises the notional cost of stock options to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with a balancing entry in the appropriate reserve of equity.
The cost of the option is determined at the assignment date of the plan applying special models and multiplying by the number of options exercisable over the reference period, this number being assessed with the aid of appropriate actuarial variables.
Similarly the cost resulting from the assignment of phantom stock options is determined in relation to the fair value of the options at the assignment date and is recognised to the income statement under personnel costs throughout the vesting period of the benefit; the balancing entry, unlike for stock options, is recorded under liabilities (other personnel provisions) and not in an equity reserve. Until this liability is extinguished its fair value is recalculated at each reporting date and on the date of actual disbursement and all fair value changes are recognised to the income statement.

3.t. Derivatives (IAS 32 and IAS 39)

Derivatives are measured at fair value.

The Group uses derivatives mainly to hedge risks, in particular interest rate, foreign exchange and commodity price risks. Classification of a derivative as a hedge is formally documented, stating the effectiveness of the hedge.
For accounting purposes hedging transactions can be classified as:
- fair value hedges – where the effects of the hedge are recognised to the income statement;
- cash flow hedges – where the fair value change of the effective portion of the hedge is recognised directly to equity while the non-effective part is recognised to the income statement.
- hedges of a net investment in a foreign operation – where the fair value change of the effective portion of the hedge is recognised directly to equity while the non-effective part is recognised to the income statement.

3.u. Foreign currency translation (IAS 21)

The Group's functional currency is the euro, and is the currency in which the financial statements are prepared. Group companies prepare their financial statements in the currencies used in their respective countries.

Transactions carried out in foreign currencies are initially recognised at the exchange rate on the date of the transaction.
At the reporting date monetary assets and liabilities are translated at the exchange rate prevailing on that date.
Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction.
Non-monetary items measured at fair value are translated using the exchange rate at the date on which the carrying values were measured.

The assets and liabilities of Group companies whose functional currency is not the euro are measured as follows:
- assets and liabilities are translated using the exchange rate prevailing at the reporting date;
- costs and revenues are translated using the average exchange rate for the period;

Exchange rate differences are recognised directly to a special equity reserve.
Should an investment in a foreign operation be sold, the accumulated exchange rate differences recognised in the equity reserve are reversed to the income statement.

3.v. Non-current assets held for sale (IFRS 5)

A non-current asset is held for sale if its carrying value will be recovered principally through a sale rather than through its use. For this condition to be satisfied the asset must be immediately saleable in its present condition and a sale must be considered highly likely.
Assets or groups of discontinued assets that are classified as held for sale are valued at the lower of their carrying value and expected realisation value less costs to sell.
The individual assets or those which are part of a group classified as held for sale are not amortised.
These assets are shown in the financial statements on a separate line in the Income Statement stating income and losses net of taxes resulting from the sale. Similarly the assets and liabilities must be shown on a separate line of the statement of financial position.

3.w. Earnings per share (IAS 33)

Basic earnings per share are determined by dividing the net income attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in circulation during the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account all potential ordinary shares, for example deriving from the possible exercise of assigned stock option plans, that could have a diluting effect.

3.x. Business combinations and Goodwill

Business acquisitions are recognised using the purchase and acquisition method in compliance with IFRS 3, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred and the liabilities incurred or assumed. Any transaction costs relating to business combinations are recognised to the income statement in the period in which they are incurred.
Contingent considerations are considered part of the transfer price of the net assets acquired and are measured at fair value at the acquisition date. Similarly, if the business combination agreement envisages the right to receive repayment of certain elements of the price if certain conditions are met, this right is classified as an asset by the acquirer. Any subsequent changes in this fair value are recognised as an adjustment to the original accounting treatment only if they are the result of greater or better information regarding that fair value and if they occur within twelve months of the acquisition date. All other changes must be recognised to the income statement.
In the event of step acquisition of a subsidiary, the minority interest previously held, until that moment recognised according to the terms of IAS 39 – *Financial Instruments: Recognition*, or according to IAS 28 – *Investments in associates* or according to IAS 31 – *Investments in joint ventures*, is treated as if it had been sold and reacquired at the date of acquisition of control. This investment is therefore measured at its fair value on the date of “transfer” and any resulting gains and losses from such measurement are recognised to the income statement. Moreover, any amount previously recognised in equity as “Other comprehensive gains and losses”, is reversed to the income statement following the sale of the asset to which it refers. The goodwill or income (in the case of badwill) resulting from conclusion of the deal with subsequent acquisition is calculated as the sum of the price paid for the acquisition of control, the value of minority interests (measured using one of the methods permitted by the accounting standard), the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.

The assets, potential identifiable liabilities of the acquiree which meet the conditions for recognition are recognised at their fair value as at the acquisition date. Any positive difference between the acquisition cost and the fair value of the share of net assets acquired and attributable to the Group is recognised as goodwill or, if negative, to the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-producing assets, the ability of which to generate income and cash flows is constantly monitored and impairment tested as appropriate.
The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between

acquisition costs and the carrying value of the minority interests acquired are recognised in Group equity. Likewise, sales of minority interests not involving loss of control do not generate gains/losses but rather changes in Group equity.

Initial allocation to assets and liabilities as above, using the option given in IFRS 3, can be determined provisionally by the end of the year in which the transaction is completed, and it is possible to recognise an adjustment to the values provisionally assigned on initial recognition within twelve months of the date of acquisition of control.

3.y. Use of estimates

Preparation of the financial statements and the explanatory notes in application of IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities in the statement of financial position and the disclosures regarding potential assets and liabilities as at the reporting date.
The estimates and assumptions used are based on experience and on other factors considered relevant. The actual results could therefore be different from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the period in which the amendment is made if the review affects only that period, or in subsequent periods if the amendment affects both the current year and future periods.
The items of the financial statements mainly affected by the estimation process are goodwill, deferred taxes and the fair value of financial instruments, stock options, phantom stock options and stock grants.
See the specific Notes for further details.

4. STRUMENTI FINANZIARI

Financial instruments take on a particular significance in the economic and financial structure of the CIR Group and for this reason, in order to give a better and clearer understanding of the financial issues involved, it was considered useful to devote a special section to accounting standards IAS 32 and IAS 39.

According to IAS 32 financial instruments are classified into four categories:

a) financial instruments measured at fair value with a balancing entry in the income statement (“fair value through profit and loss” - FVTPL) in application of the fair value option and are held for trading;
b) investments held to maturity (HTM);
c) loans and receivables (L&R);
d) available-for-sale financial assets (AFS).

Classification depends on financial management’s intended use of the financial instrument in the business context and each involves a different measurement for accounting purposes. Financial transactions are recognised on the basis of their value date.

Financial instruments at fair value through profit and loss
Instruments are classified as such if they satisfy one of the following conditions:

- they are held for trading;
- they are a financial asset designated on adoption of the fair value option, the fair value of which can be reliably determined.

Trading generally means frequent buying and selling with the aim of generating profit on short-term price fluctuations.
Derivatives are included in this category unless they are designated as hedge instruments.
The initial designation of financial instruments, other than derivatives and those held for trading, as instruments at fair value through profit and loss in adoption of the fair value option is limited to instruments that meet the following conditions:

a) designation under the fair value option eliminates or significantly reduces an accounting mismatch;
b) a group of financial assets, financial liabilities or both are managed and their performance is measured on a fair value basis, in accordance with a documented investment risk management strategy; and
c) an instrument contains an embedded derivative which meets particular conditions.

The designation of an individual instrument to this category is final, is made at the time of initial recognition and cannot be modified.

Investments held to maturity
This category includes non-derivative instruments with fixed payments or payments that can be determined and that have a fixed maturity, and which it is intended and possible to hold until maturity.
These instruments are measured at amortised cost and constitute an exception to the general principle of measurement at fair value.
Amortised cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts or premiums received or paid at the time of purchase, and recognising them throughout the entire life of the instrument until its maturity.
Amortised cost represents the initial recognition value of a financial instrument, net of any capital repayments and any impairment, plus or minus cumulative differences between its initial value and its value at maturity calculated using the effective interest rate method.
The effective interest rate method is a calculation criterion used to assign financial charges to their related payment period.
The effective interest rate is the rate that gives a correct present value to expected future cash flows until maturity, so as to obtain the net present carrying value of the financial instrument.
If even one instrument in this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the tainting rule is applicable and requires that the entire portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, after which this category cannot be used for the next two years.

Loans and receivables
This category refers to financial instruments which are not derivatives, have payments that are either fixed or can be determined, which are not listed on an active market and which are not intended to be traded.
The category includes trade receivables (and payables).
Measurement of these instruments, with the exception of those classified as current assets or liabilities (within 12 months), is made by applying the amortised cost method, using the effective

interest rate and taking into account any discounts or premiums obtained or paid at the time of acquisition and recognising these throughout the entire life of the instrument until its maturity.

Available-for-sale financial assets

This is a "residual" category which includes non-derivative financial instruments that are designated as available for sale and are not included in any of the previous categories.
Available-for-sale financial assets are recognised at their fair value plus any transaction costs.
Gains and losses are recognised to a separate item of equity until the financial instruments are sold or suffer impairment. In such cases gains and losses accrued under equity are released to the income statement.

Fair value is the price at which an asset can be traded or a liability settled in a free transaction between independent parties at arm's length.
In the case of securities listed on regulated markets, the fair value is the bid price at the close of trading on the last day of the reporting period.
Where no market prices are available, fair value is determined either on the basis of the fair value of a substantially similar financial instrument or by using appropriate financial techniques (e.g. discounted cash flow).
Investments in financial assets can be derecognised from the financial statements only when the contractual rights to receive their respective cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

5. ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The criteria for making estimates and measurements are reviewed on a regular basis and are based on historical experience and on other factors such as expectations of possible future events that are reasonably likely to take place.

If the initial application of a standard affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for adoption of the new standard, and the amount of any adjustments made for years prior to the reporting period.
If a voluntary change of a standard affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for adoption of the new standard, and the amount of any adjustments made for years prior to the reporting period.
In the event of a new standard/interpretation issued but not yet in force, an indication is given of the fact, of its potential impact, the name of the standard/interpretation, the date on which it will enter into force and the date of its first-time application.

A change in accounting estimates involves an indication of the nature and the impact of the change. Estimates are used mainly to recognise impairment of assets recorded, provisions for risks, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are reviewed regularly and the effects of any changes are reflected in the income statement.

Lastly, the treatment of accounting errors involves an indication of the nature of the error, the amount of the adjustments to be made at the beginning of the first reporting period after their discovery.

6. *ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS*

Accounting standards, Interpretations and Amendments applied in 2011

The following accounting standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2011.

- IAS 24 – On 4 November 2009 the IASB issued a revised version of IAS 24 – *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The adoption of this revised version had no effect on measurement of the financial statements items and a limited effect on related party disclosures provided in this annual report.

Accounting standards, amendments and interpretations effective from 1 January 2011 but not applicable to the Group

The following amendments, improvements and interpretations, effective from 1 January 2011, relate to matters that were not applicable to the group at the date of these financial statements, but which may affect the accounting for future transactions or agreements:

- IAS 32 - On 8 October 2009, the IASB issued an amendment to IAS 32 - *Financial Instruments: Presentation: Classification of rights issues* in order to address the accounting for rights issues (rights, options or warrants) denominated in a currency other than the functional currency of the issuer. Previously such rights issues were recognised as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the strike price is denominated;
- IFRIC 14 – On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*, which allows entities subject to minimum funding requirements who make an early payment to cover this requirement to recognise this payment as an asset;
- IFRIC 19 – On 26 November 2009 the IFRIC issued interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*, which provides guidance on how to recognise a financial liability extinguished through the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept shares of the entity to settle the financial liability, then the shares issued by the entity become part of the consideration paid to extinguish the financial liability and must be measured at fair value. The difference between the carrying value of the financial liability extinguished and the initial value of the equity instruments issued is recognised to the income statement for the period;
- Amendments to IFRS 1 and IFRS 7 - Limited exemption from IFRS 7 disclosures on first-time adoption;
- Improvements to IAS/IFRS (2010).

Accounting standards, amendments and interpretations not yet applicable and not adopted early by the Group

As of the date of this annual report the relevant bodies of the European Union had not yet completed the endorsement procedure necessary for adoption of the following accounting standards and amendments, except for the amendments of 7 October 2010 to IFRS 7 - *Financial Instruments: Disclosures*, commented below:

- IFRS 9 – On 12 November 2009 the IASB issued the standard IFRS 9 – *Financial Instruments*. This standard was later amended. Applicable retrospectively from 1 January 2015, this standard is the first step in a process that aims to fully replace IAS 39 and introduce new criteria for classifying and measuring financial assets and liabilities and for the derecognition of financial assets from the statement of financial position.

  More specifically, the new standard uses a single approach based on how financial instruments are managed and on the characteristics of the contractual cash flows of financial assets to determine how they should be measured, replacing the many different rules in IAS 39. However for financial liabilities, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through profit and loss, when such changes are due to a change in the credit rating of the liability in question. According to the new standard, such changes must be recognised to "Other comprehensive gains and losses" and will no longer affect the income statement;
- IFRS 7 – *Financial Instruments: Disclosures* - the amendment published on 7 October 2010 applies to accounting periods beginning on or after 1 July 2011. The amendments were issued with the intent of improving the understanding of transfers of financial assets, including the understanding of possible effects of any residual risk for the company transferring such assets. The amendments also require further disclosure if a disproportionate amount of such transactions are executed at the end of an accounting period. The adoption of this amendment will have no effect on the measurement of financial statement items.
- IFRS 7 – *Financial Instruments: Disclosures*. This amendment calls for disclosures on the effects or potential effects of netting arrangements for financial assets and liabilities on the financial position. The amendments apply to accounting periods beginning on or after 1 January 2013 and interim periods thereafter. The disclosures must be provided retrospectively;
- IAS 12 – *Income taxes* – the amendment issued on 20 December 2010 requires entities to measure deferred taxes resulting from an operating asset according to the way in which the carrying value of the asset will be recovered (through continuing use or through a sale). As a result of this amendment SIC-21 – *Income taxes – Recoverability of a non-depreciable asset at revaluation* will no longer apply. The amendment will apply retrospectively from 1 January 2012;
- IFRS 10 - *Consolidated Financial Statements*. This new standard replaces SIC 12 Consolidation - Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements, which will be renamed Separate Financial Statements and govern the accounting treatment of investments in the separate financial statements. The new standard is based on existing standards, identifying the concept of control as the determining factor for consolidation of a company in the consolidated financial statements of the parent company. It also provides guidance on determining the existence of control where this is difficult to ascertain. Application of the standard will be retrospective from 1 January 2013;
- IFRS 11 – *Joint arrangements*, *due to replace IAS 31 – Interests in joint ventures* and SIC-13 – Jointly controlled entities – Non-monetary contributions by venturers. The new standard provides criteria to identify joint arrangements based on rights and obligations deriving from agreements rather than their legal format, and establishes that the only accounting method for jointly controlled ventures in the consolidated financial statements is the equity method.

Application of the standard will be retrospective from 1 January 2013. After the issue of IAS 28 - *Investments in associates*, it was amended to also include investments in joint ventures in its scope of application, from entry into force of the standard;

- IFRS 12 – *Disclosure of interests in other entities*, a new and complete standard on disclosures on all investment types, including investments in subsidiaries, joint ventures, associates, special purpose entities and other unconsolidated vehicles. Application of the standard will be retrospective from 1 January 2013;
- IFRS 13 – *Fair value measurement*, which clarifies how to measure fair value for financial statements purposes and applies to all IFRS that require or allow fair value measurement or the presentation of information based on fair value. Application of the standard will be retrospective from 1 January 2013.
- IAS 1 – *Presentation of financial statements*, requiring that companies group all their "Other comprehensive income" (OCI) components according to whether or not they can later be reclassified to the income statement. The amendment applies to financial years beginning on or after 1 July 2012;
- IAS 19 – *Employee benefits*, which eliminates the option of different recognition of actuarial gains and losses using the corridor method, requiring the presentation of fund surplus or deficit in the statement of financial position, recognition in the income statement of cost components associated with employee service and net financial charges, and the recognition of actuarial gains and losses from re-measurement of assets and liabilities in "Other comprehensive income" (OCI). In addition, the return on assets included under net financial charges will have to be calculated according to the discount rate for the liability and no longer on estimated returns. Lastly, the amendment introduces new disclosures to be provided in the notes to the financial statements. Application of the standard will be retrospective from the year beginning 1 January 2013;
- IAS 32 - *Financial Instruments: Presentation* clarifies the application of certain criteria for the offsetting of financial assets and liabilities referred to in IAS 32. The amendments will apply retrospectively to accounting periods beginning on or after 1 January 2014.

The adoption of these amendments is not expected to have significant effects on the financial statements of the Group.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

7. **NON-CURRENT ASSETS**

7.a. INTANGIBLE ASSETS

2010	*Opening position*			*Changes in the period*							*Closing position*		
	Original cost	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2009*	*Acquisitions*	*Business combinations/ disposals*		*Exch. rate differences*	*Other changes*	*Net disinvestments*	*Amortisation, depreciation and write-downs*	*Original cost*	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*			*cost*				
Start-up and expansion costs	72	(72)	--		2	--	--		--	(1)	74	(73)	1
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	67,667	(42,468)	25,199	7,334	--	--	802	2,892	(36)	(8,567)	78,773	(51,149)	27,624
Industrial patents and intellectual property rights	11,608	(9,640)	1,968	67	--	--	2	(39)	--	(447)	9,406	(7,855)	1,551
Concessions, licenses, trademarks and similar rights	86,761	(59,854)	26,907	10,396	453	(22)	2	4,678	(12)	(13,567)	104,562	(75,727)	28,835
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	218,901	--	218,901	--	--	--	--	--	--	--	218,901	--	218,901
Goodwill	674,405	(54,693)	619,712	5,272	42,632	--	--	--	--	--	722,309	(54,693)	667,616
Assets in progress and advance payments													
- purchased	20,598	(5,312)	15,286	22,228	203	--	16	(4,947)	(3,972)	(9,479)	34,126	(14,791)	19,335
- produced internally	3,321	(7)	3,314	2,682	--	--	114	(2,508)	--	--	3,610	(8)	3,602
Others	13,820	(8,449)	5,371	15,638	3	(42)	106	3,347	--	(774)	32,433	(8,784)	23,649
Total	1,497,398	(180,495)	1,316,903	63,617	43,293	(64)	1,042	3,423	(4,020)	(32,835)	1,604,439	(213,080)	1,391,359

2011	*Opening position*			*Changes in the period*							*Closing position*		
	Original cost	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2010*	*Acquisitions*	*Business combinations/ disposals*		*Exch. rate differences*	*Other changes*	*Net disinvestments*	*Amortisation, depreciation and write-downs*	*Original cost*	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2011*
(in thousands of euro)					*increases*	*decreases*			*cost*				
Start-up and expansion costs	74	(73)	1	107	--	(77)	--	--	--	(25)	69	(63)	6
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	78,773	(51,149)	27,624	13,246	15,854	--	(106)	1,075	--	(10,095)	105,233	(57,635)	47,598
Industrial patents and intellectual property rights	9,406	(7,855)	1,551	281	1,296	--	--	1,086	--	(1,003)	12,034	(8,823)	3,211
Concessions, licenses, trademarks and similar rights	104,562	(75,727)	28,835	13,927	392	(2,415)	1	949	(28)	(16,825)	111,372	(86,536)	24,836
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	218,901	--	218,901	3,127	--	--	--	--	(17)	--	222,011	--	222,011
Goodwill	722,309	(54,693)	667,616	9,604	58,536	(22,408)	--	(942)	--	--	767,099	(54,693)	712,406
Assets in progress and advance payments													
- purchased	34,126	(14,791)	19,335	49,140	--	--	(38)	(6,802)	(464)	(10,413)	75,922	(25,204)	50,718
- produced internally	3,610	(8)	3,602	2,888	54	(40)	(128)	(976)	--	(29)	5,471	(36)	5,435
Others	32,433	(8,784)	23,649	13,407	--	(3,438)	72	(4,329)	(33)	(1,944)	37,095	(9,735)	27,360
Total	1,604,439	(213,080)	1,391,359	105,727	76,132	(28,378)	(199)	(9,939)	(542)	(40,334)	1,736,551	(242,725)	1,493,826

Intangible assets rose from € 1,391,359 thousand at 31 December 2010 to € 1,493,826 thousand at 31 December 2011.

AMORTISATION RATES

Description	*%*
Capitalised development costs	20-33%
Industrial patents and intellectual property rights	4-20%
Concessions, licenses, trademarks and similar rights	16-30%
Other intangible assets	16-30%

GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

A more detailed analysis of the main items making up intangible assets with an indefinite useful life is given in the following charts.

Titles and trademarks:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
la Repubblica	229,952	229,952
Il Piccolo / Messaggero Veneto	104,527	104,527
Local newspapers	61,222	61,222
Other titles and trademarks	4,544	4,544
Total	400,245	400,245

Frequencies:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Radio frequencies	83,728	80,618
Television frequencies	138,283	138,283
Total	222,011	218,901

Goodwill:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Utilities sector (Sorgenia group)	254,159	267,262
Media sector (L'Espresso group)	140,337	140,038
Healthcare sector (Kos Group)	166,914	164,239
Automotive sector (Sogefi group)	150,996	96,077
Total	712,406	667,616

In detail, goodwill was allocated to the cash generating units ("CGUs") identified according to the operating segments of the Group. The chart above shows the allocation of goodwill by operating segment of the Group.
For the purpose of impairment testing of goodwill and other intangible assets with an indefinite useful life, the estimated recoverable value of each cash generating unit, defined in accordance with the terms of IAS 36, and also taking into consideration the guidelines contained in the discussion paper issued by the OIV, was based on value in use, i.e. fair value less costs to sell.

Value in use was calculated by discounting to present value future cash flows generated by the unit in the production phase and at the time of its disposal, using an appropriate discount rate (discounted cash flow method). More specifically, in accordance with international accounting standards, to test the value, cash flows were considered without taking into account inflows and outflows generated by financial management or any cash flows relating to tax management. The

cash flows to be discounted are therefore operating cash flows, unlevered and differential (as they refer to individual units).
The cash flows of the single operating units were extrapolated from the budgets and forecasts made by management. These plans were then processed on the basis of economic trends recorded in previous years and using the forecasts made by leading analysts on the outlook for the respective markets and more in general on the evolution of each business sector.
To correctly estimate the value in use of a Cash Generating Unit, it was necessary to assess the amount of expected future cash flows of the unit, any changes expected in the amount and timing of the flows, the discount rate to be used and any other risk factors affecting the specific unit.

In order to determine the discount rate to be used, an estimate was made of the weighted average cost of capital invested (WACC) at sector level, regardless of the financial structure of the individual company/subgroup. More specifically, the discount rate used for the media sector was determined gross of tax (WACC pre-tax) while for the other sectors after-tax WACC was used, thus consistently expressing the future cash flows in such cases, in terms consistent with future cash flows. The values used to calculate the WACC (taken from leading financial sources) were the following:

- financial structure of the sector;
- unlevered beta for the sector;
- risk free rate (average for the last calendar year on 10-year government securities of the reference country);
- risk premium: 5.5%.

The fair value less costs to sell of an asset or a group of assets (e.g. a Cash Generating Unit) is best expressed in the “made” price in a binding sale agreement between independent parties, net of any direct disposal costs. If this information was not available, the fair value net of costs to sell was determined in relation to the following trading prices, in order of importance:

- the current price traded on an active market; prices for similar transactions executed previously;
- the estimated price based on information obtained by the company.

For estimating the recoverable value of each asset the higher of fair value less costs to sell and value in use was used.

The impairment tests carried out on goodwill and other intangible assets with an indefinite useful life using the cash flow method and other valuation methods ascertained that there were no impairment losses.
However, considering that the recoverable value is determined on the basis of estimates, the Group cannot guarantee that goodwill will not be impaired in future periods. Given the current context of market crisis, the various factors used to make the estimates could be revised if conditions prove not to be in line with those on which the forecasts were based.

Below is a description of the tests carried out.

Media sector
The impairment test on the media sector, which coincides with the Espresso Group consolidation area, was applied to intangible assets with an indefinite useful life, i.e. the titles and trademarks, the carrying amount of which is approximately € 400.2 million, the radio and television frequencies, the carrying amount of which is approximately € 222 million, and the goodwill allocated to the sector for a total of approximately € 140.3 million. This goodwill represents the higher value of acquisition costs compared to the Group’s share of the related assets and liabilities, measured at fair value.

Below is the main information used to prepare the impairment test for each cash generating unit or group of such units which have a significant value:

- for the national (La Repubblica) and local newspapers (Il Piccolo/Messaggero Veneto and the other local dailies) the criterion of value in use was used;
- for radio frequencies and the *Deejay* brand value in use was used;
- for frequencies and goodwill relating to the television sector the criterion of fair value was used.

More specifically, to determine the value in use of the CGUs, the procedure involved application of:

- the Discounted Cash Flow model, discounting the breakdown of the expected cash flows over the time frame of the business plans (2012-2016) and determining terminal value.
  The discount rate used was the average cost of invested capital (pre-tax WACC) of the Espresso Group which was 11.49% (10% in 2010).

- fair value less costs to sell, determined using a different methodological approach for the various publishing businesses, for which, because there is no active trading market, reference was made to direct multipliers for estimating value (Enterprise value/Sales, Enterprise value/EBITDA, Enterprise value/EBIT), and for the radio-television businesses for which a price/users multiple was used (Enterprise value/population reachable by the signal), observing the prices used in the transfer of similar frequencies in terms of the population potentially reachable by the signal.
  In order to determine the possible “price” of the publishing Cash Generating Unit, entity side multipliers were used, either in the trailing version (historical/precise multipliers) or in the leading version (expected/average multipliers).
  The estimate of fair value less costs to sell of the radio and television operating units was made starting from an observation of the prices for the transfer of frequencies similar to those being tested in relation to the population potentially reachable by the signal. The use of this valuation approach makes it possible to estimate the fair value of radio and television frequencies, correlating the price that the market is prepared to pay for the acquisition of the frequency with the number of inhabitants reachable by the signal.

To determine economic results and operating cash flows of the group Espresso, reference was made to the business plans for the period 2012-2016 prepared by management on the basis of reasonable hypotheses in line with past evidence, in the absence of a multi-year plan formally approved by the Board of Directors. These plans represent the best estimate of the economic conditions likely to exist in the period under consideration. The first year of the plans corresponds to the budget prepared for 2012, approved by the Board of Directors on 25 January 2012.
The current situation of uncertainty in the short and medium term scenario led, compared to the previous year, management to reconsider carefully the expected growth rate of revenues and margins.
With particular regard to advertising revenues, trend analysis over the last decade shows a high correlation between advertising investments and GDP. In the second half of 2011, as the crisis calmed down, the economic indicators recorded a rapid deterioration and consequently there was a significant drop in advertising investments. Based on this trend and given the parallel nature with the events of the last few months of 2008, it is forecast that 2012 will see a decline in the advertising market similar to that recorded during the last crisis in 2009, of -12%. For the individual media the developments forecast are in line with that of the last three years, resulting in a drop in the dailies segment of 15%, for radio and TV a drop in line with that of the global market and essential stability for Internet. In this general context, an advertising funding performance for the group Espresso in 2012 is assumed to be similar to that forecast for the specific market segments, with a slight increase in the dailies and Internet share due to products either relaunched or maintained.

For the remaining years of the plan, a gradual recovery is forecast in funding from advertising in daily newspapers, with an average growth of 2.8% for the period, a trend similar to that recorded by the market for press media after the 2001-2002 crisis.
As for circulation revenues, the business plan 2012-2016 assumes a trend for sales of the various titles in line with the trend seen over the last three years, bearing in mind the specific market conditions in which each newspaper operates, especially at local level, and a gradual decrease in revenues associated with optionals distributed with the daily newspapers and periodicals.
It should also be noted that to determine terminal value a growth rate of zero was used prudentially.
For those cash generating units which show a value of the titles and/or frequencies and/or goodwill that is significant for the purposes of the consolidated financial statements of the Group and for which the results of the impairment test indicate a positive difference between the greater of fair value less costs to sell and value in use compared to carrying value that is below 50%, a sensitivity analysis was also carried out on the results with changes in the basic assumptions, showing which combination of variables would make the recoverable value of the CGUs equal to their carrying amount.
For the publishing CGUs of the group Espresso this analysis for the “Messaggero Veneto” and “Il Piccolo” CGUs gave the following results: for the “Messaggero Veneto” CGU, value in use would appear to be equal to the carrying amount of € 65.65 million assuming an annual average growth in advertising of 0.5 % and an average decline of 2.8% in the number of copies sold. Alternatively, assuming that the trend scenarios of circulation and advertising revenues in the 2012-2016 plan are valid, the value in use would be equal to the carrying amount if we assume a discount rate for the expected cash flows (pre-tax WACC) of 12.94% rather than the 11.49% currently used. For the Il Piccolo CGU, the value in use would be equal to the carrying amount of € 41.08 million if we assume an average annual growth of 1% in advertising and an average drop of 2.7% per year in copies sold. Alternatively, assuming that the trend scenarios of circulation and advertising revenues in the 2012-2016 plan are valid, the value in use would be equal to the carrying amount if we assume a discount rate for the expected cash flows (pre-tax WACC) of 13.10% rather than the 11.49% currently used.
Lastly, for the radio and television cash generating units it should be noted that in the determination of fair value less costs to sell for the radio frequencies the price range used was between 1.5 and 3 times the number of inhabitants reachable by the FM signals of the Radio Deejay, Radio Capital and m2o CGUs, while for the television frequencies a price range of between 3.4 and 3.8 times was used. In the latter case, the fair value of the Rete A CGU would be equal to its carrying amount with an average price multiplier 1.80 times the number of inhabitants reachable by the digital signal. Given the scarcity of recent transactions in Italy involving television frequencies, the value in use of the television frequencies was also calculated and this confirmed the recoverability of the values recognized in the financial statements. To do this a rise in revenues was assumed from the rent of digital bandwidth relating to developments in coverage of the 2 Rete A multiplexes, in line with the national switch-over plan. Specifically, the business plan assumes an increase in channels rented to third parties from 6 in 2012 to 11 in 2016, with rental prices developing according to the step-up scale of values already defined in existing contracts.

Automotive sector
Goodwill allocated to the automotive sector, which coincides with the consolidation of the Sogefi group, is equal to approximately € 151 million.
For the purposes of the impairment test have been identified three CGUs from acquisitions was allocated:
- fluid filters
- air filters and cooling
- car suspension components

In particular, goodwill specific to the Filters Division totals approximately € 77 million, while that of the Car Suspension Components Division is around € 17 million, and the provisional goodwill of the Engine Systems Division - air filters and cooling is € 54.9 million.
A test was carried out to check for any impairment of goodwill by comparing the carrying value of the individual CGUs with their respective value in use.
The Unlevered Discounted Cash Flow method was used, based on projections made in the budgets/multi-year business plans for the period 2012-2015, approved by management and on a discount rate of 8.8% (8.3% in 2010) based on the after-tax WACC.
Lastly, terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% (g-rate) and an operating cash flow based on the last year of the multiyear business plan (2015), adjusted to project a stable situation into perpetuity, using the following main assumptions:
- an overall balance between investments and amortisation (considering a level of investment necessary to “maintain” the business);
- a zero change in working capital (assuming the improvements obtainable from the program of reducing working capital in which the group is engaged as substantially finished in the medium term).

The average cost of capital is the result of the weighted cost of debt (calculated as the benchmark rate plus a spread) and of the cost of the company’s own capital, calculated on the basis of parameters for a group of companies operating in the European automotive components sector considered to be the peers of Sogefi by the main financial analysts who follow this business sector.

Sensitivity analyses were then carried out on two of the above variables assuming a zero growth rate and rise of two percentage points in the calculation of the average cost of capital. In none of the projected scenarios did the need for any write-down emerge.
The test carried out on the present value of projected cash flows would justify a higher level of goodwill than that recorded in the financial statements and therefore no write-down was contemplated.

Energy sector
The goodwill allocated to the energy sector amounts to € 254.2 million, of which € 153.1 million refers to the “Renewables” CGU, approximately € 94.7 million refers to the Thermal CGU and € 6.4 million refers to the E&P CGU. This goodwill represents the higher value of acquisition costs compared to the Group’s share of the assets and liabilities acquired, measured at fair value.

The measurement of goodwill allocated to the acquisitions made by the Sorgenia group, for the purpose of the impairment test, is based on the cash flows of the cash generating units. These flows were discounted to present value using the current weighted average cost of capital after tax (after-tax WACC) as the discount rate and analysing in detail existing plants and projecting a time horizon for building new plants based on the state of advancement of the works on projects in progress and, more in general, on the time needed to complete the authorization processes.
The main assumptions used to calculate value in use are the discount rate, the expected useful life of the plants, expectations regarding the performance of investments, revenues and operating costs

during the period taken for the calculation and the terminal value of the plants after their initial useful life.
Projected operating cash flows were taken from the Business Plan of the group. More specifically, the operating cash flows were calculated for the whole of the remaining useful life of the wind farms, which is estimated at 25 years.
The parameters used to carry out the impairment test are different in the various business sectors considered and in the different geographical areas of operation. The WACC applied, net of tax, took into account the specific nature of the various initiatives included in the CGUs identified. In particular, the WACC varies (between 4.95% to 5.84%) for the renewable CGUs located in France and Italy, respectively, whilst it stands at 7.08% for the Thermal CGU.

Investments for the construction of new wind parks were considered in line with those of the Business Plan. The trend of revenues and direct costs was based on specific assumptions regarding the electricity production capacity of existing plants and plants to be built as per the same Plan and were based on reasonable assumptions about electricity prices in line with the regulatory environment and the energy scenario of the Sorgenia group.
The comparison between value in use calculated as described above and the carrying amount at 31 December 2011 did not reveal any loss of value.
Sensitivity analyses were carried out on the results obtained, assuming a change of +/-0.5% in the calculation of the average cost of capital.
The check carried out on the present value of expected cash flows justified a considerably higher level of goodwill than that recorded in the financial statements and thus did not reveal any problematic situations but confirmed the results of the impairment test.

Healthcare sector
The goodwill allocated to the healthcare sector, which corresponds to the consolidation area of the KOS group, amounts to approximately € 166.9 million. The Group allocated all of the goodwill to a single “Healthcare” CGU and then, from the analyses carried out for the purpose of the impairment test, identified specific CGUs according to the management logic adopted by the KOS sub-holding. In order to check for any impairment of the value of goodwill and other fixed assets recorded in the financial statements, the value in use was calculated of the cash generating units to which the goodwill was allocated at KOS sub-holding level.

In application of the methodology set out in IAS 36, the KOS group identified its CGUs which are the smallest identifiable group of assets able to generate broadly independent cash flows in its consolidated financial statements. To identify the CGUs the following factors were taken into account: the organisational structure, the type of business and the way in which control is exercised over the operations of the CGUs in question.

Given that, the group operates in four different operating segments (nursing homes for the elderly (RSAs), rehabilitation, acute medicine and hi-tech services), the CGUs and the groups of CGUs identified by KOS management are as follows:
- in the “RSA” sector CGUs were identified, at first level, in the individual care homes, mainly identified by the brand “Anni Azzurri”. They were then grouped together at a second level by region. The third level of grouping included the whole operating segment;
- the “rehabilitation” sector includes two subgroups: Redancia (psychiatric rehabilitation) and IRSS (Functional rehabilitation identified mainly by the brand “S. Stefano Riabilitazione”). The CGUs were identified, at first level, as the individual facilities (in “IRSS”, one of the CGUs consists of the outpatient centres/day hospitals); subsequently, the individual CGUs are grouped together at a second level by region; the third level of grouping includes all the clinics of the same subgroup

(Redancia or IRSS). The Sanatrix group constitutes a single first level CGU; although Sanatrix's business relates to several business sectors (the elderly, rehabilitation and acute), because of the way in which operations are controlled, it is classified by management as belonging to the "Rehabilitation " sector and thus follows the second and third level of grouping in the test on "IRSS";

- in the "acute medicine" sector, the only CGU identified is the company Ospedale di Suzzara;
- in the sector "hi-tech services" (brand: Medipass) a first level grouping consists of the individual contracts outstanding (9) and of the Giordani group (also recently acquired) which consists of a single CGU despite being formed of three legal entities; the third level of grouping includes the whole operating segment.

The recoverability of the carrying values was tested by comparing the net carrying amount assigned to the CGUs, including the carrying amount of goodwill, with the recoverable value (value in use). The value in use is represented by the present value of estimated future cash flows generated by the continuous use of the assets making up the cash generating unit and of the terminal value that can be assigned to the same CGUs.
More specifically the chart shows the values of goodwill allocated to the operating segments by the management of KOS and any other goodwill allocated to the Healthcare sector which, as already mentioned, at group level constitutes a single CGU. Although goodwill was also tested at a lower level, the level of allocation of the "Healthcare" CGU goodwill is considered significant because it confirms the strategic enterprise vision that the Directors of CIR have regarding the specific characteristics of the business sector to which the KOS group belongs.

(in thousands of euro)	*31.12.2011*	*%*
Goodwill allocated by KOS sub-holding		
RSAs	82,619	49
Rehabilitation	69,074	42
Hi-tech services	13,762	8
Additional goodwill allocated to the Healthcare CGU	1,459	1
Total	166,913	100

In developing the impairment test the KOS group used the latest budget forecasts relating to the economic and financial trend forecast for the period 2012-2016, assuming that the situations arise and the targets are reached. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the operating sectors in which the group is present.

To calculate terminal value a prudential growth rate (g rate) of 1.5% was used (same as 2010) which is close to the inflation rate even though there are some estimates of a growth rate for the sector that are above inflation.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific business risks. This rate, net of taxes (after-tax WACC), was 7.3% (6.9% in 2010).

Moreover, in line with the analyses carried out by the KOS sub-holding, the Group also set up sensitivity analyses considering changes in the basic assumptions of the impairment test and particularly in the variables which have most impact on recoverable value (discount rate, growth rate, terminal value).

This analysis, conducted on the test levels shown above (regions and operating segments and thus at Healthcare CGU level) did not reveal any problematic situations or instances where the carrying value was significantly higher than the recoverable value, even using a growth rate of zero and a considerably higher WACC than that used in the test.

7.b. TANGIBLE ASSETS

2010	*Opening position*			*Changes in the period*								*Closing position*		
	Original cost	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2009*	*Acquisitions*	*Business combinations/ disposals*		*Capitalised financial charges*	*Exch. rate differences*	*Other changes*	*Net disinvestments*	*Amortisation, depreciation and write-downs*	*Original cost*	*Amortisation, depreciation and write-downs*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*				*cost*				
Land	56,898	--	56,898	1,062	7,642	(770)	--	215	7,314	(115)	--	72,246	--	72,246
Operating properties	384,242	(122,202)	262,040	45,454	37,158	(7,653)	--	1,453	5,491	(11,975)	(14,143)	451,876	(134,051)	317,825
Plant and machinery	2,071,740	(805,147)	1,266,593	218,695	4,228	(5,709)	--	4,209	341,413	(19,263)	(109,309)	2,516,949	(816,092)	1,700,857
Industrial and commercial equipment	110,861	(86,228)	24,633	9,399	3,295	(1)	--	152	2,444	(1,061)	(6,892)	133,636	(101,667)	31,969
Other assets	237,444	(172,212)	65,232	12,055	2,269	(77)	--	299	2,948	(716)	(16,895)	251,047	(185,932)	65,115
Assets in progress and advance payments	516,985	(5,012)	511,973	201,581	--	(10)	(1,096)	1,266	(344,393)	--	(3,498)	374,333	(8,510)	365,823
Total	3,378,170	(1,190,801)	2,187,369	488,246	54,592	(14,220)	(1,096)	7,594	15,217	(33,130)	(150,737)	3,800,087	(1,246,252)	2,553,835

2011	*Opening position*			*Changes in the period*								*Closing position*		
	Original cost	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2010*	*Acquisitions*	*Business combinations/ disposals*		*Capitalised financial charges*	*Exch. rate differences*	*Other changes*	*Net disinvestments*	*Amortisation, depreciation and write-downs*	*Original cost*	*Amortisation, depreciation and write-downs*	*Balance 31.12.2011*
(in thousands of euro)					*increases*	*decreases*				*cost*				
Land	72,246	--	72,246	4,065	1,303	(3,086)	--	(216)	3,440	(4,530)	(320)	73,222	(320)	72,902
Operating properties	451,876	(134,051)	317,825	5,883	14,433	(2,288)	--	(307)	10,849	(36,328)	(15,650)	431,705	(137,288)	294,417
Plant and machinery	2,516,949	(816,092)	1,700,857	48,823	23,852	(94)	--	(896)	50,488	(234,304)	(129,519)	2,312,076	(852,869)	1,459,207
Industrial and commercial equipment	133,636	(101,667)	31,969	6,127	1,291	(2,201)	--	(51)	374	(64)	(8,389)	136,341	(107,285)	29,056
Other assets	251,047	(185,932)	65,115	19,642	959	(208)	--	(76)	2,528	(5,384)	(16,220)	253,621	(187,265)	66,356
Assets in progress and advance payments	374,333	(8,510)	365,823	210,870	1,913	--	8,233	(480)	(74,796)	(32,734)	(1,046)	479,523	(1,740)	477,783
Total	3,800,087	(1,246,252)	2,553,835	295,410	43,751	(7,877)	8,233	(2,026)	(7,117)	(313,344)	(171,144)	3,686,488	(1,286,767)	2,399,721

AMORTISATION RATES

Description	*%*
Operating properties	3.00%
Plant and machinery	10.00-25.00%
Other assets:	
- Electronic office equipment	20.00%
- Furniture and fittings	12.00%
- Motor vehicles	25.00%

7.c. INVESTMENT PROPERTY

2010	*Opening position*			*Changes in the period*								*Closing position*		
	Original cost	*Amortisation/ depreciation and write-downs*	*Net balance 31.12.2009*	*Acquisitions*	*Business combinations/ disposals*		*Capitalised financial charges*	*Exch. rate differences*	*Other changes*	*Net disinvestments cost*	*Amortisation/ depreciation and write-downs*	*Original cost*	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*								
Properties	20,299	(2,184)	18,115	368	5,341	--	--	--	746	--	(680)	28,211	(4,321)	23,890
Total	20,299	(2,184)	18,115	368	5,341	--	--	--	746	--	(680)	28,211	(4,321)	23,890

2011	*Opening position*			*Changes in the period*								*Closing position*		
	Original cost	*Amortisation/ depreciation and write-downs*	*Net balance 31.12.2010*	*Acquisitions*	*Business combinations/ disposals*		*Capitalised financial charges*	*Exch. rate differences*	*Other changes*	*Net disinvestments cost*	*Amortisation/ depreciation and write-downs*	*Original cost*	*Amortisation/ depreciation and write-downs*	*Balance 31.12.2011*
(in thousands of euro)					*increases*	*decreases*								
Properties	28,211	(4,321)	23,890	551		--	--	--	1	(102)	(789)	28,661	(5,110)	23,551
Total	28,211	(4,321)	23,890	551	--	--	--	--	1	(102)	(789)	28,661	(5,110)	23,551

Investment property decreased from € 23,890 thousand at 31 December 2010 to €23,551 thousand at 31 December 2011. The market value is significantly higher than the carrying amount.

AMORTISATION RATES

Description	*%*
Building	3.00%

LEASING AND RESTRICTIONS FOR GUARANTEES AND COMMITMENTS ON TANGIBLE ASSETS

The position of assets under leasing as of 31 December 2011 and of restrictions applied to all tangible assets on account of guarantees and commitments is as follows:

(in thousands of euro)	*Gross leasing amount*		*Accrued depreciation*		*Restrictions for guarantees and commitments*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*
Land	1,487	1,287			5,718	3,139
Buildings	43,592	60,280	7,599	9,599	211,974	122,156
Plant and machinery	105,500	19,933	13,450	2,362	1,240,050	541,397
Other assets	10,445	2,564	2,170	2,094	9,420	1,656
Assets under constr. & advance payments	--	--	--	--	400,710	--

7.d. INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY

(in thousands of euro)

2010	*%*	*Balance 31.12.2009*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2010*
						Loss	*Income*		
Tirreno Power S.p.A.	39.00	235,844	2,349	--	--	--	37,262	--	275,455
Le Scienze S.p.A.	50.00	358	--	--	(284)	--	273	--	347
Editoriale Libertà S.p.A.	35.00	24,207	--	--	(350)	--	631	--	24,488
Editoriale Corriere di Romagna S.r.l.	49.00	2,992	--	--	--	(3)	--	--	2,989
Altrimedia S.p.A.	35.00	757	--	--	(105)	--	126	--	778
Premium Publisher Network Consorzio	--	20	--	--	--	--	--	(20)	--
Allevard Ressorts Composites S.a.s.	--	101	--	(101)	--	--	--	--	--
KTP Global Finance S.C.A.	47.54	--	--	--	--	--	--	--	--
Resource Energy B.V.	--	156	--	(156)	--	--	--	--	--
GICA S.A.	25.00	484	165	--	--	(226)	--		423
Fin Gas S.r.l.	50.00	7,644	300	--	--	(159)	--		7,785
Parc Éolien d'Epense S.a.s.	24.99	2,279	--	(130)	--	(65)	--		2,084
Parc Éolien de la Voie Sacrée S.a.s.	24.86	43	116	--	--	--	--	--	159
Saponis Investments SP Zoo	26.76	1,014	2,307	--	--	(104)	--	--	3,217
PAF Agricola S.r.l.	50.00	--	205	--	--	(27)	--	--	178
Volterra A.E.	50.00	--	1,757	--	--	(191)	--	--	1,566
Total		275,899	7,199	(387)	(739)	(775)	38,292	(20)	319,469

(in thousands of euro)

2011	*%*	*Balance 31.12.2010*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2011*
						Loss	*Income*		
Tirreno Power S.p.A.	39.00	275,455	90	(4,897)	--	--	21,639	--	292,287
Le Scienze S.p.A.	50.00	347	--	--	(274)	--	231	--	304
Editoriale Libertà S.p.A.	35.00	24,488	--	--	(350)	--	684	--	24,822
Editoriale Corriere di Romagna S.r.l.	49.00	2,989	--	--	--	(3)	--	--	2,986
Altrimedia S.p.A.	35.00	778	--	--	(105)	--	72	--	745
KTP Global Finance S.C.A.	47.54	--	--	--	--	--	--	--	--
GICA S.A.	25.00	423	--	--	--	(423)	--	--	--
Fin Gas S.r.l.	50.00	7,785	--	--	--	(107)	--	--	7,678
Parc Éolien d'Epense S.a.s.	24.99	2,084	--	--	--	--	--	(2,084)	--
Parc Éolien de la Voie Sacrée S.a.s.	24.86	159	--	--	--	--	--	(159)	--
Saponis Investments SP Zoo	26.76	3,217	3,531	--	--	(69)	--	--	6,679
PAF Agricola S.r.l.	50.00	178	--	--	--	(15)	--	--	163
Volterra A.E.	50.00	1,566	1,382	--	--	(220)	--	--	2,728
Mark IV Asset (Shanghai) Auto Parts Co. Ltd.	50.00	--	303	--	--	--	--	--	303
Sorgenia France Production S.A. (*)	50.00	--	46,775	--	--	(2,822)	2,961	29	46,943
LLIS – Lake Leman International School S.A.	49.36	--	615	--	--	--	--	--	615
Total		319,469	52,696	(4,897)	(729)	(3,659)	25,587	(2,214)	386,253

(*) Company consolidated at equity with effect from September 2011.

7.e. OTHER EQUITY INVESTMENTS

(in thousands of euro)	*%*	*31.12.2011*	*31.12.2010*
Ansa S. Coop. A.R.L.	18.48	2,209	2,209
Tecnoparco Valbasento	20.00	516	516
Emittenti Titoli S.p.A.	5.44	132	132
Swiss Education Group AG	19.54	14,035	--
Agriterra Ltd.	8.30	2,973	--
Other	--	3,038	2,184
Total		22,903	5,041

The carrying values correspond to the cost, reduced where necessary for impairment, and essentially considered to be equivalent to their fair value.

7.f. OTHER RECEIVABLES

"Other receivables" at 31 December 2011 amounted to € 247,079 thousand, up on the € 179,082 thousand at 31 December 2010.
At 31 December 2011 this item included € 93,008 thousand (€ 111,455 thousand at 31 December 2010) in receivables (unsecured and mortgage-backed) of the securitisation companies Zeus Finance S.r.l. and Urania Finance S.A., € 60,717 thousand (€ 20,211 thousand at 31 December 2010) tax receivables in relation to CO2 rights that should have been assigned to the Sorgenia Group. Since the national plan for assignment of CO2 rights for this year was insufficient, for the new plants with operational start-up in 2010 it was not possible to credit the rights to their accounts. However, in order not to create discrimination of treatment among the various market operators, regulatory measures were adopted to recognise a credit to such operators to the value of the CO2 rights not assigned. This item also includes € 8,743 thousand (€ 16,345 thousand at 31 December 2010) in security deposits paid as guarantees to wind park suppliers and deposits to the GSE and to electricity and natural gas distributors. Also included in this item is the loan disbursed during the year by CIR International S.A. to Swiss Education Group AG for € 14,035 thousand. Lastly, the item includes the € 24,245 receivable due to Sorgenia S.p.A. from Sorgenia France Production S.A., company consolidated at equity, since September 2011.

7.g. SECURITIES

"Securities" amounted to € 107,321 thousand at 31 December 2011, compared to € 100,772 thousand at 31 December 2010, and refer mainly to investments in private equity funds. These funds were measured at fair value recognising € 10,105 thousand to the fair value reserve (€ 15,493 thousand at 31 December 2010). The remaining commitment for investments in private equity funds at 31 December 2011 was € 15.4 million.

7.h. DEFERRED TAXES

The amounts refer to taxes resulting from deductible temporary differences and from benefits associated with past years' tax losses deemed to be recoverable.

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference, is as follows:

(in thousands of euro)	*2011*		*2010*	
	Total temporary differences	*Tax effect*	*Total temporary differences*	*Tax effect*
Temporary difference liabilities from:				
- write-down of current assets	166,936	53,847	152,193	48,907
- write-down of fixed assets	43,808	14,744	67,982	21,640
- revaluation of current liabilities	16,929	5,472	40,268	12,441
- revaluation of personnel provisions	47,694	14,549	39,327	11,926
- revaluation of provisions for risks and losses	58,498	18,168	51,446	15,896
- revaluation of long-term borrowings	33,892	8,267	40	13
- write-down of financial instruments	96,083	30,330	50,162	16,837
- tax losses from previous years	351,998	75,176	293,689	90,725
Total deferred tax assets	**815,838**	**220,553**	**695,107**	**218,385**

Temporary difference assets from:				
- revaluation of current assets	982	334	3,265	886
- revaluation of fixed assets	513,073	158,718	532,349	170,147
- write-down of current liabilities	1,070	328	16,571	5,163
- valuation of personnel provisions	22,614	5,984	22,454	6,321
- write-down of provisions for risks and losses	725	217	1,226	357
- revaluation of financial instruments	7,736	2,498	30,983	10,354
Total deferred tax liabilities	**546,200**	**168,079**	**606,848**	**193,228**
Net deferred taxes		**52,474**		**25,157**

Retained losses not used in the calculation of deferred taxes refer to CIR International for approximately € 431 million which can be retained indefinitely and to the other companies of the Group for approximately € 45 million. Note that no deferred tax assets were calculated for these losses because present conditions are such that there is no certainty they can be recovered.

The changes in "Deferred tax assets and liabilities" during the year were as follows:

2011 *(in thousands of euro)*	*Balance at 31.12.2010*	*Use of deferred taxes from previous years*	*Deferred taxes generated in the period*	*Exchange differences and other changes*	*Balance at 31.12.2011*
Deferred tax assets:					
- income statement	212,067	(28,260)	35,851	(16,281)	203,377
- equity	6,318	(1,174)	23,152	(11,120)	17,176
Deferred tax liabilities:					
- income statement	(180,973)	9,012	(4,685)	22,046	(154,600)
- equity	(12,255)	(1,971)	(237)	984	(13,479)
Net deferred taxes	25,157				52,474

2010 *(in thousands of euro)*	*Balance at 31.12.2009*	*Use of deferred taxes from previous years*	*Deferred taxes generated in the period*	*Exchange differences and other changes*	*Balance at 31.12.2010*
Deferred tax assets:					
- income statement	184,022	(26,031)	54,582	(506)	212,067
- equity	4,927	(588)	508	1,471	6,318
Deferred tax liabilities:					
- income statement	(180,882)	5,704	(7,056)	1,261	(180,973)
- equity	(607)	298	(5,065)	(6,881)	(12,255)
Net deferred taxes	7,460				25,157

Amounts in the column "Exchange differences and other changes" include changes in the consolidation area.

8. CURRENT ASSETS

8.a. INVENTORIES

Inventories can be broken down as follows:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Raw materials, secondary materials and consumables	93,184	72,084
Work in progress and semi-finished goods	13,162	12,176
Finished goods and goods for resale	77,745	66,859
Advance payments	439	164
Total	184,530	151,283

The value of inventories is shown net of any write-down made either in past years or this year and take into account the degree of obsolescence of finished goods, merchandise and secondary materials.
The increase is essentially due to the Systèmes Moteurs Group becoming part of the Sogefi Group.

8.b. TRADE RECEIVABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Receivables – customers	1,207,383	1,129,456
Receivables – subsidiaries and joint ventures	5,858	6,894
Receivables – associates	1,985	1,098
Total	1,215,226	1,137,448

"Receivables – customers" are interest-free and have an average maturity at arm's length.
Trade receivables are measured net of write-downs that take credit risk into account. In 2011 provisions for write-downs were allocated for € 21,516 thousand compared to € 45,129 thousand in 2010.

It is reported that during the year, in the Sorgenia Group, receivables relating to customers subject to insolvency procedure for which the possibility of collection is remote and receivables referring to customers for whom the recovery procedures proved unsuccessful were written off. These losses totalled € 14,415 thousand.
"Receivables – subsidiaries and joint ventures" represent intercompany receivables not eliminated as they refer to companies not consolidated by the full line-by-line method. The balance at 31 December 2011 refers mainly to receivables from Tirreno Power S.p.A.

8.c. OTHER RECEIVABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Receivables - subsidiaries	2,565	1,374
Receivables – associates	38	--
Tax receivables	121,860	114,154
Other receivables	123,415	96,152
Total	247,878	211,680

"Other receivables" includes € 74,669 thousand (€ 34,020 thousand at 31 December 2010) relating to the fair value measurement of Sorgenia Group commodity derivatives.

8.d. FINANCIAL RECEIVABLES

"Financial receivables" fell from € 20,976 thousand at 31 December 2010 to € 11,956 thousand at 31 December 2011 and relate mainly to € 6,908 thousand for a Euro Commercial Paper subscribed by the subsidiary Dry Products S.p.A. and maturing November 2012, and € 3,267 thousand to the temporary use of cash flows of the subsidiary CIR International S.A. maturing in April 2011.

8.e. SECURITIES

This item contains the following classes of securities:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Italian Government securities or equivalent securities	5,911	10,233
Investment funds and similar funds	193,143	33,364
Bonds	348,097	60,675
Certificates of deposit and other securities	66,726	112,280
Total	613,877	216,552

The increase in this item refers to the investment of the liquidity collected by CIR S.p.A., not yet on a definitive basis, from Fininvest S.p.A. following the Milan Court of Appeal ruling pronounced in the Lodo Mondadori case.

The fair value measurement of "Securities" led to a negative adjustment to the income statement of € 21,108 million.

8.f. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item totals € 126,495 thousand and includes € 79,030 thousand in hedge fund units and redeemable shares in investment companies held by CIR International S.A. Investment liquidity depends on the redemption timing of the funds, normally between one and three months.
The fair value measurement of these funds led to a total adjustment of € 7,291 thousand (€ 15,049 thousand at 31 December 2010). The item also includes € 47,465 thousand in government securities and bonds held by the Espresso group with maturities between 3 June 2013 and 15 December 2015. The negative effect of the change in these securities on the group share of CIR equity and net of tax effects totalled € 922 thousand.

8.g. CASH AND CASH EQUIVALENTS

Cash and cash equivalents fell from € 593,081 thousand at 31 December 2010 to € 494,006 thousand at 31 December 2011.
The breakdown of any changes is indicated in the statement of cash flows.

8.h. ASSETS AND LIABILITIES HELD FOR DISPOSAL

This item refers to assets held for disposal, particularly € 1,180 thousand in KOS group assets, € 744 thousand Sogefi group assets, and to KOS Group liabilities relating to assets held for disposal for € 297 thousand.
Amounts referring to the KOS Group relate to disposal of the business units regarding the Alessandria and Castelferro residences (AL).
For the Sogefi Group the amounts relate to property owned by the UK subsidiary United Springs Ltd due for disposal in 2012.

9. EQUITY

9.a. SHARE CAPITAL

The share capital increased from € 396,058,633.50 at 31 December 2010 (comprising 792,117,267 shares of a nominal € 0.50 each) to € 396,665,733.50 (793,331,467 shares) at 31 December 2011 due to the issue of 1,214,200 shares resulting from the exercise of stock option plans.
At 31 December 2011 the company held 49,989,000 own shares (6.30% of the share capital) for a value of € 108,340 thousand, compared to 43,074,000 own shares (5.44% of the share capital) for a value of € 98,657 held at 31 December 2010.
In application of IAS 32, since 1 January 2005 own shares held by the Parent Company have been deducted from equity.

The share capital is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of own shares.

It should be noted that for a period of five years from 30 April 2009 the Board of Directors was authorised to increase the share capital once or more by a maximum € 500 million (nominal value) and for a further maximum of € 20 million (nominal value) in favour of employees of the company, its subsidiaries and parent companies.

Regarding stock option plans and stock grants at 31 December 2011 there were 43,048,800 options outstanding, corresponding to an equal number of shares.
The notional cost of the stock option and stock grant plans assigned to employees, posted to a special equity reserve, totalled € 4,370 thousand at 31 December 2011.

9.b. RESERVES

The changes and breakdown of the item "Reserves" are as follows:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Reserve for own shares held*	*Stock option reserve*	*Other reserves*	*Total reserves*
Balance at 31 December 2009	34,130	115,969	14,424	(4,905)	21,537	18,154	96,674	295,983
Capital increases	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	15	15
Fair value measurement of hedging instruments	--	--	5,017	--	--	--	--	5,017
Fair value measurement of securities	--	--	11,240	--	--	--	--	11,240
Securities fair value reserve recognised to income statement	--	--	(897)	--	--	--	--	(897)
Adjustment for own share transactions	--	--	--	--	--	--	--	--
Movements between reserves	--	--	--	--	--	(7,483)	--	(7,483)
Notional cost of stock options credited	--	--	--	--	--	4,336	--	4,336
Effects of equity changes in subsidiaries	--	--	(125)	3	--	--	7,806	7,684
Currency translation differences	--	--	88	5,940	--	--	--	6,028
Balance at 31 December 2010	34,130	115,969	29,747	1,038	21,537	15,007	104,495	321,923
Capital increases	645	--	--	--	--	--	--	645
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	--	--	--	--	15	15
Fair value measurement of hedging instruments	--	--	(32,762)	--	--	--	--	(32,762)
Fair value measurement of securities	--	--	(13,007)	--	--	--	--	(13,007)
Securities fair value reserve recognised to income statement	--	--	(307)	--	--	--	--	(307)
Adjustment for own share transactions	--	--	--	--	3,458	--	--	3,458
Movements between reserves	--	--	--	--	--	(1,072)	--	(1,072)
Notional cost of stock options and stock grants credited	--	--	--	--	--	4,370	--	4,370
Effects of equity changes in subsidiaries	--	--	79	49	--	--	7,984	8,112
Currency translation differences	--	--	215	1,425	--	--	--	1,640
Balance at 31 December 2011	34,775	115,969	(16,035)	2,512	24,995	18,305	112,494	293,015

The "Fair value reserve" net of negative tax effects stood at € 16,035 thousand, the upside including the measurement of item 7.g. "Securities" for € 10,105 thousand and the measurement of item 8.f. "Available-for-sale financial assets" for € 6,369 thousand, and the downside including measurement of the hedges for € 32,508 thousand and measurement of item 8.e "Securities" for € 1 thousand.

The “Translation reserve” at 31 December 2011 totalled € 2,512 thousand, with the following breakdown:

(in thousands of euro)	*31.12.2010*	*Increases*	*Decreases*	*31.12.2011*
Sogefi group	4,668	--	(2,509)	2,159
Kos group	--	--	(1)	(1)
Cir Ventures	(2,357)	372	--	(1,985)
Cir International	(1,363)	2,588	--	1,225
Sorgenia	(2)	1,024	--	1,022
Other	92	--	--	92
Total	1,038	3,984	(2,510)	2,512

The breakdown of “Other reserves” at 31 December 2011 was as follows:

(in thousands of euro)	
Reserve for capital increases	3
Statutory reserve	133
Reserve as per Art. 6, L. Decree 38 of 28/02/2005	(74)
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated equity	112,432
Total	112,494

The changes in own shares during the year were as follows:

(in thousands of euro)	*Number of shares*	*Value*
Balance at 31 December 2010	43,074,000	98,657
Increases	6,915,000	9,683
Balance at 31 December 2011	49,989,000	108,340

9.c. RETAINED EARNINGS (LOSSES)

The changes in retained earnings (losses) are shown in the “Statement of Changes in Equity”.

10. NON-CURRENT LIABILITIES

10.a. BOND LOANS

The breakdown of “Bond Loans”, after intercompany netting, is as follows:

(in thousands of euro)	*Effective rate*	*31.12.2011*	*31.12.2010*
Bond loan Gruppo Editoriale L’Espresso S.p.A. 5.125% 2004/2014	4.82%	257,498	278,015
Bond loan CIR S.p.A. 5.75% 2004/2024	5.87%	268,304	268,146
Bond loan Société Francaise d’Eoliennes (SFE) 6.5% 2013	7.50%	--	1,294
Total		525,802	547,455

In application of IAS 32 and 39, at 1 January 2005 the original values of bond loan issues were reduced to take into account expenses incurred and bond issuance discounts.

At 31 December 2011 CIR International held a nominal € 30,000 thousand (unchanged from 31 December 2010) of the bond loan CIR 5.75% 2004/2024.

10.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Collateralised bank loans	117,414	138,154
Other bank loans	1,867,392	1,856,814
Leases	123,279	85,868
Other payables	89,252	90,280
Total	2,197,337	2,171,116

"Other bank loans" mainly refers to € 1,525,641 thousand in Sorgenia group borrowings, € 330,230 Sogefi Group borrowings and € 10,898 thousand KOS group borrowings.

10.c. PERSONNEL PROVISIONS

The details of this item are as follows:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Employee leaving indemnity (TFR)	88,614	92,070
Pension funds and similar obligations	35,152	32,273
Total	123,766	124,343

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Opening balance	124,343	137,346
Provisions for service during the period	24,555	23,484
Increases for interest	5,540	6,153
Actuarial gains or losses	(17)	39
Benefits paid	(15,108)	(24,367)
Increases or decreases due to changes in consolidation area	102	(1,267)
Other changes	(15,649)	(17,045)
Closing balance	123,766	124,343

Employee Leaving Indemnity and Defined Benefit Provision

Annual technical discount rate	4.0% - 4.75%
Annual inflation rate	2%
Annual rate of pay increases	0.5% - 3%
Annual rate of TFR increase	3%
Annual probability of advances	2% - 3%
Voluntary resignation rate	3%-10% of the workforce

Pension Funds

Annual technical discount rate	4.5% - 5.5%
Annual inflation rate	2% - 3.4%
Annual rate of pay increases	2% - 4.5%
Return on assets servicing the plan	2% - 7.5%
Retirement age	62-65

10.d. - 11.e. PROVISIONS FOR RISKS AND LOSSES

The breakdown and changes in the non-current part of these provisions are as follows:

(in thousands of euro)	*Provision for disputes pending*	*Provision for restructuring charges*	*Provision for other risks*	*Total*
Balance at 31 December 2010	12,632	8,060	59,505	80,197
Provisions allocated in the period	3,734	619	6,214	14,763
Uses	(1,023)	(6,023)	(10,982)	(18,028)
Exch. rate differences	--	23	14	37
Other changes	(3,859)	(195)	5,970	1,916
Balance at 31 December 2011	11,484	2,484	60,721	74,689

The breakdown and changes in the current part of these provisions are as follows:

(in thousands of euro)	*Provision for disputes pending*	*Provision for restructuring charges*	*Provision for other risks*	*Total*
Balance at 31 December 2010	7,673	16,776	57,902	82,351
Provisions allocated in the period	752	9,460	16,282	26,494
Uses	(3,240)	(7,239)	(17,761)	(28,240)
Other changes	4,227	33	522	4,782
Balance at 31 December 2011	9,412	19,030	56,945	85,387

Apart from libel disputes regarding the Espresso group, common in all publishing businesses, the provision for disputes pending includes risks for disputes of a commercial nature and labour disputes. The provision for restructuring charges includes sums allocated for restructuring action that has been announced to the parties concerned and in particular refers to the production reorganisation projects affecting companies of the Sogefi and Espresso groups.
The provision for other risks is mainly to cover tax disputes pending with local tax authorities.

11. CURRENT LIABILITIES

11.a. BOND LOANS

The current portion of this item refers to the bond loan Gruppo Editoriale L'Espresso S.p.A. 2004/2014.
On 10 January 2011 the bond loan CIR International S.A. 6.375% 2003/2011 was redeemed for a nominal amount of € 148 million.

11.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Collateralised bank loans	27,684	25,850
Other bank loans	46,304	45,058
Leases	11,927	11,173
Other borrowings	625,685	21,078
Total	711,600	103,159

In relation to "Other borrowings", on 9 July 2011 the Milan Court of Appeal pronounced on the civil case brought by CIR against Fininvest for compensation for damages resulting from bribery in the "Lodo Mondadori" case. The ruling sentenced Fininvest to pay CIR approximately € 540.1 million, plus interest at the legal rate and costs, as compensation for the immediate and direct damage suffered. As a result of this sentence, on 26 July 2011 CIR received a total (not yet the final amount) of around € 564.2 million from Fininvest. As envisaged in international accounting standards (IAS 37) this amount has no effect on the income statement of the company up to the highest legal authority level and was therefore recognised as a balancing entry to this item.
This item also includes the effects of the change in fair value of hedging derivatives.

11.c. TRADE PAYABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Payables – subsidiaries and joint ventures	34,626	33,525
Payables – associates	2,003	1,971
Payables – suppliers	935,915	820,346
Advance payments	6,642	7,502
Payables in the form of notes	4	--
Total	979,190	863,344

"Payables - subsidiaries and joint ventures" mainly refers to Sorgenia S.p.A. trade payables to Tirreno Power S.p.A..

11.d. OTHER PAYABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Due to employees	80,552	72,423
Tax payables	57,402	50,011
Social security payables	53,795	50,023
Other payables	146,238	83,980
Total	337,987	256,437

"Other payables" includes € 93,134 thousand (€ 22,267 thousand at 31 December 2010) relating to the fair value measurement of Sorgenia Group commodity derivatives.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

12. REVENUES

BREAKDOWN BY BUSINESS SECTOR

(in millions of euro)	*2011*		*2010*		*Change*
	amount	*%*	*amount*	*%*	*%*
Energy	2,120.3	46.9	2,513.8	54.1	(15.7)
Media	890.1	19.7	885.0	19.0	0.6
Automotive components	1,158.4	25.6	924.7	19.9	25.3
Healthcare	349.6	7.7	325.4	7.0	7.4
Other	4.3	0.1	1.9	--	n.a.
Total consolidated revenues	**4,522.7**	**100.0**	**4,650.8**	**100.0**	

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2011	*Total revenues*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Energy	2,120.3	1,947.8	172.5	--	--	--	--
Media	890.1	890.1	--	--	--	--	--
Automotive components	1,158.4	79.4	725.5	72.5	240.5	34.5	6.0
Healthcare	349.6	349.6	--	--	--	--	--
Other	4.3	--	4.3	--	--	--	--
Total consolidated revenues	4,522.7	3,266.9	902.3	72.5	240.5	34.5	6.0
Percentages	100.0%	72.2%	20.0%	1.6%	5.3%	0.8%	0.1%

(in millions of euro)

2010	*Total revenues*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Energy	2,513.8	2,447.4	66.4	--	--	--	--
Media	885.0	885.0	--	--	--	--	--
Automotive components	924.7	71.5	587.8	18.6	219.4	25.4	2.0
Healthcare	325.4	325.4	--	--	--	--	--
Other	1.9	--	1.9	--	--	--	--
Total consolidated revenues	4,650.8	3,729.3	656.1	18.6	219.4	25.4	2.0
Percentages	100.0%	80.2%	14.1%	0.4%	4.7%	0.6%	0.0%

The types of products marketed by the Group and the nature of its business sectors mean that revenues are reasonably linear throughout the year and are not subject to any particular cyclical phenomena on a like-for-like basis.

13. OPERATING COSTS AND INCOME

13.a. COSTS FOR THE PURCHASE OF GOODS

This item decreased from € 2,757,125 thousand in 2010 to € 2,543,498 thousand in 2011. The costs include € 227.9 million paid to related parties, of which € 227.7 million attributable to relations with the associate Tirreno Power.

13.b. COSTS FOR SERVICES

This item rose from € 783,580 thousand in 2010 to € 844,936 thousand in 2011, as seen from the following breakdown:

(in thousands of euro)	*2011*	*2010*
Technical and professional consulting	120,588	148,370
Distribution and transport costs	42,744	42,478
Outsourcing	68,965	65,884
Other expenses	612,639	526,848
Total	844,936	783,580

13.c. PERSONNEL COSTS

Personnel costs totalled € 720,032 thousand in 2011 (€ 681,680 thousand in 2010).
The Group had an average of 13,497 employees in 2011 (12,880 in 2010).

(in thousands of euro)	*2011*	*2010*
Salaries and wages	485,176	460,788
Social security contributions	157,604	149,448
Employee leaving indemnity	22,058	22,364
Pensions and similar benefits	2,521	1,136
Valuation of stock option plans	11,502	9,668
Other costs	41,171	38,276
Total	720,032	681,680

The increase is mainly due to the Systèmes Moteurs Group becoming part of the Sogefi Group.

13.d. OTHER OPERATING INCOME

This item can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
State grants	3,041	2,907
Capital gains on asset disposals	14,070	3,668
Contingent assets and other income	210,595	97,014
Total	227,706	103,589

The increase in “Contingent assets and other income” refers to the Sorgenia Group.

13.e. OTHER OPERATING COSTS

This item can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
Write-downs and losses on receivables	46,004	61,281
Allocation to provisions for risks and losses	16,535	17,070
Indirect taxes	29,213	27,453
Restructuring costs	8,426	12,022
Capital losses on asset disposals	2,031	1,115
Contingent liabilities and other costs	86,632	53,370
Total	188,841	172,311

14 FINANCIAL INCOME AND EXPENSE

14.a. FINANCIAL INCOME

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Interest income on bank accounts	6,737	3,551
Interest on securities	12,949	8,177
Other interest income	21,500	21,497
Interest rate derivatives	7,042	9,362
Exchange gains	10,669	11,230
Other financial income	617	301
Total	59,514	54,118

14.b. FINANCIAL EXPENSE

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Interest expense on bank accounts	77,116	54,632
Interest expense on bond loans	28,947	38,746
Other interest expense	25,127	26,257
Interest rate derivatives	22,821	15,414
Exchange losses	8,941	13,654
Other financial expenses	15,818	16,318
Total	178,770	165,021

14.c. GAINS FROM TRADING SECURITIES

Details of "Gains from trading securities" are as follows:

(in thousands of euro)	*2011*	*2010*
Shares and options - subsidiaries	1,950	3,868
Shares and options - associates	--	146
Shares and options - other companies	2,573	1,776
Other securities and other gains	9,283	36,380
Total	13,806	42,170

"Shares and options - subsidiaries" is related to the capital gain from disposal of the subsidiaries Jupiter Asset Management, Jupiter Justitia e Resolution. Last year's figure referred mainly to the capital gain achieved by the Espresso Group from disposal of the subsidiary Rotosud.

14.d. LOSSES FROM TRADING SECURITIES

The breakdown of "Losses from securities trading" is as follows:

(in thousands of euro)	*2011*	*2010*
Shares and options - subsidiaries	--	365
Shares and options - other companies	2,871	1,135
Other securities and other losses	1,994	3,771
Total	4,865	5,271

14.e. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

This item, amounting to € 24,886 thousand, mainly includes € 21,108 thousand from the fair value measurement of "Securities" recognised to current assets.

15 INCOME TAXES

Income taxes can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
Current taxes	68,667	35,322
Deferred taxes	(12,535)	(25,767)
Tax expense from prior periods	1,865	3,040
Total	57,997	12,586

The item "Tax expense from prior periods" refers to extraordinary provisions of a tax nature, set aside in the Espresso group, for the probable risk from disputes still pending on options on stock rights.

The following chart shows the reconciliation of the ordinary tax rate and the effective tax rate for financial year 2011:

(in thousands of euro)	*2011*
Pre-tax income resulting from financial statements	121,304
Theoretical income taxes	33,359
Tax effect of non-deductible costs	11,667
Tax effect of losses of prior periods which generate deferred tax assets in the period	(8,540)
Tax effect of losses of prior periods which did not generate deferred tax assets	141
Tax effect on interest rate differentials of foreign companies	3,657
Non-taxable grants	--
Other	2,198
Income taxes	42,482
Average effective tax rate	35.0
Theoretical tax rate	27.5
IRAP and other taxes	13,650
Tax charges from prior periods	1,865
Total taxes from financial statements	57,997

16. EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of shares in circulation. The diluted earnings per share are calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilution effects of any options outstanding. Any own shares held are not included in the calculation.

The company has only one category of potential ordinary shares, those deriving from stock option plans assigned to employees.
The dilutive effect that these ordinary shares to be issued or assigned to stock option plans will have on earnings per share is immaterial.
In calculating the average number of options, the average fair value of the shares for each financial year was used. The average fair value of each CIR ordinary share in 2011 was € 1.5012 compared to an average fair value of € 1.5474 in 2010.

The following chart provides information on the shares used to calculate the basic and diluted earnings per share.

Basic earnings per share

	2011	*2010*
Net income attributable to the Shareholders (in thousands of euro)	10,144	56,850
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Basic earnings per share (euro)	**0.0136**	**0.0759**

	2011	*2010*
Net income from the statement of comprehensive income attributable to the Shareholders (in thousands of euro)	(36,102)	79,189
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Basic earnings per share (euro)	**(0.0483)**	**0.1057**

Diluted earnings per share

	2011	*2010*
Net income attributable to the Shareholders (in thousands of euro)	10,144	56,850
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Weighted average number of options	3,675,050	3,306,530
No. of shares that could have been issued at fair value	(2,695,771)	(2,486,629)
Adjusted weighted average number of shares in circulation	748,203,354	749,863,168
Diluted earnings per share (euro)	**0.0136**	**0.0758**

	2011	*2010*
Net income from the statement of comprehensive income attributable to the Shareholders (in thousands of euro)	(36,102)	79,189
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Weighted average number of options	3,667,050	3,306,530
No. of shares that could have been issued at fair value	(2,695,771)	(2,436,629)
Adjusted weighted average number of shares in circulation	748,203,354	749,863,168
Diluted earnings per share (euro)	**(0.0483)**	**0.1056**

17. DIVIDENDS PAID

Dividends paid in 2011 totalled € 18,726 thousand, equal to € 0.025 per share.

18. FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES (IFRS 7)

The CIR Group operates in different sectors of industry and services both at national and international level and thus its business is exposed to various kinds of financial risk, including market risk (exchange rate risk and price risk), credit risk, liquidity risk and interest rate risk.
To minimise certain types of risks the Group uses hedging derivatives.
Risk management is carried out by the central finance and treasury function on the basis of policies approved by CIR Management and transmitted to the subsidiaries on 25 July 2003.

Market risk

Foreign currency risk

Operating internationally and buying commodities denominated mainly in USD especially within Sorgenia group, the Group is subject to the risk that fluctuations in exchange rates may affect the fair value of a number of its assets and liabilities. Although the Group produces and sells mainly in the Euro Area it is subject to foreign currency risk especially in relation to the GB pound, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Indian rupee.
The Group uses forward contracts to reduce the risk of fluctuations in the EUR/USD exchange rate. As described in the Note on price risk, in certain cases it hedges its purchase and sales formulae directly and the price of this hedging depends on the EUR/USD exchange rate. By fixing its formulae in euro, the exchange rate is also indirectly hedged.
Regarding the foreign currency risk of translating the financial statements of international subsidiaries, the operating companies generally have a degree of convergence between their sourcing costs and their sales revenues and this kind of risk is also limited by the fact that the companies operate in their local currencies, are active in their own domestic markets and abroad and, if necessary, can arrange funding locally.
In order to show the potential effect in the financial statements of the exposure to exchange rate risk, sensitivity analysis was carried out. The analyses were conducted on the assumption of shifts in the exchange rate.
For the purposes of comparison, the results of the analysis at 31 December 2010 are also shown.

Sensitivity Analysis EUR/USD exchange rate	*31.12.2011*		*31.12.2010*	
Shift in EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousands)	714	(634)	13,712	(13,081)
Effect on Equity (EUR/thousands)	774	(711)	13,712	(13,081)

Price risk

Through the activity in the energy sector of the Sorgenia group, the Group is exposed to the risk of fluctuations in energy commodity prices on the purchase of fuels for its power production plants and on its purchases and sales of gas and electricity (where contracts stipulate specific indexing to baskets of fuels). Moreover since almost all of the commodities in question are priced in USD, the Group is also exposed to fluctuations in the EUR/USD exchange rate (as said before).
Sorgenia continually monitors this exposure by breaking its contractual formulae down into the underlying risk factors and managing the exposure using a two-step procedure.

The first step involves the negotiation of gas and electricity purchase agreements and the definition of pricing policies. On both purchase and sales sides, price control enables the Group to guarantee a high level of natural hedging, minimising the impact on margins of the factors of uncertainty mentioned above not only at business line level but also at consolidated portfolio level.
The second step involves monitoring net remaining exposure after the action described above.
Sorgenia trades derivatives with leading banks in order to minimise counterparty risk. The derivatives in question are traded over the counter (OTC) directly with the counterparties and are mainly fixed vs. floating swaps or vice versa for commodity price hedges, and outright forwards for foreign currency risk hedges.
Since 2008, given the greater liquidity achieved by derivatives markets, in order to reduce basis risk on the hedges as far as possible, the group has been negotiating contracts with its financial counterparties where the underlying is the whole formula for the purchase or sale of natural gas or electricity. These hedges make it possible to eliminate changes in costs and revenues caused by the commodity risk factor and the foreign currency risk factor through a single contract.
As from the previous year these commodity derivative contracts, being entered into exclusively for hedging purposes, are managed according to the IAS 39 rules on hedge accounting. Therefore the effects in terms of profit and loss of changes in their fair value are recognised directly to a special equity reserve (Cash flow hedge reserve). Should the effectiveness test show that the hedges ineffective to some degree, the ineffective part is recognised immediately to the income statement.
The fair value of derivative contracts is calculated using market forward prices as at the reporting date, when the underlying commodities are traded on markets with a forward price structure. Otherwise, fair value is calculated using internal models based on data and information available on the market, supplied by recognised and reliable third party sources.
Regarding the hierarchical form of classification reviewed by IFRS 7 which is based on three levels according to the method and the input used to determine fair value, it should be pointed out that the financial instruments used for managing commodity risk belong to level 2 of the fair value hierarchy.
The valuation techniques for derivatives outstanding at the end of the year were the same as those adopted in the previous year.
For commodities the maturity of the related swaps is generally less than 18 months. However, in certain exceptional cases hedges with longer maturities have been entered into with end customers for fixed price contracts or contracts with particular kinds of options involved. At 31 December there were open positions in liquid fuel derivatives with maturities in 2012.

In order to measure group exposure to the risk of changes in commodity prices and gas and electricity price formulae, a sensitivity analysis was carried out based on revaluation of the fair value of derivative contracts outstanding at 31 December 2011 in the event of shifts in commodity prices.
In order to revalue these financial instruments and quantify the effect on the accounts of shifts in the price curve of liquid fuels, guaranteeing the highest possible degree of measurement accuracy, the same financial models were used as those used to produce the reports for management showing how exposure is constantly monitored.

The following chart shows the results of the sensitivity analysis for commodities:

(amounts in thousands of euro)	*31.12.2011*		*31.12.2010*	
Change	-5%	+5%	-5%	+5%
Effect on the income statement	956	(960)	(1,228)	1,228
Effect on equity	14,382	(14,382)	(7,207)	7,207

The higher exposure to the risk of changes in commodity prices, which is offset however by physical purchase and sale of fuels on the spot markets, is due to the fact that hedges were put in place using financial contracts over a longer time horizon than in the previous year and that there were more contracts outstanding at 31 December 2011 compared to 31 December 2010. In fact at that date all the positions were closed.

As in previous years, the Sorgenia group minimised its exposure to changes in commodity price risk hedges through increased opportunities for defining sales formulae consistent with its sourcing formulae, through hedging strategies using financial instruments trading and also through the new use of more structured instruments with a short-term horizon.

Commodity derivative contracts, in fact, are entered into only for hedging purposes, therefore changes in the results of the commodity derivative positions are offset by changes in the results of the underlying physical positions with an impact on the income statement essentially limited to the basis risk in all cases where there is a discrepancy between the commodities of the underlying physical contracts and the liquid commodities traded on the markets, both regulated and OTC, on which the derivatives are based. This activity is segregated to a special portfolio with transactions completed on the power, commodities and foreign exchange markets. This portfolio is monitored on a daily basis by a special company department, has strict limits on risk levels (calculated through VaR) and profit and loss (calculated as a stop-loss limit through P&L).

In 2010 operations in this area began with a daily VaR of 95%. The average percentage of use of the VAR limit has been 50%, closing at 31 December with a value of approximately € 250,000, while the stop loss limit has so far never been activated.

In order to reliably calculate VaR, the Risk Management Department of Sorgenia S.p.A. developed a mixed benchmark-simulation approach based on which the price scenarios generated are consistent with benchmarks describing time series observations. The Value at Risk is daily and has a confidence level of 95%. The VaR value is a function of statistical price distribution and market returns, and also of time series correlations of different products and markets.

Credit risk

Credit risk can be valued both in commercial terms relating to customer type, contractual terms and sales concentration, and in financial terms in connection with the type of counterparty involved in financial transactions. Within the Group there is no significant concentration of credit risk.

Some time ago adequate policies were put in place to ensure that sales are made to customers of good standing. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The Group has policies that limit credit exposure to individual financial institutions.

Credit risk is different depending on the business sector concerned. In the utilities sector, for example, the assessment of credit risk exposure is made using internal processes and aided by companies with sector expertise in both credit facility assessment and allocation and in credit collection management. The customer base and its diversification make exposure to a concentration of credit risk immaterial.

In the "Automotive components" sector there is no excessive concentration of risk since the Original Equipment and After-market distribution channels of operation are car manufacturers or large purchasing groups without any particular concentration of risk.
The "Media" sector has no areas of risk for trade receivables of a significant entity and in any event the Group adopts operating procedures that prevent the sale of products or services to customers without an adequate credit profile or collateral.
The healthcare sector does not present any concentration of credit risk because credit exposure is spread over a large number of customers and counterparties especially in the residential care homes sector. The hospital sector, however, has a higher concentration of risk because most counterparties are local health authorities.
Since 2006 the CIR Group has been acquiring and managing non-performing loans and has put in place procedures for measuring and establishing the fair value of its portfolios.
The following pages include a chart showing the breakdown of credit risk and changes in the provision for write-down of receivables.

Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient liquidity and tradeable securities and ensuring an adequate supply of credit facilities to ensure sufficient funding.
The Group systematically meets its maturities and commitments, and such conduct enables it to operate on the market with the necessary flexibility and reliability to maintain a correct balance between funding and deployment of its financial resources.
The companies heading the four major business sectors manage their liquidity risk directly and independently. Tight control is exercised over the net financial position and its short, medium and long term developments. In general the CIR Group follows an extremely prudent financial policy using mainly medium/long-term funding structures. The operating Groups' treasuries are centrally managed.
The following pages include a chart showing the breakdown of liquidity risk by operating group.

Interest rate risk (fair value and cash flow)

Interest rate risk depends on fluctuations in market rates which can cause changes in the fair value of cash flows of financial assets or liabilities.
Interest rate risk mainly concerns long-term bond loans issued at a fixed rate, thereby exposing the Group to the risk of fair value changes in the loans themselves as interest rates change.
Following risk management policies, the Parent Company and the subsidiaries have entered into various IRS contracts over the years in order to hedge interest rate risk on their bond loan issues and on loan agreements.

Sensitivity analysis

A parallel shift of one percentage point in the 3-month Euribor curve would have the following effect on the floating rate assets and liabilities of the Group:

(amounts in thousands of euro)	*31.12.2011*		*31.12.2010*	
Change	-1%	+1%	-1%	+1%
Effect on the income statement	6,171	(4,729)	(8,617)	6,590
Effect on equity	(48,649)	47,890	(33,505)	34,779

Derivatives

Derivatives are recognised at their fair value.

For accounting purposes hedging transactions are classified as:

- *fair value hedges* if they are subject to price changes in the market value of the underlying asset or liability;
- *cash flow hedges* if they are entered into against the risk of changing cash flows from an existing asset and liability, or from a future transaction.
- *hedges of net investments in foreign operations* if they are entered into to protect against foreign currency risk from the translation of subsidiaries' equity denominated in a currency other than the Group's functional currency.

For derivatives classified as fair value hedges, gains and losses resulting from both the determination of their market value and the adjustment to fair value of the element underlying the hedge are recognised to the income statement.

For derivatives classified as cash flow hedges (e.g. interest rate swaps) gains and losses on their mark-to-market are recognised directly to equity for the part "effectively" hedging the risk concerned, while any "ineffective" part is recognised to the income statement.

For hedges of net investments in foreign operations, gains and losses on their mark-to-market are recognised directly to equity for the part "effectively" hedging the risk in questions, while any "ineffective" part is recognised in the income statement.

On initial hedge accounting recognition, derivatives are accompanied by a hedging relationship which designates the individual derivative as a hedge and specifies the hedge effectiveness parameters in relation to the financial instrument hedged.

Hedge effectiveness is tested at regular intervals, the effective part of the relationship recognised to equity and any ineffective part recognised to the income statement. More specifically, the hedge is considered effective when the change in fair value or in the financial flows of the instrument hedged is almost entirely offset by the change in fair value or cash flows of the hedging instrument and when the results achieved are in a range of 80%-125%.

At 31 December 2011 the Group recognised the following derivatives as hedges at their notional value:

(a) Interest rate hedges:

interest rate hedge on the Gruppo Editoriale L'Espresso fixed to floating bond loan (notional value € 50 million);

hedging of Sogefi bank borrowings, notional value € 221.1 million maturing in 2013 (€ 100 million), maturing in 2016 (€ 31.1 million) and maturing in 2018 (€ 90 million);

hedging of Sorgenia Group bank borrowings, notional value € 1,446.7 million;

hedging of Kos Group bank borrowings, notional value € 46.4 million;

(b) Foreign currency hedges:

forward sales for a total of USD 110 million to hedge investments in hedge funds maturing in March 2012;

forward sale of USD 7.2 million against EUR maturing in 2012;

forward purchase of € 2.5 million against GBP maturing in 2012;

forward sale of USD 5 million to hedge borrowings maturing in April 2012;
forward sale of CHF 23.2 million to hedge investments in bonds maturing in 2013;
forward sale of USD 5.9 million to hedge investments in securities maturing in January 2012.

Capital ratios

Management regulates the use of leverage to guarantee solidity and flexibility in the asset and liability structure of CIR and its financial holding companies, measuring the ratio of funding sources to investment activity.

Leverage is calculated as the ratio between net debt (represented by bond loans issued net of cash and cash equivalents and investments in liquid financial instruments, according to parameters agreed with the rating agency) and the total investments measured at fair value (including equity investments and remaining investments in financial instruments).

Management's objective is to maintain a solid and flexible financial structure to keep this ratio below restricted partcentages. Currently it stands at 12%.

Contractual clauses of borrowings

Certain agreements regarding Group borrowings contain special clauses which, in the event of failure to comply with certain economic and financial covenants, envisage the lending banks' option to claim repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.

At 31 December 2011 all the contractual clauses relating to medium and long term financial liabilities were fully complied with by the group.

Below is a description of the main covenants relating to the borrowings of the operating sub-holding companies outstanding at year end.

Sogefi Group

Sogefi S.p.A., the parent company of the group's sub-holding operating in the automotive sector, has undertaken to comply with a series of "covenants" as summarised below:

- syndicated loan of € 160 million: ratio of consolidated net financial position to consolidated EBITDA of 3.5 or lower; ratio of EBITDA to net financial expense no lower than 4;
- loan of € 100 million: ratio of consolidated net financial position to consolidated EBITDA lower than 4;
- loan of € 60 million: ratio of consolidated net financial position to consolidated EBITDA lower than 3.5;
- loan of € 100 million: ratio of consolidated net financial position to consolidated EBITDA of 3.5 or lower; ratio of consolidated EBITDA to net financial expense no lower than 4.

Sorgenia Group

For borrowings regarding power plant construction, through a number of its subsidiaries the Sorgenia group has undertaken to comply with covenants requiring that the ratio of consolidated net debt to the sum of debt plus equity (gearing ratio) remains between 64% and 80%, depending on the loan, and that the operating cash flow net of tax during construction of the power plants is higher than 1.05 times the debt service coverage ratio.

Details of the covenants relating to debt positions held at year end by the Kos group are provided below:

KOS Group

The KOS Group has undertaken to comply with a series of covenants in relation to a number of loans, details of which are as follows:

- revolving credit facilities for a total of € 47 million (zero payable at 31 December 2011) obtained by the Parent Company KOS: ratio of consolidated net financial position to consolidated equity lower than 2.5;
- syndicated loan for a total remaining at 31 December 2011 of approximately € 22.1 million obtained by Residenze Anni Azzurri S.r.l.: ratio of net financial position to EBITDA lower than 3.88 and ratio of consolidated net financial position to consolidated equity lower than 2.19;
- syndicated loan for a total remaining at 31 December 2011 of approximately € 29.3 million obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA lower than 5.8, ratio of consolidated net financial position to consolidated equity below 1.5, and a debt service coverage ratio of above 0.8;
- loan for a total remaining at 31 December 2011 of approximately € 4.9 million obtained by Medipass S.p.A.: ratio of net financial position to EBITDA lower than 3.6, ratio of consolidated net financial position to consolidated equity lower than 3.5, and a debt service coverage ratio above 1.

Measurement of financial assets and liabilities and fair value hierarchy

The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;
- the fair value of other financial assets and liabilities (except derivatives) is measured using commonly accepted methods and based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and from broker listed prices for similar instruments;
- for derivatives listed on an active market the fair value is measured on market prices; if these prices are not published, different approaches are used for the various types of instruments.

In particular, for the measurement of certain investments in bond instruments with no regular market, i.e. where there is an insufficient number of frequent transactions with a bid-ask spread and a sufficiently limited volatility, then the fair value of these instruments is mainly measured according to prices provided by leading international brokers at the request of the company, which are then validated through comparison with market prices, albeit of a limited number, or with prices observable for other instruments with similar characteristics.

In measuring investments in private equity funds, fair value is determined on the basis of the NAV disclosed by the respective fund administrators at the reporting date. Where such information is not available at the reporting date, the last official disclosure is used, which must not however be more than three months old at the reporting date and if necessary validated against information made available to investors by the fund managers at a later date.

The chart below shows the breakdown of financial assets and liabilities measured at fair value with an indication of whether all or part of the fair value is determined with direct reference to prices listed on an active market (“Level 1”) or whether it is estimated using prices that can be inferred from market prices for similar assets or through valuation techniques for which all significant factors are inferred from data observable on the market (“Level 2”) or from valuation techniques based mostly on input not observable on the market which therefore involve estimates and assumptions being made by management (“Level 3”).

Balance sheet items *(in thousands of euro)*	*Level 1*	*Level 2*	*Level 3*	*Total in Balance Sheet*
NON-CURRENT ASSETS				
Financial assets (at fair value with offset in equity)				
- Other receivables (item 7.f.)				
- derivatives	--	4,075	--	4,075
- Securities in non-current assets (item 7.g.)	--	83,709	23,462	107,171
Financial assets				
(at fair value through profit and loss)				
- Other Receivables				
- derivatives	--	--	--	--
- Securities in non-current assets (item 7.g.)	150	--	--	150
CURRENT ASSETS				
Financial assets (at fair value through profit and loss)) -Other Receivables (item 8.c)				
- derivatives	--	923	--	923
Financial receivables (item 8.d.)				
- derivatives	--	110	--	110
Securities in current assets (item 8.e.)				
- Equity investments	13,142	--	--	13,142
- Ital. Government securities & similar instruments	5,911	--	--	5,911
- Investment funds and similar instruments	184,316	8,827	--	193,143
- Bonds and notes	348,097	--	--	348,097
- Certificates of deposit and sundry securities	11	51,680	--	51,691
Total Securities in current assets (item 8.e.)	551,477	60,507	--	611,984
Financial assets (at fair value with offset in equity)				
Other Recceivables (item 8.c.)				
- derivatives	--	73,745	--	73,745
Financial receivables (voce 8.d.)				
- derivatives	--	1,671	--	1,671
Available-for-sale financial assets (item 8.f.)				
- Equity investments	--	--	--	--
- Ital. Government securities & similar instruments	47,465	--	--	47,465
- Investment funds and similar instruments	--	79,030	--	79,030
- Bonds and notes	--	--	--	--
- Certificates of deposit and sundry securities	--	--	--	--
Total available-for-sale financial assets (item 8.f.)	47,465	79,030	--	126,495
NON-CURRENT LIABILITIES				
Financial liabilities (at fair value with offset in equity)				
Other borrowings (items 10.b.)				
- derivatives	--	(48,705)	--	(48,705)
Financial liabilities (at fair value through profit and loss)				
Other borrowings (item 10.b.)				
- derivatives	--	--	--	--
CURRENT LIABILITIES				
Financial liabilities (at fair value with offset in equity)				
Other borrowings (item 10.b.)				
- derivatives	--	(25,353)	--	(25,353)
Altri debiti (voce 11.d.)				
- derivati	--	(91,513)	--	(91,513)
Financial liabilities (at fair value through profit and loss)				
Other borrowings (item 11b.)				
- derivatives	--	(1,811)	--	(1,811)
Other borrowings (item 11b.)				
- derivati	--	(1,621)	--	(1,621)

During 2011 no transfers were made between the different levels of fair value in the hierarchy. As far as the financial assets classified as level 3 are concerned, these are investments in venture capital which are measured using some market information that is not observable. They are held by the Group through CIR Ventures and where they refer to investments in companies operating in the information technology and communication sector (for a total amount of approximately € 12,2 million), and through Noventi Ventures, where they are investments in companies operating in the sector of innovative generation technologies and energy efficiency (for a total amount of approximately € 11.3 million).

Changes in the year of financial assets at fair value (level 3)

	FINANCIAL ASSETS			
	Held for trading	*Valued at fair value*	*Available for sale*	*Hedges*
Opening position	--	--	25,667	--
Increases				
- Purchases	--	--	--	--
- Gains recognized to:				
Income Statement	--	--	--	--
- of which capital gains	--	--	--	--
Shareholders' equity	--	--	707	--
Transferred from other levels	--	--	--	--
Other increases	--	--	2,671	--
Decreases				
- Sales	--	--	(15)	--
- Repayments			--	
- Losses recognized to:	--	--	--	--
Income Statement	--	--	(5,329)	--
- of which capital losses	--	--	(110)	--
Shareholders' equity	--	--	(239)	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	--	--
Closing position	--	--	23,462	--

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE BALANCE SHEET
FINANCIAL YEAR 2011

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Assets at FV through P&L designated as such on initial recognition*	*Assets at FV through P&L classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such from initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other equity investments	7.e	22,903	--	--	18,087	--	4,816	--	--	--	22,903	(781)	--
Other receivables (*)	7.f	184,725	--	4,075	180,650	--	--	--	--	--	184,725	20,793	5,615
Securities	7.g	107,321	--	--	--	150	107,171	--	--	--	107,321	2,949	(5,364)
CURRENT ASSETS													
Trade receivables	8.b	1,215,226	--	--	1,215,226	--	--	--	--	--	1,215,226	(32,185)	--
Other receivables (**)	8.c	126,018	--	75,281	50,737	--	--	--	--	--	126,018	75,166	128
Financial receivables	8.d	11,956	1,278	274	10,404	--	--	--	--	--	11,956	1,580	--
Securities	8.e	613,877	611,984	--	--	1,893	--	--	--	--	613,877	(9,973)	--
Available-for-sale financial assets	8.f	126,495	--	--	--	126,495	--	--	--	--	126,495	3,943	(9,446)
Cash & cash equivalents	8.g	494,006	--	--	494,006		--	--	--	--	494,006	6,741	--
NON-CURRENT LIABILITIES													
Bonds and notes	10.a	(525,802)	--	--	--	--	--	--	--	(525,802)	(440,089)	(15,662)	--
Other borrowings	10.b	(2,197,377)	--	--	--	--	--	--	(40,288)	(2,157,409)	(2,200,042)	(103,235)	(47,948)
Trade payables		(1,430)	--	--	--	--	--	--	--	(1,430)	(1,430)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(142,485)	--	--	--	--	--	--	--	(142,485)	(142,485)	(3,374)	--
Bonds and notes	11.a	(4,243)	--	--	--	--	--	--	--	(4,243)	(4,243)	(14,107)	--
Other borrowings	11.b	(711,600)	--	--	--	--	--	(1,947)	(21,813)	(687,840)	(712,504)	(16,349)	(14,688)
Trade payables	11.c	(979,190)	--	--	--	--	--	--	--	(979,190)	(979,190)	(22)	--
Other payables	11.d	(93,134)	--	--	--	--	--	--	(93,134)	--	(93,134)	(74,664)	(18,470)

(*) Not including € 62,354 thousand of tax receivables
(**) Not including € 121,860 thousand of tax receivables

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE BALANCE SHEET
FINANCIAL YEAR 2010

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Assets at FV through P&L designated as such on initial recognition*	*Assets at FV through P&L classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such from initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other equity investments	7.e	5,041	--	--	968	--	4,073	--	--	--	5,041	16	--
Other receivables (*)	7.f	157,453	--	--	157,453	--	--	--	--	--	157,453	11,707	--
Securities	7.g	100,772	--	--	--	150	100,622	--	--	--	100,772	23,456	7,732
CURRENT ASSETS													
Trade receivables	8.b	1,137,448	--	--	1,137,448	--	--	--	--	--	1,137,448	(59,747)	--
Other receivables (**)	8.c	63,506	--	--	97,526	--	--	--	--	--	63,506	--	--
Financial receivables	8.d	399,064	19,159	--	1,817	--	--	--	--	--	399,064	4,422	
Securities	8.e	216,552	216,535		--	--	17	--	--	--	216,552	7,543	--
Available-for-sale financial assets	8.f	144,244	--	--	--	--	144,244	--	--	--	144,244	3,917	1,211
Cash & cash equivalents	8.g	593,081	--	--	593,081	--	--	--	--	--	593,081	3,981	--
NON-CURRENT LIABILITIES													
Bonds and notes	10.a	(547,455)	--	--	--	--	--	--	--	(547,455)	(504,729)	(28,095)	--
Other borrowings	10.b	(2,171,116)	--	--	--	--	--	--	--	(2,171,116)	(2,126,270)	(60,685)	(2,426)
Trade payables		(422)	--	--	--	--	--	--	--	(422)	(422)	--	
CURRENT LIABILITIES													
Bank overdrafts		(173,671)	--	--	--	--	--	--	--	(173,671)	(173,671)	(5,694)	--
Bonds and notes	11.a	(157,978)	--	--	--	--	--	--	--	(157,978)	(157,978)	(9,692)	--
Other borrowings	11.b	(469,494)	--	--	--	--	--	(6,980)	--	(96,179)	(459,429)	(4,337)	218
Trade payables	11.c	(863,344)	--	--	--	--	--	--	--	(863,344)	(863,344)	(32)	--

(*) Not including € 21,629 thousand of tax receivables
(**) Not including € 114,154 thousand of tax receivables

CLASSES OF RISK - FINANCIAL YEAR 2011

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Liquidity risk*	*Int. rate risk*	*Exch. rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other equity investments	7.e	22,903	--	--	--	22,903
Other receivables (*)	7.f	184,725	--	--	--	184,725
Securities	7.g	107,321	--	--	--	107,321
CURRENT ASSETS						
Trade receivables	8.b	1,215,226	--	--	--	1,215,226
Other receivables (**)	8.c	126,018	--	--	--	126,018
Financial receivables	8.d	11,956	--	--	--	11,956
Securities	8.e	613,877	--	--	--	613,877
Available-for-sale financial assets	8.f	126,495	--	--	--	126,495
Cash & cash equivalents	8.g	494,006	--	494,006	--	
NON-CURRENT LIABILITIES						
Bonds and notes	10.a	(525,802)	(525,802)	--	--	--
Other borrowings	10.b	(2,197,377)	(2,197,377)	--	--	--
Trade payables		(1,430)	(1,430)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(142,485)	(142,485)	--	--	--
Bonds and notes	11.a	(4,243)	(4,243)			
Other borrowings	11.b	(711,600)	(711,600)	--	--	--
Trade payables	11.c	(979,190)	(979,190)	--	--	--

(*) Not including € 62,354 thousand of tax receivables
(**) Not including € 121,860 thousand of tax receivables

CLASSES OF RISK - FINANCIAL YEAR 2010

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Liquidity risk*	*Int. rate risk*	*Exch. rate risk*	*Credit risk*
NON- CURRENT ASSETS						
Other equity investments	7.e	5,041	--	--	--	5,041
Other receivables (*)	7.f	157,453	--	--	--	157,453
Securities	7.g	100,772	--	--	--	100,772
CURRENT ASSETS						
Trade receivables	8.b	1,137,448	--	--	--	1,137,448
Other receivables (**)	8.c	97,526	--	--	--	63,506
Financial receivables	8.d	20,976	--	--	--	399,064
Securities	8.e	216,552	--	--	--	216,552
Available-for-sale financial assets	8.f	144,244	--	--	--	144,244
Cash & cash equivalents	8.g	593,081	--	593,081	--	--
NON-CURRENT LIABILITIES						
Bonds and notes	10.a	(547,455)	(547,455)	--	--	--
Other borrowings	10.b	(2,171,116)	(2,171,116)	--	--	--
Trade payables		(422)	(422)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(173,671)	(173,671)	--	--	--
Bonds and notes	11.a	(157,978)	(157,978)			
Other borrowings	11.b	(469,494)	(469,494)	--	--	--
Trade payables	11.c	(863,344)	(863,344)	--	--	--

(*) Not including € 21,629 thousand of tax receivables
(**) Non including € 114,154 thousand of tax receivables

CREDIT RISK

(in thousands of euro)

Position at December 31 2011	Bal. Sheet items	Total receivable	Not yet due	Overdue by >	0 - 30 days	30 - 60	60 - 90	over 90	Amt. due settled	Writedowns
Other receivables (non-current assets) (*)	7.f	184,725	40,248	144,477	--	--	--	144,477	--	
Gross receivable		368,726	214,498	154,228	--	--	--	154,228	--	
Provision for writedown		(184,001)	(174,250)	(9,751)	--	--	--	(9,751)	--	(17,380)
Trade receivables	8.b	1,215,226	769,711	445,515	91,322	32,061	18,886	303,246	--	
Gross receivable		1,362,764	779,303	583,461	94,250	33,799	20,065	435,347	--	
Provision for writedown		(147,538)	(9,592)	(137,946)	(2,928)	(1,738)	(1,179)	(132,101)	--	(21,516)
Other receivables (current assets) (**)	8.c	126,018	126,018	--	--	--	--	--	--	
Gross receivable		126,385	126,092	293	--	--	--	293	--	
Provision for writedown		(367)	(74)	(293)	--	--	--	(293)	--	--
Total		1,525,969	935,977	589,992	91,322	32,061	18,886	447,723	--	(38,896)

(*) Not including €62,354 thousands of tax receivables
(**) Not including €121,860 thousand of tax receivables

(in thousands of euro)

Position at December 31 2010	Bal. Sheet items	Total receivable	Not yet due	Overdue by >	0 - 30 days	30 - 60	60 - 90	over 90	Amt. due settled	Writedowns
Other receivables (non-current assets) (*)	7.f	157,453	17,338	140,115	--	--	--	140,115	--	
Gross receivable		324,192	184,077	140,115	--	--	--	140,115	--	
Provision for writedown		(166,739)	(166,739)	--	--	--	--	--	--	(14,200)
Trade receivables	8.b	1,137,448	654,808	482,640	93,300	30,429	21,975	323,901	13,035	
Gross receivable		1,269,622	667,130	602,492	111,269	36,639	27,124	414,425	13,035	
Provision for writedown		(132,174)	(12,322)	(119,852)	(17,969)	(6,210)	(5,149)	(90,524)	--	(45,129)
Other receivables (current assets) (**)	8.c	97,526	73,884	23,642	16	--	--	23,626	--	
Gross receivable		97,943	74,301	23,642	16	--	--	23,626	--	
Provision for writedown		(417)	(417)	--	--	--	--	--	--	--
Total		1,392,427	746,030	646,397	93,316	30,429	21,975	487,642	13,035	(59,329)

(*) Not including €21,629 thousand of tax receivables
(**) Not including €114,154 thousand of tax receivables

PROVISION FOR WRITEDOWN OF RECEIVABLES

(in thousands of euro)

Position at December 31 2011	*Starting balance*	*Writedowns*	*Withdrawals*	*Exch. rate diff. +/-*	*Business combin. +/-*	*Closing balance*
Provision for writedown of receivables	(299,330)	(38,896)	6,427	31	(138)	(331,906)

(in thousands of euro)

Position at December 31 2010	*Starting balance*	*Writedowns*	*Withdrawals*	*Exch. rate diff. +/-*	*Business combin. +/-*	*Closing balance*
Provision for writedown of receivables	(252,160)	(59,329)	12,385	(78)	(148)	(299,330)

LIQUIDITY RISK - FINANCIAL YEAR 2011

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non-derivative financial liabilities							
Bonds and notes	28,655	28,655	282,491	15,525	15,525	394,200	765,051
Other borrowings:							
- Loans from banks	152,534	469,744	311,217	830,917	134,094	464,094	2,362,600
- From leasing companies	13,938	11,597	10,713	9,375	9,539	91,593	146,755
- From other lenders	582,206	30,733	785	657	592	1,673	616,646
Bank overdrafts	142,485	--	--	--	--	--	142,485
Trade payables	979,190	--	--	--	--	--	979,190
Derivative financial liabilities							
Hedging derivatives	25,679	20,335	3,297	25,869	2,284	2,728	80,192
Non-hedging derivatives	1,887	--	--	--	--	--	1,887
TOTAL	1,926,574	561,064	608,503	882,343	162,034	954,288	5,094,806

LIQUIDITY RISK - FINANCIAL YEAR 2010

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non-derivative financial liabilities							
Bonds and notes	187,845	30,403	29,820	299,752	15,557	409,725	973,102
Other borrowings:							
- Loans from banks	108,509	181,194	836,245	190,810	269,048	542,128	2,127,934
- From leasing companies	13,608	14,423	12,780	11,680	10,256	62,576	125,323
- From other lenders	5,822	7,298	9,093	822	586	85,342	108,963
Bank overdrafts	173,671	--	--	--	--	--	173,671
Trade payables	863,344	422	--	--	--	--	863,766
Derivative financial liabilities							
Hedging derivatives	17,066	4,272	829	1,719	49	7,598	31,533
Non-hedging derivatives	10,107	--	--	--	--	--	10,107
TOTAL	1,379,972	238,012	888,767	504,783	295,496	1,107,369	4,414,399

19. GUARANTEES AND COMMITMENTS

At 31 December 2011 the guarantees and commitments position was as follows:

<u>CIR and financial holding companies</u>

For the incentive plans for directors and employees, CIR has a joint commitment with Verbund to buy back any shares of Sorgenia S.p.A. resulting from the exercise of options by employees who are beneficiaries of stock option plans outstanding as of 31 December 2011.

Other guarantees and commitments of CIR are as follows:
- commitments for private equity fund investments by CIR International for € 15.4 million;

<u>Sorgenia Group</u>

1. Guarantees issued
   As collateral for loans obtained by subsidiaries, shares representing the capital of the borrowing companies have been pledged in favour of the lending banks for a total of € 473,822 thousand (€ 437,769 thousand at 31 December 2010).

2. Sureties
   Within the group sureties have been granted to third parties for a total of € 335,674 thousand (€ 369,546 at 31 December 2010). These are mainly bonds issued to guarantee payments linked to the purchase and transmission of electricity and gas and commitments to the Tax Authority for VAT reimbursement claims. This category also includes sureties requested for power plant constructions and land purchases.

3. Commitments
   The commitments outstanding at the reporting date refer mainly to guarantees issued by Sorgenia S.p.A. in favour of the banks financing Sorgenia Power S.p.A. for € 195,800 thousand for the Termoli power plant and € 660,000 thousand for the Aprilia and Bertonico -Turano Lodigiano plants. Sorgenia S.p.A. signed a commitment to capitalise Sorgenia Power by up to € 47,537 thousand and to fund the company by up to € 50,000 thousand. There is also a commitment to contribute a maximum of USD 30,000 to the subsidiary Sorgenia USA, of which USD 22,197 already paid in leaving a residual commitment outstanding of € 6,031 thousand.
   Sorgenia and other shareholders with equal investments in Gica S.A., following an agreement signed on 8 April 2008, are committed to pay up to a maximum € 7.5 million each as a financial commitment. In July 2011 the agreement was amended and the commitment of each shareholder reduced to € 3.25 million. During the year the shareholders were not asked to make a payment and therefore the outstanding Sorgenia commitment is € 2,448 thousand.
   Sorgenia is also committed to guaranteeing suitable financial support to Sorgenia France for twelve months from the date of approval of the 2010 financial statements to guarantee operations of the subsidiary.

For natural gas purchases and sales only, the supply contract includes the standard take or pay clause which makes it compulsory for the buyer to pay for any shortfall in the amount withdrawn compared to the annual minimum envisaged in the contract with reference to this clause CIR has issued a guarantee.
As a result of leasing operations involving the Minervino and San Gregorio Magno plants, Sorgenia is committed to not disposing of the investment in Sorgenia Green (in turn holder of investments in the two companies) if the transaction leads to loss of control. Sorgenia S.p.A. is also committed to guaranteeing a Debt Service Cover Ratio defined by the company with which the lease contract was signed by Sorgenia San Gregorio Magno, below which the company must refinance or recapitalise the subsidiary.

Espresso Group

Apart from liens on printing plants and rotary presses arranged through banks to cover loans agreed in 2005, at 31 December 2011 the Group had commitments outstanding for € 3,886 thousand in relation to contracts for the purchase of plants and other printing equipment (€ 841 thousand) mainly for *La Repubblica* and the North-East and North-West divisions of Fin.E.Gi.L. Editoriale.
Guarantees issued amounted to € 3,045 thousand and referred mainly to guarantees given by the Parent Company and the subsidiaries Elemedia and A. Manzoni & C. for the lease of their respective premises, and also to the payment obligation undertaken by the Parent Company to the Tax Authority to guarantee excess credit positions created in the last three years.

Sogefi Group

Operating leases

For accounting purposes, leases and rental contracts are classified as operating leases when the following conditions apply:
- a significant part of the risks and benefits of ownership are retained by the lessor;
- there are no buy-back options on the leased property at a price that does not represent its presumed market value at period end;
- the duration of the contract does not extend over most of the useful life of the asset leased or rented.

The rental payments for operating leases are recognized to the income statement in line with the underlying contracts.
The main operating leases outstanding at 31 December 2011 refer to the following subsidiaries:
- Allevard Federn GmbH for lease of the Volklingen production site. In May 2010 the company renewed the lease of its production site until May 2020. The remaining instalments at 31 December 2011 totalled € 3,206 thousand, of which € 366 thousand due within one year. The Group has not given any form of guarantee on this contract.
- Filtrauto S.A. for lease of the Guyancourt production site. The contract terminates in December 2016 and at 31 December 2011 the remaining instalments amounted to € 2,611 thousand, of which € 870 thousand within one year. The Group has not given any form of guarantee on this contract.
- Mark IV Air Intake Systems Corp. for lease of the Montreal production site. The contract terminates in December 2015 and at 31 December 2011 the remaining instalments amounted to CAD 4,057 thousand, of which CAD 970 thousand within one year. The Group has not given any form of guarantee on this contract.

- Shanghai Sogefi Auto Parts Co., Ltd. for lease of a production site, purchasing office and a laboratory, all located in the Pudong district of Shanghai. The contracts on each, respectively, terminate in August 2023, March 2013 and June 2014. At 31 December 2011 the remaining instalments amount to CNY 21,089 thousand, of which CNY 2,481 thousand within one year. The Group has not given any form of guarantee on these contracts.
- Allevard Sogefi U.S.A. Inc. for the lease on the production site in Prichard (West Virginia). The contract terminates in May 2019 and the remaining instalments at 31 December 2011 total USD 2,942 thousand, of which USD 397 thousand within one year. Against this contract Sogefi S.p.A. has issued a guarantee for approximately 58% of remaining lease instalments. The guarantee is renewed at the end of each year based on the residual amount outstanding. There are no restrictions of any kind connected with this kind of leasing and at the end of the contract the US company will have the right to buy the property at market price.

Future lease payments in relation to the operating lease contracts of the Sogefi group at 31 December 2011 are as follows:

(in thousands of euro)	*2011*	*2010*
Within 1 year	6,336	4,957
1-5 years	14,796	9,359
Over 5 years	4,139	2,961
Total	25,271	17,277

Investment commitments

At 31 December 2010 there were commitments for investments for a total of € 2,460 thousand.

Guarantees issued

The details of these guarantees are as follows:

(in thousands of euro)	*2011*	*2010*
Guarantees to third parties	1,340	1,021
Other personal guarantees to third parties	9,714	9,714
Collateral provided for recognised borrowings	1,738	5,643

Guarantees issued refer to operating lease contracts and guarantees given to certain clients and are recognised at the value of the commitment outstanding as of the reporting date.
The item “Other personal guarantees to third parties” refers to the LPDN GmbH commitment to the employee pension fund of the two business divisions at the time of the acquisition completed in 1996. This commitment is covered by contractual obligations on the part of the vendor, a leading German market operator.
Collateral refers exclusively to the Indian subsidiaries which provided collateral to lending banks on their tangible assets, inventories and trade receivables.

Other risks

At 31 December 2011 the Sogefi Group held assets belonging to third parties on its group company premises for € 5,417 thousand.

Kos group

Below is a breakdown of the bank guarantees and other guarantees issued by Kos S.p.A. for a total of approximately € 2,421 thousand:
- a guarantee in favour of the Sanremo Town Council as a security deposit for urbanisation works, for € 226 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of Santegidio S.r.l. (Scarnafigi), for € 100 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo property lease, for € 75 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo business unit lease, for € 35 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the care home due to be built in Montanaro to guarantee signing of the future lease agreement for € 550 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Peveragno property lease, for € 235 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dorzano property lease, for € 121 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dormelletto property lease, for € 200 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for a property lease, for € 180 thousand;
- an omnibus guarantee on behalf of Medipass S.p.A. in its relations with the Venice Health Authority, for € 700 thousand.

Bank guarantees given by other group companies for € 10,299 thousand, with the following breakdown:

- a guarantee given by Residenze Anni Azzurri S.r.l. to guarantee care home lease payments, for € 9,162 thousand;
- a guarantee given by Residenze Anni Azzurri S.r.l. in favour of HSS Real Estate S.p.A. to guarantee the security deposit policy for urbanisation works regarding the care home to be built in the municipality of Monza, for € 184 thousand;
- guarantee policies issued by Ospedale di Suzzara in favour of F.lli Montecchi, for € 953 thousand.

At 31 December 2011 the other commitments and risks amounted to € 6,222 thousand and mainly referred to:

- assets on free loan for € 2,238 thousand
- commitments relating to the refurbishment of the Suzzara hospital, for contracts already signed at 31 December 2011, for € 228 thousand;
- contractual commitments for technology upgrades to equipment, where this proves necessary, for approximately € 692 thousand. Given the current status of the contracts, there is no reason to assume that such commitments will arise;
- third party commitments to sell for approximately € 130 thousand;

- counter-guarantee commitments for the successful completion of structural works for around € 2,891 thousand.

The group carries out its business activities in owned and leased properties. In particular, the duration of leases varies from 3 to 9 years and is generally renewable. Of the 39 care homes for the elderly in operation at the reporting date, 5 properties are owned, while 10 of the 22 functional and psychiatric rehabilitation facilities are owned (including two residential care homes for the elderly). The remaining facilities (day hospitals, psychiatric treatment communities, diagnostics departments) are generally leased.

The chart below shows the lease payment maturities. The amounts given are net of VAT.

(in thousands of euro)	*Reporting period*	*<1 year*	*>1 <2 years*	>2 <3 *years*	*>3* <4 *years*	>4 <5 *years*	*>5 years*
Property lease payments due	31/12/2010	14,268	14,382	14,525	14,321	14,419	128,247
Property lease payments due	31/12/2011	15,231	15,145	15,290	15,123	15,145	133,163

The change in the amounts due compared to 31 December 2010 was mainly due to the change in portfolio from the properties sold to "Fondo Spazio Sanità", later acquired under lease with 9-year contracts renewable for a further 9 years.

20. INFORMATION ON THE BUSINESS SECTORS

The business sectors coincide with the Groups of companies over which CIR S.p.A. has control. These are specifically:

- the Sorgenia group: utilities;
- the Espresso group: media;
- the Sogefi group: automotive components;
- the KOS group: healthcare.

Geographically, with the exception of the Sogefi group, the business is carried out almost exclusively in Italy.
A chart showing the breakdown of income components and balance sheet information of the primary sector is shown in the Report on Operations while details regarding revenues by geographical area (secondary sector) are given in the Notes to the Financial Statements in the section regarding revenues (note 12).

The breakdown by geographical area of assets, investments, and amortization and write-downs is shown in the following chart.

(in thousands of euro)	*Assets*	*Investments*	*Depreciation/ Write-downs*
Italy	9,117,769	253,911	152,883
Other European countries	1,146,588	63,559	44,156
North America	78,564	3,041	2,303
South America	148,052	28,602	14,398
Asia	52,801	8,775	1,974
Consolidation adjustments	(2,711,345)	(1,119)	(3,447)
Total assets	7,832,429	356,769	212,267

21. JOINT VENTURES

The main joint venture at 31 December 2011 were Tirreno Power and Sorgenia France Production.

International accounting standards envisage two methods for consolidating investments in joint ventures:

- the standard method, which involves proportional consolidation;
- the alternative method which involves use of the equity method.

The Group has adopted the equity method for the sake of consistency with accounts presented to date.

The chart below shows the key financial figures of Tirreno Power:

Tirreno Power

(in millions of euro)	*Financial year 2011*	*Financial year 2010*	*Change absolute*	*Change %*
Income statement				
Electricity sold (TWh)	15.4	15.3	0.1	0.7
Revenues from sales and services	1,359.4	1,288.5	70.9	5.5
EBITDA	212.8	249.4	(36.6)	(14.7)
Net result	43.3	74.5	(31.2)	(41.9)

	31.12.2011	*31.12.2010*	*Change absolute*
Statement of financial position			
Net invested capital	1,417.7	1,479.7	(62.0)
Net financial debt	895.2	990.9	(95.7)
Equity	522.5	488.8	33.7
No. of employees	535	526	9

The share of net income of Tirreno Power, consolidated by the equity method on the basis of values determined by applying IAS/IFRS standards, was € 21.6 million in 2011 compared to € 37.3 million in 2010.

The main figures relating to Sorgenia France Production are as follows:

Sorgenia France Production

(in millions of euro)	*Financial year 2011*	*Financial year 2010*	*Change %*
Income statement			
Sales revenues	2,686,253	2,945,945	(8.8)
EBITDA	280,240	238,556	17.5
Operating income	119,952	111,670	7.4
Profit (loss) for the year	18,665	58,799	(68.3)

	31.12.2011	*31.12.2010*	*Change %*
Statement of financial position			
Total assets	4,409,448	4,270,990	3.2
Total shareholders' equity	1,069,137	1,107,899	(3.5)
Net financial position	2,156,953	2,241,290	(3.8)

With regard to the KTP group, note that the remaining operations were placed under voluntary liquidation in 2011. The carrying amount was cancelled in full at 31 December 2010 and no further costs for the CIR Group are expected from the winding-up procedure.

In accordance with IAS/IFRS, the value of the investments in Tirreno Power and in Sorgenia France Production were tested for impairment at 31 December 2011.

22. NET FINANCIAL POSITION

The net financial position, in accordance with Consob Resolution no. 6064293 of 28 July 2006, can be broken down as follows:

(in thousands of euro)			*31.12.2011*	*31.12.2010*
A.	Cash and bank deposits		494,006	593,081
B.	Other cash and cash equivalents		126,495	144,244
C.	Securities held for trading		613,877	216,552
D.	**Cash and cash equivalents (A) + (B) + (C)**		1,234,378	953,877
E.	**Current financial receivables**		11,956	20,976
F.	Current bank payables	(*)	(216,473)	(244,579)
G.	Bonds issued		(4,243)	(157,978)
H.	Current portion of non-current borrowings		(637,610)	(32,249)
I.	Other current financial payables		*(2)*	*(2)*
J.	**Current financial debt (F) + (G) + (H) + (I)**		(858,328)	(434,808)
K.	**Net current financial position (J) + (E) + (D)**		388,006	540,045
L.	Non-current bank payables	(**)	(1,984,806)	(1,994,968)
M.	Bonds issued		(525,802)	(547,455)
N.	Other non-current payables	(**)	(212,531)	(176,148)
O.	**Non-current financial debt (L) + (M) + (N)**		(2,723,139)	(2,718,571)
P.	**Net financial position (K) + (O)**		(2,335,133)	(2,178,526)

(*) € 73,988 thousand (€ 216,473 - € 142,485) is classified in the Statement of Financial Position under "Other borrowings".
(**) Classified under "Other borrowings" – Non-current liabilities

23. DISCLOSURES REGARDING SHARE-BASED INCENTIVE PLANS

The following chart shows the stock option plans of the Parent Company CIR S.p.A.

STOCK OPTION PLANS OUTSTANDING AT 31 DECEMBER 2011

	Options in circulation at start of year		Options assigned during the year		Options exercised in the year		Options expiring in the year		Options in circulation at end of year			Options exercisable at end of year	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock Option Plan 13 September 2000	29,000	4.06	-	-	-	-	29,000	4.06	-	-	-	-	-
Stock Option Plan 30 January 2001	1,348,000	2.62	-	-	-	-	1,348,000	2.62	-	-	-	-	-
Stock Option Plan 7 September 2001	21,400	1.28	-	-	-	-	21,400	1.28	-	-	-	-	-
Stock Option Plan 5 September 2003	112,500	1.13	-	-	-				112,500	1.13	2.16	112,500	1.13
Stock Option Plan 12 March 2004	391,000	1.60	-	-	2,500	1.60	4,400	1.60	384,100	1.60	2.75	384,100	1.60
Stock Option Plan 6 September 2004	1,500,300	1.56	-	-	2,500	1.56	17,600	1.56	1,480,200	1.56	3.16	1,480,200	1.56
Stock Option Plan 11 March 2005	3,624,200	2.34	-	-	-	-	210,000	2.34	3,414,200	2.34	3.75	3,414,200	2.34
Stock Option Plan 6 September 2005	2,535,000	2.49	-	-	-	-	110,000	2.49	2,425,000	2.49	4.17	2,425,000	2.49
Stock Option Plan 2006 - 1st tranche	2,590,200	2.50	-	-	-	-	115,200	2.50	2,475,000	2.50	5.01	2,475,000	2.50
Stock Option Plan 2006 - 2nd tranche	2,575,800	2.47	-	-	-	-	100,800	2.47	2,475,000	2.47	5.50	2,475,000	2.47
Extraordinary Stock Option Plan 1st tranche	3,681,350	3.0877	-	-	-	-	211,350	3.0877	3,470,000	3.0877	5.75	3,470,000	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,650,450	2.7344	-	-	-	-	180,450	2.7344	3,470,000	2.7344	6.25	3,470,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,693,200	1.6806	-	-	-	-	163,200	1.6806	3,530,000	1.6806	6.75	3,177,000	1.6806
Extraordinary Stock Option Plan 4th tranche	3,155,100	1.0718	-	-	568,100	1.0718			2,587,000	1.0718	7.25	1,810,400	1.0718
1st tranche 2009	3,517,900	0.9907	-	-	641,100	0.9907	15,600	0.9907	2,861,200	0.9907	7.75	1,593,000	0.9907
2nd tranche 2009	3,672,400	1.5449	-	-	-	-	81,600	1.5449	3,590,800	1.5449	8.17	1,944,000	1.5449
1st tranche 2010	3,792,500	1.6208	-	-	-	-	52,900	1.6208	3,739,600	1.6208	8.76	1,576,200	1.6208
2nd tranche 2010	3,770,000	1.4982	-	-			35,200	1.4982	3,734,800	1.4982	9.17	1,123,800	1.4982
Total	43,660,300	1.9764	-	-	1,214,200	1.0311	2,696,700	2.4897	39,749,400	1.9705	6.4818	30,930,400	2.1235

STOCK GRANT PLANS AT 31 DECEMBER 2011

	Financial instruments in circulation at start of year		Financial instruments assigned during the year		Financial instruments exercised in the year		Financial instruments expiring in the year		Financial instruments in circulation at end of year			Financial instruments exercisable at end of year	
	No. of Units	Initial value	No. of Units	Initial value	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Initial value	Average duration (years)	No. of Units	Initial value
Stock Grant Plan 2011			3,299,400	1.6391	-	-			3,299,400	1.6391	9.33		

Stock Grant Plans

The 2011 Stock Grant Plan involves the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment of one CIR S.p.A. share. The Plan envisages two rights classes: time-based units, the maturity of which is subject to the start date of fixed terms, and performance units, the maturity of which is subject to the start date of the terms and to the achievement of objectives of the arm's length value of the share (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) established in the regulation.
The regulation envisages a minimum holding of the shares covered by the Plan.
Shares assigned in implementation of the 2011 Plan will be made available exclusively from own shares held by CIR S.p.A. The regulation states that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the rights vesting period and as at their date of exercise.

On 29 April 2011 the Board of Directors, at the end of the Shareholders' Meeting that approved the 2011 Stock Grant Plan for a maximum 4,500,000 units, implemented the 2011 Stock Grant Plan reserved for executives and/or directors of the company, the parent company and subsidiaries by assigning a total of 3,299,400 units (of which 1,377,800 time-based units and 1,921,600 performance units).
The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 30 April 2013 to 31 January 2015.
The performance units will mature on the same maturity dates envisaged for the time-based units, but only provided that the arm's length value of the shares on each maturity date is at least equal to the percentage of the initial value indicated in the regulation.

The fair value of rights assigned in 2011, calculated at the time of assignment in accordance with the Cox Ross Rubinstein binomial option pricing model for American options, totalled € 4,870 thousand. The notional cost of the 2011 Plan for the year was € 1,187 thousand, recognised under "Personnel costs" in the income statement.

SORGENIA

The chart below shows the incentive plans of the Sorgenia group:

STOCK OPTION PLANS OUTSTANDING AT 31 DECEMBER 2011

	Options in circulation at start of year	Options assigned during the year	Options exercised in the year	Options in circulation at end of year
	No. of options	No. of options	No. of options	No. of options
28 September 2001	156,000	--	156,000	--
15 April 2003	1,565,000	--	305,000	1,260,000
25 February 2005	6,225,040	--	1,253,000	4,972,040
29 July 2005	21,190,565	--	651,600	20,538,965
18 April 2006	8,874,700	--	3,149,560	5,725,140
2009-20121 1st Tranche	16,713,381	--	--	16,713,381
2009-2012 2nd Tranche	13,674,400	--	--	13,674,400
18 May 2009	13,690,800	--	--	13,690,800
18 March 2010	14,845,000	--	--	14,845,000
28 September 2001	--	43,369,892	--	43,369,892
Total	96,934,886	43,369,892	5,515,160	134,789,618

STOCK GRANT PLANS AT 31 DECEMBER 2011

	Financial instruments in circulation at start of year	Financial instruments assigned during the year	Financial instruments exercised in the year	Financial instruments in circulation at end of year
	No. of Units	No. of Units	No. of Units	No. of Units
Stock Grant Plan 2011				
18/04/2011 - Employees	--	2,820,000	--	2,820,000
18/04/2011 - Directors	--	180,000	--	180,000

ESPRESSO

The chart below shows the stock option plans of the Espresso group::

STOCK OPTION PLANS FOR EMPLOYEES AT DECEMBER 31 2011

	Options in circulation at start of year		Options awarded during the year		Opzioni cancelled during the period		Options exercised during the year		Options in circulation at end of year			Options exercisable at end of year	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Numero opzioni	Prezzo medio ponderato di esercizio	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock option plan 24 aprile 2001	480,000	6.25			480,000	6.25			0	0.00	0.00	0	0.00
Stock option plan 24 ottobre 2001	100,600	2.51			28,500	2.51			72,100	2.51	0.25	72,100	2.51
Stock option plan 6 marzo 2002	258,200	3.30			55,200	3.30			203,000	3.30	0.75	203,000	3.30
Stock option plan 24 luglio 2002	288,950	3.36			57,750	3.36			231,200	3.36	1.00	231,200	3.36
Stock option plan 26 febbraio 2003	392,500	2.86			52,300	2.86			340,200	2.86	1.75	340,200	2.86
Stock option plan 23 luglio 2003	501,550	3.54			86,950	3.54			414,600	3.54	2.00	414,600	3.54
Stock option plan 25 febbraio 2004	1,027,500	4.95			102,500	4.95			925,000	4.95	2.75	925,000	4.95
Stock option plan 28 luglio 2004	1,037,500	4.80			102,500	4.80			935,000	4.80	3.00	935,000	4.80
Stock option plan 23 febbraio 2005	1,062,500	4.75			102,500	4.75			960,000	4.75	3.75	960,000	4.75
Stock option plan 27 luglio 2005	1,087,500	4.65			102,500	4.65			985,000	4.65	4.00	985,000	4.65
Stock option plan 2006 - I tranche	1,120,000	4.33			120,000	4.33			1,000,000	4.33	5.00	1,000,000	4.33
Stock option plan 2006 - II tranche	1,120,000	3.96			120,000	3.96			1,000,000	3.96	5.50	1,000,000	3.96
Stock option plan straord. 2009 - I tranche	1,455,000	3.84			102,500	3.84			1,352,500	3.84	5.75	1,352,500	3.84
Stock option plan straord. 2009 - II tranche	1,455,000	3.60			102,500	3.60			1,352,500	3.60	6.25	1,352,500	3.60
Stock option plan straord. 2009 - III tranche	1,725,000	2.22			102,500	2.22			1,622,500	2.22	6.75	1,460,250	2.22
Stock option plan straord. 2009 - IV tranche	1,468,500	1.37			78,800	1.37	222,750	1.37	1,166,950	1.37	7.25	810,000	1.37
Stock option plan ord. 2009 - I tranche	2,239,200	1.00			85,500	1.00	212,550	1.00	1,941,150	1.00	7.75	1,129,400	1.00
Stock option plan ord. 2009 - II tranche	2,493,700	1.86			91,500	1.86			2,402,200	1.86	8.25	1,303,950	1.86
Stock option plan ord. 2010 - I tranche	2,795,000	2.25			127,500	2.25			2,667,500	2.25	8.75	1,133,400	2.25
Stock option plan ord. 2010 - II tranche	2,795,000	1.58			136,500	1.58	39,300	1.58	2,619,200	1.58	9.25	767,700	1.58
Totale	24,903,200	2.88			2,238,000	3.90	474,600	1.22	22,190,600	2.81	6.46	16,375,800	3.19

STOCK GRANT PLAN FOR EMPLOYEES AT DECEMBER 31 2011

	Units in circulation at start of year		Units awarded during the year		Units cancelled during the period		Units exercised during the year		Units in circulation at end of year		Units exercisable at end of year	
	Number of Units	value at the beginning	Number of Units	value at the beginning	Number of Units	Weighted average strike price	Number of Units	Weighted average strike price	Number of Units	Weighted average strike price	Number of Units	Weighted average strike price
Time-based Units	--	--	705,000	1.81	21,250	1.81	--	--	683,750	1.81	--	--
Performance-based Units	--	--	705,000	1.81	21,250	1.81	--	--	683,750	1.81	--	--

SOGEFI

Sogefi S.p.A. puts in place incentive plans based on Sogefi S.p.A. shares for the Chief Executive Officer of the Company and for executives of the Company and its subsidiaries who hold strategic positions in the Group, with the aim of rewarding their loyalty to the Group and giving them an incentive to increase their commitment to improving company performance and creating long-term value.

The incentive plans based on Sogefi S.p.A. shares are approved in advance by the Shareholders' Meeting.

Except for those indicated under "Stock grant plans, stock option plans and phantom stock option plans" below, the Group has not entered into any other transaction that envisages the purchase of goods or services using share-based payments or based on any other equity instrument, and therefore it is not necessary to provide the fair value of such goods or services.
According to IFRS 2, only plans assigned after 7 November 2002 should be taken into consideration (note that the Company has no plans from before that date) and therefore, in addition to that issued in 2011, also those issued from 2004 to 2010, the main characteristics of which are provided below.

Stock Grant Plans
The 2011 Stock Grant Plan involves the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment of one Sogefi S.p.A. share. The Plan envisages two rights classes: time-based units, the maturity of which is subject to the start date of fixed terms, and performance units, the maturity of which is subject to the start date of the terms and to the achievement of objectives of the arm's length value of the share (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) established in the regulation.
The regulation envisages a minimum holding of the shares covered by the Plan.
Shares assigned in implementation of the 2011 Plan will be made available exclusively from own shares held by Sogefi S.p.A. The regulation states that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the rights vesting period.

On 19 April 2011 the Board of Directors, at the end of the Shareholders' Meeting that approved the 2011 Stock Grant Plan for a maximum 1,250,000 units, implemented the 2011 Stock Grant Plan reserved for the Chief Executive Officer and executives of Sogefi and its subsidiaries by assigning a total of 757,500 units (of which 320,400 time-based units and 437,100 performance units).
The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2013 to 20 January 2015.
The performance units will mature on the same maturity dates envisaged for the time-based units, but only provided that the arm's length value of the shares on each maturity date is at least equal to the percentage of the initial value indicated in the regulation.

The fair value of rights assigned in 2011, calculated at the time of assignment in accordance with the Cox Ross Rubinstein binomial option pricing model for American options, totalled € 1,765 thousand.

The input data used for measurement of the stock grants can be summarised as follows:
- riskless EUR interest rate curve at 19 April 2011;
- underlying price equal to the price of the Sogefi S.p.A. share at 19 April 2011 and equal to € 2.7892;
- average price of the Sogefi S.p.A. share from 21 March 2011 to 19 April 2011 and equal to € 2.8159, to determine the barrier for the performance units of the stock grant;

- historic volatility rate at 260 days for the Sogefi S.p.A. share, read at 19 April 2011 and equal to 37.49%;
- zero dividend yield for measurement of the stock grant.

The notional cost for 2011 for the 2011 plan is € 448 thousand, recognised to the income statement under "Other non-operating costs (revenues)".

Stock Option Plans
The stock option plans offer beneficiaries the right to exercise an option, at a given price and within a predefined period of time, for subscription to a new issue of Sogefi shares. The regulation also states that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the rights vesting period.

The main characteristics of the stock option plans agreed in previous years and still outstanding are provided below:

• Stock Option Plan 2004 reserved for employees of Sogefi and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.61% of the share capital at 31 December 2011) at € 2.64 each exercisable every four months from 30 September 2004 to 30 September 2014;
• Stock Option 2005 reserved for employees of Sogefi and its subsidiaries for a maximum of 1,930,000 shares (1.65% of share capital at 31 December 2011) with a strike price of € 3.87, exercisable from 30 September 2005 to 30 September 2015;
• Stock Option 2006 reserved for employees of the company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of share capital at 31 December 2011) with a strike price of € 5.87, exercisable from 30 September 2006 to 30 September 2016;
• Stock Option Plan 2007 reserved for employees of the foreign subsidiaries of Sogefi for a maximum of 715,000 shares (0.61% of share capital at 31 December 2011) with a strike price of € 6.96, exercisable from 30 September 2007 to 30 September 2017. On 22 April 2008, on the strength of powers assigned by the Shareholders' Meeting, the Board of Directors amended the strike price from € 6.96 to € 5.78 to take into account the extraordinary part of the dividend distributed by the Shareholders' Meeting held on that same date;
• Stock Option Plan 2008 reserved for employees of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of share capital at 31 December 2011) with a strike price of € 2.1045, exercisable from 30 September 2008 to 30 September 2018;
• Stock Option 2009 reserved for employees of Sogefi and its subsidiaries for a maximum of 2,335,000 shares (2% of share capital at 31 December 2011) with a strike price of € 1.0371, exercisable from 30 September 2009 to 30 September 2019;
• Extraordinary Stock Option Plan 2009 reserved for individuals who were already beneficiaries of Phantom Stock Option Plans 2007 and 2008, who are still employees of Sogefi or of its subsidiaries, provided they renounce the rights resulting from the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (equal to 0.87% of the share capital at 31 December 2011), of which 475,000 (Tranche I options) with a strike price of € 5.9054, exercisable from 30 June 2009 to 30 September 2017 and 540,000 (Tranche II options) with a strike price of € 2.1045, exercisable from 30 June 2009 to 30 September 2018;
• Stock Option Plan 2010 reserved for the Chief Executive Officer of Sogefi and executives of the company and its subsidiaries for a maximum of 2,440,000 shares (2.09% of the share capital at 31 December 2011) with a strike price of € 2.3012, exercisable between 30 September 2010 and 30 September 2020.
The notional cost for 2011 of outstanding plans is € 163 thousand, recognised to the income statement under "Other non-operating costs (revenues)".

The following chart shows the total number of options outstanding and refers to the plans of the period 2004-2010 with their average strike prices:

	2011		2010	
	No. of options	*Average strike price*	*No. of options*	*Average strike price*
Not exercised/not exercisable at the start of the year	8,244,400	2.99	6,509,400	3.18
Assigned during the year	--	--	2,440,000	2.30
Cancelled during the year	(249,000)	3.70	(419,000)	3.23
Exercised during the year	(228,000)	1.35	(286,000)	1.04
Not exercised/not exercisable at the end of the year	7,767,400	3.02	8,244,400	2.99
Exercisable at the end of the year	5,094,200	3.63	3,964,900	4.12

The line "Not exercised/not exercisable at the end of the year" refers to the total amount of the options net of those exercised or cancelled in the year under review or in previous years.
The line "Exercisable at the end of the year" refers to the total amount of the options vested at the end of the year but not yet exercised.

The following chart shows the breakdown of the number of options exercisable at 31 December 2011:

No. of options outstanding and exercisable at 31 December 2010	3,964,900
Options vested during the year	1,676,100
Options exercised during the year	(318,800)
Options cancelled during the year	(228,000)
No. of options outstanding and exercisable at 31 December 2011	5,094,200

Phantom stock option plans
Phantom stock option plans, unlike traditional stock option plans, do not involve assignment of a right to subscribe or to purchase a share, but involve paying to beneficiaries an extraordinary amount in cash of a variable nature equal to the difference between the value of the Sogefi share in the vesting period of the option and the value of the Sogefi share at the time of assignment of the option.

In 2009, as explained in the paragraph "Stock option plans", Sogefi gave the beneficiaries of Phantom Stock Option plans 2007 and 2008 the right to give up the options of these plans and take part in the Extraordinary Stock Option Plan 2009.

Below are the main features of the plans outstanding:
• Phantom Stock Option Plan 2007 reserved for the Chief Executive Officer, executives and staff of Sogefi, as well as executives of the Italian subsidiaries, for a maximum of 1,760,000 options with an initial assignment value of € 7.0854 adjusted in 2008 to € 5.9054, exercisable from 30 September 2007 to 30 September 2017. Following subscription to the extraordinary stock option plan 2009, 475,000 options were given up;
• Phantom Stock Option Plan 2008 reserved for the Chief Executive Officer, executives and staff of Sogefi, as well as executives of the Italian subsidiaries, for a maximum of 1,700,000 options with an assignment value of € 2.1045 exercisable from 30 September 2008 to 30 September 2018. Following subscription to the extraordinary stock option plan 2009, 540,000 options were given up.

The chart below shows the breakdown of the number of phantom stock options at 31 December 2011:

	2011
Not exercised/not exercisable at the start of the year	1,830,000
Assigned during the year	--
Cancelled during the year	--
Exercised during the year	--
Not exercised/not exercisable at the end of the year	1,830,000
Exercisable at the end of the year	1,731,000

KOS

Below is information on the Stock Option Plans outstanding in the KOS group:

STOCK OPTION PLANS AT DECEMBER 31 2011

	Options in circulation at start of year		Options awarded during the year		Options exercised during the year		Options cancelled during the period		Options in circulation at end of year			Options exercisable at end of year		Vesting date	Expiring date
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Numero opzioni	Prezzo medio ponderato di esercizio	No. of options	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price		
Piano Stock Option '07	420,000	3.40	--	--	--	--	--	--	420,000	3.40	8.8	420,000	3.40	30/09/2010	30/09/2020
Piano Stock Option '10	--	--	4,070,000	3.75	--	--	--	--	4,070,000	3.75	9.0	1,017,500	3.75	31/12/2014	31/12/2020
Piano Stock purchase Warrants '10	--	--	635,000.00	3.75	--	--	--	--	635,000	3.75	9.0	158,750	3.75	31/12/2014	31/12/2020
Totale	**420,000**	**3.4000**	4,705,000	7.50	--	--	--	--	**5,125,000**	**3.72**	**9.0**	**1,596,250**	**3.6579**		

24. LEGAL DISPUTES

It should be remembered that certain companies of the Group have disputes in progress against which their respective Boards have set aside risk provisions for amounts considered appropriate, taking into account the opinion of their consultants and based on the degree of likelihood that significant liabilities will actually occur. On this subject with reference to the listed groups Espresso and Sogefi refer to related financial report.
On 9 July 2011 the ruling of the Milan Court of Appeal was filed in the civil proceedings brought by CIR, against Fininvest for damages caused by the corruption of judges in the Lodo Mondadori case. The ruling sentences Fininvest to pay CIR approximately € 540.1 million, plus interest at the legal rate since 3 October 2009 and costs, as compensation for the immediate and direct damage suffered by the latter. As an effect of this ruling, on 26 July 2011 CIR received a total of approximately € 564.2 million from Fininvest, inclusive of legal costs and interest. As per the terms of international accounting standards (IAS 37), this sum will not affect the income statement of the group until the last level of justice.

25. CORPORATE ACQUISITIONS

As already mentioned in paragraph 2.d. "Changes in the consolidation area", on 29 July 2011 the Sogefi Group completed acquisition of the French components group Systèmes Moteurs (through acquisition of 100% of the share capital from the parent company Mark IV Systèmes Moteurs S.A.S., later renamed Systèmes Moteurs S.A.S.).
The Systèmes Moteurs Group is a world leader in the production of air flow and engine cooling systems. Supplier to global leaders in the car industry, the group has seven plants (three in France and the remainder in Canada, Mexico, Romania and India), two research, development and innovation centres (in France and the United States) and is currently building a new production plant in China. Systèmes Moteurs achieves around 60% of its revenues in Europe, holds growing market shares in North America and has begun expansion into the strongly emerging markets of China and India.

The total price for the business combination was € 146,501 thousand and, in addition to a price adjustment after final calculation of the net financial position and net working capital at the date of acquisition of the Systèmes Moteurs Group (€ 2,373 thousand), also includes the carrying value of Systèmes Moteurs S.A.S. borrowings from the Mark IV LLC Group at 29 July 2011 (€ 20,447 thousand) repaid by Sogefi S.p.A. to the shareholders existing at that date, opening an intercompany loan granted by the parent company Sogefi S.p.A. to Systèmes Moteurs S.A.

Therefore the total price for the business combination was € 146,501 thousand, the sum of the closing purchase price of € 123,681 thousand, the price adjustment of € 2,373 thousand and the Systèmes Moteurs Group loan repaid to the former shareholders of € 20,447 thousand. This price was paid through the use of available credit facilities and available cash and cash equivalents.

The costs directly associated with the acquisition, for services provided by consultants to the parent company Sogefi S.p.A. during the legal, financial and tax due diligence stage, amounted to € 4,391 thousand.

The Systèmes Moteurs Group assets and liabilities were determined on a provisional basis, as at the date of these financial statements certain assessments had not yet been completed.
In compliance with IFRS 3, the fair value of assets, liabilities and potential liabilities will be subject to final calculation within twelve months of the date of acquisition.
Any positive difference between the acquisition price and the fair value of net assets and liabilities acquired will be recognised as goodwill, quantified provisionally as € 54,919 thousand.

The goodwill is based on the favourable prospects in profit and financial terms of the Systèmes Moteurs Group, outlined in the 2012-2015 Strategic Plan and confirmed by the results achieved.

As already commented in paragraph 2.d “Changes in the consolidation area”, the KOS Group made a series of acquisitions.

The companies and business units acquired were included in the consolidated financial statements on the date on which the risks and benefits were transferred to the group, which generally coincides with the acquisition date.

26. OTHER INFORMATION

FEES FOR AUDIT AND AUDIT-RELATED SERVICES
(Consob Resolution no. 11971/99)

As required by CONSOB Resolution no. 11971/99, the following chart shows the fees charged for services provided by the independent auditors, Deloitte & Touche S.p.A. and by other entities belonging to the same network:

(in thousands of euro)	
Fees charged to the Parent Company of the Group:	
a) by the firm of auditors, for auditing services	137
b) by the firm of auditors:	
- for auditing services for the purposes of certification	3
- for other services	--
c) by entities belonging to the network of the firm of auditors, for providing other services	--
Fees charged to the subsidiaries:	
a) by the firm of auditors, for auditing services	2.702
b) by the firm of auditors:	
- for auditing services for the purposes of certification	356
- for other services	91
c) by entities belonging to the network of the firm of auditors, for providing other services	12
- of which for tax consulting	12

RELATED PARTY TRANSACTIONS

For details of the nature of related party transactions, please refer to Note 9 in the report on operations.

The chart below gives a summary of economic and equity transactions with related parties:

CONSOLIDATED INCOME STATEMENT

(thousands of euro)	*Revenues*	*Cost for purchase of goods*	*Cost for services*	*Other operating costs*	*Other operating income*	*Financial income*	*Financial expenses*	*Dividends*
Parent companies	--	--	(1,110)	--	378	--	--	--
Subsidiaries	--	--	--	--	--	13	--	--
Asociates	1,792	(66)	(1,516)	--	59	729	--	11
Jointly controlled companies	7,976	(227,794)	(34)	(295)	753	8,054	(7,629)	--
Other (*)	7,783	--	--	--	21	--	--	--
Other related parties	--	--	--	--	304	--	--	--
Totale	17,551	(227,860)	(2,660)	(295)	1,515	8,796	(7,629)	11

(*) This refers to transactions between subsidiaries and their minority shareholders

CONSOLIDATED BALANCE SHEET

(thousands of euro)	*Non Current assets*	*Current assets*		*Current Liabilities*		
	Other receivables	*Trade receivables*	*Other receivables*	*Other borrowings*	*Trade payables*	*Other payables*
Parent companies	--	--	--	--	--	--
Subsidiaries	21	3	4	--	9	--
Asociates	291	1,985	38	2	2,003	--
Jointly controlled companies	29,169	5,855	2,561	--	34,617	251
Other (*)	--	1,509	--	--	--	--
Other related parties	--	--	--	--	--	--
Total	29,481	9,352	2,603	2	36,629	251

(*) This refers to transactions between subsidiaries and their minority shareholders

CHART SHOWING THE KEY FIGURES OF THE FINANCIAL STATEMENTS FOR 2010 OF THE PARENT COMPANY COFIDE – GRUPPO DE BENEDETTI S.P.A.

(Art. 2497-bis paragraph 4 Italian Civil Code)

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*31.12.2010*
NON-CURRENT ASSETS	580,457,959
CURRENT ASSETS	47,503,133
TOTAL ASSETS	627,961,092

LIABILITIES AND EQUITY	*31.12.2010*
EQUITY	565,629,407
NON-CURRENT LIABILITIES	404,088
CURRENT LIABILITIES	61,927,597
TOTAL LIABILITIES AND EQUITY	627,961,092

INCOME STATEMENT

(in euro)

		%(**)	2010
SUNDRY REVENUES AND INCOME			1,295,049
of which from related parties (*)	*1,238,000*	95.6	
COSTS FOR THE PURCHASE OF GOODS			(47,606)
COSTS FOR SERVICES			(2,603,155)
of which from related parties (*)	*(511,200)*	19.6	
PERSONNEL COSTS			(753,448)
OTHER OPERATING COSTS			(419,859)
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(88,066)
OPERATING RESULT			(2,617,085)
FINANCIAL INCOME			1,594,354
of which from related parties (*)	--	--	
FINANCIAL EXPENSE			(1,678,898)
DIVIDENDS			--
of which from related parties (*)	--	--	
GAINS FROM TRADING SECURITIES			502,646
of which from related parties (*)	--	--	
LOSSES FROM SECURITIES TRADING			(473,230)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			(914,009)
INCOME/ (LOSS) BEFORE TAXES			(3,586,222)
INCOME TAXES			--
NET INCOME (LOSS) FOR THE YEAR			(3,586,222)

(*) *As per Consob Resolution no. 6064293 of 28 July 2006*

(**) Percentage impact

The financial highlights of the parent company COFIDE – Gruppo De Benedetti S.p.A. illustrated in the above summary chart, as required by Art. 2497-*bis* of the Italian Civil Code, were extracted from the related financial statements at 31 December 2010. For a correct and full understanding of the equity and financial position of COFIDE – Gruppo De Benedetti S.p.A. at 31 December 2010, and of the results the company achieved at that date, we refer readers to the financial statements in question, accompanied by the Report of the Statutory Auditors and that of the Independent Auditors, and are available at the company's registered office or from Borsa Italiana.

CONSOLIDATED FINANCIAL STATEMENTS OF DIRECT SUBSIDIARIES

as of December 31 2011

SORGENIA GROUP

ESPRESSO GROUP

SOGEFI GROUP

KOS GROUP

SORGENIA GROUP

STATEMENT OF FINANCIAL POSITION*
(in thousands of euro)

ASSETS	*31.12.2011*	*31.12.2010*
NON-CURRENT ASSETS		
Intangible assets	235,833	222,531
Tangible assets	1,769,772	1,914,422
Investments in companies valued at equity	356,478	290,867
Other equity investments	937	968
Non-current financial receivables	45,968	26,749
Other non-current receivables	83,325	48,059
Deferred taxes	142,601	138,278
TOTAL NON-CURRENT ASSETS	**2,634,914**	**2,641,875**
CURRENT ASSETS		
Inventories	27,312	29,359
Current trade receivables	682,465	666,823
Current financial receivables	2,782	10,899
Other current receivables	168,775	132,191
Cash and cash equivalents	81,563	43,378
TOTAL CURRENT ASSETS	**962,897**	**882,650**
TOTAL ASSETS	**3,597,811**	**3,524,525**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
Share capital	9,201	9,148
Other cumulated reserves, Minority Shareholder capital and reserves	702,746	750,131
Retained earnings/losses of the group	338,524	289,695
Net income/loss for the period of the group, Net income/loss for period Minority Shareholders	18,664	58,799
TOTAL SHAREHOLDERS' EQUITY	**1,069,136**	**1,107,773**
of which:		
SHAREHOLDERS' EQUITY OF THE GROUP	992,030	1,019,921
SHAREHOLDERS' EQUITY OF MINORITY INTERESTS	77,106	87,853
NON-CURRENT LIABILITIES		
Non-current bonds	--	1,294
Non-current financial liabilities	1,646,522	1,704,060
Other non-current liabilities	--	431
Deferred tax liabilities	4,298	34,400
Personnel provisions	2,182	1,951
Provisions for non-current risks and charges	26,537	24,196
TOTAL NON-CURRENT LIABILITIES	**1,679,539**	**1,766,332**
CURRENT LIABILITIES		
Current borrowings	166,861	97,963
Current bonds and notes	--	776
Current trade payables	566,382	499,769
Other current liabilities	114,592	41,717
Provisions for current risks and charges	1,300	10,194
TOTAL CURRENT LIABILITIES	**849,136**	**650,420**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,597,811**	**3,524,525**

* As illustrated in detail in the Notes to the Financial Statements, as from financial year 2011 the goup has shown certain figures relating to the consolidated statement of financial position and the consolidated income statement in a different way from the previous year and has consequently restated the corresponding figures for 2010 for the purposes of comparison.

SORGENIA GROUP

INCOME STATEMENT*

(in thousands of euro)

	2011	2010
REVENUES FROM SALES AND SERVICES	2,120,284	2,513,790
Costs for the purchase of goods; Change in inventories	(1,814,207)	(2,187,555)
Costs for services	(165,879)	(143,338)
Personnel costs	(44,389)	(38,814)
Other operating income	178,687	49,718
Other operating costs	(103,208)	(79,197)
Adjustments to the value of investments valued at equity	20,945	36,490
Amortization, depreciation of tangible/intangible assets	(102,297)	(82,808)
OPERATING income	89,936	68,287
Financial income	11,814	11,278
Financial expense	(87,275)	(71,551)
Dividends	11	16
Adjustments of value of financial assets	(5,943)	(514)
INCOME/LOSS BEFORE TAXES FROM OPERATING ACTIVITIES	8,542	7,515
Income taxes	10,122	51,284
INCOME/LOSS AFTER TAXES FROM OPERATING ACTIVITIES	18,664	58,799
Net income (loss) from activites that have been disposaed of sale	--	--
NET INCOME (LOSS) FOR THE PERIOD	18,664	58,799
of which:		
- NET INCOME/LOSS ATTRIBUTABLE TO THE GROUP	15,608	50,362
- NET INCOME/LOSS ATTRIBUTABLE TO MINORITY INTERESTS	3,056	8,438

* As illustrated in detail in the Notes to the Financial Statements, as from financial year 2011 the goup has shown certain figures relating to the consolidated statement of financial position and the consolidated income statement in a different way from the previous year and has consequently restated the corresponding figures for 2010 for the purposes of comparison.

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

ASSETS	*31.12.2011*	*31.12.2010*
Intangible assets with an indefinite useful life	659,828	656,419
Other intangible assets	1,849	2,230
Intangible assets	661,677	658,649
Tangible assets	162,828	181,730
Investments consolidated at equity	28,857	28,602
Other equity investments	2,518	2,530
Non-current receivables	1,073	1,286
Deferred tax assets	28,945	33,884
NON-CURRENT ASSETS	**885,898**	**906,681**
Inventories	22,006	17,044
Trade receivables	248,545	234,738
Securities	48,735	60,390
Tax receivables	10,513	10,898
Other receivables	14,072	18,771
Cash & cash equivalents	141,407	134,957
CURRENT ASSETS	**485,278**	**476,798**
TOTAL ASSETS	**1,371,176**	**1,383,479**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
Share capital	61,534	61,463
Reserves	183,300	196,118
Retained earnings (losses)	259,796	231,705
Net income (loss) for the year	58,648	50,123
Shareholders' Equity of the Group	563,278	539,409
Minority Shareholders' equity	1,719	3,906
SHAREHOLDERS' EQUITY	**564,997**	**543,315**
Borrowings	285,099	313,339
Provisions for risks and losses	39,969	40,117
TFR and other personnel provisions	68,100	71,957
Deferred tax liabilities	118,160	114,362
NON-CURRENT LIABILITIES	**511,328**	**539,775**
Borrowings	15,248	17,013
Provisions for risks and losses	38,970	35,555
Trade payables	133,270	143,856
Tax payables	31,632	22,058
Other payables	75,731	81,907
CURRENT LIABILITIES	**294,851**	**300,389**
TOTAL LIABILITIES	**806,179**	**840,164**
TOTAL LIABILITIES AND EQUITY	**1,371,176**	**1,383,479**

ESPRESSO GROUP

INCOME STATEMENT
(in thousands of euro)

	2011	*2010*
Revenues	890,057	885,036
Change in product inventories	101	(1,351)
Other operating income	21,962	14,000
Purchase costs	(96,088)	(90,758)
Costs for services	(360,266)	(346,572)
Other operating costs	(23,068)	(25,406)
Value of investments consolidated at equity	984	1,027
Personnel costs	(276,687)	(288,731)
Amortization and valuations	(37,219)	(38,158)
Operating result	**119,776**	**109,087**
Net financial income/(expense)	(15,025)	(14,054)
Result before taxes	**104,751**	**95,033**
Taxes	(46,371)	(44,794)
NET RESULT	**58,380**	**50,239**
Net income Minority Shareholders	268	(116)
Net income of the Group	58,648	50,123
Basic earnings per share	0.148	0.125
Diluted earnings per share	0.137	0.117

SOGEFI GROUP

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

ASSETS	*31.12.2011*	*31.12.2010*
CURRENT ASSETS		
Cash and cash equivalents	102,461	66,760
Other financial assets	1,912	200
Working capital		
Inventories	152,505	98,456
Trade receivables	178,655	138,815
Other receivables	10,204	10,232
Tax receivables	19,564	12,178
Other assets	2,800	2,485
TOTAL WORKING CAPITAL	363,728	262,166
TOTAL CURRENT ASSETS	468,101	329,126
NON-CURRENT ASSETS		
FIXED ASSETS		
Land	15,774	14,423
Real estate, plant and equipment	239,250	208,445
Other tangible fixed assets	4,846	4,278
of which finance leases	*12,847*	*13,753*
Intangible assets	213,526	133,489
TOTAL FIXED ASSETS	473,396	360,635
OTHER NON-CURRENT ASSETS		
Investments in associates	303	--
Other available-for-sale financial assets	490	440
Non-current trade receivables	918	--
Other receivables	14,102	10,146
Deferred tax assets	37,853	38,247
TOTAL OTHER NON-CURRENT ASSETS	53,666	48,833
TOTAL NON-CURRENT ASSETS	527,062	409,468
NON-CURRENT ASSETS HELD FOR DISPOSAL	744	722
TOTAL ASSETS	**995,907**	**739,316**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
CURRENT LIABILITIES		
Current bank payables	9,827	35,958
Current part of medium-long term loans and other loans	46,962	42,773
of which finance leases	*1,674*	*1,866*
TOTAL SHORT-TERM BORROWINGS	56,789	78,731
Other short-term financial liabilities - derivatives	632	164
TOTALE SHORT-TERM BORROWINGS AND DERIVATIVES	57,421	78,895
Trade payables and other payables	283,516	210,019
Tax payables	8,615	6,235
Other current liabilities	7,324	2,121
TOTAL CURRENT LIABILITIES	356,876	297,270
NON-CURRENT LIABILITIES		
MEDIUM-LONG TERM BORROWINGS AND DERIVATIVES		
Bank loans	330,462	141,406
Other medium-long term loans	7,916	9,562
of which finance leases	*5,686*	*7,187*
TOTAL MEDIUM-LONG TERM BORROWINGS	338,378	150,968
Other medium-long term financial liabilities for derivatives	8,416	2,042
TOTAL MEDIUM-LONG TERM BORROWINGS AND DERIVATIVES	346,794	153,010
OTHER LONG-TERM LIABILITIES		
Long-term provisions	40,507	41,777
Other payables	1,619	410
Deferred taxes	35,219	32,447
TOTAL OTHER LONG-TERM LIABILITIES	77,345	74,634
TOTAL NON-CURRENT LIABILITIES	424,139	227,644
SHAREHOLDERS' EQUITY		
Share capital	60,665	60,546
Reserves and retained earnings (losses)	110,515	117,874
Net income (loss) for the year of the group	24,736	18,821
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	195,916	197,241
Minority interests	18,976	17,161
TOTAL SHAREHOLDERS' EQUITY	214,892	214,402
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**995,907**	**739,316**

SOGEFI GROUP

INCOME STATEMENT
(in thousands of euro)

	2011	*2010*
Sales revenues	1,158,385	924,713
Variable sales costs	805,898	622,963
CONTRIBUTION MARGIN	352,487	301,750
Fixed costs for production, research and development	114,983	98,586
Amortization and depreciation	48,769	44,924
Fixed costs for sales and distribution	35,269	32,367
Administrative costs and overheads	64,396	58,346
OPERATING INCOME	89,070	67,527
Restructuring costs	8,754	12,022
Capital losses (gains) from disposals	101	(509)
Exchange rate (gains) losses	866	220
Other non-operating costs (income)	19,836	14,021
- of which non-recurring	*8,610*	*187*
EBIT	59,513	41,773
Net financial expense (income)	12,680	9,554
Expense (income) from equity investments	--	(200)
INCOME BEFORE TAXES AND MINORITY INTERESTS	46,833	32,419
Income taxes	18,941	11,570
NET INCOME BEFORE MINORITY INTERESTS	27,892	20,849
Net loss (income) of Minority Shareholders	(3,156)	(2,028)
NET INCOME OF THE GROUP	24,736	18,821
Earnings per share (Euro):		
Basic	0.216	0.165
Diluted	0.215	0.165

KOS GROUP

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*31.12.2011*	*31.12.2010*
NON-CURRENT ASSETS	**392,311**	**404,817**
INTANGIBLE ASSETS	167,610	165,287
TANGIBLE ASSETS	207,709	224,830
INVESTMENT PROPERTY	5,763	5,978
EQUITY INVESTMENTS	1,808	908
OTHER RECEIVABLES	329	311
SECURITIES	150	150
DEFERRED TAXES	8,942	7,353
ASSETS HELD FOR DISPOSAL	1,180	--
CURRENT ASSETS	**134,697**	**174,026**
INVENTORIES	2,616	2,583
RECEIVABLES WITH PARENT COMPANY	1,280	1,656
TRADE RECEIVABLES	112,313	103,452
OTHER RECEIVABLES	7,420	7,917
FINANCIAL RECEIVABLES	127	483
CASH AND CASH EQUIVALENTS	10,941	57,935
TOTAL ASSETS	**528,188**	**578,843**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
SHAREHOLDERS' EQUITY	**210,964**	**180,567**
SHARE CAPITAL	8,183	7,747
RESERVES	196,520	175,750
RETAINED EARNINGS (LOSSES)	2,515	(6,565)
SHAREHOLDERS' EQUITY OF THE GROUP	**207,218**	**176,932**
MINORITY SHAREHOLDERS' EQUITY	3,746	3,635
NON-CURRENT LIABILITIES	**159,087**	**217,397**
OTHER BORROWINGS	126,611	182,647
TRADE PAYABLES	--	75
OTHER PAYABLES	76	66
DEFERRED TAXES	10,402	12,019
PERSONNEL PROVISIONS	18,737	19,083
PROVISIONS FOR RISKS AND LOSSES	3,261	3,507
LIABILITIES ASSOCIATED TO ASSETS HELD FOR DISPOSAL	297	--
CURRENT LIABILITIES	**157,840**	**180,879**
BANK OVERDRAFTS	19,154	33,831
OTHER BORROWINGS	30,447	31,215
PAYABLES TO PARENT COMPANY	3,691	4,147
TRADE PAYABLES	52,960	53,545
OTHER PAYABLES	34,313	45,667
PROVISIONS FOR RISKS AND LOSSES	17,275	12,474
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**528,188**	**578,843**

KOS GROUP

INCOME STATEMENT
(in thousands of euro)

	2011	*2010*
SALES REVENUES	349,654	325,370
COSTS FOR THE PURCHASE OF GOODS	(25,783)	(24,544)
COSTS FOR SERVICES	(131,670)	(126,039)
PERSONNEL COSTS	(131,456)	(122,193)
OTHER OPERATING INCOME	6,005	3,330
OTHER OPERATING COSTS	(14,518)	(13,802)
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	(21,961)	(18,651)
OPERATING RESULT (EBIT)	**30,271**	**23,471**
FINANCIAL INCOME	1,374	1,072
FINANCIAL EXPENSE	(10,369)	(9,435)
DIVIDENDS	2	1
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	--	(200)
INCOME/(LOSS) BEFORE TAXES	**21,278**	**14,909**
INCOME TAXES	(12,059)	(10,457)
INCOME/(LOSS) FROM DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL	--	--
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	**9,219**	**4,452**
- NET INCOME/LOSS OF MINORITY SHAREHOLDERS	279	460
- **NET INCOME/LOSS OF THE GROUP**	**8,940**	**3,992**
Basic earnings per share	0.112	0.061
Diluted earnings per share	0.112	0.058

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 154 BIS OF D.LGS 58/98

1. **1.** The undersigned Rodolfo De Benedetti, as Chief Executive Officer, and Gerardo Benuzzi, as Officer responsible for the preparation of the accounting and corporate documents of CIR S.p.A., do hereby certify, taking into account even the terms of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24 1998:

- that the administrative and accounting procedures for the preparation of the Financial Statements during financial year 2011 were adequate in relation to the size and nature of the business and
- that they were effectively applied.

2. On this subject no aspects emerged that needed to be notified.

3. It is also certified that the Consolidated Financial Statements:

- were prepared in conformity with the international accounting standards recognized by the European Union according to the terms of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of July 19 2002;
- correspond to the results of the books and the general ledger;
- are suitable to give a true and fair representation of the equity, economic and financial position of the issuer and of all the companies included in the consolidation.

The Report on Operations includes a reliable analysis of performance and of the result of operations as well as the position of the issuer and of all the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, March 12 2012

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed by
Gerardo Benuzzi
Officer Responsible

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOW

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	Notes		%(**)	31.12.2011		%(**)	31.12.2010
NON-CURRENT ASSETS				**1,515,143,617**			**1,040,482,201**
INTANGIBLE ASSETS	(4.a)			81,051			230,753
TANGIBLE ASSETS	(4.b)			2,776,098			2,865,389
INVESTMENT PROPERTY	(4.c)			16,970,956			17,542,778
EQUITY INVESTMENTS	(4.d)			1,182,997,824			918,632,223
SUNDRY RECEIVABLES	(4.e)			311,238,606			101,211,058
of which with related parties (*)		*311,214,640*	100.0		*101,188,090*	100.0	
DEFERRED TAXES	(4.f)			1,079,082			--
CURRENT ASSETS				**334,400,267**			**250,539,877**
SUNDRY RECEIVABLES	(5.a)			27,501,423			18,249,799
of which with related parties (*)	(5.a)	*22,582,074*	82.1		*10,075,867*	55.2	
FINANCIAL RECEIVABLES	(5.b)			186,382			--
of which with related parties (*)	(5.b)	*84,477*	45.3		--	--	
SECURITIES	(5.c)			169,423,608			60,674,692
CASH AND CASH EQUIVALENTS	(5.d)			137,288,854			171,615,386
TOTAL ASSETS				**1,849,543,884**			**1,291,022,078**

LIABILITIES AND EQUITY			%(**)	31.12.2011		%(**)	31.12.2010
EQUITY				**946,037,379**			**968,540,558**
ISSUED CAPITAL				396,665,734			396,058,634
less OWN SHARES				(24,994,500)			(21,537,000)
SHARE CAPITAL	(6.a)			371,671,234			374,521,634
RESERVES	(6.b)			356,316,023			348,901,164
RETAINED EARNINGS / (LOSSES)	(6.c)			217,780,978			259,833,508
NET INCOME (LOSS) FOR THE YEAR				269,144			(14,715,748)
NON-CURRENT LIABILITIES				**299,107,127**			**298,949,593**
BOND LOANS	(7.a)			297,561,711			297,404,251
PERSONNEL PROVISIONS	(7.b)			1,545,416			1,545,342
CURRENT LIABILITIES				**604,399,378**			**23,531,927**
BANK OVERDRAFTS				--			68
BORROWINGS	(8.a)			564,573,109			--
of which from related parties (*)	(8.a)	*325,000*	0.1		--	--	
OTHER PAYABLES	(8.b)			22,372,289			9,792,512
of which to related parties (*)	(8.b)	*7,622,246*	34.1		*5,002,177*	51.1	
PROVISIONS FOR RISKS AND LOSSES	(8.c)			17,453,980			13,739,347
TOTAL LIABILITIES AND EQUITY				**1,849,543,884**			**1,291,022,078**

(*) As per Consob Resolution no. 6064293 of 28 July 2006
(**) Percentage of the whole

2. INCOME STATEMENT

(in euro)

	Notes		%(**)	2011		%(**)	2010
SUNDRY REVENUES AND INCOME	(9)			6,087,377			7,115,840
of which from related parties (*)	(9)	*5,609,596*	92.2		*6,135,885*	86.2	
COSTS FOR SERVICES	(10)			(17,573,772)			(11,747,397)
of which from related parties (*)	(10)	*(1,420,000)*	8.1		*(1,563,000)*	13.3	
PERSONNEL COSTS	(11)			(9,200,875)			(9,312,839)
OTHER OPERATING COSTS	(12)			(2,426,622)			(5,692,888)
AMORTISATION, DEPRECIATION & WRITE-DOWNS				(888,684)			(862,179)
OPERATING RESULT				**(24,002,576)**			**(20,499,463)**
FINANCIAL INCOME	(13)			10,606,815			12,136,221
of which from related parties (*)		*7,735,243*	72.9		*2,915,301*	24.0	
FINANCIAL EXPENSE	(14)			(21,396,262)			(19,977,508)
DIVIDENDS	(15)			29,307,556			5,870,438
of which from related parties (*)		*29,282,312*	99.9		*5,849,122*	99.6	
GAINS FROM TRADING SECURITIES	(16)			898,187			6,801,249
LOSSES FROM TRADING SECURITIES	(17)			(2,192,182)			(684,176)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(18)			(1,243,491)			(1,517,902)
INCOME / (LOSS) BEFORE TAXES				**(8,021,953)**			**(17,871,141)**
INCOME TAXES	(19)			8,291,097			3,155,393
NET INCOME (LOSS) FOR THE YEAR				**269,144**			**(14,715,748)**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(20)			0.0004			(0.0196)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(20)			0.0004			(0.0196)

(*) As per Consob Resolution no. 6064293 of 28 July 2006
(**) Percentage of the whole

3. STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2011	*2010*
Net income for the period		269,144	(14,715,748)
Other items of comprehensive income		--	--
TOTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD		**269,144**	**(14,715,748)**
BASIC COMPREHENSIVE EARNINGS (LOSS) PER SHARE (in euro)	(20)	0.0004	(0.0196)
DILUTED COMPREHENSIVE EARNINGS (LOSS) PER SHARE (in euro)	(20)	0.0004	(0.0196)

4. STATEMENT OF CASH FLOW

(in euro)

		2011		2010
OPERATING ACTIVITY				
NET INCOME (LOSS) FOR THE YEAR		269,144		(14,715,748)
ADJUSTMENTS:				
AMORTISATION, DEPRECIATION & WRITE-DOWNS		888,684		862,179
LOSSES / (GAINS) ON SALE OF INVESTMENTS AND CURRENT SECURITIES		1,293,995		(1,105,913)
ACTUARIAL VALUATION OF STOCK OPTION PLANS		4,369,264		4,335,313
PROVISIONS FOR EMPLOYEE LEAVING INDEMNITY		309,954		276,562
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		1,243,491		1,517,902
(INCREASE) DECREASE IN NET WORKING CAPITAL		(1,452,544)		(2,699,898)
of which with related parties	*(17,372,165)*		*(14,316,325)*	
CASH FLOW FROM OPERATING ACTIVITY		**6,921,988**		**(11,529,603)**
of which:				
- interest received (paid)		(14,431,377)		(4,898,357)
- dividends received		29,307,556		6,680,438
- income tax inflows (disbursements)*		5,635,174		929,483
INVESTMENT ACTIVITY				
(PURCHASE)/SALE OF CURRENT SECURITIES		(109,958,402)		40,509,313
(PURCHASE)/SALE OF FIXED ASSETS		(265,771,470)		(62,118,274)
CASH FLOW FROM INVESTMENT ACTIVITY		**(375,729,872)**		**(21,608,961)**
FUNDING ACTIVITY				
INFLOWS FOR CAPITAL INCREASES		1,251,927		--
PAYMENT OF EMPLOYEE LEAVING INDEMNITY		(309,880)		(296,639)
BUYBACK OF OWN SHARES		(9,682,531)		--
REPAYMENT/(DISBURSEMENT) OF LOANS TO SUBSIDIARIES		(202,300,000)		32,437,154
INFLOWS "LODO MONDADORI"		564,248,109		--
DIVIDENDS PAID		(18,726,205)		--
CASH FLOW FROM FUNDING ACTIVITY		**334,481,420**		**32,140,515**
INCREASE (REDUCTION) IN NET CASH & CASH EQUIVALENTS		**(34,326,464)**		**(998,049)**
NET CASH & CASH EQUIVALENTS - OPENING BALANCE		**171,615,318**		**172,613,367**
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE		**137,288,854**		**171,615,318**

** The amounts refer to current tax assets received from taking part in tax consolidation*

5. STATEMENT OF CHANGES IN EQUITY

(in euro)	*Issued capital*	*less own shares*	*Share capital*	*Reserves*	*Retained earnings (losses)*	*Net income (loss)*	*Total*
BALANCE AT 31 DECEMBER 2009	396,058,634	(21,537,000)	374,521,634	352,032,278	254,341,399	(1,989,780)	978,905,531
Capital increases	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--
Net income allocated to reserves	--	--	--	--	(1,989,780)	1,989,780	--
Dividends unclaimed as per Art. 23, Articles of Association	--	--	--	15,462	--	--	15,462
Adjustment for own share transactions	--	--	--	--	--	--	--
Notional recognition of stock options	--	--	--	4,335,313	--	--	4,335,313
Movements between reserves	--	--	--	(7,481,889)	7,481,889	--	--
Result for the year	--	--	--	--	--	(14,715,748)	(14,715,748)
BALANCE AT 31 DECEMBER 2010	396,058,634	(21,537,000)	374,521,634	348,901,164	259,833,508	(14,715,748)	968,540,558
Capital increases	607,100	--	607,100	644,827	--	--	1,251,927
Dividends to Shareholders	--	--	--	--	(18,726,205)	--	(18,726,205)
Net income allocated to reserves	--	--	--	--	(14,715,748)	14,715,748	--
Dividends unclaimed as per Art. 23, Articles of Association	--	--	--	15,222	--	--	15,222
Adjustment for own share transactions	--	(3,457,500)	(3,457,500)	3,457,500	(9,682,531)	--	(9,682,531)
Notional recognition of stock options and stock grants	--	--	--	4,369,264	--	--	4,369,264
Movements between reserves	--	--	--	(1,071,954)	1,071,954	--	--
Result for the year	--	--	--	--	--	269,144	269,144
BALANCE AT 31 DECEMBER 2011	396,665,734	(24,994,500)	371,671,234	356,316,023	217,780,978	269,144	946,037,379

1. *STRUCTURE OF THE FINANCIAL STATEMENTS AND ACCOUNTING STANDARDS APPLIED*

These financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) published by the International Accounting Standards Board ("IASB") and ratified by the European Union, together with all the measures issued in implementation of Art. 9 of Italian Legislative Decree 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements are based on the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with accrual basis accounting and going concern assumptions. In spite of the difficult economic and financial context, the Company has established that there are no significant uncertainties, as defined in paragraph 24 of IAS 1, regarding going concern.

The presentation criteria adopted are as follows:
The statement of financial position is organised by matching items on the basis of current and non-current assets and liabilities;
The income statement is shown by type of expenditure;
The statement of comprehensive income shows the income items suspended in equity;
The statement of cash flow was prepared using the indirect method;
The chart showing changes in equity gives a breakdown of the changes that took place in the year and in the previous year.

These financial statements are expressed in euro as far as the actual statements are concerned but the Explanatory Notes are expressed in thousands of euro. The euro is the functional and presentation currency of CIR S.p.A. according to the terms of IAS 21, except where stated otherwise.

Events which occurred after the reporting date
After the close of the year no important events took place which could have had a significant effect on the financial, equity and economic situation of the Company. See point 6 of the Report on Operations for a description of material events which have taken place since the close of the year.

In accordance with the terms of paragraph 17 of IAS 10, it should be noted that publication of the financial statements was authorized by the Board of Directors of the Company on 12 March 2012.

Below is a description of the accounting standards adopted in the preparation of these Financial Statements as of 31 December 2011 in relation to the main items of the statement of financial position and income statement.

1.a. Intangible assets (IAS 38)

Intangible assets are recognised only if they can be separately identified, if it is probable that they will generate future economic benefits and if their cost can be measured reliably.

Intangible assets with a finite useful life are valued at purchase or production cost net of amortisation and accumulated impairment.
Intangible assets are initially recognised at purchase or production cost. Purchase cost is represented by the fair value of the means of payment used to purchase the asset and any additional direct cost incurred to prepare the asset for use. The purchase cost is the equivalent price in cash as at the date of recognition and, where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognised as interest for the whole period of deferment.

Amortisation is calculated on a straight-line basis throughout the expected useful life of the asset and starts when the asset is ready for use.

Intangible assets with an indefinite useful life are not amortised but are constantly monitored for any impairment.
The carrying value of intangible assets is maintained to the extent that there is evidence that this value can be recovered through use; to this end at least once a year an impairment test is carried out to check that the intangible asset is able to generate future cash flows.

Development costs are recognised as intangible assets when their cost can be measured reliably, when there is a reasonable assumption that the asset can be made available for use or for sale and that it is able to generate future benefits. Once a year or any time it appears to be justified, capitalised costs are impairment tested.
Research costs are charged to the income statement as and when they are incurred.
Trademarks and licenses, which are initially recognised at cost, are subsequently accounted for net of amortisation and any impairment. The period of amortisation is defined as the lower of the contractual duration for use of the license and the useful life of the asset.
Software licenses, including associated costs, are recognised at cost and are recorded net of accumulated amortisation and any impairment.

1.b. Tangible assets (IAS 16)

Tangible assets are measured at purchase price or production cost and are recognised net of any accumulated depreciation.

Cost includes associated expenses and any direct and indirect costs incurred at the moment of acquisition and necessary to make the asset ready for use.

Fixed assets are depreciated on a straight-line basis each year throughout the remaining useful life of the asset.

Land, assets under construction and advance payments are not depreciated.

Real estate not held for instrumental or operating purposes is classified under a special item of assets and is accounted for on the basis of IAS 40 “Investment property” (see paragraph 1.c. below).

Should there be any event from which impairment of an asset can be assumed, its carrying value is checked against its recoverable value, which is the higher of fair value and value in use.

Fair value is defined on the basis of values expressed by the active market, by recent transactions or from the best information available to determine the potential amount obtainable from sale of the asset.

Value in use is determined by discounting of cash flows resulting from the use expected of the asset, applying the best estimates of its residual useful life and a rate that also takes into account the implicit risk of the specific business sectors in which the company operates. This valuation is carried out for each individual asset or for the smallest identifiable cash generating unit (CGU).

Where there is a negative difference between the values stated above and the carrying value then the asset's carrying value is written down, while as soon as the reasons for impairment cease to exist then the asset value is reversed. Write-downs and reversals are recognised to the income statement.

1.c. Investment property (IAS 40)

An investment property is a property, either land or building – or part of a building – or both, owned by the owner or by the lessee, also through a finance lease agreement, for the purpose of receiving lease payments or to achieve a gain on the capital invested or both, rather than for the purpose of directly using it for the production or supply of goods or services or for administration of the company or for sales as part of ordinary business activities.

The cost of an investment property is represented by its purchase price, improvements made, replacements and extraordinary maintenance. According to the cost method, the estimation is made net of depreciation and any impairment losses.

At the time of disposal or in the event of permanent non-use of the assets, all related income and expenses must be recognised to the income statement.

1.d. Impairment of assets (IAS 36)

At least once a year the Company verifies the recoverability of the carrying value of intangible assets, tangible assets and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment. If there is such evidence, the carrying value of the asset is reduced to its recoverable value.
The recoverable value of an asset is the higher of fair value less costs to sell and its value in use.
In detail, during impairment testing of the value of investments in subsidiaries and associates, since these are investments for which a market value (i.e. fair value less costs to sell) is in some cases unreliable, the recoverable value was defined as its value in use, i.e. the present value of estimated cash flows in relation to the expected results of investee companies and to the estimated value of a hypothetical ultimate disposal in line with IAS 28 (paragraph 33).
When at a later date the impairment ceases to exist or is reduced, the carrying value of the assets is reversed by up to the new estimates recoverable value but cannot exceed the value which would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

1.e. Investments in subsidiaries and associates (IAS 27 and IAS 28)

Investments in subsidiaries and associates are recognised at cost adjusted for any impairment.
Any positive difference, arising on acquisition, between the acquisition cost and the acquirer's share of equity of the investee company at current values is therefore included in the carrying value of the investment.
Investments in subsidiaries and associates are tested for impairment every year, or more frequently if necessary. Where there is evidence of impairment of the investments, the impairment loss is recognised in the income statement as a write-down.

In the event of the company's share of investee company losses exceeding the carrying value of the investment, and when the company is liable or accepts liability, then the value of the investment is reduced to zero and the company's share of any further losses is recognised as a provision under liabilities. Should the impairment subsequently cease to exist or reduce, the value is reversed to the income statement up to the limit of its cost.

1.f. Other equity investments

Investments in other companies, classified as non-current financial assets which are not held for trading, are initially classified as available-for-sale financial assets and are recognised at fair value.
Subsequently, gains and losses from changes in fair value as indicated in market prices are recognised directly to equity until the assets are sold or suffer impairment. When the asset is sold, all of the gains and losses previously recognised to equity are recognised to the income statement in that period.
When an asset is written down, the accumulated losses are included in the Income Statement. Investments in other minor companies, which do not have a market price, are recognised at cost which may be written down in the event of impairment.

1.g. Receivables and payables (IAS 32 and IAS 39)

Receivables are recognised at amortised cost and measured at their presumed realization value, while payables are recognised at amortised cost. Payables are recognised at amortised cost.
Receivables and payables in foreign currencies, which are originally recognised at the spot rates at the transaction date, are adjusted to the year-end spot exchange rates and any exchange gains and losses are recognised to the income statement.

1.h. Securities (IAS 32 and IAS 39)

In accordance with IAS 32 and IAS 39 investments in companies other than subsidiaries and associates are classified as available-for-sale financial assets and are measured at fair value.
Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. When there are impairment losses or when the assets are sold, the gains and losses recognised previously to equity are transferred to the income statement.
Note that purchases and sales are recognised as at the date of the transaction.

This category also includes financial assets bought or issued that are classified as either held for trading or at fair value through profit and loss according to the fair value option.
For a more complete description of the treatment of financial instruments we would refer readers to the note specially prepared on the subject.

1.i. Income taxes (IAS 12)

Current taxes are recorded and determined on the basis of a realistic estimate of taxable income according to current tax regulations and taking into account any exemptions that may apply.

Deferred taxes are calculated on the basis of temporary differences, which are taxable or deductible, between the carrying values of assets and liabilities and their tax bases and are classified under non-current assets and liabilities.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary difference can be utilised.
The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent to which it is no longer probable that there will be sufficient taxable income to allow the benefit of this deferred asset to be utilised.

1.l. Cash and cash equivalents (IAS 32 and IAS 39)

Cash and cash equivalents include cash in hand, demand deposits and short-term and high-liquidity financial investments which are easily convertible into cash and which have an immaterial risk of price changes.

1.m. Equity

Ordinary shares are recognised at nominal value. Costs directly attributable to the issuance of new shares are deducted from equity reserves, net of any related tax benefit.

Own shares are classified in a special item which reduces the reserves; any subsequent sale, re-issuance or cancellation transaction will have no impact on the income statement but will affect only equity.
Unrealized gains and losses, net of tax, on financial assets classified as “available for sale” are recorded under equity in the fair value reserve. The reserve is reversed to the income statement when the financial asset is realised or when impairment is recognised.
The item “Retained earnings (losses)” includes accumulated earnings and balances transferred from other reserves when these are released from any prior limitations. This item also shows the cumulative effect of changes in accounting standards and/or the correction of errors accounted for in accordance with IAS 8.

1.n. Borrowings (IAS 32 and IAS 39)

Borrowings are initially recognised at cost, represented by their fair value net of any transaction costs incurred. Subsequently the borrowings are measured at amortised cost calculated by applying the effective interest rate method, taking into consideration any issuance costs incurred and any premium or discount applied at the time the instrument is settled.

1.o. Provisions for risks and losses (IAS 37)

Provisions for risks and losses refer to liabilities which are probable but where the amount and/or maturity are uncertain. They are the result of past events which will cause a future cash outflow. Provisions are recognised exclusively in the presence of a current obligation to third parties, either legal or implicit, which implies an outflow and when a reliable estimate of the amount involved can be made. The amount recognised as a provision is the best estimate of the disbursement required to settle the obligation as at the reporting date. The provisions recognised are reviewed at the close of each accounting period and adjusted to represent the best current estimate. Changes in the estimate are recognised to the income statement.
When the estimated outflow relating to the obligation is expected in a time horizon longer than normal payment terms and the discount factor is significant, the provision represents the present value, discounted at a nominal risk-free rate, of the expected future outflows to settle the obligation.

Contingent assets and liabilities (potential assets and liabilities, or those not recognised because no reliable estimate can be made) are not recognised. However, adequate disclosure on such items is given.

1.p. Revenues and income (IAS 18)

Service revenues are recognised at the time the service is provided, with reference to the progress status of the activity as of the reporting date.

Dividend and interest income are recognised as follows:
- dividends, in the year in which they are collected;
- interest, using the effective interest rate method (IAS 39).

1.q. Employee benefits (IAS 19)

Benefits to be paid to employees on termination of their employment and other long term benefits are subject to actuarial valuation.
Following this methodology, liabilities recognised represent the present value of the obligation adjusted for any actuarial gains or losses not accounted for.

Italian Finance Law no. 296/2006 made important changes to employee leaving indemnity (TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes.

The transitional instructions of accounting standard IFRS 2 "Share-based payments" issued in February 2005 with validity as from January 1 2005 require that application should be retrospective in all cases where stock options were assigned after 7 November 2002 and for which as at the date of entry into force the vesting conditions of the plans had not yet matured.
In accordance with this principle the company now measures and recognises the notional cost of stock options to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with a balancing entry in the appropriate reserve in equity.
The cost of the option is determined at the award date of the plan applying special models and multiplying by the number of options exercisable over the reference period, this number being assessed with the aid of appropriate actuarial variables.

Stock Grant Plans
The 2011 Stock Grant Plan involves the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment of one CIR S.p.A. share.
The Plan envisages two rights classes: time-based units, the maturity of which is subject to the start date of fixed terms, and performance units, the maturity of which is subject to the start date of the terms and to the achievement of objectives of the arm's length value of the share (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) established in the regulation.
The regulation envisages a minimum holding of the shares covered by the Plan.
Shares assigned in implementation of the 2011 Plan will be made available exclusively from own shares held by CIR S.p.A. The regulation states that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the rights vesting period and as at their date of exercise.

On 29 April 2011 the Board of Directors, at the end of the Shareholders' Meeting that approved the 2011 Stock Grant Plan for a maximum 4,500,000 units, implemented the 2011 Stock Grant Plan

reserved for executives and/or directors of the company, the parent company and subsidiaries by assigning a total of 3,299,400 units (of which 1,377,800 time-based units and 1,921,600 performance units).
The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 30 April 2013 to 31 January 2015.
The performance units will mature on the same maturity dates envisaged for the time-based units, but only provided that the arm's length value of the shares on each maturity date is at least equal to the percentage of the initial value indicated in the regulation.

The fair value of rights assigned in 2011, calculated at the time of assignment in accordance with the Cox Ross Rubinstein binomial option pricing model for American options, totalled € 4,870 thousand. The notional cost of the 2011 Plan for the year was € 1,187 thousand, recognised under "Personnel costs" in the income statement.

1.r. Derivatives (IAS 32 and IAS 39)

Derivatives are measured at fair value.
Non-hedging derivatives are classified as financial instruments at fair value through profit and loss (FVTPL).

Classification of a derivative as a hedge must be formally documented, stating the effectiveness of the hedge.

For accounting purposes hedging transactions can be classified as:

- fair value hedges – where the effects of the hedge are recognised to the income statement;
- cash flow hedges – where the fair value change of the effective portion of the hedge is recognised directly to equity while the non-effective part is recognised to the income statement;
- hedges of a net investment in a foreign operation – where the fair value change of the effective portion of the hedge is recognised directly to equity while the non-effective part is recognised to the income statement.

Specifically, for instruments classified as cash flow hedges (interest rate swaps), gains and losses from their mark to market are recognised directly to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.

1.s. Foreign currency translation (IAS 21)

The company's functional currency is the euro, and is the currency in which the financial statements are prepared.

Transactions carried out in foreign currencies are initially recognised at the exchange rate on the date of the transaction.

At the reporting date monetary assets and liabilities are translated at the exchange rate prevailing on that date.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction.

Non-monetary items measured at fair value are translated using the exchange rate at the date on which the carrying values were measured.

1.t. Use of estimates

Preparation of the financial statements and the explanatory notes in application of IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities in the statement of financial position and the disclosures regarding potential assets and liabilities as at the reporting date.
The estimates and assumptions used are based on experience and on other factors considered relevant. The actual results could therefore be different from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected in the income statement in the period in which the amendment is made if the review affects only that period, or in subsequent periods if the amendment affects both the current year and future periods.
The items of the financial statements mainly affected by the estimation process are the valuation of subsidiaries and associates, deferred taxes and the fair value of financial instruments, stock options and stock grants.
See the specific Notes for further details.

1.u. Earnings per share (IAS 33)

Basic earnings per share are determined by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in circulation during the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account the effect of all potential ordinary shares.

Adoption of new accounting standards, interpretations and amendments

See point 6 of the Notes to the Consolidated Financial Statements.

2. *FINANCIAL INSTRUMENTS*

Financial instruments take on a particular significance in the economic and financial structure of CIR and for this reason, in order to give a better and clearer understanding of financial issues, it was considered useful to devote a special section to the accounting treatment of IAS 32, IAS 39 and IFRS 7.
According to IAS 32 financial instruments are classified into four categories:

a) financial instruments measured at fair value with a balancing entry in the income statement ("fair value through profit and loss" - FVTPL) in application of the fair value option and are held for trading;
b) investments held to maturity (HTM);
c) loans and receivables (L&R);
d) available-for-sale financial assets (AFS).

Classification depends on financial management's intended use of the financial instrument in the business context and each involves a different measurement for accounting purposes. Financial transactions are recognised on the basis of their value date.

Financial instruments at fair value through profit and loss
Instruments are classified as such if they satisfy one of the following conditions:
- they are held for trading;
- they are a financial asset designated on adoption of the fair value option, the fair value of which can be reliably determined.

Trading generally means frequent buying and selling with the aim of generating profit on short-term price fluctuations.
Derivatives are included in this category unless they are designated as hedge instruments.
The initial designation of financial instruments, other than derivatives and those held for trading, as instruments at fair value through profit and loss in adoption of the fair value option is limited to instruments that meet the following conditions:

a) designation under the fair value option eliminates or significantly reduces an accounting mismatch;
b) a group of financial assets, financial liabilities or both are managed and their performance is measured on a fair value basis, in accordance with a documented investment risk management strategy; and
c) an instrument contains an embedded derivative which meets particular conditions.

The designation of an individual instrument to this category is final, is made at the time of initial recognition and cannot be modified.

Investments held to maturity
This category includes non-derivative instruments with fixed payments or payments that can be determined and that have a fixed maturity, and which it is intended and possible to hold until maturity.
These instruments are measured at amortised cost and constitute an exception to the general principle of measurement at fair value.
Amortised cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts or premiums received or paid at the time of purchase, and recognising them throughout the entire life of the instrument until its maturity.
Amortised cost represents the initial recognition value of a financial instrument, net of any capital repayments and any impairment, plus or minus cumulative differences between its initial value and its value at maturity calculated using the effective interest rate method.
The effective interest rate method is a calculation criterion used to assign financial expenses to their related payment period.
The effective interest rate is the rate that gives a correct present value to expected future cash flows until maturity, so as to obtain the net present carrying value of the financial instrument.
If even one instrument in this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the tainting rule is applicable and requires that the entire portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, after which this category cannot be used for the next two years.

Loans and receivables
This category refers to financial instruments which are not derivatives, have payments that are either fixed or can be determined, which are not listed on an active market and which are not intended to be traded.
The category includes trade receivables (and payables).
Measurement of these instruments, with the exception of those classified as current assets or liabilities (within 12 months), is made by applying the amortised cost method, using the effective interest rate and taking into account any discounts or premiums obtained or paid at the time of acquisition and recognising these throughout the entire life of the instrument until its maturity.

Available-for-sale financial assets
This is a “residual” category which includes non-derivative financial instruments that are designated as available for sale and are not included in any of the previous categories.
These financial instruments are recognised at their fair value plus any transaction costs.
Gains and losses are recognised to a separate item of equity until the financial instruments are sold or suffer impairment. In such cases gains and losses accrued under equity are released to the income statement.

Fair value is the price at which an asset can be traded or a liability settled in a free transaction between independent parties at arm’s length.
In the case of securities listed on regulated markets, the fair value is the bid price at the close of trading on the last day of the reporting period.
Where no market prices are available, fair value is determined either on the basis of the fair value of a substantially similar financial instrument or by using appropriate financial techniques (e.g. discounted cash flow).
Investments in financial assets can be derecognised from the financial statements only when the contractual rights to receive their respective cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

3. *ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

The criteria for making estimates and measurements are reviewed on a regular basis and are based on historical experience and on other factors such as expectations of possible future events that are reasonably likely to take place.

If the initial application of a standard affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for adoption of the new standard, and the amount of any adjustments made for years prior to the reporting period.

If a voluntary change of a standard affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for adoption of the new standard, and the amount of any adjustments made for years prior to the reporting period.

In the event of a new standard/interpretation issued but not yet in force, an indication is given of the fact, of its potential impact, the name of the standard/interpretation, the date on which it will enter into force and the date of its first-time application.

A change in accounting estimates involves an indication of the nature and the impact of the change. Estimates are used mainly to recognise impairment of assets recorded, provisions for risks, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are reviewed regularly and the effects of any changes are reflected in the income statement.

Lastly, the treatment of accounting errors involves an indication of the nature of the error, the amount of the adjustments to be made at the beginning of the first reporting period after their discovery.

4. **NON-CURRENT ASSETS**

4.a INTANGIBLE ASSETS

2010	*Opening position*			*Changes in the period*					*Closing position*		
	Original	*Provisions for amort., depr.*	*Balance*	*Acquisitions*	*Reclassifications*	*Disinvestments*		*Amortisation, Depreciation and*	*Original*	*Provisions for amort., depr.*	*Balance*
(in thousands of euro)	*cost*	*and write-downs*	*31.12.2009*			*cost*	*provision*	*write-downs*	*cost*	*and write-downs*	*31.12.2010*
Concessions, licenses, trademarks and similar rights	714	(548)	166	107	48	--	--	(90)	869	(638)	231
Assets in progress and advance payments	48	--	48	--	(48)	--	--	--	--	--	--
Total	762	(548)	214	107	--	--	--	(90)	869	(638)	231

2011	*Opening position*			*Changes in the period*					*Closing position*		
	Original	*Provisions for amort., depr.*	*Balance*	*Acquisitions*	*Reclassifications*	*Disinvestments*		*Amortisation, Depreciation and*	*Original*	*Provisions for amort., depr.*	*Balance*
(in thousands of euro)	*cost*	*and write-downs*	*31.12.2010*			*cost*	*provision*	*write-downs*	*cost*	*and write-downs*	*31.12.2011*
Concessions, licenses, trademarks and similar rights	869	(638)	231	7	--	--	--	(157)	876	(795)	81
Assets in progress and advance payments	--	--	--	--	--	--	--	--	--	--	--
Total	869	(638)	231	7	--	--	--	(157)	876	(795)	81

AMORTISATION RATES

Description	*%*
Concessions, licenses, trademarks and similar rights	5-30%

4.b. TANGIBLE ASSETS

2010	*Opening position*			*Changes in the period*					*Closing position*		
	Original	*Provisions for amort., depr.*	*Balance*	*Acquisitions*	*Reclassifications*	*Disinvestments*		*Amortisation, Depreciation and*	*Original*	*Provisions for amort., depr.*	*Balance*
(in thousands of euro)	*cost*	*and write-downs*	*31.12.2009*			*cost*	*provision*	*write-downs*	*cost*	*and write-downs*	*31.12.2010*
Land	723	--	723	--	--	--	--	--	723	--	723
Building	4,251	(4,122)	129	--	--	--	--	(6)	4,251	(4,128)	123
Plant and machinery	1,006	(958)	48	11	--	(44)	44	(38)	973	(952)	21
Other assets	4,539	(2,421)	2,118	38	--	(202)	200	(156)	4,375	(2,377)	1,998
Assets in progress and advance payments	--	--	--	--	--	--	--	--		--	--
Total	10,519	(7,501)	3,018	49	--	(246)	244	(200)	10,322	(7,457)	2,865

2011	*Opening position*			*Changes in the period*					*Closing position*		
	Original	*Provisions for amort., depr.*	*Balance*	*Acquisitions*	*Reclassifications*	*Disinvestments*		*Amortisation, Depreciation and*	*Original*	*Provisions for amort., depr.*	*Balance*
(in thousands of euro)	*cost*	*and write-downs*	*31.12.2010*			*cost*	*provision*	*write-downs*	*cost*	*and write-downs*	*31.12.2011*
Land	723	--	723	--	--	--	--	--	723	--	723
Building	4,251	(4,128)	123	--	--	--	--	(6)	4,251	(4,134)	117
Plant and machinery	973	(952)	21	18	--			(13)	991	(965)	26
Other assets	4,375	(2,377)	1,998	53	--			(141)	4,428	(2,518)	1,910
Assets in progress and advance payments	--	--	--	--	--	--	--	--	--	--	--
Total	10,322	(7,457)	2,865	71	--	--	--	(160)	10,393	(7,617)	2,776

Tangible assets decreased from € 2,865 thousand at 31 December 2010 to € 2,776 thousand at 31 December 2011.

AMORTISATION RATES

Description	*%*
Building and investment property	3.00%
Plant and machinery	10.00-25.00%
Other assets:	
- Electronic office equipment	20.00%
- Furniture and fittings	12.00%
- Motor vehicles	25.00%

4.c. INVESTMENT PROPERTY

2010	Opening position			Changes in the period					Closing position		
	Original	Provisions for amort., depr.	Balance	Acquisitions	Reclassifications	Disinvestments		Amortisation, Depreciation and	Original	Provisions for amort., depr.	Balance
(in thousands of euro)	cost	and write-downs	31.12.2009			cost	provision	write-downs	cost	and write-downs	31.12.2010
	20,299	(2,184)	18,115	--	--	--	--	(572)	20,299	(2,756)	17,543

2011	Opening position			Changes in the period					Closing position		
	Original	Provisions for amort., depr.	Balance	Acquisitions	Reclassifications	Disinvestments		Amortisation, Depreciation and	Original	Provisions for amort., depr.	Balance
(in thousands of euro)	cost	and write-downs	31.12.2010			cost	provision	write-downs	cost	and write-downs	31.12.2011
	20,299	(2,756)	17,543	--	--	--	--	(572)	20,299	(3,328)	16,971

Investment property decreased from € 17,543 thousand at 31 December 2010 to € 16,971 thousand at 31 December 2011.
The market value is significantly higher than the carrying value.

4.d. 2010 EQUITY INVESTMENTS

(in thousands of euro)	*Opening position*		*Changes in the year*							*Closing position*	
	31.12.2009		*Reclassifications*		*Increases*		*Decreases*		*Write-downs/ Revaluations Reversals*	*31.12.2010*	
	no. shares	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*amount*	*no. shares*	*amount*
Subsidiaries											
SORGENIA HOLDING S.p.A.	88,555,309	189,527	--	--	--	--	--	--	--	88,555,309	189,527
GRUPPO EDITORIALE L'ESPRESSO S.p.A.	220,775,235	341,680	--	--	--	--	--	--	--	220,775,235	341,680
SOGEFI S.p.A.	65,739,962	106,784	--	--	--	--	--	--	--	65,739,962	106,784
KOS S.p.A.	4,239,139	93,543	38,152,251 (**)	--	1,510,000	5,662	--	--	--	43,901,390	99,205
DRY PRODUCTS S.p.A.	5,000,000	109,380	--	--	1,375,000	55,000	--	--	--	6,375,000	164,380
CIR INTERNATIONAL S.A.	1,000,000	11,112	--	--	--	--	--	--	--	1,000,000	11,112
INTERGEFI S.r.l.	500,000	212	--	--	--	--	(500,000)	(212)	--	--	--
CIRINVEST S.p.A.	121,750	108	--	--	--	--	--	--	--	121,750	108
JUPITER FINANCE S.p.A.	2,074,800	2,982	--	(1,763) (*)	592,800	1,482	--	--	--	2,667,600	2,701
CIGA LUXEMBOURG S.A.R.L.	1,000	1,174	--	--	--	--	--	--	--	1,000	1,174
NEXENTI S.r.l.	50,000	47	--	1,763 (*)	--	20	(600)	(1)	--	49,400	1,829
Total subsidiaries		856,549		--		62,164		(213)	--		918,500
Other companies											
C IDC S.p.A. *(in liquidation and settlement with creditors)*	1,231,319	--	--	--	--	--	--	--	--	1,231,319	--
EMITTENTI TITOLI S.p.A.	232,000	132	--	--	--	--	--	--	--	232,000	132
FILIPPO FOCHI S.p.A. *(extraordinary administration)*	409,520	--	--	--	--	--	--	--	--	409,520	--
IST. EDIL. ECONOM. POPOLARE S.r.l.	1,350	--	--	--	--	--	--	--	--	1,350	--
Total other companies		132		--		--		--	--		132
TOTAL EQUITY INVESTMENTS		856,681		--		62,164		(213)	--		918,632

IFRS 7 - Additional information: It should be noted that this information is given only for the investments in other companies

(*) The change was due to a partial proportional de-merger between the de-merging company Jupiter Finance S.p.A. and the beneficiary Nexenti S.r.l.

(**) As a result of the stock split approved by the Shareholders on 17 March 2010 which gave 10 new shares for each share owned.

The increase in this item essentially refers to the capital increase with share premium of the subsidiary Dry Products S.p.A. in the third quarter of 2010

4.d. 2011 EQUITY INVESTMENTS

(in thousands of euro)	*Opening position*				*Changes in the year*					*Closing position*	
									Write-downs/ Revaluations		
	31.12.2010		*Reclassifications*		*Increases*		*Decreases*		*Reversals*	*31.12.2011*	
	no. shares	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*amount*	*no. shares*	*amount*
Subsidiaries											
SORGENIA HOLDING S.p.A.	88,555,309	189,527	--	--	718,882	8,129	--	--	--	89,274,191	197,656
GRUPPO EDITORIALE L'ESPRESSO S.p.A.	220,775,235	341,680	--	--	--	--	--	--	--	220,775,235	341,680
SOGEFI S.p.A.	65,739,962	106,784	--	--	60,626	125	--	--	--	65,800,588	106,909
KOS S.p.A.	43,901,390	99,205		--			--	--	--	43,901,390	99,205
DRY PRODUCTS S.p.A.	6,375,000	164,380	--	--	6,051,162	256,825	--	--	--	12,426,162	421,205
CIR INTERNATIONAL S.A.	1,000,000	11,112	--	--	--	--	--	--	--	1,000,000	11,112
CIRINVEST S.p.A.	121,750	108	--	--	--	--	--	--	(8)	121,750	100
JUPITER FINANCE S.p.A.	2,667,600	2,701	--	--	--	--	--	--	(600)	2,667,600	2,101
CIGA LUXEMBOURG S.A.R.L.	1,000	1,174	--	--	--	--	--	--	--	1,000	1,174
NEXENTI S.r.l.	49,400	1,829	--	--	--	--	--	--	(720)	49,400	1,109
Total subsidiaries		918,500		--		265,079		--	(1,328)		1,182,251
Associates											
LLIS - LAKE LEMAN INT. SCHOOL S.A.	--	--	--	--	195,000	615	--	--	--	195,000	615
Total associates		--		--		615		--	--		615
Other companies											
C IDC S.p.A. *(in liquidation and settlement with creditors)*	1,231,319	--	--	--	--	--	--	--	--	1,231,319	--
EMITTENTI TITOLI S.p.A.	232,000	132	--	--	--	--	--	--	--	232,000	132
FILIPPO FOCHI S.p.A. *(extraordinary administration)*	409,520	--	--	--	--	--	--	--	--	409,520	--
IST. EDIL. ECONOM. POPOLARE S.r.l.	1,350	--	--	--	--	--	--	--	--	1,350	--
Total other companies		132		--		--		--	--		132
TOTAL EQUITY INVESTMENTS		918,632		--		265,694		--	(1,328)		1,182,998

IFRS7 - Additional disclosures: note that the required information is provided only in relation to investments in other companies

The increase in this item essentially refers to the capital increase with share premium of the subsidiary Dry Products S.p.A. in the second half of 2011. Dry Products S.p.A. is the company appointed to make investments with a medium-term horizon in debt securities, mainly corporate bonds, with a view to expanding its business which previously involved only structured securities and trading securities

LIST OF INVESTMENTS IN SUBSIDIARIES AS OF DECEMBER 2011

(ART. 2427, paragraph 5, Italian Civil Code)

(in thousands of euro) *Name*	*Registered office*	*Share capital*	*Total equity*	*Result for the year*	*% ownership*		*Carrying value*
GRUPPO EDITORIALE L'ESPRESSO S.p.A.	Rome	61,534	472,687	64,475	53.82	(*)	341,680
SORGENIA HOLDING S.p.A.	Turin	137,282	633.154	(72)	65.03		197,656
SOGEFI S.p.A.	Mantova	60,665	166,620	10,486	56.40	(**)	106,909
DRY PRODUCTS S.p.A.	Milan	12,426	428,327	7,276	100.00		421,205
CIR INTERNATIONAL S.A.	Luxembourg	10,000	(1.748)	(6.921)	100.00		11,112
KOS S.p.A.	Milan	8,183	180,401	(3,580)	53.65		99,205
JUPITER FINANCE S.p.A.	Milan	2,700	2.069	(626)	98.80		2,101
CIRINVEST S.p.A.	Milan	120	100	(4)	100.00		100
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000	5.859	(161)	100.00		1,174
NEXENTI S.r.l.	Milan	50	1.055	(732)	98.80		1,109

(*) 55.51% of voting rights
(**) 58.00% of voting rights

As required by IFRS the investments were subjected to an impairment test to see whether there was objective evidence that their carrying value could not be fully recovered.
For the purposes of carrying out the impairment test for the separate financial statements, the individual investments held by CIR were divided into those which have the role of holding company for their sector, which given the nature of the sub-group are not significant individually but are part of the impairment test of CGUs carried out at consolidated level, and the other investments.
Regarding the controlling interests in holdings of the sectors, the impairment tests carried out at consolidated level did not result in the need for any value adjustments to the assets.

As for the other investments, the impairment tests did show that there was a need for value adjustments to a number of the investee companies in particular Jupiter Finance S.p.A. for € 600 thousand and Nexenti S.r.l. for € 720 thousand.

4.e. SUNDRY RECEIVABLES

The balance at 31 December 2011 of € 311,238 thousand (€ 101,211 thousand at 31 December 2010) mainly refers to the loan disbursement of € 299,883 thousand (€ 101,188 thousand at 31 December 2010) made to the subsidiary CIR International S.A.. The rate applied to this loan is 3.122% (1Y Euribor + spread). Note that new loans were disbursed during the year for € 193,500 thousand and repayments made for € 2,500 thousand. This item also includes the loan of € 11,331 thousand disbursed to the subsidiary Nexenti S.r.l. in the fourth quarter of 2011. The rate applied to this loan is 3.223% (3M Euribor + spread).

4.f. DEFERRED TAXES

The breakdown of "Deferred tax assets and liabilities" by type of temporary difference, is as follows:

(in thousands of euro)	*31.12.2011*		*31.12.2010*	
	Total temporary differences	*Tax effect*	*Total temporary differences*	*Tax effect*
Deferred tax assets:				
Provisions for risk and other	3,924	1,079	--	--
Total deferred tax assets		**1,079**		**--**

The changes in "Deferred tax assets and liabilities" during the year were as follows:

(in thousands of euro)	*Balance at 31.12.2010*	*Use of deferred taxes from prior periods*	*Deferred taxes generated in the period*	*Balance at 31.12.2011*
Deferred tax assets:				
- income statement	--	--	1,079	1,079
- equity	--	--	--	--

There are no prior fiscal losses for which the company has set aside deferred taxes.

5. *CURRENT ASSETS*

5.a. SUNDRY RECEIVABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Tax receivables	2,643	5,889
Other receivables with related parties	22,582	10,076
Receivables - others	2,276	2,285
Total	27,501	18,250

The item "Other receivables with related parties" refers for € 22,558 thousand to the receivables with companies that took part in the tax consolidation (€ 19,574 thousand to companies of the Espresso group, € 2,503 thousand to companies of the KOS group, € 433 thousand to companies of the Sogefi group and € 48 thousand to companies of the Sorgenia group) and for € 24 thousand to the receivable with Jupiter Finance for services provided during the year.

IFRS7 - Additional disclosures: it should be noted that the information required does not include the item "Tax receivables".

5.b. FINANCIAL RECEIVABLES

The balance at 31 December 2011 of € 186 thousand includes € 102 thousand for the fair value measurement of forward sales contracts in foreign currencies and € 84 thousand for the receivable with Dry Products S.p.A. for the fair value measurement of forward sales contracts in foreign currencies.

5.c. SECURITIES

The item "Securities" includes the following classes of securities:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Bonds	--	60,675
Investment funds and similar funds	169,424	--
Total	169,424	60,675

The measurement at fair value of the item "securities" involved a positive adjustment to the income statement of € 85 thousand.

In financial statements as from 31 December 2009 the company must indicate whether all or part of the fair value is determined with direct reference to prices listed on an active market ("Level 1") or whether it is estimated using prices that can be inferred from market prices for similar assets or through valuation techniques for which all significant factors are inferred from data observable on the market ("Level 2") or from valuation techniques based mostly on input not observable on the market which therefore involve estimates and assumptions being made by management ("Level 3").
The following chart shows the breakdown of the items "Securities" and "Other financial assets" measured at fair value:

2010

Financial statement items	*Level 1*	*Level 2*	*Level 3*	*Total recognised*
Securities – 5.c. (measured at fair value through profit and loss)				
- Bonds	60,675	--	--	60,675
Total securities	60,675	--	--	60,675

2011

Financial statement items	*Level 1*	*Level 2*	*Level 3*	Total recognised
Securities – 5.c. (measured at fair value through profit and loss)				
- Investment funds and similar funds	169,424	--	--	169,424
Total securities	169,424	--	--	169,424

5.d. CASH AND CASH EQUIVALENTS

Cash and cash equivalents declined by € 34,326 thousand from € 171,615 thousand 31 December 2010 to € 137,289 thousand at 31 December 2011. The breakdown of any changes is indicated in the statement of cash flow.

6. *EQUITY*

6.a. SHARE CAPITAL

The share capital increased from € 396,058,633.50 at 31 December 2010 (comprising 792,117,267 shares of a nominal € 0.50 each) to € 396,665,733.50 (793,331,467 shares) at 31 December 2011 due to the issue of 1,214,200 shares resulting from the exercise of stock option plans.
At 31 December 2011 the company held 49,989,000 own shares (6.30% of the share capital) for a value of € 108,340 thousand, compared to 43,074,000 own shares (5.44% of the share capital) for a value of € 98,657 held at 31 December 2010.
In application of IAS 32, since 1 January 2005 own shares held by the Parent Company have been deducted from equity.

The share capital is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of own shares.

It should be noted that for a period of five years from 30 April 2009 the Board of Directors was authorised to increase the share capital once or more by a maximum € 500 million (nominal value) and for a further maximum of € 20 million (nominal value) in favour of employees of the company, its subsidiaries and parent companies.

The Board of Directors also has the right for a period of five years from 30 April 2010 to issue, once or more than once, convertible bonds or bonds with warrants attached, up to an amount which, taking into account the bonds in circulation at the date on which the issuance is approved, shall not exceed the maximum limits set out in current regulations at the time the resolution is adopted by the Board.

6.b. RESERVES

The breakdown of the item “Reserves” is as follows:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Statutory reserve*	*Reserve for own shares held*	*Reserve art. 6 Leg.Decree no. 38 of 28/02/2005*	*Fair value reserve*	*“FTA of of IFRS”*	*Stock option and stock grant reserve*	*Reserve for future capital increases*	*Total reserves*
Balance at 31 December 2009	34,130	115,969	103	21,537	(74)	--	162,210	18,154	3	352,032
Capital increases	--	--	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	16	--	--	--	--	--	--	16
Adjustment for own share transactions	--	--	--	--	--	--	--	--	--	
Notional cost of stock options credited	--	--	--	--	--	--	--	4,335	--	4,335
Movements between reserves	--	--	--	--	--	--	--	(7,482)	--	(7,482)
Balance at 31 December 2010	34,130	115,969	119	21,537	(74)	--	162,210	15,007	3	348,901
Capital increases	645	--	--	--	--	--	--	--	--	645
Unclaimed dividends as per Art. 23 of the Articles of Association	--	--	14	--	--	--	--	--	--	14
Adjustment for own share transactions	--	--	--	3,458	--	--	--	--	--	3,458
Notional cost of stock options credited	--	--	--	--	--	--	--	4,370	--	4,370
Movements between reserves	--	--	--	--	--	--	--	(1,072)	--	(1,072)
Balance at 31 December 2011	34,775	115,969	133	24,995	(74)	--	162,210	18,305	3	356,316

It should be remembered that on 29 April 2011 the Ordinary Shareholders' Meeting voted to cancel the previous resolution of 30 April 2010 to buy back own shares and to give a new authorization for eighteen months from that date to buy back a maximum of 30,000,000 own shares for a nominal value of € 15,000,000, which shall not in any case exceed one fifth of the share capital of CIR and with a maximum outlay of € 50,000,000.

The "Stock option and stock grant reserve" refers to the notional value of incentives assigned to employees and agreed after 7 November 2002. Note that arrangements were made during the year to reclassify € 1,072 thousand relating to the notional cost of options exercised, expired and cancelled to the item "Retained earnings".

6.c. RETAINED EARNINGS (LOSSES)

The change in Retained earnings (losses) was due to cover of the previous year's losses and to the reclassification described above.

INFORMATION AS PER ART. 2427 – 7-BIS – ITALIAN CIVIL CODE

The following chart gives a breakdown of equity items according to how they can be utilized:

(in thousands of euro)

	Amount at 31 December 2011	*Possible uses*	*Amount available*	*Summary of uses made in the last three years (*)*		
				To cover losses	*For distribution of dividends*	*Other*
CAPITAL	396,666	--	--	--	--	--
Capital reserves:						
Share premium reserve	34,775	ABC	34,775	--	--	--
Legal reserve	12,678	B	12,678	--	--	--
Capital reserve	3	A	3	--	--	--
Earnings reserves:						
Legal reserve	103,291	B	103,291	--	--	--
Statutory reserve	134	ABC	134	--	--	--
Reserve as per Art. 6, L.Decree 38	(74)	ABC	(74)	--	--	--
Reserve for FTA of IFRS	162,210	ABC	162,210	--	--	--
Stock option and stock grant reserve	18,305	ABC	18,305	--	--	--
Retained earnings	217,781	ABC	217,781	(16,706)	(18,726)	(9,757)
TOTAL	945,769		549,103	(16,706)	(18,726)	(9,757)

Key = A: for capital increases; B: as loss cover; C: for distribution to shareholders

(*)The uses shown are those that led to a decrease in equity

7. *NON-CURRENT LIABILITIES*

7.a. BOND LOANS

At 31 December 2011 the item “Bond loans” totalled € 297,562 thousand, compared to € 297,404 thousand at 31 December 2010, and refers to the bond loan issued by the company in 2004 for a nominal € 300 million, maturing in 2024 and at a 5.75% fixed rate. Using the amortised cost method this bond loan was recognised by including accrued interest for the period, deducting markdowns, issuance costs and transaction costs and including the fair value of the related hedging derivative settled in the first half of 2010. The effective interest rate is 5.87%. The bonds are listed on the Luxembourg Stock Exchange.

7.b. PERSONNEL PROVISIONS

Changes in the provision “Employee leaving indemnity (TFR)” are shown in the chart below:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Opening balance	1,545	1,565
Amount accrued	310	277
Benefits paid	(310)	(297)
Total	1,545	1,545

8. *CURRENT LIABILITIES*

8.a. BORROWINGS

On 9 July 2011 the Milan Court of Appeal pronounced on the civil case brought by CIR against Fininvest for compensation for damages resulting from bribery in the “Lodo Mondadori” case. The ruling sentenced Fininvest to pay CIR approximately € 540.1 million, plus interest at the legal rate and costs, as compensation for the immediate and direct damage suffered. As a result of this sentence, on 26 July 2011 CIR received a total of around € 564.2 million from Fininvest. As envisaged in international accounting standards (IAS 37) this amount has no effect on the income statement of the company up to the highest legal authority level and was therefore recognised under this item. Note that the balance at 31 December 2011 also includes € 325 thousand payable to Dry Products S.p.A. in relation to one coupon of a bond wrongly credited to CIR by the depository.

8.b. OTHER PAYABLES

(in thousands of euro)	31.12.2011	31.12.2010
Tax payables	6,763	676
Payables - related parties	7,622	5,002
Payables - suppliers	451	384
Other payables	7,536	3,731
Total	22,372	9,793

The item "Payables - related parties" refers for € 7,619 to payables to companies which took part in the tax consolidation (€ 4,311 thousand to companies of the Sogefi group, € 2,003 thousand to companies of the Sorgenia group, € 1,058 thousand to companies of the Espresso group, € 92 thousand to companies of the Kos group and € 155 thousand to Jupiter Finance S.p.A.) and for € 3 thousand to trade payables due to Gruppo Editoriale L'Espresso S.p.A.

IFRS7 - Additional disclosures: it should be noted that the information required refers to the items "Payables - related parties" and "Payables - suppliers".

8.c. PROVISIONS FOR RISKS AND LOSSES

The breakdown of these provisions and the changes during the year are as follows:

(in thousands of euro)	Balance at 31.12.2010	Provisions	Used	Balance at 31.12.2011
Other	13,739	3,715	--	17,454
Total	13,739	3,715	--	17,454

There are various disputes outstanding for which CIR has set aside specific risk provisions for an amount deemed appropriate, in agreement with its legal advisors, to cover the likely emergence of significant potential liabilities.
The item also includes a precautionary provision of € 3,715 thousand for legal interest, calculated as at the date of collection, on the payment received from Fininvest reported under item 8.a. "Borrowings".

INCOME STATEMENT

9. *SUNDRY REVENUES AND INCOME*

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Services to subsidiaries	4,690	5,190
Services to parent company	378	426
Services to affiliated companies	20	20
Real estate income	262	575
Real estate income from subsidiaries	218	178
Real estate income from related parties	304	321
Other income and recovery of costs	210	386
Other non-recurring income	5	20
Total	6,087	7,116

Revenues from services provided to subsidiaries and affiliated companies are the chargeback of fees for strategic and management support and special administrative, financial and tax assistance provided to them. The services provided to the parent company were mainly of an administrative and financial nature.

Revenues from services to Group companies in 2011 can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
COFIDE S.p.A.	378	426
Gruppo Editoriale L'Espresso S.p.A.	1,850	2,300
Sorgenia S.p.A.	850	900
Sogefi S.p.A.	1,820	1,860
KOS S.p.A.	150	110
Jupiter Finance S.p.A.	20	20
Euvis A.p.A.	20	20
Total	5,088	5,636

Revenues for real estate income from subsidiaries include € 216 thousand from Kos S.p.A. and € 2 thousand from Jupiter Finance S.p.A.
The real estate income from related parties refers to lease contracts signed with individuals who hold strategic positions in the company.

10. *COSTS FOR SERVICES*

This item can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
Administrative, tax, legal and corporate consulting	12,425	6,656
Services provided by the parent company COFIDE S.p.A.	1,110	1,238
Services provided by the subsidiary Dry S.p.A.	310	325
Fees to administrative bodies	1,575	1,673
Other expenses	2,154	1,855
Total	17,574	11,747

"Costs for services" increased from the previous year by an approximately € 5.8 million mainly as a result of higher expense for legal consulting in relation to the civil proceedings brought by CIR against Fininvest (Lodo Mondadori disput).

11. *PERSONNEL COSTS*

Personnel costs fell from € 9,313 thousand in 2010 to € 9,201 thousand in 2011 with a decrease of € 112 thousand. The item includes the notional cost of € 4,370 thousand (€ 4,335 thousand in 2010) of the valuation of stock options and stock grants of the plans currently in issue, approved after 7 November 2002.

The chart below shows the changes in the number of employees in the different categories during the year:

	31.12.2010	*Recruitments*	*Resignations*	*31.12.2011*	*Average for the year*
Executives	11	2	2	11	10
Managers and Office Staff	17	--	1	16	17
Total	28	2	3	27	27

12. *OTHER OPERATING COSTS*

(in thousands of euro)	*2011*	*2010*
Non-deductible VAT and other taxes	1,080	1,481
Other costs and contingent liabilities	1,346	4,212
Total	2,426	5,693

13. *FINANCIAL INCOME*

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Interest income from securities	1,866	2,248
Interest income on deposits	745	758
Interest income from subsidiaries	7,735	2,915
Interest rate derivatives	50	6,162
Foreign exchange gains	189	--
Other interest income	22	53
Total	10,607	12,136

The breakdown of the interest income from subsidiaries is as follows:

(in thousands of euro)	*2011*	*2010*
CIR International S.A.	7,695	2,915
Nexenti S.r.l.	40	--
Total	7,735	2,915

14. *FINANCIAL EXPENSE*

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Interest expense on bond loans	17,387	17,381
Foreign exchange losses	120	--
Other interest expense and bank charges	3,889	2,596
Total	21,396	19,977

The item “Other interest expense and bank charges” refers mainly to the provision of € 3,715 thousand as interest expense reported under item 8.c “Provisions for risks and losses”.

15. *DIVIDENDS*

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Dividends from related parties:		
Gruppo Editoriale l'Espresso S.p.A.	16,337	--
Sogefi S.p.A.	8,546	--
Dry Products S.p.A.	4,399	--
Sorgenia Holding S.p.A.	--	5,313
Intergefi S.r.l.	--	536
Total dividends from related parties	29,282	5,849
Dividends from other companies	25	21
Total dividends	29,307	5,870

16. *GAINS FROM TRADING SECURITIES*

These amounted to € 898 thousand (€ 6,801 thousand in 2010) and refer for € 499 thousand to bond trading, for € 399 thousand to investment fund trading and similar.

17. *LOSSES FROM TRADING SECURITIES*

These amounted to € 2,192 thousand (€ 684 thousand in 2010) and refer to bond trading.

18. *ADJUSTMENTS TO FINANCIAL ASSETS*

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Write-down of bonds	--	(1,550)
Write-down of investments in subsidiaries	(1,328)	--
Write-down of investments in other companies	--	--
Revaluation of bonds	--	32
Revaluation of investments in subsidiaries	--	--
Revaluation of investment funds and similar funds	85	--
Total	(1,243)	(1,518)

For details of the item "Write-down of investments in subsidiaries" please refer to item 4.d "2011 Equity investments".

19. *INCOME TAXES*

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Current taxes	7,894	4,443
Deferred taxes	1,079	(767)
Income (charges) from participation in tax consolidation	(682)	(521)
Total	8,291	3,155

RECONCILIATION OF THE THEORETICAL AND EFFECTIVE TAX LIABILITY

	Taxable income	*Tax rate %*	*Amount of tax*
INCOME (LOSS) BEFORE TAXES	(8,022)	27.5	(2,206)
Effect of increases (decreases) compared to ordinary tax rate - Dividends	(27,842)	27.5	(7,656)
- Temporary differences deductible in subsequent periods	350	27.5	96
- Deductible temporary differences from prior periods	(366)	27.5	(101)
- Non-deductible costs	14,241	27.5	3,916
Other sundry permanent differences	10	27.5	3
SUB-TOTAL	(21,629)	27.5	(5,948)
Adjustments to taxable income for participation in national tax consolidation	(7,075)	27.5	(1,946)
Taxable income / Income tax for the year	(28,703)	27.5	(7,894)

Note: Because of its specific characteristics, IRAP was not considered for the purposes of this chart, which refers to IRES only.

20. *EARNINGS PER SHARE*

The basic earnings per share is calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of shares in circulation. The diluted earnings per share is calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilution effects of any options outstanding. Any own shares held are not included in the calculation.
The company has only one category of potential ordinary shares, those deriving from stock option plans assigned to employees.
The dilutive effect that these ordinary shares to be issued or assigned to stock option plans will have on earnings per share is immaterial.
In calculating the average number of options, the average fair value of the shares for each financial year was used. The average fair value of each CIR ordinary share in 2011 was € 1.5012 compared to an average fair value of € 1.5474 in 2010.

The following chart provides information on the shares used to calculate the basic and diluted earnings per share.

Basic earnings per share

	2011	2010
Net income attributable to the Shareholders (in euro)	269,144	(14,715,748)
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Basic earnings per share (euro)	**0.0004**	**(0.0196)**

	2011	2010
Net income from the statement of comprehensive income attributable to the Shareholders (euro)	269,144	(14,715,748)
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Basic earnings per share (euro)	**0.0004**	**(0.0196)**

Diluted earnings per share

	2011	2010
Net income attributable to the Shareholders (in euro)	269,144	(14,715,748)
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Weighted average number of options	3,657,050	3,306,530
No. of shares that could have been issued at fair value	(2,695,771)	(2,486,629)
Adjusted weighted average number of shares in circulation	748,203,354	749,863,168
Diluted earnings per share (euro)	**0.0004**	**(0.0196)**

	2011	2010
Net income from the statement of comprehensive income attributable to the Shareholders (euro)	269,144	(14,715,748)
Weighted average number of ordinary shares in circulation	747,242,075	749,043,267
Weighted average number of options	3,657,050	3,306,530
No. of shares that could have been issued at fair value	(2,695,771)	(2,486,629)
Adjusted weighted average number of shares in circulation	748,203,354	749,863,168
Diluted earnings per share (euro)	**0.0004**	**(0.0196)**

21. *GUARANTEES AND COMMITMENTS*

For the incentive plans for directors and employees, CIR has a joint commitment with Verbund to buy back any shares of Sorgenia S.p.A. resulting from the exercise of options by employees who are beneficiaries of stock option plans outstanding as of 31 December 2011.

22. *RELATED PARTY TRANSACTIONS*

Information regarding the impact that related party transactions have on the financial and equity situation and on the result for the year is provided in the comments to individual items of the financial statements.

Note also that during 2011 the following amounts were recognised to the income statement in favour of:

- Boards of Directors € 4,079 thousand (including € 2,052 thousand as the notional cost for equity-based remuneration);
- Boards of Statutory Auditors € 164 thousand
- General Managers € 779 thousand (including € 492 thousand as the notional cost for equity-based remuneration);
- Strategic executives € 385 thousand (including € 142 thousand as the notional cost of equity-based remuneration).

For further details, please refer to the "Remuneration Report" available in the Governance section of the corporate web site www.cirgroup.it.

23. *NET FINANCIAL POSITION*

The net financial position, in accordance with Consob Resolution no. 6064293 of 28 July 2006, can be broken down as follows:

(in thousands of euro)		*31.12.2011*	*31.12.2010*
A.	Cash and bank deposits	137,289	171,615
B.	Other cash equivalents	--	--
C.	Securities held for trading	169,424	60,675
D.	**Cash and cash equivalents (A) + (B) + (C)**	306,713	232,290
E.	**Current financial receivables**	186	--
F.	Current bank payables	--	--
G.	Current portion of non-current debt	(564,573)	--
H.	Other current borrowings from related parties	--	--
I.	**Current financial debt (F) + (G) + (H)**	(564,573)	--
J.	**Net current financial position (I) + (E) + (D)**	(257,674)	232,290
K.	Non-current bank payables	--	--
L.	Bonds issues	(297,562)	(297,404)
M.	Other non-current payables	--	--
N.	**Non-current financial debt (K) + (L) + (M)**	(297,562)	(297,404)
O.	**Net financial position (J) + (N)**	(555,236)	(65,114)

24. *OTHER INFORMATION*

IFRS 7 – FINANCIAL RISK MANAGEMENT: ADDITIONAL INFORMATION

With regard to business risks, the main financial risks identified, monitored and actively managed by the company are the following:

a) interest rate risk resulting from exposure to fluctuations in interest rates;
b) credit risk resulting from the potential default of a counterparty;
c) liquidity risk resulting from the lack of financial resources to meet short term commitments.

Interest rate risk

Fluctuation in interest rates affects the market value of financial assets and the level of net financial expenses.

The company continuously monitors its exposure to interest rate risk and manages this risk by investing in financial instruments that are consistent with its long-term funding through the CIR 5.75%2004/2024 bond loan.

Sensitivity analysis

A one percent parallel shift in the 3-month Euribor curve on floating rate assets would have the following effects:

(in thousands of euro)	*31.12.2011*		*31.12.2010*	
Change	-1%	+1%	-1%	+1%
Change in Income Statement	(850)	850	(629)	624
Change in Equity	(850)	850	485	(465)

Credit risk

Credit risk represents the exposure of the company to potential losses resulting from the failure of counterparties to meet their obligations. In relation in particular to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of entities suitable as counterparties for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.

The company has not encountered any cases of default by counterparties.

At 31 December 2011 there was no significant concentration of credit risk.

Measurement of financial assets and liabilities

The fair value of financial assets and liabilities is calculated as follows:

- the fair value of financial assets with standard terms and conditions listed on an active market is measured on the basis of prices published on the active market;
- the fair value of other financial assets and liabilities (except derivatives) is measured using commonly accepted methods and based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and from broker listed prices for similar instruments;

In particular, for the measurement of certain investments in bond instruments with no regular market, i.e. where there is an insufficient number of frequent transactions with a bid-ask spread and a sufficiently limited volatility, then the fair value of these instruments is mainly measured according to prices provided by leading international brokers at the request of the Company, which are then validated through a comparison with market prices, albeit of a limited number, or with prices observable for other instruments with similar characteristics.

Liquidity risk

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. The company's long-term borrowings, represented by the bond loan issued in December 2004 for a nominal € 300 million with maturity in 2024, was given a rating of BBB- by Standard & Poor's. As things stand today, based on its cash and cash equivalents and expected future cash flows, the company believes that it will be able to meet its foreseeable financial needs. The objective of liquidity risk management is not only that of guaranteeing sufficient available financial resources to cover short term commitments, but also to ensure where necessary a sufficient level of operating flexibility for development programmes within the Group.

In compliance with the requirements of accounting standard IFRS 7, the following charts give information regarding the various categories of financial assets and liabilities and the risk categories of financial instruments.

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS
2011

(in thousands of euro)

	F.S. items	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value*	*Effect on the income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other investments	4.d	132	--	--	--	--	132	--	--	--	132	25	--
Other receivables	4.e	311,238	--	--	311,238	--	--	--	--	--	311,238	7,735	--
CURRENT ASSETS													
Sundry receivables	5.a	24,858	--	--	24,858	--	--	--	--	--	24,858	--	--
Financial receivables	5.b	186	186	--	--	--	--	--	--	--	186	69	--
Securities	5.c	169,424	169,424	--	--	--	--	--	--	--	169,424	657	--
Available-for-sale financial assets	5.c	--	--	--	--	--	--	--	--	--	--	--	--
Cash & cash equivalents	5.d	137,289	--	--	137,289	--	--	--	--	--	137,289	745	--
NON-CURRENT LIABILITIES													
Bond loans	7.a	(297,562)	--	--	--	--	--	--	--	(297,562)	(210,707)	(17,387)	--
CURRENT LIABILITIES													
Borrowings	8.a	(564,573)	--	--	--	--	--	--	--	(564,573)	(564,573)	(3,715)	--
Trade payables	8.b	(8,073)	--	--	--	--	--	--	--	(8,073)	(8,073)	--	--

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS
2010

(in thousands of euro)

	F.S. items	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value*	*Effect on the income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other investments	4.d	132	--	--	--	--	132	--	--	--	132	22	--
Other receivables	4.e	101,211	--	--	101,211	--	--	--	--	--	101,211	2,915	--
CURRENT ASSETS													
Sundry receivables	5.a	12,361	--	--	12,361	--	--	--	--	--	12,361	--	--
Financial receivables	5.b	--	--	--	--	--	--	--	--	--	--	--	--
Securities	5.c	60,675	60,675	--	--	--	--	--	--	--	60,675	6,847	--
Available-for-sale financial assets	5.c	--	--	--	--	--	--	--	--	--	--	--	--
Cash & cash equivalents	5.d	171,615	--	--	171,615	--	--	--	--	--	171,615	758	--
NON-CURRENT LIABILITIES													
Bond loans	7.a	(297,404)	--	--	--	--	--	--	--	(297,404)	(252,061)	(17,381)	--
CURRENT LIABILITIES													
Borrowings	8.a	--	--	--	--	--	--	--	--	--	--	--	--
Trade payables	8.b	(5,386)	--	--	--	--	--	--	--	(5,386)	(5,386)	--	--

RISK CATEGORIES - 2011

(in thousands of euro)

	F.S. items	Carrying value	Liquidity risk	Interest rate risk	Exchange rate risk	Credit risk
NON-CURRENT ASSETS						
Other investments	4.d	132	--	--	--	132
Sundry receivables	4.e	311,238	--	--	--	311,238
CURRENT ASSETS						
Sundry receivables	5.a	24,858	--	--	--	24,858
Financial receivables	5.b	186	--	--	--	186
Securities	5.c	169,424	--	--	--	169,424
Available-for-sale financial assets	5.c	--	--	--	--	--
Cash & cash equivalents	5.d	137,289	--	137,289	--	--
NON-CURRENT LIABILITIES						
Bond loans	7.a	(297,562)	(297,562)	--	--	--
CURRENT LIABILITIES						
Borrowings	8.a	(564,573)	(564,573)	--	--	--
Trade payables	8.b	(8,073)	(8,073)	--	--	--

RISK CATEGORIES - 2010

(in thousands of euro)

	F.S. items	Carrying value	Liquidity risk	Interest rate risk	Exchange rate risk	Credit risk
NON-CURRENT ASSETS						
Other investments	4.d	132	--	--	--	132
Sundry receivables	4.e	101,211	--	--	--	101,211
CURRENT ASSETS						
Sundry receivables	5.a	12,361	--	--	--	12,361
Financial receivables	5.b	--	--	--	--	--
Securities	5.c	60,675	--	--	--	60,675
Available-for-sale financial assets	5.c	--	--	--	--	--
Cash & cash equivalents	5.d	171,615	--	171,615	--	--
NON-CURRENT LIABILITIES						
Bond loans	7.a	(297,404)	(297,404)	--	--	--
CURRENT LIABILITIES						
Borrowings	8.a	--	--	--	--	--
Trade payables	8.b	(5,386)	(5,386)	--	--	--

CREDIT RISK

(in thousands of euro)

Position at 31 December 2011	*F.S. items*	*Total receivables*	*Not yet due*	*Past due by >*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Re-negotiated*	*Write-downs*
Sundry receivables	4.e			--	--	--	--	--	--	
Gross receivable		311,238	311,238	--	--	--	--	--	--	
Provision for write-downs		--	--	--	--	--	--	--	--	--
Sundry receivables	5.a			--	--	--	--	--	--	
Gross receivable		24,858	24,792	66	36	2	6	22	--	
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		336,096	336,030	66	36	2	6	22	--	--

(in thousands of euro)

Position at 31 December 2010	*F.S. items*	*Total receivables*	*Not yet due*	*Past due by >*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Re-negotiated*	*Write-downs*
Sundry receivables	4.e			--	--	--	--	--	--	
Gross receivable		101,211	101,211	--	--	--	--	--	--	
Provision for write-downs		--	--	--	--	--	--	--	--	--
Sundry receivables	5.a			--	--	--	--	--	--	
Gross receivable		12,361	12,224	137	4	115	--	18	--	
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		113,572	113,435	137	4	115	--	18	--	--

LIQUIDITY RISK - 2011

(in thousands of euro)

	Up to 1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non-derivative financial liabilities							
Bond loans	17,250	17,250	17,250	17,250	17,250	438,000	524,250
Borrowings	564,573	--	--	--	--	--	564,573
Trade payables	8,073	--	--	--	--	--	8,073
TOTAL	589,896	17,250	17,250	17,250	17,250	438,000	1,096,896

LIQUIDITY RISK - 2010

(in thousands of euro)

	Up to 1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non-derivative financial liabilities							
Bond loans	17,250	17,250	17,250	17,250	17,250	455,250	541,500
Borrowings							--
Trade payables	5,386	--	--	--	--	--	5,386
TOTAL	22,636	17,250	17,250	17,250	17,250	455,250	546,886

STOCK OPTION PLANS

As required by Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions, it should be stated that CIR has set up stock option plans for employees of the Group.
At 31 December 2011 stock option and stock grant plans issued from 2003 onwards were still valid for a total of 43,048,800 options, as can be seen from the chart in note 23 of the Notes to the Consolidated Financial Statements.

With reference to plans issued in the last three years, it should be said that:

- On 30 April 2009 the Shareholders' Meeting voted to assign options to the Chief Executive Officer, executives of the Company, of the parent company and of the subsidiaries for the subscription of shares according to the terms and conditions set out in the Regulations of the "Extraordinary Stock Option Plan 2009", which was approved at the same time. The plan gives beneficiaries the right to exercise options at a set price and within a predefined time frame to subscribe newly issued shares for a total of 15,575,000 shares. The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the Company, its parent company or subsidiary as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death. It should be noted that the purpose of approval of this plan was to reorganise the "Phantom stock option" plans approved by the Shareholders on 27 April 2007 and 29 April 2008. Therefore the subscription price corresponds to the "initial value" of the options awarded to beneficiaries under the "Phantom stock option" plans, as defined in their respective Regulations. The options may be exercised quarterly by each beneficiary as from 30 June 2009 until the final maturity previously established in the regulations of the "Phantom stock option" plans.

- On 30 April 2009 the Shareholders' Meeting approved the assignment of options to the Chief Executive Officer and executives of the Company, of its parent company and of its subsidiaries for the subscription of shares according to the terms and conditions set out in the Regulations of "Stock Option Plan 2009", which were approved at the same time. The plan gives beneficiaries the right to exercise the options at a set price and within a predefined time frame to subscribe a total of 7,980,000 newly issued shares divided into multiple tranches. The first tranche of 4,090,000 options and the second of 3,890,000 options. The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the Company, its parent company or a subsidiary as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death. The subscription price was set at € 0.9907 per share for the first tranche options and at € 1.5449 per share for the second tranche options. The first tranche options may be exercised quarterly by each beneficiary from 30 September 2009 until the final maturity of 30 September 2019, while the second tranche options may be exercised quarterly by each beneficiary from 28 February 2010 until the final maturity of 28 February 2020.

- On 30 April 2010 the Shareholders' Meeting approved the assignment of options to the Chief Executive Officer and executives of the Company, of its parent company and of its subsidiaries for the subscription of shares according to the terms and conditions set out in the Regulations of the "Stock Option Plan 2010", which were approved at the same time. The plan gives beneficiaries the right to exercise the options at a set price and within a predefined time frame to subscribe a total of 7,790,000 newly issued shares divided into multiple tranches. The first tranche of 3,895,000 options and the second of 3,895,000 options. The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the

Company, its parent company or a subsidiary as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death. The subscription price was set at € 1.6208 per share for the first tranche options and at € 1.4982 per share for the second tranche options. The first tranche options can be exercised quarterly by each beneficiary from 30 September 2010 until the final maturity of 30 September 2020, while the second tranche options may be exercised quarterly by each beneficiary from 28 February 2011 until the final maturity of 28 February 2021.

- On 29 April 2011 the Shareholders' Meeting approved the 2011 Stock Grant Plan reserved for the Chief Executive Officer and executives of the company, the parent company and subsidiaries, for a maximum number of 4,500,000 Units assignable during the year. The Stock Grant Plant consists in the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing quarterly from 30 April 2013 to 31 January 2015. The shares assigned in execution of the plan will be made available only from own shares held by the company.

  A total of 1,377,800 time units were assigned during the year, the maturity of which is subject to continued service, and 1,921,600 performance units, which mature provided that the normal value of the shares at each vesting date is at least equal to a certain percentage of the initial value indicated for each vesting date. The initial value of the performance units is € 1.6391.

FINANCIAL STATEMENT OF DIRECT SUBSIDIARIES

as of December 31 2011

SORGENIA HOLDING S.p.A.

GRUPPO EDITORIALE L'ESPRESSO S.p.A.

SOGEFI S.p.A.

KOS S.p.A.

DRY PRODUCTS S.p.A.

CIR INTERNATIONAL S.A.

CIGA LUXEMBOURG S.A.

JUPITER FINANCE S.p.A.

CIRINVEST S.p.A.

NEXENTI S.r.l.

SORGENIA HOLDING S.p.A.
Headquarters: TURIN
Share capital at 31.12.2011: € 137,282,214.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	31.12.2011	31.12.2010
A - RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE	--	--
B - FIXED ASSETS		
I Intangible fixed assets		
Concessions, licenses, trademarks and similar rights	432	649
Total intangible fixed assets	432	649
II Tangible assets	--	--
III Financial fixed assets		
Equity investments in:		
Subsidiaries	632,152,858	620,774,244
Total financialfixed assets	632,152,858	620,774,244
TOTAL FIXED ASSETS	632,153,290	620,774,893
C - CURRENT ASSETS		
I Inventories	--	--
II Receivables		
Parent companies - due within 12 months	78,951	--
Inaland revenue receivables - due within 12 months	7,479	7,719
Deferred tax assets - due within 12 months	35,096	--
Total receivables	121,526	7,719
III Financial assets	--	--
IV Cash & cash equivalents		
Bank and postal deposits	1,011,820	128,522
Total cash & cash equivalents	1,011,820	128,522
TOTAL CURRENT ASSETS	1,133,346	136,241
D - ACCRUED INCOME AND PREPAID EXPENSE	--	--
TOTAL ASSETS	633,286,636	620,911,134

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2011	31.12.2010
A - EQUITY		
I Share Capital	137,282,214	136,176,747
II Share premium reserve	481,722,857	470,328,327
III Revaluation reserves	--	--
IV Legal reserve	3,190,800	2,792,229
V Reserve own shares in portfolio	--	--
VI Staturory reserves	--	--
VII Other reserves	10,173	10,173
VIII Profit carried forward (losses)	11,020,472	3,447,615
IX Net income (loss) for the period	(72,238)	7,971,428
TOTAL SHAREHOLDERS' EQUITY OF THE GROUP	633,154,278	620,726,519
B - PROVISIONS FOR RISKS AND CHARGES	--	--
C - STAFF LEAVING INDEMNITY	--	--
D - ACCOUNTS PAYABLE		
Trade payables - due within 12 months	127,805	100,384
Payables to subsidiaries	4,553	4,515
Payables to parent companies - due within 12 months	--	79,516
Taxes payable - due within 12 months	--	200
TOTAL PAYABLES	132,358	184,615
E - ACCRUED EXPENSE AND DEFERRED INCOME	--	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	633,286,636	620,911,134

SORGENIA HOLDING S.p.A.
Headquarters: TURIN
Share capital at 31.12.2011: € 137,282,214.00

INCOME STATEMENT
(in euro)

	2011	*2010*
A - VALUE OF PRODUCTION		
Other revenues and income	3	2
TOTAL VALUE OF PRODUCTION	3	2
B - COSTS OF PRODUCTION		
Raw materials, secondary materials, consumables & goods	--	--
Services	156,969	134,527
Cost of utilisation of third parties' assets	--	--
Personnel costs	--	--
Amortization, depreciation and write-downs		
Amortization of intangible fixed assets	216	216
Change in inventories of raw materials, secondary materials, consumables & goods	--	--
Risk provisions	--	--
Other provisions	--	--
Miscellaneous operating costs	28,974	53,451
TOTAL COSTS OF PRODUCTION	186,159	188,194
OPERATING INCOME	(186,156)	(188,192)
C - FINANCIAL INCOME AND EXPENSES		
Income from equity investments		
Subsidiaries	--	8,156,876
Other financial income		
Income other than the above		
Subsidiaries	--	80,908
Other	8,382	1,869
Interest and other financial expense		
Other companies	71	12
Total financial expense	71	12
TOTAL FINANCIAL INCOME AND EXPENSE	8,311	8,239,641
D - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
Revaluations	--	--
Write-downs	--	--
E - EXTRAORDINARY INCOME AND CHARGES		
Income	--	--
Charges	--	--
INCOME (LOSS) BEFORE TAXES	(177,845)	8,051,449
Income taxes for the period	105,607	(80,021)
NET INCOME (LOSS) FOR THE PERIOD	(72,238)	7,971,428

GRUPPO EDITORIALE L'ESPRESSO S.p.A.
Headquarters: ROME
Share capital at 31.12.2011: € 61,463,308.20

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
Intangible assets with an indefinite useful life	220,660,859	220,660,859
Other intangible assets	1,009,201	1,354,831
Intangible assets	221,670,060	222,015,690
Tangible assets	16,954,825	38,052,531
Equity investments	409,099,945	408,102,945
Non-current receivables	435,250	456,431
Deferred tax assets	15,248,327	15,370,013
NON-CURRENT ASSETS	**663,408,407**	**683,997,610**
Inventories	18,064,758	13,876,665
Trade receivables	111,036,377	100,852,606
Securities	48,684,504	60,338,972
Tax receivables	9,074,124	9,518,635
Other receivables	7,630,503	9,888,814
Cash and cash equivalents	193,272,486	176,606,397
CURRENT ASSETS	**387,762,752**	**371,082,089**
TOTAL ASSETS	**1,051,171,159**	**1,055,079,699**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
Share capital	61,534,498	61,463,308
Reserves	86,880,451	90,769,262
Retained earnings (losses)	259,796,355	231,704,927
Net income (loss) for the year	64,475,236	58,265,692
SHAREHOLDERS' EQUITY	**472,686,539**	**442,203,189**
Borrowings	263,512,238	288,319,312
Provisions for risks and losses	33,736,862	34,152,921
TFR and other personnel provisions	28,447,173	28,965,988
Deferred tax liabilities	51,625,610	48,766,432
NON-CURRENT LIABILITIES	**377,321,883**	**400,204,653**
Borrowings	60,651,015	72,498,918
Provisions for risks and losses	16,292,348	11,720,967
Trade payables	70,685,418	78,842,926
Tax payables	19,145,730	10,714,367
Other payables	34,388,226	38,894,679
CURRENT LIABILITIES	**201,162,737**	**212,671,857**
TOTAL LIABILITIES	**578,484,620**	**612,876,510**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,051,171,159**	**1,055,079,699**

GRUPPO EDITORIALE L'ESPRESSO S.p.A.
Headquarters: ROME
Share capital at 31.12.2011: € 61,534,498.20

INCOME STATEMENT
(in euro)

	2011	*2010*
Revenues	459,629,245	462,711,477
Change in product inventory	103,323	(1,352,074)
Other operating income	13,882,316	5,441,362
Costs for purchases	(63,396,508)	(60,330,420)
Costs for services	(213,904,389)	(213,429,134)
Other operating costs	(8,329,370)	(12,127,468)
Personnel costs	(115,580,097)	(120,244,253)
Amortization, depreciation & writedowns	(8,808,364)	(12,356,933)
Operating result	**63,596,157**	**48,312,557**
Net financial income/(expense)	(9,630,656)	(2,517,075)
Dividends	35,579,081	31,513,962
Result before taxes	**89,544,582**	**77,309,444**
Taxes	(25,069,346)	(19,043,752)
NET RESULT	**64,475,236**	**58,265,692**

Earnings per share, basic	0.162	0.145
Earning per share, diluted	0.151	0.138

SOGEFI S.p.A.
Headquarters: MANTUA
Share capital at 31.12.2011: € 60,664,756.84

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
CURRENT ASSETS		
Cash and cash equivalents	44,408,659	14,801,682
Centralized treasury accounts with subsidiaries	6,099,449	3,377,956
Other financial assets	--	85,769
Loans and financial receivables classifiable as loans to subsidiaries	29,047,469	9,400,000
WORKING CAPITAL		
Trade receivables	6,654,537	4,188,363
of which with subsidiaries	*3,082,478*	*2,234,817*
of which with parent company	*3,571,870*	*1,953,546*
Other receivables	253,135	59,887
Tax receivables	458,663	278,986
Other assets	829,309	932,137
of which with subsidiaries	--	--
TOTAL WORKING CAPITAL ASSETS	8,195,644	5,459,373
TOTAL CURRENT ASSETS	87,751,221	33,124,780
NON-CURRENT ASSETS		
FIXED ASSETS		
Investment property: land	13,400,000	12,154,000
Investment property: other properties	12,649,000	14,865,000
Other tangible assets	29,150	34,191
Intangible assets	1,568,444	115,181
TOTAL FIXED ASSETS	27,646,594	27,168,372
OTHER NON-CURRENT ASSETS		
Investments in subsidiaries	389,628,032	268,888,918
Other available-for-sale financial assets	899	1,766
Loans and financial receivables classifiable as loans to subsidiaries	94,091,357	101,279,050
of which with subsidiaries	*94,091,357*	*101,279,050*
of which other medium long term assets - derivatives	--	--
Other receivables	23,106	18,798
Deferred tax assets	3,156,145	1,334,779
TOTAL OTHER NON-CURRENT ASSETS	486,899,539	371,523,311
TOTAL NON-CURRENT ASSETS	514,546,133	398,691,683
TOTAL ASSETS	**602,297,354**	**431,816,463**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
CURRENT LIABILITIES		
Current bank borrowings	68,949	30,160,449
Centralized treasury accounts with subsidiaries	70,140,374	49,196,825
Current part of long-term loans and other loans	32,914,391	33,817,361
of which with subsidiaries	--	--
TOTAL SHORT-TERM BORROWINGS	103,123,714	113,174,635
Other financial liabilities - derviatives	626,297	153,573
TOTAL SHORT-TERM BORROWINGS AND DERIVATIVES	103,750,011	113,328,208
Trade payables and other payables	5,804,441	3,954,081
of which with subsidiaries	*821,963*	*78,094*
of which with parent company	*432,854*	*262,673*
Tax payables	271,143	254,104
Other current liabilities	34,077	48,018
TOTAL CURRENT LIABILITIES	109,859,672	117,584,411
NON-CURRENT LIABILITIES		
MEDIUM LONG TERM BORROWINGS AND DERIVATIVES		
Bank borrowings	316,280,585	133,050,501
TOTAL MEDIUM LONG TERM BORROWINGS	316,280,585	133,050,501
Other medium long term financial liabiities - derivatives	8,310,366	2,042,215
TOTAL MEDIUM LONG TERM BORROWINGS AND DERIVATIVES	324,590,951	135,092,716
OTHER LONG TERM LIABILITIES		
Long term provisions	985,956	1,052,016
Deferred taxes	240,712	495,535
TOTAL OTHER LONG TERM LIABILITIES	1,226,668	1,547,551
TOTAL NON-CURRENT LIABILITIES	325,817,619	136,640,267
SHAREHOLDERS' EQUITY		
Share capital	60,664,756	60,546,196
Reserves and retained earnings (losses)	95,469,348	104,600,842
Net income (loss) for the year	10,485,959	12,444,747
TOTAL SHAREHOLDERS' EQUITY	166,620,063	177,591,785
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**602,297,354**	**431,816,463**

SOGEFI S.p.A.
Headquarters: MANTUA
Share capital at 31.12.2011: € 60,664,756.84

INCOME STATEMENT
(in euro)

	2011	*2010*
FINANCIAL INCOME AND EXPENSE		
1) Income from investments		
- dividends and other income from subsidiaries	26,662,270	12,072,992
- dividends and other income from other companies	51	--
TOTAL	26,662,321	12,072,992
2) Other financial income		
- from securities recorded in current assets as available for trading	--	--
- income other than the above		
interest and commissions from subsidiaries	4,963,402	4,284,340
interest and commissions from others and sundry income	100,649	79,812
foreign exchange gains	1,081,852	1,563,164
TOTAL	6,145,903	5,927,316
3) Interest expense and other financial expense		
- with subsidiaries	395,205	224,987
- with others	9,324,263	6,916,111
- foreign exchange losses	974,546	1,442,174
TOTAL	10,694,014	8,583,272
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
4) Write-ups	--	--
5) Write-downs	5,478,000	--
TOTAL VALUE ADJUSTMENTS	(5,478,000)	--
6) OTHER OPERATING INCOME	12,842,786	11,708,728
of which from subsidiaries	*12,767,177*	*11,638,323*
OTHER OPERATING COSTS		
7) Non-financial services	5,716,605	5,375,238
of which from subsidiaries	*726,584*	*41,603*
of which from parent company	*1,820,000*	*1,860,000*
8) Lease and rental costs	3,702,536	3,979,642
9) Personnel costs	6,179,835	6,259,452
10) Amortization, depreciation & write-downs	53,842	41,634
11) Risk provisions	--	--
12) Other provisions	--	--
13) Miscellaneous operating costs	1,015,553	1,016,286
TOTAL OTHER OPERATING COSTS	16,668,371	16,672,252
INCOME FROM OPERATING ACTIVITIES	12,810,625	4,453,512
NON-OPERATING INCOME AND EXPENSE		
14) Income	--	6,529,441
15) Expense	5,364,713	--
of which non-recurring expense with third parties	*4,394,713*	--
of which non-recurring expense with parent company	--	--
NON-OPERATING INCOME (LOSS)	(5,364,713)	6,529,441
RESULT BEFORE TAXES	7,445,912	10,982,953
16) Income taxes for the year	(3,040,047)	(1,461,794)
NET INCOME FOR THE YEAR	10,485,959	12,444,747

KOS S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 8,182,945.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
NON-CURRENT ASSETS	**129,738,012**	**126,473,994**
INTANGIBLE ASSETS	143,648	140,278
TANGIBLE ASSETS	12,681,552	12,950,913
EQUITY INVESTMENTS	116,489,932	113,093,136
OTHER RECEIVABLES	127,589	13,128
DEFERRED TAXES	295,291	276,539
CURRENT ASSETS	**74,586,575**	**88,180,875**
RECEIVABLES WITH PARENT COMPANY	1,253,395	1,635,021
TRADE RECEIVABLES - PARENT COMPANY	2,308,621	2,406,978
OTHER RECEIVABLES	1,032,787	765,036
FINANCIAL RECEIVABLES	2,536,499	3,132,220
FINANCIAL RECEIVABLES - PARENT COMPANY	61,321,376	36,812,186
CASH & CASH EQUIVALENTS	6,133,897	43,429,434
TOTAL ASSETS	204,324,587	214,654,869

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
SHAREHOLDERS' EQUITY	**180,400,500**	**163,116,414**
SHARE CAPITAL	8,182,945	7,747,161
RESERVES	198,969,534	178,541,376
RETAINED EARNINGS (LOSSES)	(23,172,122)	(18,146,267)
RESULT FOR THE YEAR NET INCOME/(LOSS)	(3,579,857)	(5,025,856)
NON-CURRENT LIABILITIES	**6,602,408**	**37,893,761**
OTHER BORROWINGS	6,415,744	37,737,677
DEFERRED TAXES	--	1,112
PERSONNEL PROVISIONS	186,664	154,972
CURRENT LIABILITIES	**17,321,679**	**13,644,694**
FINANCIAL PAYABLES FROM SUBSIDIARIES	11,564,660	--
OTHER BORROWINGS	3,357,068	5,916,248
TRADE PAYABLES - SUBSIDIARIES	754,227	1,300,083
TRADE PAYABLES	--	13,179
OTHER PAYABLES	1,060,496	6,415,184
PROVISIONS FOR RISKS AND LOSSES	585,228	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	204,324,587	214,654,869

KOS S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 8,182,945.00

INCOME STATEMENT
(in euro)

	2011	*2010*
REVENUES	982,432	886,352
COSTS FOR PURCHASE OF GOODS	(12,621)	(15,033)
COSTS FOR SERVICES	(1,946,174)	(3,675,383)
PERSONNEL COSTS	(2,985,194)	(2,119,548)
OTHER OPERATING INCOME	187,670	71,833
OTHER OPERATING EXPENSE	(189,320)	(367,327)
AMORTIZATION, DEPRECIATION & WRITEDOWNS OF FIXED ASSETS AND OTHER WRITEDOWNS	(1,413,731)	(902,029)
OPERATING RESULT (EBIT)	**(5,376,938)**	**(6,121,135)**
FINANCIAL INCOME	3,283,291	2,510,509
FINANCIAL EXPENSE	(2,708,077)	(2,934,717)
DIVIDENDS	--	1,000,000
ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	--	(1,268,946)
INCOME / (LOSS) BEFORE TAXES	**(4,801,724)**	**(6,814,289)**
INCOME TAXES	1,221,867	1,788,433
NET INCOME/(LOSS) FOR THE YEAR	**(3,579,857)**	**(5,025,856)**

Statement of comprehensive income	(3,579,857)	(5,025,856)
INCOME (LOSS) recognized to Reserve (fv hedging derivatives)	(18,870)	(22,514)
COMPREHENSIVE INCOME (LOSS)	**(3,598,727)**	**(5,048,370)**

DRY PRODUCTS S.p.A.
Headquarters in Milan: Via Ciovassino 1
Share capital at December 31 2011: € 12,426,162.00

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS		31.12.2011		31.12.2010
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE		--		--
B) FIXED ASSETS				
I Intangible assets		--		--
II Tangible assets				
Plant and machinery		670		159
Other assets		3,729		1,357
Total tangible assets		4,399		1,516
III Financial assets				
Investments in subsidiaries		94,000		--
Total financial assets		94,000		--
TOTAL FIXED ASSETS		98,399		1,516
C) CURRENT ASSETS				
I Inventories		--		--
II Receivables	**		**	
Subsidiaries	--	--	--	--
Parent companies	--	--	--	--
Others	--	276,827	--	61,152
Total receivables	--	276,827	--	61,152
III Financial assets not classified as fixed assets				
Other equity investments		7,897,310		14,848,836
Other securities		408,208,343		94,732,471
Financial receivables from parent companies		325,000		--
Financial receivables from others		6,907,774		--
Total financial assets		423,338,427		109,581,307
IV Cash & cash equivalents				
Bank and Post Office deposits		6,055,064		59,678,125
Cash and valuables on hand		1,884		237
Total cash and cash equivalents		6,056,948		59,678,362
TOTAL CURRENT ASSETS		429,672,202		169,320,821
D) ACCRUED INCOME AND PREPAID EXPENSE				
Other accrued income & prepaid expense		1,978		2,958
TOTAL ACCRUED INCOME AND PREPAID EXPENSE		1,978		2,958
TOTAL ASSETS		429,772,579		169,325,295

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.2011		31.12.2010
A) SHAREHOLDERS' EQUITY				
I Capital		12,426,162		6,375,000
II Share premium reserve		407,878,838		157,105,000
III Revaluation reserves		--		--
IV Legal reserve		346,389		146,908
V Reserve for own shares held		--		--
VI Statutory reserves		--		--
VII Other reserves		221,889		--
VIII Retained earnings (losses)		177,464		1,007,961
IX Net income (loss) for the year		7,275,907		3,989,623
TOTAL SHAREHOLDERS' EQUITY		428,326,649		168,624,492
B) PROVISIONS FOR RISKS AND LOSSES				
Other		--		177,003
TOTAL PROVISIONS FOR RISKS AND LOSSES		--		177,003
C) EMPLOYEE LEAVING INDEMNITY (TFR)		46,004		34,373
D) ACCOUNTS PAYABLE	*		*	
Other borrowings	--	709,787	--	--
Suppliers	--	1,346	--	1,504
Parent companies	--	84,477	--	--
Tax payables	--	20,297	--	25,130
Social security payables	--	18,395	--	16,924
Other payables	--	443,854	--	399,181
TOTAL PAYABLES	--	1,278,156	--	442,739
E) ACCRUED EXPENSE AND DEFERRED INCOME		121,770		46,688
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		429,772,579		169,325,295

* *of which amounts due in over one year*

DRY PRODUCTS S.p.A.
Headquarters in Milan: Via Ciovassino 1
Share capital at December 31 2011: € 12,426,162.00

INCOME STATEMENT

(in euro)

		2011		2010
A) VALUE OF PRODUCTION				
Other revenues and income		489,795		327,716
TOTAL VALUE OF PRODUCTION		489,795		327,716
B) COSTS OF PRODUCTION				
Services		169,781		81,674
Lease and rental expense		15,286		14,982
Personnel costs:				
Salaries and wages	234,790		200,379	
Social contributions	77,249		67,174	
Leaving indemnity	19,191		13,904	
Total personnel costs		331,230		281,457
Amortization, depreciation & writedowns		787		261
Risk provisions		--		132,359
Miscellaneous operating costs		70,822		36,689
TOTAL COSTS OF PRODUCTION		587,906		547,422
OPERATING INCOME (LOSS)		(98,111)		(219,706)
C) FINANCIAL INCOME AND EXPENSE				
Income from equity investments:				
from other companies	998,848		18,100	
Total income from equity investments		998,848		18,100
Other financial income:				
From securities recorded in current assets which are not equity investments	14,984,876		4,951,803	
Income other than the above				
Interest and commissions from others & sundry income	1,402,589		94,668	
Total other financial income		16,387,465		5,046,471
Interest and other financial expense:				
Others	938,552		74,300	
Total interest and other financial expense		938,552		74,300
Foreign exchange gains and losses		343,078		378,518
TOTAL FINANCIAL INCOME AND EXPENSE		16,790,839		5,368,789
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS				
Write-ups:				
of securities recorded in current assets which are not equity investments	29,407		--	
Write-downs:				
of equity investments	1,702,262		512,538	
of securities recorded in current assets which are not equity investments	7,747,137		642,096	
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		(9,419,992)		(1,154,634)
E) EXTRAORDINARY INCOME AND EXPENSE				
Income:				
Other income	3,171		3,242	
Expense:				
Capital losses on disposals	--		--	
Other expenses	--		--	
TOTAL EXTRAORDINARY INCOME AND EXPENSE		3,171		3,242
RESULT BEFORE TAXES		7,275,907		3,997,691
Income taxes for the year		--		(8,068)
Net income (loss) for the year		7,275,907		3,989,623

CIR INTERNATIONAL S.A.
Headquarters: LUXEMBOURG
Share capital at 31.12.2011: € 10,000,000.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
Fixed assets		
- tangible assets	7,095	7,750
- financial assets	195,093,026	136,660,713
	195,100,121	136,668,463
Current assets		
- receivables	3,231,619	2,261,698
- marketable securities	111,740,319	122,501,289
- cash at banks and in hand	3,540,121	9,979,172
	118,512,059	134,742,159
Prepayments and accrued income	117,921	9,438,372
Total assets	**313,730,101**	**280,848,994**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
Share capital	10,000,000	10,000,000
Legal reserve	1,000,000	1,000,000
Retained earnings (losses)	(4,405,170)	(11,426,899)
Net income (loss) for the year	(8,047,919)	7,021,729
Total shareholders' equity	**(1,453,089)**	**6,594,830**
Provisions for risks and charges	10,521,737	10,389,822
Long term debt	292,188,092	100,835,636
CURRENT LIABILITIES		
- short term debt	3,060,342	148,000,000
- other payables	541,167	1,322,641
	3,601,509	149,322,641
Accruals and deferred income	8,871,852	13,706,065
Total liabilities	**315,183,190**	**274,254,164**
Total liabilities and shareholders' equity	**313,730,101**	**280,848,994**

CIR INTERNATIONAL S.A.
Headquarters: LUXEMBOURG
Share capital at 31.12.2011: € 10,000,000.00

INCOME STATEMENT
(in euro)

	2011	*2010*
INCOME		
Income from fixed assets	11,982,935	28,815,048
Income from current assets	25,028,671	58,809,394
Value adjustments on marketable securities	--	12,369,702
Operating income	43,655	47,963
Other income	1,539,563	--
Loss for the year	8,047,919	--
Total income	**46,642,743**	**100,042,107**
EXPENSES		
Value adjustment on		
- tangible assets	3,668	4,611
- financial assets	4,761,784	13,319,713
	4,765,452	13,324,324
Interest payable and similar charges	25,648,149	77,777,037
Value adjustments on marketable securities	12,728,525	--
Operating charges	2,079,079	1,919,017
Other charges	1,421,538	--
Profit for the year	--	7,021,729
Total expenses	**46,642,743**	**100,042,107**

CIGA LUXEMBOURG S.A.r.l.
Headquarters: LUXEMBOURG
Share capital at 31.12.2011: € 1,000,000.00

BALANCE SHEET

(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
Fixed assets		
- tangible assets	--	--
- financial assets	1	263,016
	1	263,016
Current assets		
- receivables	264,140	22,128
- marketable securities	5,521,250	5,632,653
- cash and bank and in hands	97,268	158,181
	5,882,658	5,812,962
Prepayments and accrued income	42,023	527
TOTAL GENERAL	5,924,682	6,076,505

LIABILITIES AND SHAREHOLDERS'EQUITY	*31.12.2011*	*31.12.2010*
Share capital	1,000,000	1,000,000
Legal reserve	100,000	100,000
Profit (loss) brought forward	4,920,129	5,028,981
Profit (loss) for the year	(161,259)	(108,852)
Total shareholders' equity	5,858,870	6,020,129
Current liabilities	65,812	56,376
Total liabilities	65,812	56,376
TOTAL GENERAL	5,924,682	6,076,505

CIGA LUXEMBOURG S.A.r.l.
Headquarters: LUXEMBOURG
Share capital at 31.12.2011: € 1,000,000.00

INCOME STATEMENT
(in euro)

	2011	*2010*
INCOME		
Income from current assets	1,706	640
Value adjustments on marketable securities	--	--
Extraordinary income	44,506	160,222
Loss for the year	161,259	108,852
Total income	**207,471**	**269,713**
EXPENSES		
Value adjustment on		
- tangible assets	--	238
- finanzial assets	--	715
	--	953
Interest payable and similar charges	231	10,231
Operating charges	192,813	258,529
Extraordinary charges	14,427	--
Total expenses	**207,471**	**269,713**

JUPITER FINANCE S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 2,700,000.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS		*31.12.2011*		*31.12.2010*
Cash and cash equivalents		721		1,765
Receivables		3,559,331		4,543,705
Equity investments		--		--
Tangible assets		81,506		100,816
Intangible assets		104,282		238,353
Tax assets		385,131		340,799
a) current	*37,373*		*26,277*	
b) deferred	*347,758*		*314,522*	
Other assets		19,093		197,755
TOTAL ASSETS		**4,150,065**		**5,423,193**

LIABILITIES AND SHAREHOLDERS' EQUITY		*31.12.2011*		*31.12.2010*
Payables		637,541		724,331
Tax liabilities		--		--
a) current	--		--	
b) deferred	--		--	
Other liabilities		1,372,045		1,926,495
Employee leaving indemnity (TFR)		71,692		77,918
Capital		2,700,000		2,700,000
Issuance premiums		--		--
Reserves		(5,550)		92,711
Net income (loss) for the year		(625,663)		(98,262)
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY		**4,150,065**		**5,423,193**

JUPITER FINANCE S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 2,700,000.00

INCOME STATEMENT
(in euro)

		2011		2010
Interest income and similar income		6,138		229
Interest expense and similar expense		(1,397)		(354,206)
INTEREST MARGIN		**4,741**		**(353,977)**
Commission income		1,600,247		3,958,514
Commission expense		--		--
NET COMMISSIONS		**1,600,247**		**3,958,514**
BROKERAGE MARGINS		**1,604,988**		**3,604,537**
Net adjustments to value for impairment of:		--		--
a) receivables	--		--	
Administrative costs:		(1,886,691)		(3,826,002)
a) personnel costs	*(1,018,115)*		*(1,961,621)*	
b) other administrative costs	*(868,576)*		*(1,864,381)*	
Net adjustments to the value of tangible assets		(32,159)		(53,087)
Net adjustments to the value of intangible assets		(176,888)		(202,302)
Other operating income		(137,677)		447,136
RESULT OF OPERATING ACTIVITY		**(628,427)**		**(29,718)**
Net income (loss) from sale of investments		--		--
INCOME (LOSS) FROM CURRENT ACTIVITY GROSS OF TAXES		**(628,427)**		**(29,718)**
Income taxes for the year on current operations		2,764		(68,544)
NET INCOME (LOSS) ON CURRENT ACTIVITY NET OF TAXES		**(625,663)**		**(98,262)**
NET INCOME (LOSS) FOR THE YEAR		**(625,663)**		**(98,262)**

CIRINVEST S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 119,764.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
A - RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE	--	--
B - FIXED ASSETS	--	--
I INTANGIBLE ASSETS	--	--
Start-up and expansion costs	--	--
Historical cost	--	--
- Accumulated amortization	--	--
Concessions, licenses, trademarks & similar rights	--	--
Historical cost	--	--
- Accumulated amortization	--	--
II TANGIBLE ASSETS	--	--
III FINANCIAL ASSETS	--	--
Receivables from others	--	--
C - CURRENT ASSETS	**104,709**	**106,305**
I INVENTORIES	--	--
II RECEIVABLES	**2,086**	**2,336**
Tax receivables of which due in over one year	2,086	2,336
Other receivables of which due in over one year	--	--
III FINANCIAL ASSETS NOT CLASSIFIED AS FIXED ASSETS	--	--
IV CASH AND CASH EQUIVALENTS	**102,623**	**103,969**
D - ACCRUED INCOME AND PREPAID EXPENSE	--	--
TOTAL ASSETS	**104,709**	**106,305**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
A - SHAREHOLDERS' EQUITY	**99,819**	**103,601**
I Capital	119,764	119,764
II Share premium reserve	--	--
III Revaluation reserves	--	--
IV Legal reserve	--	--
V Statutory reserves	--	--
VI Reserve for own shares held	--	--
VII Other reserves	--	--
VIII Retained earnings (losses)	(16,164)	(11,710)
IX Net income (loss) for the year	(3,781)	(4,453)
B - PROVISIONS FOR RISKS AND LOSSES	--	--
C - EMPLOYEE LEAVING INDEMNITY (TFR)	--	--
D - ACCOUNTS PAYABLE	**4,890**	**2,704**
Payables - suppliers up to one year	--	--
Tax payables up to one year	210	--
Social security payables up to one year	--	--
Other payables up to one year	4,680	2,704
E - ACCRUED EXPENSE AND DEFERRED INCOME	--	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**104,709**	**106,305**

CIRINVEST S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 119,764.00

INCOME STATEMENT

(in euro)

		2010	*2010*
A -	**VALUE OF PRODUCTION**	**--**	**--**
	Other revenues and income	**--**	**--**
B -	**COSTS OF PRODUCTION**	**(4,818)**	**(5,234)**
	Services	**(3,657)**	**(3,653)**
	- Consulting	(3,172)	(3,224)
	- Directors' and Auditors' fees	--	--
	- Other	(485)	(429)
	Lease and rental costs		
	Personnel costs	**--**	**--**
	a) Salaries and wages	--	--
	b) Social contributions	--	--
	c)Employee leaving indemnity (TFR)	--	--
	e) Other costs	--	--
	Amortization, depreciation & writedowns	**--**	**--**
	a) Amort. of intangible assets	--	--
	b) Deprec. of tangible assets	--	--
	c) Other writedowns of fixed assets	--	--
	Miscellaneous operating costs	**(1,161)**	**(1,581)**
OPERATING INCOME (LOSS)		**(4,818)**	**(5,234)**
C -	**FINANCIAL INCOME AND EXPENSE**	**1,037**	**781**
	Other financial income	1,037	1,074
	Interest and other financial expense	--	(293)
D -	**ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS**	**--**	**--**
E -	**EXTRAORDINARY INCOME AND EXPENSE**	**--**	**--**
	Income	--	--
RESULT BEFORE TAXES		**(3,781)**	**(4,453)**
	Income taxes for the year	--	--
NET INCOME (LOSS) FOR THE YEAR		**(3,781)**	**(4,453)**

NEXENTI S.r.l.
Headquarters: MILAN
Share capital at 31.12.2011: € 50,000.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
A - RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE	--	--
B - FIXED ASSETS		
I Intangible assets	--	4,329
II Tangible assets	--	--
III Financial assets	1,855,243	1,945,243
TOTAL FIXED ASSETS	1,855,243	1,949,572
C - CURRENT ASSETS		
I Inventories	--	--
II Receivables		
of which in up to one year	9,334,694	8,877,676
of which over one year	1,412,363	1,732,438
Total receivables	10,747,057	10,610,114
III Financial assets not classified as fixed assets	--	--
IV Cash and cash equivalents	130,348	41,592
TOTAL CURRENT ASSETS	10,877,405	10,651,706
D - ACCRUED INCOME AND PREPAID EXPENSE	81,000	--
TOTAL ASSETS	12,813,648	12,601,278

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2011*	*31.12.2010*
A - SHAREHOLDERS' EQUITY		
I Capital	50,000	50,000
II Share premium reserve	--	--
III Revaluation reserves	--	--
IV Legal reserve	541	541
V Statutory reserves	--	--
VI Reserve for own shares held	--	--
VII Other reserves	1,782,629	1,782,629
VIII Retained earnings (losses)	(45,464)	7,023
IX Net income (loss) for the year	(732,248)	(54,259)
TOTAL EQUITY	1,055,458	1,785,934
B - PROVISIONS FOR RISKS AND LOSSES	--	--
C - EMPLOYEE LEAVING INDEMNITY	--	50,746
D - ACCOUNTS PAYABLE		
up to one year	11,758,190	10,742,487
over one year	--	--
TOTAL PAYABLES	11,758,190	10,742,487
E - ACCRUED EXPENSE AND DEFERRED INCOME	--	22,111
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,813,648	12,601,278

NEXENTI S.r.l.
Headquarters: MILAN
Share capital at 31.12.2011: € 50,000.00

INCOME STATEMENT
(in euro)

	2011	2010
A - VALUE OF PRODUCTION		
Revenues from sales and services	617,262	21,436
Other revenues and income	7,712	--
TOTAL VALUE OF PRODUCTION	624,974	21,436
B - COSTS OF PRODUCTION		
Costs for services	(528,519)	(58,014)
Lease and rental costs	(38,172)	(1,460)
Personnel costs	(709,756)	(25,066)
salaries and wages	(573,017)	(24,647)
social contributions	(115,021)	(433)
employee leaving indemnity	(21,718)	14
Ammort. deprec. & writedowns	(9,401)	(12)
Amortization of intangible assets	(9,401)	(12)
Miscellaneous operating costs	(40,506)	(5,339)
TOTAL COSTS OF PRODUCTION	(1,326,355)	(89,891)
OPERATING INCOME (LOSS)	(701,381)	(68,455)
C - FINANCIAL INCOME AND EXPENSE		
Income from investments	1,460,793	--
Other financial income	252,613	304
Interest and other financial expense	(919,354)	(4,185)
TOTAL FINANCIAL INCOME AND EXPENSE	794,051	(3,881)
D - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(619,856)	--
E - EXTRAORDINARY INCOME AND EXPENSE	(205,062)	(3)
RESULT BEFORE TAXES	(732,248)	(72,339)
Income taxes for the year	--	18,080
NET INCOME (LOSS) FOR THE YEAR	(732,248)	(54,259)

CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 154 BIS OF D.LGS 58/98

1. The undersigned Rodolfo De Benedetti, as Chief Executive Officer, and Gerardo Benuzzi, as Officer responsible for the preparation of the accounting and corporate documents of CIR S.p.A., do hereby certify, taking into account even the terms of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24 1998:

- that the administrative and accounting procedures for the preparation of the Statutory Financial Statements during financial 2011 were adequate in relation to the size and nature of the business and
- that they were effectively applied.

4. On this subject no aspects emerged that needed to be notified.

5. It is also certified that the Statutory Financial Statements:

- were prepared in conformity with the international accounting standards recognized by the European Union according to the terms of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of July 19 2002;
- correspond to the results of the books and the general ledger;
- are suitable to give a true and fair representation of the equity, economic and financial position of the issuer.

The Report on Operations includes a reliable analysis of performance and of the result of operations as well as the position of the issuer together with a description of the principal risks and uncertainties to which it is exposed.

Milan, March 12 2012

Signed by	*Signed by*
Rodolfo De Benedetti	Gerardo Benuzzi
Chief Executive Officer	Officer Responsible

LIST OF EQUQITY INVESTMENTS

AT 31 DECEMBER 2011

pursuant to Art. 38.2, Italian Legislative Decree 127/91
and Art. 126, Consob Resolution no. 11971 of 14 May 1999

SUBSIDIARIES CONSOLIDATED USING THE FULL LINE-BY-LINE METHOD
(in euro or foreign currency)

Name of Company	Registered office	Share Capital	Currency	Parent Companies	% of ownership
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	10,000,000.00	€	CIR S.p.A.	100.00
CIRINVEST S.r.l.	Italy	119,764.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
JUPITER FINANCE S.p.A.	Italy	2,700,000.00	€	CIR S.p.A.	98.80
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	98.80
JUPITER MARKETPLACE S.p.A.	Italy	1,000,000.00	€	NEXENTI S.r.l.	100.00
DEVIL PEAK S.r.l.	Italy	65,000.00	€	NEXENTI S.r.l.	77.50
FOPPOLO RISORSE S.r.l.	Italy	10,000.00	€	DEVIL PEAK S.r.l.	76.50
SORGENIA GROUP					
SORGENIA HOLDING S.p.A.	Italy	137,282,214.00	€	CIR S.p.A.	65.03
SORGENIA S.p.A.	Italy	9,203,327.00	€	SORGENIA HOLDING S.p.A.	79.98
ENERGIA ITALIANA S.p.A.	Italy	26,050,000.00	€	SORGENIA S.p.A.	78.00
SORGENIA POWER S.p.A.	Italy	20,100,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA NEXT S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA PUGLIA S.p.A.	Italy	11,150,778.00	€	SORGENIA S.p.A.	100.00
SORGENIA BIOENERGY	Italy	2,700,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA MENOWATT S.r.l.	Italy	136,050.00	€	SORGENIA S.p.A.	70.00
RACOON S.r.l.	Italy	20,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA TRADING S.p.A.	Italy	10,000,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA USA LLC	USA	21,514,969.00	USD	SORGENIA S.p.A.	100.00
NOVENTI VENTURES II LP	USA	31,734,090.00	USD	SORGENIA USA LLC	69.47
SORGENIA E&P S.p.A.	Italy	32,000,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA INTERNATIONAL B.V.	Netherlands	2,004,000.00	€	SORGENIA E&P S.p.A.	100.00
SORGENIA E&P COLOMBIA B.V.	Netherlands	6,518,000.00	€	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P UK LTD	UK	2,487,761	GBP	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P BULGARIA EOOD	Bulgaria	11,153,100	BGN	SORGENIA INTERNATIONAL B.V.	100.00
AZZURRO S.p.A.	Italy	1,100,000.00	€	SORGENIA S.p.A.	90.00
SORGENIA GREEN S.r.l.	Italy	2,000,000.00	€	SORGENIA S.p.A.	100.00
ENERGIA LUCANA S.p.A.	Italy	50,000.00	€	SORGENIA GREEN S.r.l.	80.00
				TECNOPARCO VALBASENTO S.p.A.	20.00
					100.00
SORGENIA CASTELNUOVO DI CONZA S.r.l.	Italy	115,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA SAN GREGORIO MAGNO S.r.l.	Italy	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA MINERVINO S.p.A.	Italy	1,700,000.00	€	SORGENIA GREEN S.r.l.	75.00
SORGENIA SAN MARTINO IN PENSILIS S.r.l.	Italy	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA VENTO S.p.A.	Italy	50,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA GEOTHERMAL S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA BONEFRO S.r.l.	Italy	110,000	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CAGGIANO S.r.l.	Italy	10,000	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CAMPAGNA S.r.l.	Italy	110,000	€	SORGENIA GREEN S.r.l.	100.00
TORRE MAGGIORE WIND POWER S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	75.00
SORGENIA ROMANIA S.r.l.	Romania	16,377,719.00	RON	SORGENIA GREEN S.r.l.	74.98
				SORGENIA S.p.A.	25.02
					100.00

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
SORGENIA SOLAR S.r.l.	Italy	670,000.00	€	SORGENIA GREEN S.r.l.	100.00
SOLUXIA SARDA S.r.l.	Italy	85,200.00	€	SORGENIA SOLAR S.r.l.	85.00
SOLUXIA SARDA III S.r.l.	Italy	60,000.00	€	SORGENIA SOLAR S.r.l.	90.00
MPX ENERGY LTD	UK	533,809	GBP	SORGENIA INTERNATIONAL B.V.	67.63
MPX (Oil & Gas) Limited	UK	100	GBP	MPX ENERGY LTD	100.00
MPX RESOURCES Limited	UK	10	GBP	MPX ENERGY LTD	100.00
MPX NORTH SEA Limited	UK	10	GBP	MPX ENERGY LTD	100.00
HANNU NORTH SEA Limited	UK	10	GBP	MPX ENERGY LTD	100.00
HANNU EXPLORATION Limited	UK	10	GBP	MPX ENERGY LTD	100.00
SORGENIA FRANCE DEVELOPPEMENT S.A.	France	805,000.00	€	SORGENIA GREEN S.r.l.	100.00
ESPRESSO GROUP					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (*)	Italy	61,534,498.20	€	CIR S.p.A.	53.82
FIN.E.GI.L. EDITORIALE S.p.A.	Italy	128,798,515.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	99.78
EDITORIALE LA NUOVA SARDEGNA S.p.A.	Italy	775,500.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	100.00
S.E.T.A. S.p.A.	Italy	774,750.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	71.00
A. MANZONI & C. S.p.A.	Italy	15,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ROTOCOLOR S.p.A.	Italy	23,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
SOMEDIA S.p.A.	Italy	500,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
RETE A S.p.A.	Italy	13,198,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ALL MUSIC S.p.A.	Italy	6,500,000.00	€	RETE A S.p.A.	100.00
SOGEFI GROUP					
SOGEFI S.p.A. (**)	Italy	60,638,443.84	€	CIR S.p.A.	56.40
SOGEFI REJINA S.p.A.	Italy	21,978,316.00	€	SOGEFI S.p.A.	99.88
FILTRAUTO S.A.	France	5,750,000.00	€	SOGEFI S.p.A.	99.99
SOGEFI FILTRATION Ltd	UK	5,126,737	GBP	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION S.A.	Spain	12,953,713.60	€	SOGEFI S.p.A. FILTRAUTO S.A.	86.08 13.92 100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI S.p.A.	100.00
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	France	36,000,000.00	€	SOGEFI S.p.A.	99.98
SOGEFI PURCHASING S.a.s.	France	100,000.00	€	SOGEFI S.p.A.	100.00
ALLEVARD SOGEFI U.S.A. Inc.	USA	20,055,000	USD	SOGEFI S.p.A.	100.00
SYSTÈMES MOTEURS S.A.S.	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	29,857,374	BRL	SOGEFI FILTRATION S.A.	99.99
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	10,691,607	ARS	SOGEFI FILTRATION DO BRASIL Ltda FILTRAUTO S.A. SOGEFI REJNA S.p.A.	91.90 7.28 0.81 99.99
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	USD	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS Ltd	UK	4,000,002	GBP	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.99
ALLEVARD FEDERN GmbH	Germany	50,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	100.00
ALLEVARD REJNA ARGENTINA S.A.	Argentina	600,000	ARS	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.97

(*) 55.51% net of own shares held as treasury stock
(**) 58.02% net of own shares held as treasury stock

Name of Company	Registered office	Share Capital	Currency	Parent Companies	% of ownership
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	50.00
ALLEVARD MOLAS DO BRAZIL Ltda	Brazil	37,161,683	BRL	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.99
				ALLEVARD SPRINGS Co. Ltd	0.01
					100.00
UNITED SPRINGS Ltd	UK	6,500,000	GBP	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	100.00
UNITED SPRINGS B.V.	Netherlands	254,979.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	100.00
SHANGHAI ALLEVARD SPRING Co. Ltd	China	5,335,308.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	60.58
UNITED SPRINGS S.A.S.	France	10,218,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.99
LUHN & PULVERMACHER – DITTMANN & NEUHAUS GmbH	Germany	50,000.00	€	ALLEVARD FEDERN GmbH	100.00
S.ARA COMPOSITE S.a.S.	France	9,000,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	88.89
SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd	India	15,940,980	INR	FILTRAUTO S.A.	60.00
ALLEVARD IAI SUSPENSIONS PRIVATE Ltd	India	112,000,000	INR	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	51.00
SOGEFI ALLEVARD S.r.l.	Romania	210,000.00	RON	SOGEFI REJNA S.p.A.	100.00
MARK IV AIR INTAKE SYSTEMS CORP.	Canada	39,393,000	Cad	SYSTÈMES MOTEURS S.A.S.	100.00
MARK IV SYSTÈMES MOTEURS USA Inc.	USA	100.00	USD	SYSTÈMES MOTEURS S.A.S.	100.00
SYSTÈMES MOTEURS CHINA S.à.r.l.	Luxembourg	12,500	€	SYSTÈMES MOTEURS S.A.S.	100.00
MARK IV AIR INTAKE INDIA Pvt. Ltd.	India	20,684,570	INR	SYSTÈMES MOTEURS S.A.S.	99.52
				SYSTÈMES MOTEURS CHINA S.à.r.l.	0.48
					100.00
SYSTÈMES MOTEURS S.r.l.	Romania	1,000.00	RON	SYSTÈMES MOTEURS S.A.S.	99.00
MARK IV AIS MEXICO, S de R:L: de C:V:	Mexico	3,000.00	Mxn	SYSTÈMES MOTEURS S.A.S.	0.03
				MARK IV AIR INTAKE SYSTEMS CORP.	99.97
					100.00
MARK IV HONG KONG Limited	Hong Kong	1,000.00	Hkd	SYSTÈMES MOTEURS CHINA S.à.r.l.	100.00
MARK IV (Shanghai) TRADING Co. Ltd	China	5,000,000	Rmb	MARK IV HONG KONG Limited	100.00

KOS GROUP

KOS S.p.A.	Italy	8,182,944.60	€	CIR S.p.A.	53.65
REDANCIA S.r.l.	Italy	100,000.00	€	KOS S.p.A.	100.00
OSPEDALE DI SUZZARA S.p.A.	Italy	120,000.00	€	KOS S.p.A	99.90
MEDIPASS S.p.A.	Italy	700,000.00	€	KOS S.p.A	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.p.A.	100.00
MEDIPASS HEALTHCARE LTD	UK	1,000.00	GBP	MEDIPASS S.p.A.	65.00
CLEARMEDI HEALTHCARE LTD	India	579,100.00	INR	MEDIPASS HEALTHCARE LTD	51.00
RESIDENZA ANNI AZZURRI S.r.l.	Italy	27,079,034.00	€	KOS S.p.A	100.00
HSS REAL ESTATE S.p.A.	Italy	2,064,000.00	€	KOS S.p.A	100.00
PARCO IMMOBILIARE S.r.l.	Italy	100,000.00	€	KOS S.p.A	100.00
ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	Italy	2,550,000.00	€	KOS S.p.A	100.00
ABITARE IL TEMPO S.r.l.	Italy	99,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	55.00
CASA ARGENTO S.r.l.	Italy	1,096,500.00	€	ABITARE IL TEMPO S.r.l.	51.00
ARIEL TECHNOMEDICAL S.r.l.	Italy	10,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	51.00
SANATRIX S.r.l.	Italy	843,700.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	76.97
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.r.l.	Italy	80,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
VILLA ROSA S.r.l.	Italy	10,400.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Parent Companies*	*% of ownership*
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	100,000.00	€	KOS S.p.A	4.23
				RESIDENZA ANNI AZZURRI S.r.l.	41.76
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	38.00
				MEDIPASS S.p.A.	2.38
				OSPEDALE DI SUZZARA S.p.A.	2.47
				CASA ARGENTO S.r.l.	0.27
				SANATRIX GESTIONI S.p.A.	2.47
				ABITARE IL TEMPO S.r.l.	5.41
				REDANCIA S.r.l.	0.27
				ELSIDA S.r.l.	0.27
				VILLA ROSA	2.47
					100.00

DRY PRODUCTS GROUP

DRY PRODUCTS S.p.A.	Italy	12,426,162.00	€	CIR S.p.A.	100.00
FOOD MACHINERY MEDIUM VOLUME S.p.A. *(in liquidation)*	Italy	3,000,000.00	€	DRY PRODUCTS S.p.A.	100.00

CIR INTERNATIONAL GROUP

CIR VENTURES L.P.	USA	23,580,000.00	USD	CIR INTERNATIONAL S.A.	99.00
FOOD CONCEPTS HOLDING S.A.	Luxembourg	5,230,955.00	€	CIR INTERNATIONAL S.A.	80.16
FOOD CONCEPTS GERMANY GmbH	Germany	100,000	€	FOOD CONCEPTS HOLDING S.A.	100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
CIR GROUP					
LAKE LEMAN INTERNATIONAL SCHOOL S.A.	Switzerland	395,000.00	CHF	CIR S.p.A.	49.36
SORGENIA GROUP					
TIRRENO POWER S.p.A.	Italy	91,130,000.00	€	ENERGIA ITALIANA S.p.A.	50.00
GICA S.A.	Switzerland	4,000,000.00	CHF	SORGENIA S.p.A.	25.00
P&F Società agricola S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
FIN GAS S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
LNG MED GAS TERMINAL S.r.l.	Italy	22,440,655.00	€	FIN GAS S.r.l	70.00
SORGENIA FRANCE PRODUCTION S.A.	France	10,620,360.00	€	SORGENIA FRANCE DEVELOPPEMENT S.A.	50.00
PARC ÉOLIEN DE LA VOIE SACRÉE S.a.s.	France	2,197,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	24.86
PARC ÉOLIEN D'EPENSE S.a.s.	France	802,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	25.00
PARC ÉOLIEN DE HERBISSONNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	50.00
SAPONIS INVESTMENTS SP ZOO	Poland	532,500	PLN	SORGENIA INTERNATIONAL B.V.	26.76
VOLTERRA A.E.	Greece	3,609,402.00	€	SORGENIA GREEN S.r.l.	50.00
SOCIÉTÉ FRANÇAISE DES ALIZÉS SARL	France	580,125.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SAINT CRÉPIN S.a.s.	France	1,657,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE L'ARGONNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE SUD S.a.s.	France	802,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BERNAY ST MARTIN S.a.s.	France	2,987,400.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	France	9,757,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LONGEVILLE SUR MER S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE L'ORME CHAMPAGNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIENS DU NORD PAS-DE-CALAIS S.a.s.	France	400,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BOUILLANCOURT EN SÉRY S.a.s.	France	537,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LEFFINCOURT S.a.s.	France	4,537,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC D'AULNAY L'AÎTRE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A..	100.00
PARC ÉOLIEN DE BUSSY LE REPOS S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LA TIERACHE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A..	100.00
PARC ÉOLIEN DE PLAINCHAMP S.a.s.	France	3,037,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BLOMBAY L'ECHELLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LA VALLE DU DON S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SOURCE DE L'HERBISSONNE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SEUIL MONT LAURENT S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE MAURECHAMPS S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE RAIVAL S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE LA VALETTE S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE VILLER S.a.s.	France	577,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
TIRRENO SOLAR S.r.l.	Italy	100,000.00	€	TIRRENO POWER S.p.A.	100.00
ILIOFANIA A.E.	Greece	300,000.00	€	VOLTERRA A.E.	100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
ESPRESSO GROUP					
LE SCIENZE S.p.A.	Italy	103,400.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	50.00
EDITORIALE CORRIERE ROMAGNA S.r.l.	Italy	2,856,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
SOGEFI GROUP					
MARK IV ASSET (Shanghai) AUTO PARTS Co. Ltd	China	10,000,000	Rmb	MARK IV HONG KONG Limited	50.00
CIR INTERNATIONAL GROUP					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.56

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
SORGENIA GROUP					
TECNOPARCO VALBASENTO S.p.A.	Italy	945,000.00	€	SORGENIA S.p.A.	20.00
E-ENERGY S.r.l.	Italy	15,000.00	€	SORGENIA S.p.A.	20.00
EOLICA BISACCIA S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	20.00
SORGENIA CASTELVETERE S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA RICIGLIANO S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
OWP PARC ÉOLIEN DU BANC DEL OLIVES SARL	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	20.00
SORGENIA TRINIDAD & TOBAGO HOLDING LTD	Trinidad & Tobago	1,000	USD	SORGENIA INTERNATIONAL B.V.	100.00
RSG B.V.	Netherlands	18,000.00	€	SORGENIA INTERNATIONAL B.V.	33.33
SORGENIA POLAND B.V.	Netherlands	18,000.00	€	SORGENIA INTERNATIONAL B.V.	100.00
PHOTOVOLTAIQUE DE MARVILLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE DEVELOPPEMENT S.A.	100.00
PVP1 S.r.l.	Italy	10,000.00	€	SORGENIA SOLAR S.r.l.	100.00
PVP2 S.r.l.	Italy	10,000.00	€	SORGENIA SOLAR S.r.l.	100.00
PVP3 S.r.l.	Italy	10,000.00	€	SORGENIA SOLAR S.r.l.	100.00
ESPRESSO GROUP					
ENOTRYA S.r.l. *(in liquidation)*	Italy	78,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. *(in liquidation)*	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.p.A. *(in liquidation)*	Italy	1,000,000.00	€	ELEMEDIA S.p.A.	100.00
BENEDETTINE S.r.l. (*in liquidation*)	Italy	255,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
PREMIUN PUBLISHER NETWORK CONSORZIO	Italy	53,377.94	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	20.51
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	120,000.00	€	ELEMEDIA S.p.A.	27.50
KOS GROUP					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
CONSORZIO OSPEDALE DI OSIMO	Italy	20,000.00	€	ABITARE IL TEMPO S.r.l.	24.70
CIR INTERNATIONAL GROUP					
PHA – Participations Hotelieres Astor	France	12,150.00	€	CIR INTERNATIONAL S.A.	99.99
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) *Investments which are non-significant, non-operational or that have been recently acquired, unless stated otherwise*

INVESTMENTS IN OTHER COMPANIES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	Registered office	Share Capital	Currency	Parent Companies	% of ownership
SORGENIA GROUP					
EAL COMPOST S.r.l.	Italy	4,199,981.00	€	SORGENIA BIOENERGY S.p.A.	5.80
ESPRESSO GROUP					
AGENZIA A.N.S.A. S. COOP. A.r.l.	Italy	11,921,162.64	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	3.81
				FIN.E.GI.L. EDITORIALE S.p.A.	8.97
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	3.17
				S.E.T.A. S.p.A.	2.53
					18.48
CONSULEDIT S. CONSORTILE a.r.l.	Italy	20,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	6.64
				FIN.E.GI.L. EDITORIALE S.p.A.	4.86
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.62
				S.E.T.A. S.p.A.	0.49
					12.61
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	S.E.T.A. S.p.A.	0.17
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.12
					0.29
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	S.E.T.A. S.p.A.	14.40
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,767.75	SIT	FIN.E.GI.L. EDITORIALE S.p.A.	19.00
AUDIRADIO S.r.l. *(in liquidation)*	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. (*inactive*)	USA	7,663,998.4	USD	ELEMEDIA S.p.A.	7.83
CERT – CONSORZIO EMITTENTI RADIO TELEVISIVE	Italy	177,531.00	€	RETE A S.p.A.	6.67
CONSORZIO COLLE MADDALENA	Italy	62,224.08	€	RETE A S.p.A.	4.17
CONSORZIO ANTENNA COLBUCCARO	Italy	180,000.00	€	RETE A S.p.A.	8.89
TELELIBERTÀ S.p.A.	Italy	500,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	19.00
SOGEFI GROUP					
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd	Sudan	900,000	SDG	SOGEFI REJNA S.p.A.	25.00
AFICO FILTERS S.A.E.	Egypt	11,000,000	EGP	SOGEFI REJNA S.p.A.	22.62
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	18,000,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	5.00
FONDO SPAZIO SANITÀ	Italy	18,000,000.00	€	VILLA ROSA S.r.l.	5.00
FONDO SPAZIO SANITÀ	Italy	18,000,000.00	€	RESIDENZE ANNI AZZURRI S.r.l.	5.00
CIR INTERNATIONAL GROUP					
SWISS EDUCATION GROUP AG	Switzerland	81,886,000	CHF	CIR INTERNATIONAL S.A.	19.54

(*) Investments of less than 20%

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES

NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
CIR GROUP					
FINAL S.A. *(in liquidation)*	France	2,324,847.00	€	CIGA LUXEMBOURG S.A.r.l.	47.73
SOGEFI GROUP					
INTEGRAL S.A. *(in liquidation)*	Argentina	2,515,600	ARS	FILTRAUTO S.A.	93.50
				SOGEFI FILTRATION ARGENTINA S.A.	6.50
					100.00

REPORT OF THE BOARD OF STATUTORY AUDITORS

C I R S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS IN ACCORDANCE WITH THE TERMS OF ARTICLE 153 D. LGS. NO. 58/1998

(TRANSLATION FROM THE ORIGINAL ISSUED ITALIAN)

To the Meeting of the Shareholders of C.I.R. S.p.A.

During financial year ended December 31 2011 we performed the surveillance activities required of us by law and by the Company Bylaws, according to the Principles of Conduct for Statutory Auditors recommended by the National Council of Business Consultants and Accountants. In the preparation of this report we took into account both the aforesaid principles and the indications given by Consob in its Communiqué no. 1025564 of April 6 2001 and subsequent updates.

In relation to the way in which the duties contained in our mandate were carried out, we hereby attest that:

- We attended the Shareholders' Meetings and the Meetings of the Board of Directors that were held during the year under examination and obtained from the Directors timely and suitable information on performance for the year and the outlook for the future and also on the most significant transactions from the economic, financial and equity points of view entered into by the Company and by the Group of companies that the latter controls, in accordance with the Law and the Bylaws; we also confirm that the Board of Statutory Auditors always took part, through the presence of one or more of its members, in the meetings of the Internal Control Committee and read the minutes of the meetings of the Compensation Committee;

- We obtained a degree of knowledge necessary to carry out the duties contained in our mandate regarding compliance with the law and with the Bylaws, with the principles of sound administration and on the degree of adequacy of the organizational structure of the Company and of its internal control and administrative-accounting systems, through direct investigation, collecting data and information from the heads of the departments involved and from an exchange of data and significant information with the firm of auditors mandated to carry out the legal audit of the annual and consolidated accounts;
- As per the terms of Article 19 of D.Lgs. no. 39/2010, in the capacity of Internal Control and Audit Committee, we carried out the surveillance activity contained in it with reference to: a) the process of financial disclosure; b) the effectiveness of the systems of internal control, internal audit and risk management; c) the legal audit of the annual and consolidated accounts; d) the independence of the firm carrying out the legal audit, by means of direct investigation, obtaining information for the heads of department, and analysing the results of the work carried out by the firm of auditors;
- We duly acknowledged and adopted the results of the quarterly checks by the firm of auditors holding the audit mandate that the accounts were being kept correctly;
- We received from the same firm of auditors the Reports as per the terms of Art. 14 and Art. 19, parag. 3, of D.Lgs. no. 39/2010;
- We received from the same firm of auditors, in accordance with Art. 17, parag. 9, letter a) of D.Lgs. no. 39/2010, the annual confirmation of its independence as well as communication of the non-auditing services provided to C.I.R. S.p.A. by the firm of auditors and by entities belonging to its network;

- We analysed, as per the terms of Art. 17, parag. 9, letter b) of D.Lgs. no 39/2010, the risks relating to the independence of the firm carrying out the legal audit of the accounts and the measures that it adopts to limit such risks;
- We monitored the functionality of the system of control over the investee companies and the adequacy of the instructions given to them, even as per the terms of Art. 114, parag. 2 of D.Lgs. no. 58/1998;
- We checked that the rules of corporate governance as set out in the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A. had been adopted by the Company and were being put into practice;
- We checked that the Organization, Management and Control Model, as per D.Lgs. no 231/2001 and subsequent amendments, had been updated to take into account the extended scope of the legislation;
- We monitored, as per the terms of Article 4, parag. 6 of the Regulations approved by Consob with Resolution no. 17221 of March 12 2010, compliance with the Procedure for Transactions with Related Parties, approved by the Board of Directors on October 28 2010;
- We verified that there were no issues of any importance to be notified by the control functions of the subsidiaries of CIR S.p.A.;
- We checked that the provisions of the law and of regulations were being complied with in relation to the preparation, the organization and the layout of the Statutory Financial Statements and the Consolidated Financial Statements and the documents accompanying them. We also checked compliance of the related Reports on Operations with laws and regulations in force and their consistency with the resolutions of the Board of Directors ;

- We verified that the impairment test procedure set up to check whether assets in the balance sheet had lost any value were adequate from the methodological viewpoint;
- We acknowledged, on the basis of the Directors' statements and the assessments made by the Board of Directors, that the criteria and procedures for establishing the independence of its members were correctly applied by said Board.

In the course of our surveillance activity, carried out as above, no significant facts emerged requiring notification to the Surveillance Bodies nor do we have any proposals to make regarding the financial statements, the approval thereof or any other matter relating to our mandate.

* * *

The specific indications that this report must provide are listed below, in accordance with the above-cited Consob Communiqué of April 6 2001 and subsequent updates.

1. We obtained sufficient information on the most significant transactions from the economic, financial and equity viewpoint which were entered into by C.I.R. S.p.A. and its subsidiaries, checking that they were in accordance with the law and the company Bylaws; the Directors have given adequate information on these transactions in the Report on Operations; we also obtained information and ensured that the transactions approved and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted or in potential conflict of interest or in any way such as to compromise the integrity of the Company's capital and assets.
2. Adequate information was given to us regarding intercompany and related-party transactions. Based on the information gathered, we ascertained that these transactions

complied with the law and with the Company Bylaws, were in the interests of the Company and did not give rise to any doubts as to the correctness and completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the company capital and assets and safeguarding minority shareholders; the periodic checks and controls carried out in the Company offices did not reveal that any atypical and/or unusual transactions had been carried out;

3. In the Report on Operations and in the Notes to the Financial Statements, the Directors have given adequate information on the main transactions entered into between CIR S.p.A., the companies belonging to the group and/or related parties, stating that these transactions took place at normal market conditions, considering also the quality and type of services provided; the transactions in question mainly concerned services pertaining to administrative and financial matters, management support and communications. Suitable financial and economic details of these deals were given in the documents which accompany the statutory financial statements for 2011;
4. On today's date, the firm of auditors appointed to carry out the legal audit of the accounts, Deloitte & Touche S.p.A., issued the audit reports as per Art. 14 of D.Lgs no. 39/2010 for the Statutory Financial Statements and the Consolidated Financial Statements for the year ended December 31 2011, which included their opinion regarding the consistency of the same as required by Art. 14, parag. 2, letter e) of D.Lgs. no. 39/2010 and Art. 123-*bis* of D. Lgs. No. 58/1998, without any objections or requests for further information;

5.-6. We did not receive any complaints as per Article 2408 of the Civil Code or any petitions, nor did we hear of any such complaints being made to others;

7.-8. During financial year 2011, C.I.R. S.p.A. gave further mandates to the firm of auditors, in addition to the legal audit mandate, for other services for the purposes of certification for fees of euro 3,000. In the same year the subsidiaries gave further mandates to the firm of auditors, apart from the legal audit mandate, for the issue of certification for an amount of euro 356,000 and mandates for other services for euro 91,000. The subsidiaries of C.I.R. S.p.A. also gave mandates to companies belonging to the network of the firm of auditors for other services for a total of euro 12,000. These considerations appear appropriate to the size and complexity of the assignments performed and in any case do not appear sufficient to affect the independence and autonomy of the auditors when performing their legal audit functions.

9. During the year under examination we issued opinions as per the terms of Art. 2389 of the Civil Code;
10. During financial year 2011, the Board of Directors met 8 times, the Internal Control Committee met 6 times and the Compensation Committee met twice, the Appointments Committee met once, and the Related Party Transactions Committee meet twice. During the year the Board of Statutory Auditors also held 10 meetings;
11. – 12. We have no particular observations to make either concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or concerning the adequacy of the organizational structure, which we found to be suitable to meet the operating, managerial and control needs of the Company;
13. The system of internal control appeared to be adequate for the size and type of operations of the Company as we also ascertained at the meetings of the Internal Control Committee which, on the basis of the rules of governance adopted, are attended by the Chairman of the Board of Statutory Auditors (or another Statutory Auditor designated by the latter). Moreover, the Internal Audit Manager of the Group and the Officer responsible for Internal Control pursuant to the Code of Conduct prepared by the Committee for the

Corporate Governance of Listed Companies made sure that there was the necessary functional and information link regarding the way in which their institutional control duties were carried out and the outcome of the checks carried out, even by attending the meetings of the Board of Statutory Auditors.

14. We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly. Regarding the accounting details contained in the statutory and consolidated financial statements as of December 31 2011, these were certified by the Chief Executive Officer and by the Executive responsible for the preparation of the company's financial statements in accordance with Art. 154-*bis*, parag. 5 of D.Lgs. 58/1998 and Art. 81-*ter* of Consob Regulation no. 11971 of May 14 1999 and subsequent amendments and additions.
15. We have no observations to make regarding the adequacy of information flows from the subsidiaries to the Parent Company to ensure the timely fulfilment of communication obligations required by law.
16. During the regular exchanges of information and data between the Board of Statutory Auditors and the external Auditors, in accordance also with Art. 150, parag. 3, of D.Lgs. 58/1998, no aspects emerged that needed to be highlighted in this report.
17. The Company has substantially adhered to the recommendations contained in the Code of Conduct prepared by the Committee for the Corporate Governance of Listed Companies, and has illustrated its corporate governance model in the Report on this subject, prepared also in accordance with Art. 123-*bis* of D.Lgs. no. 58/1998. To the extent of our responsibility we have monitored the way in which the rules of corporate governance required by the above-mentioned Code of Conduct, as adopted by the Company, are actually being implemented, ensuring among other things that the Corporate Governance

Report of CIR S.p.A. contained the results of the regular check that the Board of Statutory Auditors has the necessary requisites of independence, which are determined on the same basis as those for the independent Members of the Board of Directors pursuant to the aforesaid Code of Conduct. In relation to the provisions of D.Lgs. 231/2001, the Company has adopted and implemented an "Organizational Model" for conducting and regulating the business, making sure that it is kept updated, and has set up a Surveillance Body as required by regulations. The Company has also adopted a Code of Ethics regulating conduct;

18. Our surveillance activity was carried out on a routine basis during 2011 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note;
19. On completion of the surveillance activity we carried out during the year we have no proposals to make as per Art. 153, parag. 2. of D.Lgs. 58/1998 regarding the separate financial statements of C.I.R. S.p.A. as of December 31 2011, on the approval thereof or on any other matter within our jurisdiction, just as we have no observations to make on the proposed allocation of profit for the year or on the proposed dividend distribution put forward by the Board of Directors.

Milan, April 4 2012

THE BOARD OF STATUTORY AUDITORS

Prof. Pietro Manzonetto – Chairman of the Board of Statutory Auditors

Dott. Riccardo Zingales – Statutory Auditor

Dott. Luigi Nani – Statutory Auditor

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

Deloitte & Touche S.p.A.
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Italia

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
CIR S.p.A.

1. We have audited the consolidated financial statements of CIR S.p.A. and subsidiaries (the "CIR Group"), which comprise the statement of financial position as of December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have reclassified certain comparative data related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued auditors' reports dated March 31, 2011. These revisions to reclassifications of comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the CIR Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of CIR S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the section "governance" of CIR S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the CIR Group as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
April 4, 2012

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
CIR S.p.A.

1. We have audited the financial statements of CIR S.p.A., which comprise the statement of financial position as of December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 31, 2011.

3. In our opinion, the financial statements give a true and fair view of the financial position of CIR S.p.A. as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of CIR S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the section "governance" of CIR S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of CIR S.p.A. as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
April 4, 2012

This report has been translated into the English language solely for the convenience of international readers.