COFIDE

Gruppo De Benedetti

Consolidated Financial Statements, Statutory Financial Statements and Annual Report

Financial year 2010

COFIDE - Gruppo De Benedetti S.p.A.
Share Capital € 359,604,959
Register of Companies and Tax Code 01792930016
Company subject to management and coordination by CARLO DE BENEDETTI & FIGLI S.a.p.A.

Registered and Operating Offices
20121 Milan, Via Ciovassino 1
Tel. (02) 72270.1 Fax (02) 72270.270

Administrative Offices
10129 Turin, Via Valeggio 41
Tel. & Fax (011) 5517 +

Board of Directors

CARLO DE BENEDETTI
Honorary Chairman
and Director

FRANCESCO GUASTI (*)
Chairman

RODOLFO DE BENEDETTI (**)
Chief Executive Officer

ROGER ABRAVANEL (***)
GIAMPAOLO BRUGNOLI (****)
FRANCESCA CORNELLI (****)
MASSIMO CREMONA (***)
FRANCO DEBENEDETTI
MARCO DE BENEDETTI
PIERLUIGI FERRERO
FRANCO GIRARD
JOSEPH OUGHOURLIAN
ROBERTO ROBOTTI (****)
PAOLO RICCARDO ROCCA (***) (*****)
MASSIMO SEGRE
Directors

FRANCA SEGRE
Secretary to the Board

Board of Statutory Auditors

VITTORIO BENNANI
Chairman

TIZIANO BRACCO
RICCARDO ZINGALES
Statutory Auditors

RAFFAELE CATARINELLA
LUIGI MACCHIORLATTI VIGNAT
LUIGI NANI
Alternate Auditors

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.

(*) Legal representative
(**) Power to sign all documents relating to ordinary and extraordinary administration except for those reserved by law to the Board of Directors
(***) Member of the Compensation Committee
(****) Member of the Internal Control Committee
(*****) Lead Independent Director

NOTICE OF MEETING

Shareholders are invited to attend the Extraordinary and Ordinary Sessions of the Annual General Meeting of the Shareholders of the Company to be held, at the first call, on April 28 2011 at 3.00 p.m. in the Palazzo delle Stelline Congress Centre, Corso Magenta 61, in Milan and, if a second call is necessary, on April 29 2011 at the same time and the same place, to discuss and pass resolution on the following

AGENDA

Extraordinary Part

1. Proposal to amend the Company Bylaws even to bring them into line with D.Lgs. 27/2010: in particular the amendment of Articles 8, 9 and 14 of the Company Bylaws. Resolutions pertaining to and resulting from the same.

Ordinary Part

2. Annual Report and Financial Statements for the year ended December 31 2010. Report of the Board of Statutory Auditors.
3. Appointment of the Board of Statutory Auditors for financial years 2011-2013 and decision as to their fees.
4. Proposal to cancel the resolution of April 30 2010 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
5. Proposal to amend the Rules for Shareholders' Meetings.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 359,604,959.00 and consists of 719,209,918 ordinary shares each with a nominal value of € 0.5 all of which have voting rights.

ATTENDING THE SHAREHOLDERS' MEETING

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 Friday April 15 2011, 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, 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 aforesaid notification be sent in as above.

PROXY AND VOTING RIGHTS

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.cofide.it in the section Corporate 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 their 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 Fiduciaris 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 elena.fusina@compagniafiduciaria.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 26 2011. 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 26 2011.
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.

DOCUMENTATION

The documentation relating to 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 at the Company Headquarters (in Milan, Via Ciovassino 1) and at Borsa Italiana S.p.A. and is also available on the website of the company www.cofide.it, in the section Corporate Governance. Shareholders may obtain a copy of the documentation. The Financial Statements for the year 2010 will be made available to the public through the same channels by April 6 2011.

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 to the company offices or by 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 21 2011.
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 of the company with voting rights, 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 to the Company Headquarters or by 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.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

In relation to item 3 on the Agenda, notification is given that with the coming Shareholders' Meeting the mandate of the members of the Board of Statutory Auditors will come to an end. It will therefore be necessary to appoint new members for financial years 2011-2013.
The appointment of the Board of Statutory Auditors takes place in accordance with Art. 148 of the TUF and with Art. 22 of the Company Bylaws to which reference should be made.
The Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders in which the candidates are listed in numerical order.
Only Shareholders who alone or together with other Shareholders represent at least 2.5% (two point five per cent) of the capital at the ordinary Shareholders' Meeting have the right to present lists.
Shareholders who intend to present lists for the appointment of the members of the Board of Statutory Auditors are invited to consult the recommendations given in Consob Communiqué no. DEM/9017893 of February 26 2009.
The lists, signed by the Shareholder or by the Shareholders who are presenting them, even delegating one of them to do so, and accompanied by the required documentation must be filed by the same presenting Shareholders with the Company Headquarters - Via Ciovassino 1, Milan – or sent by e-mail to the certified address segre@legalmail.it by April 3 2011 at the latest. They will be published according to current regulations. As this deadline is a Sunday lists may be sent by fax to the no. 02-72270229 provided that they are delivered physically to the Company offices by April 4 2011.
The lists must be complete with:
- information regarding the identity of the Shareholders who have presented them, with an indication of the percentage of their share holding interest and with one (or more) certificate(s) to be filed at the Company offices at the same time or anyway by April 6 2011 at the latest, which prove that they own such interest(s) as of the date on which the lists were presented;
- a declaration by the Shareholders other than those holding, even jointly, a controlling interest or a relative majority, that they have no connection with them as indicated by current legislation and regulations on this subject;
- an exhaustive description of the personal and professional characteristics of the candidates together with a declaration made by the same candidates that they possess the requisites required by current regulations and by the Company Bylaws and that they accept their candidature and also, for the election of the Statutory Auditors, the lists of positions as director or statutory auditor that they hold in other companies.

Lists presented that do not comply with the instructions above will be considered as not having been presented. No Shareholder can present or contribute to the presentation of more than one list of candidates even through an intermediary or through a fiduciary company.
Shareholders who belong to the same group or who take part in the same Shareholder agreement based on the shares of the Company cannot present or vote for more than one list even through an intermediary or through a fiduciary company. Nobody can be a candidate on more than one list and acceptance of candidature on more than one list means that that person cannot be elected.
Anyone who exceeds the limits laid down by current legislation and by the Bylaws in relation to the total number of positions held as director or statutory auditors in other companies cannot accept the position and if elected such election will not be valid and will lapse.
Each list consists of two sections: one for the candidates for the position of Statutory Auditor and the other for the candidates for the position of Alternate Auditor. They contain the names of one or more candidates for the position of Statutory Auditor and Alternate Auditor, which are in numerical order and are no more than the number of members to be elected.
If by the deadline for presentation of the lists only one list has been filed, or if the only lists presented are by Shareholders who are related parties in accordance with the terms of regulations on the subject, as per Art. 144 *sexies* of the Rules for Issuers approved by Consob Regulation no. 11971 and subsequent amendments and additions, then lists can be presented until the third day following this deadline. In this case, the threshold required for the presentation of lists is reduced by one half and thus to 1.25% (one point two five per cent) of the share capital.
The Company Bylaws are available on the website www.cofide.it, in the section Corporate Governance.

Milan, March 18 2011

For the Board of Directors
The Chairman
(Dott. Francesco Guasti)

The notice of meeting was published in the newspaper
"la Repubblica" on March 18 2011

Extraordinary and Ordinary General Meeting of the Shareholders

Milan, April 28 April 2011 – 1st call
Milan, April 29 April 2011 – 2nd call

C O N T E N T S

This Annual Report and Financial Statements as of December 31 2010 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.

REPORT ON OPERATIONS

Dear Shareholders,

In financial year 2010:

- The *consolidated net income* of the Cofide group was € 22.9 million, down from € 62.3 million in financial year 2009;

- The *consolidated equity* of the Cofide group rose from € 704.2 million at December 31 2009 to € 747.4 million at December 31 2010.

The result was mainly due to the contribution of the subsidiary Cir which amounted to € 27.6 million compared to € 69.5 million in 2009.
The consolidated net income of Cir in 2010 was € 56.9 million compared to € 143.4 million in 2009.
The year benefited from the results of the prompt action taken to counter the crisis which brought about an improvement in the profitability of the operating groups. As far as the comparison with the previous year is concerned, it should be remembered that the 2009 earnings figure contained non-recurring income and capital gains for a total of € 106.7 million, resulting from the subscription of a capital increase in Sorgenia by Verbund and from the partial disinvestment of shares of hedge funds.

The group includes five business sectors: utilities (electricity and gas), media (publishing, radio and television), automotive components (filters and suspension components), healthcare (care homes, rehabilitation and hi-tech services) and financial investments (venture capital, private equity and financial services).

With a view to providing further information on the financial and economic performance of the Cofide group during 2010, below are the key income statement and balance sheet figures, which show the contribution of Cir to the aggregate earnings and shareholders' equity of Cofide S.p.A.

The **income statement** is as follows:

(in millions of euro)

	2010	2009
Contributions of the investments in subsidiaries and associates:		
- Cir S.p.A.	27.6	69.5
- Euvis S.p.A..	(1.1)	--
- Other financial companies	--	0.2
TOTAL CONTRIBUTIONS	**26.5**	**69.7**
Net gains and losses from trading and valuing securities	(0.9)	(0.4)
Net financial income and expense	(0.1)	(4.1)
Net operating costs	(2.6)	(2.9)
RESULT BEFORE TAXES	**22.9**	**62.3**
Income taxes	--	--
NET INCOME	**22.9**	**62.3**

The **balance sheet** at December 31 2010 shows aggregate net financial debt of € 31.9 million and a portfolio of equity investments of € 777.7 million offsetting equity of € 747.4 million.

(in millions of euro)

	31.12.2010	31.12.2009
Cir S.p.A.	757.6	712.3
Euvis S.p.A.	3.3	4.2
EQUITY INVESTMENTS CLASSIFIED AS FIXED ASSETS	**760.9**	**716.5**
Other equity investments	16.8	14.4
TOTAL EQUITY INVESTMENTS	**777.7**	**730.9**
Tangible assets	1.3	1.3
Net receivables and payables for the year	0.3	0.5
NET INVESTED CAPITAL	**779.3**	**732.7**
Financed by:		
Shareholders' equity	**747.4**	**704.2**
Aggregate net financial debt	**(31.9)**	**(28.5)**

1. PERFORMANCE OF THE COFIDE GROUP

Consolidated revenues in 2010 totalled € 4,805.5 million, up from € 4,266.8 million in 2009, with a rise of € 538.7 million (+12.6%).

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

(in millions of euro)	*2010*	*%*	*2009*	*%*	*Change absolute*	*%*
Utilities						
Sorgenia group	2,668.5	55.5	2,325.8	54.5	342.7	14.7
Media						
Espresso group	885.0	18.4	886.6	20.8	(1.6)	(0.2)
Automotive components						
Sogefi group	924.7	19.3	781.0	18.3	143.7	18.4
Healthcare						
KOS group	325.4	6.8	273.4	6.4	52	19.0
Other sectors	1.9	-			1.9	n..a.
Total consolidated revenues	4,805.5	100.0	4,266.8	100.0	538.7	12.6
of which: ITALY	3,884.0	80.8	3,525.6	82.6	358.4	10.2
OTHER COUNTRIES	921.5	19.2	741.2	17.4	180.3	24.3

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

(in millions of euro)		*2010*	*%*	*2009*	*%*
Revenues		4,805.5	100.0	4,266.8	100.0
Consolidated gross operating margin (EBITDA)	*(1)*	**394.2**	**8.2**	**288.6**	**6.8**
Consolidated operating income (EBIT)		**209.8**	**4.4**	**141.9**	**3.3**
Financial management result	*(2)*	(78.9)	(1.6)	35.8	0.9
Income taxes		(13.2)	(0.3)	4.3	0.1
Net income including minority interests		**117.7**	**2.5**	**182.0**	**4.3**
Net income minority interests		(94.8)	(2.0)	(119.7)	(2.8)
Net income of the Group		**22.9**	**0.5**	**62.3**	**1.5**

1) This balance is the sum of the items "earnings before interest and taxes (EBIT)" and "amortization, 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

The **consolidated gross operating margin (EBITDA)** in 2010 was € 394.2 million (8.2% of revenues) up from € 288.6 million in 2009 (6.8% of revenues), with a rise of € 105.6 million (+36.6%) thanks to the improvement in the profitability of all the main operating groups.

The **consolidated operating margin (EBIT)** for 2010 was € 209.8 million (4.4% of revenues) compared to € 141.9 million (3.3% of revenues) in 2009 with a rise of € 67.9 million.

The financial management result was a negative € 78.9 million and was the result of net financial expense of € 109.1 million, dividends and net gains from trading and valuing securities of € 37 million and negative adjustments to the value of financial assets for € 6.8 million. This result compares with net financial income of € 35.8 million in 2009. The negative change was due for approximately € 101 million of the non-recurring income and capital gains that benefited the year 2009.

The **key figures of the consolidated balance sheet of the Cofide Group** at December 31 2010, compared with the same figures at December 31 2009, are as follows:

(in millions of euro)		*31.12.2010*	*31.12.2009*
Fixed assets	*(1)*	4,330.6	3,844.7
Other net non-current assets and liabilities	*(2)*	100.3	85.5
Net working capital	*(3)*	314.6	257.5
Net invested capital		**4,745.5**	**4,187.7**
Net financial debt	*(4)*	**(2,194.6)**	**(1,824.7)**
Total equity		**2,550.9**	**2,363.0**
Group equity		747.4	704.2
Minority Shareholders' equity		1,803.5	1,658.8

(1) This item is the algebraic sum of the items "intangible assets", "tangible assets", "investment property", "investments in companies valued at equity" and "other equity investments" in the consolidated balance sheet.

(2 This item is the algebraic sum of the items "other receivables", "securities" and "deferred taxes" in non-current assets and of the items "other payables", "deferred taxes", "personnel provisions" and "provisions for risks and losses" in non-current liabilities in the consolidated balance sheet.

(3) This item is the algebraic sum of the items "inventories", "contracted work in progress", "trade receivables", "other receivables" in current assets and of the items "trade payables", "other payables" and "provisions for risks and losses" in current liabilities in the consolidated balance sheet. The item also includes € 16,835 million relating to the investment in Banca Intermobiliare S.p.A. classified in the consolidated balance sheet in the item "available-for-sale financial assets".

(4) This item is the algebraic sum of the items "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" in current assets, of the items "bonds and notes" and "other borrowings" in non-current liabilities and of the items "bank overdrafts", "bonds and notes" and "other borrowings" in current liabilities of the consolidated balance sheet. The item does not include € 16,835 million relating to the investment in Banca Intermobiliare S.p.A. reclassified under item (3) Net working capital.

Net invested capital stood at € 4,745.5 million at December 31 2010 compared to € 4,187.7 million at December 31 2009, with a rise of € 557.8 million due essentially to the fixed asset investments of the Sorgenia group.

The **consolidated net financial position** at December 31 2010 showed net debt of € 2,194.6 million (up by € 369.9 million from € 1,824.7 million at December 31 2009), determined by:

- net debt of € 31.9 million (compared to € 28.5 million at December 31 2009) for Cofide;

- a financial surplus for Cir and the financial holding subsidiaries of € 123.6 million which compares with € 121.6 million at December 31 2009;

- total net debt for the operating groups of € 2,286.3 million, up from € 1,917.8 million at December 31 2009. The rise of € 368.5 million was mainly due to the investments made by the Sorgenia group in new production capacity partly offset by the reduction in the debt of the Espresso group for € 73.2 million and of the Sogefi group for € 5.3 million.

The net financial position includes shares of hedge funds, which totaled € 84 million at December 31 2010. The accounting treatment of this investment involves recognizing changes in the fair value of the funds directly to equity. The fair value reserve relating to these funds at December 31 2010 amounted to € 15 million (€ 13.2 million at December 31 2009). In 2010 the sale of shares of hedge funds led to the realization of gains, net of write-downs, of € 2.6 million (€ 44.5 million in 2009).

The performance of these investments since inception (April 1994) up to and including 2010 gave a weighted average return on the portfolio in dollar terms of 7.6%. In 2010 performance was a positive 4.7%. In January 2011 it was 0.1%.

Total equity stood at € 2,550.9 million at December 31 2010, up from € 2,363 million at December 31 2009, posting a rise of € 187.9 million.

The **equity of the Group** rose from € 704.2 million at December 31 2009 to € 747.4 million at December 31 2010, with a net rise of € 43.2 million.

Minority shareholders' equity rose from € 1,658.8 million at December 31 2009 to € 1,803.5 million at December 31 2010, with a rise of € 144.7 million mainly resulting from the capital increases, net of dividends and the net income for the period.

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

The **consolidated cash flow statement** for 2010, prepared according to a “managerial” format which, unlike the format used in the statements attached, shows the changes in net financial position instead of the changes in cash and cash equivalents, can be broken down as follows:

(in millions of euro)	*2010*	*2009*
SOURCES OF FUNDS		
Net income for the period including minority interests	117.7	182.0
Amortization, depreciation & write-downs and other non-monetary changes	114.1	75.6
Self-financing	**231.8**	**257.6**
Change in working capital	**(3.0)**	**56.4**
CASH FLOW GENERATED BY CURRENT OPERATIONS	**228.8**	**314.0**
Capital increases	39.1	187.9
TOTAL SOURCES OF FUNDS	**267.9**	**501.9**
APPLICATIONS		
Net investment in fixed assets	(656.8)	(624.8)
Buy-back of own shares	(0.1)	(1.2)
Payment of dividends	(6.9)	(20.4)
Other changes	26.0	52.3
TOTAL APPLICATIONS OF FUNDS	**(637.8)**	**(594.1)**
FINANCIAL SURPLUS (DEFICIT)	**(369.9)**	**(92.2)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(1,824.7)**	**(1,732.5)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(2,194.6)**	**(1,824.7)**

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

During the year 2010 net debt rose from € 1,824.7 million to € 2,194.6. million. The increase of € 369.9 million in the net debt figure was mainly due to the net investment of approximately € 638 million made in the year, funded for € 39.1 million by capital increases and for € 228.8 million by operating cash flows.
The cash flows generated by operations were down on the previous year because of the lower level of self-financing and the greater absorption of working capital especially in the Sorgenia group. Applications mainly referred to net investment made in the utilities sector by the Sorgenia group.

At December 31 2010 the group had 12,940 employees, up from 12,777 at December 31 2009.

2. PERFORMANCE OF THE PARENT COMPANY

The parent company Cofide S.p.A. closed financial year 2010 with a net loss of € 3.6 million, which compares with net income of € 1.4 million in 2009, and total equity of € 565.6 million at December 31 2010 (€ 565.7 million at December 31 2009).

The key **income statement** figures of Cofide S.p.A., with a comparison with those of 2009, are as follows:

(in millions of euro)		*2010*	*2009*
Net operating costs	*(1)*	(2.1)	(2.2)
Other operating costs and amortization	*(2)*	(0.5)	(0.5)
Financial management result	*(3)*	(1.0)	4.1
Income before taxes		**(3.6)**	**1.4**
Income taxes		--	--
Net result		**(3.6)**	**1.4**

1) This item is the algebraic sum of "sundry revenues and income", "costs for the purchase of goods", "costs for services" and "personnel costs" in the income statement of the Parent Company Cofide S.p.A.
2) This item is the sum of "other operating costs" and "amortization, depreciation and write-downs" in the income statement of the Parent Company Cofide 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 Cofide S.p.A.

In 2009 the financial management result included the dividends of subsidiaries and associates, which totalled € 7.3 million.

The **key balance sheet figures** of Cofide S.p.A. at December 31 2010, compared with the position at December 31 2009, are as follows:

(in millions of euro)		*31.12.2010*	*31.12.2009*
Fixed assets	*(1)*	580.4	579.4
Other net non-current assets and liabilities	*(2)*	(0.3)	(0.2)
Net working capital	*(3)*	17.4	15.0
Net invested capital		**597.5**	**594.2**
Net financial position	*(4)*	**(31.9)**	**(28.5)**
Total equity		**565.6**	**565.7**

1) This item is the sum of "intangible assets", " tangible assets", "investment property" and "investments in subsidiaries" in the balance sheet of the Parent Company Cofide S.p.A..
2) This item is the algebraic sum of "other receivables" in non-current assets and of the items "other payables" and "personnel provisions" in non-current liabilities of the balance sheet of the Parent Company Cofide S.p.A.
3) This item is the algebraic sum of the items "trade receivables with subsidiaries" and "other receivables" in current assets and of the items "trade payables" and "other payables" in current liabilities of the balance sheet of the Parent Company Cofide S.p.A.. The item includes € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. classified in the item "securities".
4) This item is the algebraic sum of the items "securities", and "cash and cash equivalents" in current assets, of "other borrowings" in non-current liabilities and of "bank overdrafts" and "other borrowings" in current liabilities of the balance sheet of the Parent Company Cofide S.p.A.. The item does not include € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. classified in item (3) Net working capital.

The change in total equity from € 565.7 million at December 31 2009 to € 565.6 million at December 31 2010 was due to the negative result for the year of € 3.6 million and to the positive fair value adjustment of the investment in Banca Intermobiliare of € 3.5 million.

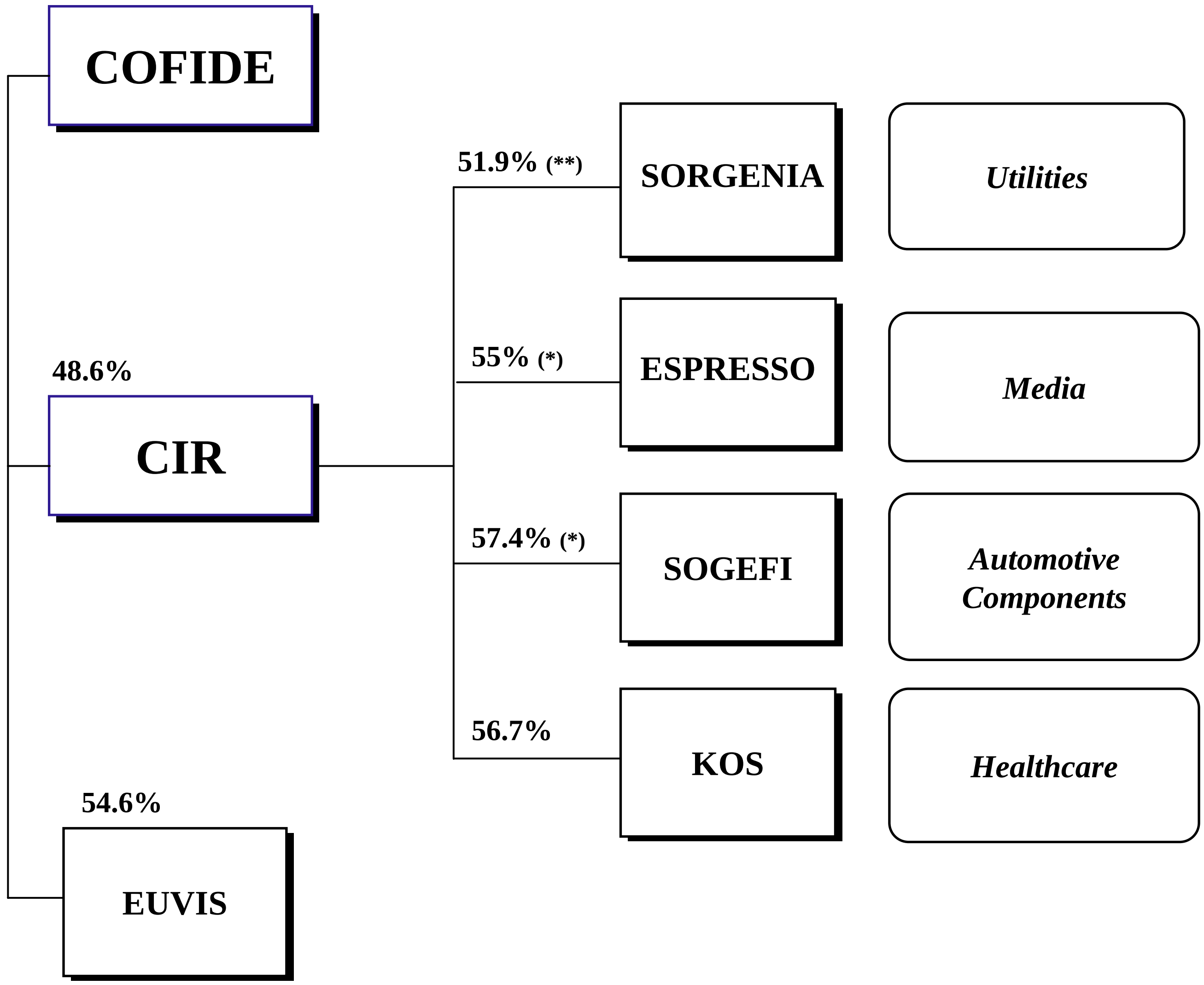
3. CHART RECONCILING THE ACCOUNTS OF THE PARENT COMPANY AND THE FIGURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following chart reconciles the result for the year and the equity of the group with the same values of the financial statements of the parent company.

(in thousands of euro)	*Shareholders' equity 31.12.2010*	*Net result 2010*
Financial statements of the parent company Cofide S.p.A.	565,629	(3,586)
- Net contribution of consolidated companies	250,205	26,452
- Difference between carrying values of investee companies and the portions of consolidated shareholders' equity, net of their contributions	(68,381)	--
Consolidated figures, the Group's share	747,453	22,866

MAIN EQUITY INVESTMENTS OF THE GROUP (*)

AT DECEMBER 31 2010



(*) the percentage is calculated net of own shares held

(**) percentage of indirect control through Sorgenia Holding

4. PERFORMANCE OF THE SUBSIDIARIES

EUVIS - The Cofide group was the first company in Italy to enter the lifetime or reverse mortgage market, introducing a new financial product aimed at the third age market through the company Euvis, set up in December 2005 with the name Società Finanza Attiva.
In 2009 a company of the JP Morgan banking group acquired a 39% interest from Merrill Lynch. According to the agreements between the parties Euvis should give JP Morgan assistance in originating and servicing new portfolios of lifetime mortgages.

At December 31 2010 Euvis was managing lifetime mortgages for a total of € 90.7 million, of which € 36.1 million made during the year.

In 2010 the company closed the year with a net loss of € 2.1 million whereas in 2009 it broke even. This was due to the fact that the portfolio was in the process of changing from being managed directly to being one that is merely brokered, which meant lower profit margins, which were not sufficiently compensated for by the volumes of loans made. The result for the year was also affected by the cancellation of deferred tax assets with a limited duration.

The company had 26 employees at December 31 2010.

CIR GROUP – In 2010 the Cir group reported consolidated net income of € 56.9 million, down from € 143.4 million in 2009.

The following charts show the contributions of the main subsidiaries of Cir to its earnings and to its consolidated equity:

(in millions of euro)	*2010*	*2009*
CONTRIBUTIONS TO THE NET RESULT		
Sorgenia group	26.0	34.5
Espresso group	27.5	3.2
Sogefi group	10.8	(4.4)
KOS group	2.3	(0.2)
Other subsidiaries	(1.7)	(0.4)
Total operating subsidiaries	**64.9**	**32.7**
Financial subsidiaries	**(1.6)**	**43.3**
CIR and financial holdings	**(0.1)**	**4.0**
Non-recurring items	(6.3)	63.4
Net result of the Cir Group	**56.9**	**143.4**

The year benefited from the results of the prompt action taken to counter the crisis which resulted in an improvement in the profitability of the operating groups. In the comparison with last year, it should be remembered that last year's figures included non-recurring income and capital gains for a total of € 106.7 million, from the subscription of a capital increase in Sorgenia by Verbund and from the partial disinvestment from shares of hedge funds.

The contribution of the operating companies rose from € 32.7 to € 64.9 million, particularly thanks to the significant increase in the net results of the Espresso and Sogefi groups, which managed to counter the crisis in their respective business sectors over the last two years with a series of efficiency enhancing and business development actions.
Cir and the financial holding companies achieved breakeven versus net income of € 4 million in 2009.

Consolidated equity rose from € 1,396.7 million at December 31 2009 to € 1,487 million at December 31 2010, with a net rise of € 90.3 million.

(in millions of euro)	*31.12.2010*	*31.12.2009*
CONTRIBUTIONS TO EQUITY		
Sorgenia group	586.7	557.8
Espresso group	296.4	266.9
Sogefi group	113.3	96.0
KOS group	100.3	90.0
Other subsidiaries	16.6	16.0
Total subsidiaries	**1,113.3**	**1,026.7**
CIR and financial holdings	**373.7**	**370.0**
- invested capital	250.1	248.4
- net financial position	123.6	121.6
Equity of the Cir group	**1,487.0**	**1,396.7**

There now follows a more in-depth analysis of the business sectors of the Cir Group.

UTILITIES SECTOR

In 2010, in an environment still strongly conditioned by the difficult economic situation, the Sorgenia group reported consolidated revenues of € 2,668.5 million, which were up by 14.7% from € 2,325.8 million in 2009. Electricity sales volumes rose by 16.3% on the previous year and more than compensated for the decline in the unit prices of energy products resulting from the difficult economic scenario.

In 2010 the Sorgenia group reported consolidated net income of € 50.4 million, down from € 66.9 million in 2009. In both years the net income figure benefited from tax credits for investment in new production capacity.

Consolidated revenues can be broken down as follows:

(in millions of euro)	*2010*		*2009*		*Change*
	Values	*%*	*Values*	*%*	*%*
Electricity	1,818.6	68.2	1,656.3	71.2	9.8
Natural gas	611.4	22.9	573.7	24.7	6.6
Other revenues	238.5	8.9	95.8	4.1	n.a
TOTAL	2,668.5	100.0	2,325.8	100.0	14.7

EBITDA came in at € 151.1 million and was up by 28.2% from € 117.8 million in 2009. The rise was due above all to the improvement in the results reported by the company in the second half of the year. EBITDA benefited in particular from the rise in electricity sales volumes, the contribution of the Modugno power plant and higher margins on generation from renewable sources These factors, together with the actions taken to protect margins, more than compensated for the contraction in the sales margins of natural gas, which was mainly the result of sourcing costs on existing contracts, higher provisions for client receivables because of the worsening economic situation and high congestion costs on the electricity grid.

Consolidated EBIT for 2010 was € 68.3 million (2.6% of revenues) versus € 70.9 million (3% of revenues) in 2009.

Consolidated net debt stood at € 1,745.7 million at December 31 2010, (€ 1,341 million at December 31 2009). The change in the debt figure during the year was due to substantial investment made in new production capacity, especially in thermoelectric generation and in renewables. Total investment in the year came to approximately € 450 million.

At December 31 2010 the group had 415 employees on the payroll, up from 380 at December 31 2009.

The Board of Directors of Sorgenia S.p.A., which met on February 21 2011, proposed not distributing a dividend for the year 2010 (dividends totalling € 10.2 million were distributed last year, corresponding to a dividend of € 0.0112 per share).
During 2010 the Sorgenia group continued to roll out its investment plan.

In thermoelectric generation, Sorgenia completed construction of the CCGT at Bertonico-Turano Lodigiano (Lodi), which involved an investment of approximately € 450 million. The new plant, which officially started commercial production on February 15 2011, will bring Sorgenia closer to its objective of producing the power it sells to its end clients independently. Construction work is also continuing on the Aprilia plant (Latina).

As far as the development of wind generation is concerned, in 2010 the wind parks at Leffincourt (France) for 32 MW and San Martino in Pensilis (Campobasso) for 12 MW started operating and construction work has finished on the Bouillancourt wind farm (France) for 9 MW.
Sorgenia has also obtained authorizations for the construction of new wind parks for some 100 MW in Italy, around 100 MW in France and approximately 200 MW in Romania.

In generation from photovoltaic sources, the subsidiary Sorgenia Solar has started production at further plants for a total of 10 MW. In France authorization has been obtained to build a 15 MW plant at Grand Bois.

In the Exploration&Production sector (E&P), the activity continues of the subsidiary Sorgenia E&P, which holds exploration licenses in Colombia, the North Sea and Poland.

On February 28 2011 Sorgenia presented its Business Plan 2011-2016 to the financial community, after the profound changes that have taken place at national and international level on account of the severe economic recession that began at the end of 2008, the year in which the previous plan was presented. With this new Business Plan Sorgenia aims to counter the current economic cycle more effectively and continue its story of growth and the creation of value for its shareholders with its entry into new market segments, a diversified and balanced portfolio of assets and a more solid financial structure.

MEDIA SECTOR

The Espresso group closed 2010 with consolidated revenues of € 885 million, in line with the figure of € 886.6 million for 2009, and with consolidated net income of € 50.1 million, up from € 5.8 million in 2009.

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

(in millions of euro)	*2010*		*2009*		*Change*
	Values	*%*	*Values*	*%*	*%*
Circulation	267.9	30.3	274.2	30.9	(2.3)
Advertising	528.4	59.7	496.9	56.1	6.3
Add-ons	66.3	7.5	100.6	11.3	(34.0)
Other revenues	22.4	2.5	14.9	1.7	n.s.
TOTAL	885.0	100	886.6	100.0	(0.2)

The year 2010 was characterized by a weak recovery of the Italian economy with continuing uncertainty as to international and national prospects.
In this context even advertising revenues showed a moderately positive trend, growing by 3.8% on 2009, with different performances in the various economic sectors, and making only a modest recovery from the contraction of 15.2% experienced in the two years 2008-2009 (Nielsen Media Research data).
The most innovative media saw the best dynamics (+28.8% for satellite TV and +20.1% for the internet) and, of the traditional media, radio and television did in any case report positive performance (+ 7.7% e + 4.5% respectively). The press, however, was down again (-4.3%), both the daily newspapers and the periodicals. As far as circulation is concerned, the global outlook remains critical: ADS figures (moving average for the last 12 months in November 2010, on the same range of products) show a decline in sales on the news-stands of 5.7% for the daily newspapers, of 4% for weeklies and of 10.3% for monthlies.

Circulation revenues, which did not benefit from any price hikes for the newspapers or for the periodicals, came to € 267.9 million, down from € 274.2 million in the previous year (-2.3%). However, all the main titles of the group performed better than their respective markets**.**
On the basis of the latest figures published by ADS and Audipress, *La Repubblica* confirms its ranking as number one newspaper both in terms of number of copies sold on the news-stands and in terms of number of readers.
The circulation figures for L'Espresso were down by 2.8% on the previous year (ADS in November), while the market lost 3.3%, and it still has an average of 2.5 million readers per week.
Lastly, the circulation figures for local newspapers posted a decline of 3% due to the economic crisis scenario. The decline is however significantly lower than the market and the results of an Audipress survey confirm an average number of readers per day of over 3.3 million.

Advertising revenues totalled € 528.4 million, posting growth of 6.3% compared to 2009.
Internet is the medium that showed the most positive evolution (+21.8%), not only following the trend of the sector but also because of the development of the group websites and their users. In particular the Repubblica.it website has become more and more successful and with an average of 1.6 million unique users per day (+24.2%) consolidated its position as the top Italian news web-

site.
Advertising collected by the group radio stations went up by 8.4%, underpinned both by the recovery in that specific market (+7.7%), and by the good results of the group broadcasters, which saw the leadership of Radio Deejay confirmed and a good outcome obtained by the changes made to the programming of Radio Capital.

Revenues from optional products came in at € 66.3 million and were down by 34% on 2009. In a sharply contracting market, the group decided to focus its activity on a more restricted number of initiatives, obtaining a high level of profitability in line with that of previous years.

During the last two years a company reorganization plan was implemented with the aim of achieving savings of € 140 million when the plan was fully up and running (in 2011), which is equal to 17% of the costs incurred in 2008. In 2010 the savings target was already fully met, without reducing the product range or portfolio of the group and without jeopardizing quality in any way.

The consolidated gross operating margin came in at € 147.2 million and was up by 38% from € 106.7 million in 2009.

The consolidated operating result was € 109.1 million, with a rise of 70.6% on the figure of € 63.9 million in 2009, with a much higher level of profitability than in the previous two years. All the main activities of the group reported a considerable improvement in their profitability which was due, for the newspapers, to the drastic cost cutting action resulting from the reorganization plans and for the radio and internet businesses to the significant rise in revenues.

Consolidated net financial debt showed a further important improvement, with the net debt figure narrowing from € 208.2 million at the end of 2009 to € 135 million at December 31 2010, with a financial surplus of € 73.2 million generated.

Consolidated equity rose from € 485.6 million at December 31 2009 to € 539.4 million at December 31 2010.

The payrolls of the group, including temporary contracts, contained 2,789 employees at the end of December, down by 327 from 3,116 at December 31 2009. In the last three years the group's workforce has shrunk by 662 people, which is approximately 20%.

The Board of Directors of the parent company Gruppo Editoriale L'Espresso, which met on March 8 2011, proposed distributing a dividend for 2010 of € 0.074 per share (no dividend was distributed last year).

The situation of weak growth of the economy with unclear macroeconomic prospects experienced in 2010 has continued into 2011 too. Thus it is expected that the year 2011 will see a repeat of the same dynamics recorded in the publishing sector in 2010.
As far as circulation is concerned, the structural tendency towards erosion experienced in recent years appears to be continuing even though it has been somewhat mitigated by a renewed interest in the press caused by political turbulence. And as far as advertising is concerned the trends observed in the first two months of the year would seem to confirm a moderately positive performance.

In this context, the group is continuing to take action to counter the unfavourable trends in the sector by improving its traditional products, developing the digital area, a dynamic management of the advertising concessionaire and constant attention to cost cutting.
All of this, together with the cost cutting action already in place, should enable the group to achieve positive performance both in terms of sales and of earnings, provided that there are no marked changes in the scenario.

AUTOMOTIVE COMPONENTS SECTOR

In 2010, its thirtieth year of business, the Sogefi group reported a significant rise in all its main performance indicators and a return to profit after the losses of 2009. These results were achieved thanks to the cost-cutting action taken by the company in the last two years together with the recovery in the production of motor vehicles in the main world markets after the sharp contraction in 2009.

In Europe, the significant reduction in vehicle registrations in the period April-December due to the end of Government incentives caused the annual figure to decline (-5.5% on 2009). However new vehicle production rose compared to the previous year, both because destocking had come to an end and because of the rise in demand from markets outside Europe recorded by German manufacturers. After the deepest crisis in its history, the North American market showed signs of recovery while growth continued in South America (+15%). In 2010 China became the top world market for the production and sale of cars with over 17 million vehicles sold (+33% on 2009). India continues to show strong growth (+19% on average over the last five years). As far as the industrial vehicle sector is concerned, the second half of the year saw a rise in production levels but was still nowhere near the record volumes of 2007.

In 2010 the Sogefi group reported sales revenues of € 924.7 million, which were up by 18.4% from € 781 million the previous year, and returned to profit, posting net income of € 18.8 million compared to a net loss of € 7.6 million in 2009.

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

(in millions of euro)	*2010*		*2009*		*Change*
	Values	*%*	*Values*	*%*	*%*
Filters	465.1	50.3	414.8	53.1	12.1
Suspension components and precision springs	461.6	49.9	368.0	47.1	25.4
Intercompany	(2.0)	(0.2)	(1.8)	(0.2)	n.s.
TOTAL	924.7	100.00	781.0	100.0	18.4

The recovery was particularly significant in the original equipment sector, which accounted for 66% of total revenues; just under 30% of revenues came from non-European markets. In 2010 revenues obtained in Mercosur (€ 219.4 million) for the first time overtook those of France (€ 207.4 million), which had for years been Sogefi’s number one market. Revenues generated in China and India almost doubled compared to 2009, while sales in the United States rose by approximately 25%.

The gross operating margin (EBITDA) for the year came in at € 86.7 million (9.4% of sales revenues), and was up by 83.6% compared to the figure of € 47.2 million for the previous year (6% of sales). EBIT was also sharply higher, rising to € 41.8 million (4.5% of sales) from € 5.1 million (0.6% of sales) in 2009.

At December 31 2010 the group's net debt stood at € 164.9 million, down by € 5.3 million from € 170.2 million at December 31 2009.

The group had 5,574 employees at December 31 2010, down from 5,770 at December 31 2009.

In view of the result for the year and the financial solidity of the group, the Board of Directors of Sogefi, which met on February 24 2011, proposed distributing a dividend for 2010 of € 0.13 per share (no dividend was distributed last year).

The *filter division* reported sales revenues of € 465.1 million, with a rise of 12.1% from € 414.8 million in 2009 and an EBITDA for the division of € 39.2 million, which was up by 44.9% on 2009.

The revenues of the *suspension components division* came to € 461.6 million, showing an improvement of 25.4% on the figure of 368 million for 2009 and the EBITDA of the division was € 52.1 million (11.3% of revenues), showing strong growth from the figure of € 24 million in 2009.

In 2011 there is expected to be a rise in the world production of motor vehicles thanks to further growth in North and South America and the Chinese and Indian markets maintaining current levels of development. In Western Europe, on the other hand, the situation is expected to remain stable overall compared to 2010. In line with the market trend, the group will continue in its strategy of downsizing its production capacity in Europe and expanding its presence in countries with higher growth levels.
Therefore, although there is likely to be a rise in the cost of the main commodities, the group believes that it can achieve growth in revenues and earnings in 2011 too unless there are any events of an exceptional nature that cannot be envisaged at present.

HEALTHCARE SECTOR

In 2010 the KOS group reported revenues of € 325.4 million compared to € 273.4 million in the previous year, posting a rise of 19%, thanks to the development of all areas of the business and to the new acquisitions made during the year.

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

(in millions of euro)	*2010*		*2009*		*Change*
	Values	*%*	*Values*	*%*	*%*
Elderly	134.4	41.3	117.7	43.0	14.2
Rehabilitation	141.5	43.5	111.5	40.8	26.9
Acute/Hi-tech	49.5	15.2	44.2	16.2	12.0
TOTAL	325.4	100.0	273.4	100.0	19.0

Consolidated EBITDA was € 42.1 million and was up by 27.5% from € 33 million in 2009. During the year the company incurred costs of approximately € 3 million for the IPO procedure and expenses relating to the acquisitions made in the period.

Consolidated EBIT was € 23.5 million, up from € 16.5 million in the previous year (+42.1%).

Consolidated net income came in at € 4 million which compares with a net loss of € 0.4 in the previous year.

At December 31 2010 the KOS group had net debt of € 189.3 million, offset by owned properties with a carrying value of approximately € 167 million. The rise from the figure of € 163.5 million at December 31 2009 was due mainly to the acquisitions made during the year which had an effect of over € 62 million, net of the capital increases made in December 2010 for a total of € 34.5 million.

At December 31 2010 consolidated equity stood at € 176.9 million, up from € 137.6 million at December 31 2009.

The group had 4,007 employees at December 31 2010, up from 3,421 at December 31 2009.

In December 2010 the entry was finalized of AXA Private Equity into the capital of the company with a minority interest, currently standing at 41.1%. This deal enabled KOS to reach its objectives in terms of raising new funding for its development plans. The significant investment made by one of the main global private equity funds, together with the renewed commitment of the majority shareholder CIR, shows how the work done by the company to date is appreciated and how there is confidence in its future development prospects.

The KOS group, which currently manages a total of over 5,600 beds plus another 900 under construction, is active in three sectors:

1) *RSAs* (care homes), with 37 homes under management (3,829 beds in operation);
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 1,684 beds in operation;
3) *Hospital management* (management of one hospital and high-tech services in public and private facilities), in 18 hospitals.

JUPITER FINANCE – The company operates in the sector of non-performing loans and at December 31 2010 was managing loans of € 2,326 million (nominal value), subdivided into loans on the books (i.e. acquired through the securitization vehicles Zeus Finance and Urania Finance) for € 1,371 million, and loans managed for third parties (i.e. for other investors) for € 955 million.
The value of Cir’s investment in this activity at December 31 2010 was € 59.1 million.
In October Bank of Italy notified Jupiter Finance of a measure on the basis of which the company must refrain from entering into new transactions because various observations of an administrative and organizational nature were made. Regarding this measure, apart from perfecting a capital injection for a total of € 1.5 million, the company started and has almost finished a process of sorting out its company procedures and amending its corporate governance in order to comply with the requirements of the above-mentioned order.

Furthermore, in December a partial proportional demerger was finalized in favour of Nexenti S.r.l.; with this deal the activities and equity investments not belonging to the Master Servicing business were spun off into the beneficiary company.

KTP – The KTP Global Finance group (in which CIR International and Merrill Lynch each have an equal interest of 47.5%) which operates in the financial services sector, sold its investment in the company Pepper in 2010.
After this sale the portfolio of KTP Global Finance contained only one investment, a 100% stake in CQS Holding, which in turn holds 90% of Ktesios S.p.A., the company that has been operating for some years in Italy as a financial intermediary, making personal loans secured on one fifth of salaries or pensions in the name of and on behalf of certain banks.
This activity is subject to the control of the Bank of Italy which authorizes companies to exercise the business provided they can give suitable guarantees and are therefore registered on special lists (as per Art. 107 and Art. 106 of the Banking Consolidation Act (T.U.B.) managed by the Bank itself.
The continuing difficult financial situation and the new market environment which has seen profound regulatory changes with banks entering the sector as well, seriously compromised the profitability of Ktesios.
Furthermore in the early months of 2011, the company's main banking partners stopped making loans through Ktesios which therefore had to stop doing business. Acknowledging the situation of discontinuity and the continuing lack of capital of the company compared to what is required by current regulations, on March 8 2011 the Bank of Italy struck Ktesios off the special list as per the terms of Article 107 of the T.U.B.
On March 9 2011, acknowledging the situation, the Board of Directors of Ktesios voted to liquidate the company up as per the terms of Art. 2484, first paragraph, no.2 of the Civil Code (impossibility of pursuing the company object) and at the same time approved a balance sheet prepared with criteria of discontinuity, which showed negative equity.
At the end of the year 2010 CIR International wrote down its investment in KTP Global Finance by € 4 million to zero.

CIR VENTURES – At December 31 2010 the portfolio of Cir Ventures, the venture capital fund of the Group, contained investments in five companies, of which four 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 December 31 2010 was USD 15 million.

INVESTMENTS IN PRIVATE EQUITY FUNDS - The Cir Group, through its subsidiary Cir International, manages a diversified portfolio of funds and minority private equity holdings, the fair value of which determined on the basis of the NAV provided by the various funds at December 31 2010 was approximately € 75 million. Remaining commitments outstanding at December 31 2010 amounted to € 25 million.

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

Information has already been given of the main events which occurred after December 31 2010 in the part of the Report dealing with the performance of the business sectors.

On January 10 2011 the Cir International S.A.6.375% 2003/2011 bond was repaid at its natural maturity date.

The performance of group in 2011 will be affected by the evolution of the macroeconomic scenario characterized by a recovery that is still weak with unclear prospects for the future. In this scenario, in view of the positive results obtained in 2010, the main operating subsidiaries of the group will continue to take action to improve their operating efficiency while at the same time engaging in business development initiatives.

6. MAIN RISKS AND UNCERTAINTIES TO WHICH COFIDE S.p.A. AND THE GROUP ARE EXPOSED

Risks connected with the general conditions of the economy
During 2010 there was a gradual recovery in the international economy albeit with different intensities and at different rates in the various areas of the world. In the euro area, the economy continued the trend of recovery which began in the second half of 2009, benefiting from the action taken to support domestic demand and especially from the growth in exports linked to the global recovery. The recovery of the Italian economy in 2010 was however slower and more uncertain than that of the other large European countries. Despite this context of persisting economic weakness, the operating companies of the group succeeded in reversing the negative trend of 2008-2009, reporting positive results, achieved particularly by cutting costs. However the continuing macroeconomic crisis could have a negative impact in the medium term on all the business sectors in which the group operates.

Risks connected with the results of the group
The Cofide 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 Cofide group expects to be able to meet its borrowing requirements in terms of maturing loans and investment needs with its operating cash flows, available liquidity and by renewing or refinancing its loans and/or bonds and notes. 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 cashflow, sharing out its investments over a suitable number of prime counterparties, mainly banks, 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 the fluctuation of exchange rates and interest rates
A significant part of the financial debt of the group involves 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 companies of the group.
In order to limit the risk resulting from interest rate movements, 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 and, therefore, operate in different currencies, which exposes them to foreign exchange risk against the euro. In line with its risk management policies, in order to limit this exchange rate risk the group enters into transactions to hedge these risks.
Despite the hedging carried out by the group in the financial markets, sharp movements 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 clients and suppliers
In relations with its clients, the group manages the risk of concentration of demand by diversifying its client portfolio in a suitable way, both geographically and in terms of distribution channels.
Regarding relations with suppliers the approaches are different in the different business sectors. 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.
The utilities sector is an exception to this policy because especially in the construction of production plants the group is exposed to risks of this kind, which it manages by requiring collateral guarantees from third parties.

Risks connected with competitiveness in the sectors in which the group operates
The group operates in markets which do objectively have 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 requiring special authorizations from the competent authorities.
However, particularly in relation to the automotive components sector, should the group in the future not be able to develop and offer innovative and competitive products, then its economic and financial results could be negatively impacted.

Risks connected with environmental policies
The group operates in sectors that are subject to a host of rules and regulations (local, national and supranational) on the subject of the environment, and this regulatory aspect is then often revised in a more restrictive way. The evolution of these regulations and compliance with the same could lead to very high costs with a potential impact on the profitability of the group.

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Cofide S.p.A., in its role as Parent Company of the group, is substantially exposed to the same risks and uncertainties described above in relation to the group.

7. OTHER INFORMATION

Own shares

At December 31 2010, the Parent Company did not own any of its own shares or any of those of its controlling company even through fiduciary companies or intermediaries, nor did it acquire or dispose of any of its own shares or those of its controlling company during the year even through fiduciary companies or intermediaries.

Transactions with companies of the group and related parties

On October 28 2010 the Company adopted the Rules for Related Party Transactions contained in Consob Regulation issued with Resolution no. 17221 of March 12 2010 as subsequently amended and integrated by Resolution no. 17389 of June 23 2010. This procedure can be consulted on the website www.cofide.it in the section “Corporate Governance”.
The procedure has the aim of establishing principles of conduct that the Company is required to adopt in order to guarantee the correct management of related-party transaction and thus:

1. It sets out the criteria and procedures for the identification of the Company’s related-party transactions;
2. It gives the principles for identifying related-party transactions;
3. It regulates the procedures for carrying out transactions with related parties;
4. It establishes how the relative disclosure obligations will be complied with.

The Board of Directors has also appointed a Committee for Related-Party Transactions, establishing that its members will be the same as the members of the Internal Control Committee, except for the system of substitutes set out in the procedures.

It should be noted that during the year ended December 31 2010, transactions with subsidiaries referred mainly to the following:

- Management support and communication services for € 1,238 thousand supplied by Cofide S.p.A. to Cir S.p.A.;
- Financial, legal and administrative assistance for € 511 thousand supplied by Cir S.p.A. to Cofide S.p.A.;

Pursuant to the law, we should state that during the year ended December 31 2010 there were no transactions with the controlling company Carlo De Benedetti & Figli S.a.p.A., which exercises a management and coordination role.

It should be pointed out that the Cofide group did not enter into any transactions with related parties, according to CONSOB’s definition, of a non-typical or unusual nature beyond normal business administration or such as to have any significant impact on the economic, financial or equity situation of the group.

In compliance with the terms of CONSOB resolution no. 11971 of May 14 1999 (Regulation for the implementation of D.Lgs. no. 58/98) and subsequent amendments and additions, we should point out that:

- Shareholdings in Cofide S.p.A. and in its subsidiaries owned by Directors and Statutory Auditors are given below in the appropriate chart (Attachment A);

- Fees and emoluments paid to Directors, Statutory Auditors and General Managers by Cofide S.p.A. and by its subsidiaries are shown in Attachment 3) of the Notes to the Financial Statements of the Parent Company.

Share-based incentive plans

The Cofide Group has put in place various incentive plans based on shares of the Cir group and its main subsidiaries for the management teams of the companies of the group. Reference should be made to the explanatory Notes to the Financial Statements for further information on these plans.

Report on Corporate Governance

The model of corporate governance of the Cofide group is based on the guidelines contained in the Code of Conduct prepared by the Corporate Governance Committee of the Italian Stock Exchange (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 system of corporate governance 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 system of risk management and internal control in relation to the financial disclosure process.

It should be noted that the full text of the "Annual Report on Corporate Governance" for the year 2010 was approved – in its entirety – by the Board of Directors' Meeting convened to approve the Financial Statements for the year ended December 31 2010.

The Annual Report on Corporate Governance will be available to anybody who requests it, according to the conditions stipulated by Borsa Italiana for publishing the same. The Report will also be available on the website of the Company (www.cofide.it) in the section "Corporate Governance".

In relation to D.Lgs. 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 March 7 2003 the Board of Directors of the Company approved the adoption of a Code of Ethics of the Cofide Group, published as an attachment to the "Annual Report on Corporate Governance", which defines the values which the group follows in the achievement of its objectives and establishes binding principles of conduct for its Directors, employees and those who have a relationship with the group. Moreover, on October 29 2004, the Board of Directors of the company approved the "Organization Model – the Organizational and Management Model as defined by D.Lgs. no. 231/01", in line with the instructions laid down in the decree which aimed to ensure correctness and transparency in the conduct of business and corporate activities.
The Organization and Management Model as per D.Lgs 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 Cofide shares on the MTA market organized and managed by Borsa Italiana S.p.A. since the foreign subsidiaries not belonging to the European Union, which have particular significance for Cofide (the "Company"), publish their own company bylaws and the composition and powers of their administrative bodies according to the legislation applicable to them or voluntarily, they provide the Company's auditors

with the information necessary to carry out the audit activity on the annual and interim accounts of Cofide, and they have a suitable administrative and accounting system to provide the Company's Management and its auditors with the economic, patrimonial and financial figures necessary for the 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 Carlo De Benedetti & Figli S.a.p.A., the Company has fulfilled all the disclosure obligations required by Article 2497-bis of the Civil Code, it has the power to negotiate relationships with clients and suppliers independently, it has no centralized treasury function in common with Carlo De Benedetti & Figli and the Board of Directors of the Company, out of a total of 14 members, has 6 who possess the requisites of independence and are thus sufficient to guarantee that their judgment has a significant weight in the decision-making process of the Board".

Lastly it should be noted that the companies of the group have complied with the provisions of Art. 2497-bis of the Civil Code..

Preparation of the "Security Policy Document (DPS)"
D.Lgs. no. 196/03, the Code on the subject on the protection of personal information, stipulates that by March 31 of each year the organization responsible for the treatment of personal information should draw up a formal security policy document containing, among other things, appropriate information regarding the following:

- the list of the types of use of personal information made by the organization;
- the distribution of responsibilities and tasks relating to the use of such information;
- a description of the measures to be taken to guarantee the integrity and availability of the information and the protection of the areas set aside for storing it and making it accessible;
- the description of the criteria and the procedures for restoring access to the said information in the event of it being destroyed or damaged;
- the description of the criteria to be adopted in order to guarantee that the minimum measures of security are followed when the treatment of personal information is entrusted, in conformity with the Civil Code, to someone outside the organization of the Officer Responsible.

Article 26 of the Technical Rules states that the preparation or amendment of the Security Policy Document must be mentioned in the Report on Operations accompanying the Financial Statements when appropriate.
The Security Policy Document was updated in conjunction with specialist consultants in this field who have been certified as BS7799 lead auditors by the British Standards Institute.

Research and development

During 2010, research and development activity at group level was mainly focused on the utilities sector. In compliance with accounting standards, research costs are recognized to the income statement when they are incurred while development costs relating to specific projects are capitalized, when their future benefits are considered reasonably certain, and are amortized for the whole period during which the expected future benefits from the project will be generated.
During 2010, Sorgenia's contribution to the venture capital fund Noventi Ventures II LP (set up in 2006 with headquarters in Silicon Valley, California) made it possible to build and strengthen the industrial initiatives already selected. In line with the mission of the fund, investments are selected in new industrial initiatives the main objective of which is to develop convergence between innovative technologies and to safeguard the environment, through generation of energy from renewable sources, energy saving and using it efficiently.
The research activity and definition of products in the field of renewable energies substantially boosted and extended the projects already in the portfolio, which are as follows:

- Lumenergi with its dimming electronic ballast, a device that modulates the intensity of interior lighting in relation to various parameters that can be programmed, such as for example natural light;
- HelioVolt with thin-film photovoltaic panels - CIGS technology – which have been certified by the US National Renewable Energy Laboratory (NREL) as giving a yield of 11.8% ;
- Windspire Energy (formerly Mariah Power) which sells vertical axis micro wind turbines for residential use and for commercial buildings and which, thanks to their particular structure, can be introduced in urban environments too;
- Aurora Algae (formerly Aurora Biofuel), which cultivates algae using advanced engineering and biological techniques for the production of biofuels without interfering with the food chain, and – more recently – of products that can be used even in sectors such as food, pharmaceuticals and sustainable agriculture.

In 2010 the collaboration continued with the Sardinian CRS4 Research Centre on the project for a thermodynamic solar power plant using concentrated technology which uses parabolic mirrors to concentrate sunlight on to pipes containing a fluid that heats up and drives steam turbines that generate electricity.
Lastly, in 2010 various collaborative projects were set up with the Department of Earth Sciences of the University of Pisa, with the Institute of Geosciences and Earth Resources of the CNR and with the Department of Earth Sciences of the University of Florence.
In June 2010 Sorgenia signed a letter of intent with Peugeot Italia to develop electric mobility in Italy. At the end of the year the French car manufacturer launched iOn, a wholly electric car, while Sorgenia is committed to the study and definition of infrastructure, commercial and service solutions to support the adoption of electric vehicles and charging systems.
Already for 2011 a commercial offer is being prepared for Sorgenia clients who intend to buy an electric car.
Sorgenia considers that *entry into the sector of electric mobility is a new opportunity for developing its business* and a logical way *of contributing* to the protection of the environment and to the reduction of polluting emissions, especially in city centres.

Regarding investments made in the automotive components business in 2010, totalling € 20.2 million, the research and development of new products and processes were focused on the strategic issue of innovative materials to offer clients solutions for building vehicles that are ever lighter and more ecological.

Other

The company Cofide S.p.A. – has its registered office in Via Ciovassino, 1 20121 Milano (Mi), Italy.

Cofide shares, which have been quoted on the Milan Stock Exchange since 1985, since 2004 have been traded on the Ordinary Segment – MTA (Reuter code: COFI.MI, Bloomberg code: COF IM).

This Financial Report for the period January 1 – December 31 2010 was approved by the Board of Directors on March 10 2011.

Attachment A)

SHARES OWNED BY MEMBERS OF THE ADMINISTRATIVE AND CONTROL BODIES, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES IN OFFICE AT DECEMBER 31 2010

Last name and first name	*Investee company*	*Number of shares held at December 31 2009*	*Number of shares acquired in financial year 2010*	*Number of shares sold in financial year 2010*	*Number of shares held at December 31 2010*	*Notes*
DE BENEDETTI Carlo	Cofide S.p.A.	374,237,247 ord. sh.	0 ord. sh.	0 ord. sh.	374,237,247 ord. sh.	(1)
DE BENEDETTI Carlo	Cir S.p.A.	363,028,621 ord. sh.	3,215,000 ord. sh.	2,472,457 ord. sh.	363,771,164 ord. sh.	(2)
DE BENEDETTI Carlo	G.E. L'Espresso S.p.A.	220,776,235 ord. sh.	0 ord. sh.	0 ord. sh.	220,776,235 ord. sh.	(3)
DE BENEDETTI Carlo	Sogefi S.p.A.	65,739,962 ord. sh.	0 ord. sh.	0 ord. sh.	65,739,962 ord. sh.	(4)
DE BENEDETTI Rodolfo	Cir S.p.A.	13,062,500 ord. sh.	0 ord. sh.	500,000 ord. sh.	12,562,500 ord. sh.	
DEBENEDETTI Franco	Cir S.p.A.	375,000 ord. sh.	0 ord. sh.	0 ord. sh.	375,000 ord. sh.	
FERRERO Pierluigi	Cir S.p.A.	300,000 ord. sh.	0 ord. sh.	0 ord. sh.	300,000 ord. sh.	
FERRERO Pierluigi	G.E. L'Espresso S.p.A.	20,000 ord. sh.	0 ord. sh.	0 ord. sh.	20,000 ord. sh.	
FERRERO Pierluigi	Sogefi S.p.A.	15,000 ord. sh.	0 ord. sh.	0 ord. sh.	15,000 ord. sh.	
GIRARD Franco	Cofide S.p.A.	100,000 ord. sh.	0 ord. sh.	0 ord. sh.	100,000 ord. sh.	
GIRARD Franco	Cir S.p.A.	128,000 ord. sh.	0 ord. sh.	0 ord. sh.	128,000 ord. sh.	
GIRARD Franco	G.E. L'Espresso S.p.A.	10,000 ord. sh.	0 ord. sh.	0 ord. sh.	10,000 ord. sh.	
GIRARD Franco	Sogefi S.p.A.	10,000 ord. sh.	0 ord. sh.	0 ord. sh.	10,000 ord. sh.	
OUGHOURLIAN Joseph Marie	Cofide S.p.A.	2,000,000 ord. sh.	6,807,311 ord. sh.	6,181,440 ord. sh.	2,625,871 ord. sh.	(5)
OUGHOURLIAN Joseph Marie	Sogefi S.p.A.	0 ord. sh.	103,662 ord. sh.	103,662 ord. sh.	0 ord. sh.	(5)
ROBOTTI Roberto	Cir S.p.A.	21,000 ord. sh.	0 ord. sh.	0 ord. sh.	21,000 ord. sh.	
ROBOTTI Roberto	Sogefi S.p.A.	1,300 ord. sh.	0 ord. sh.	0 ord. sh.	1,300 az .ord.	
ROCCA Paolo Riccardo	Cir S.p.A.	386 ord. sh.	0 ord. sh.	0 ord. sh.	386 ord. sh.	
SEGRE Massimo	G.E. L'Espresso S.p.A.	3,000 ord. sh.	0 ord. sh.	0 ord. sh.	3,000 ord. sh.	

NOTES

(1) The shares in Cofide S.p.A. are held through the following subsidiaries:

** Carlo De Benedetti & F. S.a.p.A.* *371,001,719*

** Romed S.p.A.* *3,235,528*

(2) The shares in Cir S.p.A. are held through Cofide S.p.A.

(3) The shares in G.E. L'Espresso S.p.A. are held through the following subsidiaries:

** Cir S.p.A.* *220,775,235*

** Romed S.p.A.* *1,000*

(4) The shares in Sogefi S.p.A. are held through Cir S.p.A.

(5) The transactions were carried out through Amber Capital LP, Amber Special Purpose Vehicle 22, Amber Global Opportunities Master Fund Ltd & Amber Italian Equities

PROPOSED ALLOCATION OF THE RESULT FOR FINANCIAL YEAR 2010

Dear Shareholders,

The financial statements as of December 31 2010, which we are submitting to your approval, closed with a net loss of € 3,586,222.00 that we propose be covered entirely by drawing on the credit balance existing under the item “Retained earnings”, the balance of which will as a result be reduced to € 43,563,174.42.

We also propose paying out a dividend of € 7,192,099.18, distributing € 0.01 to each of the 719,209,918 shares making up the share capital, which will be withdrawn from “Retained earnings (losses)”.

The Board of Directors

Milan, March 10 2011

CONSOLIDATED FINANCIAL STATEMENTS

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1. STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*Notes*		*31.12.2010*		*31.12.2009*
NON-CURRENT ASSETS			**4,830,585**		**4,327,036**
INTANGIBLE ASSETS	(7.a)		1,426,917		1,352,322
TANGIBLE ASSETS	(7.b)		2,554,399		2,187,892
INVESTMENT PROPERTY	(7.c)		24,742		18,965
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d)		319,469		275,899
OTHER EQUITY INVESTMENTS	(7.e)		5,041		9,629
OTHER RECEIVABLES	(7.f)		179,259		208,075
of which with related parties (*)	(7.f)	*277*		*4,480*	
SECURITIES	(7.g)		100,772		83,051
DEFERRED TAXES	(7.h)		219,986		191,203
CURRENT ASSETS			**2,882,252**		**2,476,754**
INVENTORIES	(8.a)		151,283		156,150
CONTRACTED WORK IN PROGRESS			10,421		3,464
TRADE RECEIVABLES	(8.b)		1,137,448		1,042,030
of which with related parties (*)	(8.b)	*7,992*		*18,032*	
OTHER RECEIVABLES	(8.c)		181,140		204,465
of which with related parties (*)	(8.c)	*1,374*		*1,727*	
FINANCIAL RECEIVABLES	(8.d)		399,064		27,229
SECURITIES	(8.e)		229,259		338,264
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f)		161,315		119,527
CASH AND CASH EQUIVALENTS	(8.g)		612,322		585,625
ASSETS HELD FOR DISPOSAL	(8.i)		722		700
TOTAL ASSETS			**7,713,559**		**6,804,490**

LIABILITIES AND SHAREHOLDERS' EQUITY			*31.12.2010*		*31.12.2009*
SHAREHOLDERS' EQUITY			**2,550,939**		**2,363,015**
SHARE CAPITAL	(9.a)		359,605		359,605
RESERVES	(9.b)		94,080		73,587
RETAINED EARNINGS (LOSSES)	(9.c)		270,902		208,678
NET INCOME FOR THE YEAR			22,866		62,293
SHAREHOLDERS' EQUITY OF THE GROUP			**747,453**		**704,163**
MINORITY SHAREHOLDERS' EQUITY			1,803,486		1,658,852
NON-CURRENT LIABILITIES			**3,119,009**		**3,018,964**
BONDS AND NOTES	(10.a)		547,455		718,262
OTHER BORROWINGS	(10.b)		2,171,116		1,903,227
OTHER PAYABLES			2,055		1,211
of which with related parties (*)		--		*69*	
DEFERRED TAXES	(7.h)		193,228		181,489
PERSONNEL PROVISIONS	(10.c)		124,958		137,856
PROVISIONS FOR RISKS AND LOSSES	(10.d)		80,197		76,919
CURRENT LIABILITIES			**2,043,611**		**1,422,511**
BANK OVERDRAFTS			173,676		66,294
BONDS AND NOTES	(11.a)		157,978		731
OTHER BORROWINGS	(11.b)		529,453		192,499
of which from related parties (*)	(11.b)	*2*		*2*	
TRADE PAYABLES	(11.c)		863,950		837,060
of which with related parties (*)	(11.c)	*35,496*		*28,649*	
OTHER PAYABLES	(11.d)		236,203		230,249
of which with related parties (*)	(11.d)	*4,561*		--	
PROVISIONS FOR RISKS AND LOSSES	(10.d)		82,351		95,678
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**7,713,559**		**6,804,490**

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

2. INCOME STATEMENT

(in thousands of euro)

	Notes		2010		2009
SALES REVENUES	(12)		4,805,467		4,266,865
of which from related parties (*)	(12)	*150,680*		*60,674*	
CHANGE IN INVENTORIES			2,886		(14,150)
COSTS FOR THE PURCHASE OF GOODS	(13.a)		(2,911,320)		(2,554,077)
of which from related parties (*)	(13.a)	*(282,385)*		*(258,162)*	
COSTS FOR SERVICES	(13.b)		(785,538)		(746,007)
of which from related parties (*)	(13.b)	*(6)*		--	
PERSONNEL COSTS	(13.c)		(684,344)		(667,570)
OTHER OPERATING REVENUES	(13.d)		104,615		103,867
of which from related parties (*)	(13.d)	*1,176*		*709*	
OTHER OPERATING COSTS	(13.e)		(175,104)		(139,953)
of which with related parties (*)	(13.e)	*(3)*		--	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d.)		37,517		39,679
AMORTIZATION, DEPRECIATION AND WRITEDOWNS			(184,366)		(146,746)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)			**209,813**		**141,908**
FINANCIAL INCOME	(14.a)		58,439		58,676
of which from related parties (*)	(14.a)	*10,225*		*10,426*	
FINANCIAL EXPENSE	(14.b)		(167,509)		(163,575)
of which with related parties (*)	(14.b)	*(10,200)*		*(10,201)*	
DIVIDENDS			108		587
of which from related parties (*)	(13.a)	*16*		--	
GAINS FROM TRADING SECURITIES	(14.c)		42,673		152,105
LOSSES FROM TRADING SECURITIES	(14.d)		(5,744)		(7,702)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e)		(6,851)		(4,233)
INCOME BEFORE TAXES			**130,929**		**177,766**
INCOME TAXES	(15)		(13,247)		4,268
INCOME AFTER TAXES FROM OPERATING ACTIVITY			**117,682**		**182,034**
NET INCOME (LOSS) FROM ASSETS HELD FOR DISPOSAL			--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS			**117,682**		**182,034**
- NET INCOME MINORITY SHAREHOLDERS			(94,816)		(119,741)
- **NET INCOME OF THE GROUP**			**22,866**		**62,293**
BASIC EARNINGS PER SHARE (in euro)	(16)		0.0318		0.0866
DILUTED EARNINGS PER SHARE (in euro)	(16)		0.0318		0.0866

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

3. STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2010	*2009*
Net income for the period		117,682	182,034
Other items of comprehensive income statement			
Currency translation differences from foreign operations		11,630	18,034
Net change in fair value of available-for-sale financial assets		13,524	(28,841)
Net change in cash flow hedge reserve		15,540	85
Other items of comprehensive income statement		2,865	4,593
Taxes on other items of comprehensive income statement		(5,007)	(1,167)
Other components of comprehensive income statement for the year, net of tax		**38,552**	**(7,296)**
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD		**156,234**	**174,738**
Total comprehensive income statement attributable to:			
Shareholders of the parent company		37,229	57,681
Minority Shareholders		119,005	117,057
BASIC EARNINGS PER SHARE (in euro)	(16)	0.0518	0.0802
DILUTED EARNINGS PER SHARE (in euro)	(16)	0.0518	0.0802

4. STATEMENT OF CASH FLOW

(in thousands of euro)

	2010	2009
OPERATING ACTIVITY		
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS:	117,682	182,034
ADJUSTMENTS		
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	184,366	146,746
SHARE OF THE RESULT OF COMPANIES CONSOLIDATED AT EQUITY	(37,517)	(39,679)
ACTUARIAL CHANGE IN STOCK OPTION PLANS	9,684	10,607
CHANGE IN PERSONNEL PROVISIONS & PROVISIONS FOR RISKS & LOSSES	(22,947)	24,983
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	11,851	4,233
CAPITAL GAIN ON SUBSCRIPTION OF CAPITAL INCREASES BY MINORITY SHAREHOLDERS	--	(76,735)
INCREASE (REDUCTION) IN NON-CURRENT RECEIVABLES AND PAYABLES	12,594	(27,207)
(INCREASE) REDUCTION IN NET WORKING CAPITAL	(41,339)	83,464
OTHER CHANGES	--	(16,067)
CASH FLOW FROM OPERATING ACTIVITY	234,374	292,379
of which:		
- interest received (paid out)	(101,407)	(65,235)
- income tax payments	(32,527)	(70,756)
INVESTMENT ACTIVITY		
(PURCHASE) SALE OF SECURITIES	64,084	356,077
PURCHASE OF FIXED ASSETS	(656,672)	(595,955)
CASH FLOW FROM INVESTMENT ACTIVITY	(592,588)	(239,878)
FUNDING ACTIVITY		
INFLOWS FROM CAPITAL INCREASES	39,116	187,851
OTHER CHANGES IN EQUITY	26,007	52,301
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS	219,448	(204,182)
BUY-BACK OF OWN SHARES	(91)	(1,160)
DIVIDENDS PAID OUT	(6,951)	(20,413)
CASH FLOW FROM FUNDING ACTIVITY	277,529	14,397
INCREASE (REDUCTION) IN NET CASH AND CASH EQUIVALENTS	(80,685)	66,898
NET CASH AND CASH EQUIVALENTS AT START OF PERIOD	519,331	452,433
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	438,646	519,331

5. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(in thousands of euro)	*Attributable to the Shareholders of the parent company*					*Minority interests*	*Total*
	Share capital	*Reserves*	*Retained earnings (losses)*	*Net income (loss) for the year*	*Total*		
BALANCE AT DECEMBER 31 2008	359,605	74,981	157,324	52,165	644,075	1,455,553	2,099,628
Capital increases	--	--	--	--	--	187,851	187,851
Dividends to Shareholders	--	--	--		--	(20,413)	(20,413)
Retained earnings	--	811	51,354	(52,165)	--	--	--
Effects of equity changes in subsidiaries	--	2,407	--	--	2,407	(81,196)	(78,789)
Comprehensive result for the year							
Fair value measurement of hedging instruments	--	(138)	--	--	(138)	(947)	(1,085)
Fair value measurement of securities	--	6,953	--	--	6,953	3,188	10,141
Securities fair value reserve released to income statement	--	(18,923)	--	--	(18,923)	(20,056)	(38,979)
Effects of equity changes in subsidiaries	--	1,095	--	--	1,095	3,498	4,593
Currency translation differences	--	6,401	--	--	6,401	11,633	18,034
Net income for the year	--	--	--	62,293	62,293	119,741	182,034
Total comprehensive result for the year	--	*(4,612)*	--	*62,293*	*57,681*	*117,057*	*174,738*
BALANCE AT DECEMBER 31 2009	359,605	73,587	208,678	62,293	704,163	1,658,852	2,363,015
Capital increases	--	--	--	--	--	39,116	39,116
Dividends to Shareholders	--	--	--		--	(6,951)	(6,951)
Retained earnings	--	69	62,224	(62,293)	--	--	--
Effects of equity changes in subsidiaries		6,061	--	--	6,061	(6,536)	(475)
Comprehensive result for the year	--						
Fair value measurement of hedging instruments	--	2,436	--	--	2,436	7,931	10,367
Fair value measurement of securities	--	8,227	--	--	8,227	5,215	13,442
Securities fair value reserve released to income statement		310	--	--	310	(62)	248
Effects of equity changes in subsidiaries	--	462	--	--	462	2,403	2,865
Currency translation differences	--	2,928	--	--	2,928	8,702	11,630
Net income for the year	--	--	--	22,866	22,866	94,816	117,682
Total comprehensive result for the year	--	*14,363*	--	*22,866*	*37,229*	*119,005*	*156,234*
BALANCE AT DECEMBER 31 2010	359,605	94,080	270,902	22,866	747,453	1,803,486	2,550,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and ratified by the European Union, as well as with the measures issued in implementation of Art. 9 of D. Lgs. no. 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previous known as the Standing Interpretations Committee ("SIC").

The financial statements are prepared on the basis of the principle of historical cost, modified as required for the valuation of certain financial instruments, in compliance with the matching and revenue recognition principles and on the assumption that the enterprise is a going concern. In fact, in spite of the presence of a difficult economic and financial environment, the group has evaluated that there are no significant uncertainties, as defined in paragraph 24 of IAS 1, relating to the ongoing nature of the concern.

The Consolidated Financial Statements for the year ended December 31 2010, which include the Parent Company of the group Cofide S.p.A. (hereinafter "Cofide") and the companies directly or indirectly controlled by Cofide, were prepared using the statements of the individual companies included in the consolidation, i.e. their statutory financial statements (known as "individual" or "separate" in IAS/IFRS terminology), or the consolidated statements of the sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting principles listed below and, where there is compatibility, with Italian regulations. The various statements adopted are as follows:
- The Statement of Financial Position is organized in offsetting items classified as current and non-current assets and liabilities;
- The Income Statement shows a breakdown according to type of expense;
- The Cash Flow Statement was prepared using the indirect method;
- The Statement of Changes in Equity gives a breakdown of the changes which took place during the year and in the previous year.
- The Comprehensive Income Statement shows items of income suspended in equity..

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

Events which occurred after the balance sheet date
After the close of the year there were no important events that could have affected the financial, equity and economic situation of the company in any significant way. See point 6 of the Report on Operations for a description of the significant events which occurred after the close of the year.

In accordance with paragraph 17 of IAS 10, it should be noted that publication of these financial statements was authorized by the Board of Directors of the Company on March 10 2011.

2. CONSOLIDATATION PRINCIPLES

2.a. **Consolidation methods**

All the companies in which the group exercises control according to the terms of IAS 27, SIC 12 and IFRIC Interpretation 2 are considered as controlled companies or 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. The existence of this power is presumed to exist when the group possesses the majority of the voting rights of a company, including potential voting rights that are exercisable without any restrictions or when it has in any case effective control over Shareholders' Meetings despite not having a majority of the voting rights.
Subsidiaries are fully consolidated as from the date on which the group takes control and are deconsolidated when such control ceases to exist.
Consolidation is carried out using the full line-by-line consolidation method. The main criteria adopted for the application of this method are generally the following:
- The book value of the holding is eliminated against the appropriate portion of shareholders' equity and the difference between acquisition cost and the shareholders' equity of investee companies is posted, where the conditions exist, to the items of assets and liabilities included in the consolidation. Any remaining part is recognized to the income statement when it is negative or to the "Goodwill" item of the assets when it is positive. Goodwill is subjected to an impairment test to determine its recoverable value;
- Significant transactions between consolidated companies are eliminated as are payables, receivables and unrealized income resulting from transactions between companies of the group, net of any tax;
- Minority shareholders' equity and their share of net income for the period are shown in special items of the consolidated balance sheet and income statement.

Associates

All those companies in which the group has a significant influence, without having control, in accordance with the terms of IAS 28, are considered as associated companies or associates. Significant influence is presumed to exist when the group holds a percentage of the voting rights of between 20% and 50% (excluding cases where there is 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 when significant influence ceases to exist.
The criteria adopted for applying the equity method are mainly the following:
- The book value of the holding is eliminated against the appropriate portion of shareholders' equity and any positive difference, identified at the time of the acquisition, net of any lasting loss of value resulting from an impairment test to establish its recoverable value; the corresponding share of the net income or loss for the period is recognized to the income statement. Whenever the part attributable to the group of the losses of the associate exceeds the carrying value of the investment in the accounts, the value of the investment is written off and the share of any further losses are not recognized unless the group has any contractual obligation to do so;
- Any unrealized gains and losses generated by transactions between companies of the group are netted out except in cases where losses represent a permanent loss of value of the assets of the associate;
- The accounting principles of the associate are amended, where necessary, in order to make them compatible with the accounting principles adopted by the group.

Joint ventures:
All companies in which the group exercises control jointly with another company according to the terms of IAS 31 are considered as 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 give two methods for consolidating investments in joint ventures:
. the usual method, which involves pro-rata consolidation:
. the alternative method which involves consolidation using 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 foreign subsidiaries not belonging to the single currency, none of which has an economy subject to hyperinflation according to the definition given in IAS 29, is carried out at the year-end exchange rate for the balance sheet and at the period average exchange rate for the income statement. Any exchange rate differences resulting from the translation of shareholders' equity at the year-end exchange rate and from the translation of the income statement at the average rate for the period are recorded in the item "Other reserves" under shareholders' equity.

The main exchange rates used are the following:

	31.12.2010		*31.12.2009*	
	Average rate	*31.12.2010*	*Average rate*	*31.12.2009*
US Dollar	1.32572	1.3362	1.39478	1.4406
UK Sterling	0.8576	0.8607	0.8906	0.8881
Swedish Krona	9.5374	8.9654	10.6112	10.2522
Brazilian Real	2.3299	2.2177	2.7598	2.5113
Argentine Peso	5.1795	5.3098	5.1677	5.4618
Chinese Renminbi	8.9646	8.8222	9.4931	9.8348
Indian Rupee	60.5327	59.7729	67.2495	67.0241

2.c. **Consolidation Area**

The consolidated financial statements as of December 31 2010 and the consolidated financial statements for the previous year of the group are the result of the consolidation at those dates of the Parent Company Cofide and of all the companies directly or indirectly controlled, jointly controlled or associated, with the exception of any companies being wound up. Assets and liabilities scheduled for disposal are reclassified in the items of assets and liabilities that show such an eventuality. Specifically in 2010 the assets held for disposal refer to properties of the Sogefi group that are scheduled for disposal in 2011

The list of shareholdings included in the consolidation area, with an indication of the consolidation method used, and of those not included is given in the appropriate section of this booklet.

2.d. **Changes in the consolidation area**

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

Utilities sector
Since last year the following companies have now joined the consolidation:
- Ilofania A.E.
- Parc Éolien de Bussy le Repos S.a.s.
- Parc Éolien Tierache S.a.s.
- Photovoltaique de Marville S.a.s.
- Soluxia Sarda III S.r.l.
- Photovoltaique de Chavannes S.a.s.

Automotive sector
In 2010 the following changes took place:
- In June, November and December the subsidiary Allevard Rejna Autosospensions S.A. increased its stake in the subsidiary S.ARA Composite S.a.s. from 64.29% to 83.33%, through capital increases of € 3,200 thousand of which only € 2,700 thousand were paid in;
- In September the subsidiary Allevard Rejna Autososensions S.A. with the Indian group Imperial Auto set up the company Allevard IAI Suspensions Private Ltd to produce suspension components in India. Allevard Rejna Autospensions S.A. is the controlling shareholder of the new company with an interest of 51%;
- In December the liquidation process was completed of the associated company Allevard Ressort Composites S.A.S., generating income of € 147 thousand that was added to the dividends already received during the year for an amount of € 50 thousand.

Healthcare sector
In 2010 the following transactions took place which involved a change in the consolidation:

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

    - The acquisition in January 2010 by Istituto di Riabilitazione Santo Stefano S.r.l. of total control of Società Duemiladue S.r.l., the company that controls Sanatrix S.r.l. – owner of the Villa dei Pini nursing home in Civitanova Marche (MC), equipped with 180 beds of which 105 are hospital beds, 15 are in rehabilitation and 60 are for the elderly. Through this acquisition the group now holds a total of 77% of the share capital of Sanatrix S.r.l.. The deal was funded by borrowings;
    - The acquisition in May 2010, by the company Health Equity S.r.l, indirectly controlled for 60% by KOS S.p.A, of the remaining 50% of the share capital of Fidia S.r.l.;
    - The acquisition, through the company Redancia S.r.l., of 100% of the company Tuga 2 S.r.l., owner of a care-home which contains a psychiatric rehabilitation community in Ligura with 15 beds. The investment was funded by borrowings;
    - the acquisition in May of the remaining 10% of the company Tuga S.r.l.. The deal gave rise to a consolidation difference of € 70.2 thousand which, being an earn-out deal, was fully expensed to the income statement in accordance with international accounting standards (IFRS 3 revised);
    - The acquisition, through the subsidiary Istituto di Riabilitazione Santo Stefano S.r.l., of 100% of the capital of Villa Rosa S.r.l., a company that manages an accredited psychiatric hospital and a diagnostic centre in Emilia Romagna. The psychiatric hospital has 81 beds, 1 temporary isolation bed, 1 day hospital bed and 5 day centre beds;

- The acquisition, through the subsidiary Istituto di Riabilitazione Santo Stefano S.r.l., of 100% of the capital of Salfo S.r.l., the real estate company which owns the building that houses the company Villa Rosa S.r.l. mentioned above;
- In November the company Duemiladue S.r.l. was merged by incorporation into its parent company Istituto di Riabilitazione Santo Stefano S.r.l.;
- In December the companies Tuga S.r.l. and Tuga 2 S.r.l. were merged by incorporation into their parent company Redancia S.r.l.;
- Acquisition of almost all of the minority interests in the company La Pineta S.r.l..

- In the care-home (RSA) sector

- The acquisition, as part of a single deal carried out by Residenze Anni Azzurri S.r.l., of 100% of the company San Rocco S.r.l., which runs a nursing home in Segrate (MI) and is accredited for 150 beds plus a day-care centre of 12 beds, and 100% of the company Il Melograno S.r.l. which manages a nursing home (Il Melograno) in Cassina De' Pecchi (MI) and is accredited for 147 beds plus a day-care centre of 10 beds. As part of the same deal the company HSS Real Estate S.p.A. acquired 100% of the capital of the real estate company Ital.Com. S.p.A., owner of the facility which houses the nursing home Il Melograno in Cassina De' Pecchi. The property of the company Ital.Com S.p.A was subsequently sold to a real-estate partner for the sum of € 11,750 thousand. These acquisitions were financed by bank borrowings;
- In October the company San Rocco S.r.l. and Melograno S.r.l. were merged by incorporation into their parent company Residenze Anni Azzurri S.r.l.;
- In December, the company Ital.Com. S.p.A. was merged by incorporation into its parent company Residenze Anni Azzurri S.r.l..

In the Hospital Management sector

- On October 11 2010 the acquisition was completed of the companies Giordani S.r.l., Elsida S.r.l. and Imaging S.r.l. by the subsidiary Medipass S.p.A.. The acquired companies operate in the sphere of the outsourced out-patient diagnostic services for the Regional Health Service or manage, with private resources (equipment, doctors, technicians, administration), out-patient diagnostic radiology services for the Bologna Public Health Service as well as a private accredited diagnostic centre, mainly specializing in diagnostic imaging. The deal was financed mainly by borrowings but with a small part of the company's own capital.

For details as to the effects of the above acquisitions, reference should be made to paragraph 24 below, "Company Acquisitions".

Media Sector
It should be noted that, compared to 2009, the companies Edigraf S.r.l. (sold to third parties in October 2009) and Rotosud S.p.A. (sold to third parties in March 2010) have now left the consolidation, while the subsidiary Ksolutions S.p.A., currently in liquidation and non-operational, was consolidated at cost instead of being fully consolidated.

Lastly, the completion of the merger by incorporation of the company Editoriale Monopoli S.p.A. into Gruppo Editoriale L'Espresso S.p.A. on April 22 2010 also changed the composition of the consolidation. This company was previously fully consolidated line by line.

Other companies

As from 2010 the companies Jupiter Asset Management S.r.l., Jupiter Iustitia S.r.l., Devil Peak S.r.l., Resolution S.r.l. and the special purpose entity FAR S.A. also joined the consolidation.

3. ACCOUNTING PRINCIPLES APPLIED

3.a. **Intangible assets (IAS 38)**

Intangible assets are recognized 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 amortization and accumulated impairment.

Intangible assets are initially recognized 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 for preparing the asset for use. The purchase cost is the equivalent price in cash as of the date of recognition and, where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognized as interest for the whole period of deferment.
Amortization is calculated on a straight-line basis following the expected useful life of the asset and starts when the asset is ready for use.
However, intangible assets with an *indefinite useful life* are not amortized but are constantly monitored for any lasting loss of value. It is mainly the newspaper and magazine titles and frequencies of the Espresso Group that are considered as 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 recognized 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 there are reasons which justify it, capitalized costs are subjected to an impairment test.
Research costs are charged to the income statement as and when they are incurred.
Trademarks and licenses, which are initially recognized at cost, are subsequently accounted for net of amortization and any impairment. The period of amortization 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 recognized at cost and are recorded net of accumulated amortization and any impairment.

Goodwill
In the event of the acquisition of companies, the identifiable assets, liabilities and potential liabilities acquired are recognized at their fair value on the acquisition date. The positive difference between the acquisition cost and the group's pro-rata share of the fair value of these assets and liabilities is classified as goodwill and is recorded in the balance sheet as an intangible asset. Any negative difference ("negative goodwill") is however posted to the income statement at the moment of acquisition.
After initial recognition, goodwill is valued 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 for any impairment.

On the first adoption of IFRS, the group opted not to apply IFRS 3 – Business combinations - retrospectively to acquisitions made prior to January 1 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value determined according to Italian Accounting Principles, subject to monitoring for any losses in value.

In relation to acquisitions/sales of holdings in companies that are already controlled, including extraordinary transactions involving a change of the stake in the capital of the said subsidiaries, IFRS 3 is not applicable because it only applies to transactions involving the acquisition of control by an acquiring entity of the business activity of the enterprise acquired. Thus, acquisitions of further shares in a holding, once control has been obtained, are not specifically regulated by IAS/IFRS.
In the absence of a specific Principle or Interpretation on the subject and with reference to the instructions contained in IAS 8 *(*Accounting Policies, Changes in Accounting Estimates and Errors*)*, the group decided to apply the accounting treatment given below, identifying two different types of transaction:
- *acquisitions/sales of holdings in companies already controlled*: in application of the parent entity extension method which considers minority shareholders as third parties, the group:
- in the event of an acquisition pays third party shareholders an amount in cash or in new shares, thus eliminating their minority holdings and recognizing goodwill equal to the difference between the acquisition cost and the carrying value of the assets and liabilities acquired;
- in the event of a sale, the difference between the price of the sale and the corresponding carrying value in the consolidated balance sheet is recognized to the income statement;

intercompany transfer of holdings in subsidiaries which cause a change in the percentage of ownership: the shares transferred remain recorded at historical cost and the whole gain or loss on the transfer is reversed out. The stakes of third party shareholders, who do not take part in the transaction directly, are adjusted to reflect the change in the percentage of their equity holding with an offsetting effect on the equity attributable to the shareholders of the Parent Company without recognizing any goodwill or causing any other effect on earnings or on total equity.

3.b**. Tangible assets (IAS 16)**

Tangible assets are recognized at purchase price or at production cost net of 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. Financial expense relating to specific loans for long-term investments are capitalized until the date when the assets start operating.
When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where fixed assets are installed, the value recognized includes an estimate of costs that will be incurred on disposal of the same, discounted to present value.
Fixed assets are depreciated on a straight-line basis for each year in relation to their remaining useful life.

Land, assets under construction and advance payments are not subject to depreciation.

Real estate and land not used for corporate operating purposes are classified under a special item of assets and are accounted for on the basis of the terms of IAS 40 “Investment properties” (see paragraph 3.e. below).

Should there be any events which one can assume will cause a lasting reduction in the value of an asset, its carrying value is checked against its recoverable value, which is the higher of its fair value and its 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 the sale of the asset. Value in use is determined from the net present value of cash flows resulting from the use expected of the same 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 group 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, the asset’s carrying value is written down, while as soon as the reasons for such loss in value cease to exist the asset then undergoes an upward revaluation. Write-downs and revaluations are posted to the income statement.

3.c. **Public entity grants**

Any grants from a public entity are recognized when there is a reasonable degree of certainty that the receiving company will comply with all the conditions stipulated for such a grant, independently of whether or not there is a formal resolution awarding the said grant, and the certainty that the grant will actually be received.
Capital contributions are recognized in the balance sheet either as deferred income, which is posted to the income statement on the basis of the useful life of the asset for which it has been granted so that the depreciation can be reduced, or else they are 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 without there being any future related costs, are recognized as income in the period in which they can be claimed.

3.d. **Leasing contracts (IAS 17)**

Leasing contracts for assets where the lessee substantially assumes all the risks and rewards of ownership are classified as finance leases. Where there are such finance lease contracts out-

standing the asset is recognized 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 finance charges so as to achieve a constant rate on the finance balance outstanding. The residual lease payments, net of financial expense, are classified as borrowings. The interest expense is charged to the income statement over the lease period. Assets acquired with financial leasing contracts are depreciated to an extent consistent with the nature of the asset.
Leasing contracts in which the lessor substantially retains the risks and rewards of ownership are, on the other hand, classified as operating leases and payments made under such leases are charged to the income statement on a straight-line basis over the period of the lease.
In the event of a sale and lease-back agreement, any difference between the price of sale and the carrying value of the asset is not recognized to the income statement unless there is a loss representing an impairment of the asset itself.

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, through a financial leasing agreement, for the purpose of receiving lease payments or for obtaining a return on the capital invested or for both of these reasons, 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, in ordinary business activities.
The cost of an investment property is represented by its purchase price, any improvements made, any 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 the development was finished. Until that date the conditions set forth in 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, measurement is made net of depreciation and any impairment.

At the moment of disposal or in the event of permanent non-use of the assets, all related income and expenses will be charged 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 capitalized development costs) are recoverable, in order to determine whether there is any indication that the assets may have lost value. If there is such an indication, the carrying value of the assets is written down to the relative recoverable value.
An intangible asset with an indefinite useful life is subjected to an impairment test every year or more frequently any time that there is an indication that it may have undergone a loss in value.
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 net of 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, at 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 recognized if the recoverable value is lower than the carrying value.

If at a later date the loss on an asset other than goodwill ceases to exist or is less, the carrying value of the asset or of the cash generating unit is written up to the extent of the new estimate of its recoverable value but cannot exceed the value that would have been determined if there had not been any impairment loss. The recovery of an impairment loss is recognized to the income statement immediately.

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 are measured at fair value or at cost if the estimation of fair value or market price is not reliable.

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

Receivables are recognized at amortized cost and measured at their presumed realization value, while payables are recognized at amortized cost.
Receivables and payables in foreign currencies, which are originally recognized at the spot rates on the transaction date, are adjusted to period-end spot exchange rates and any exchange gains and losses are recognized to the income statement (see paragraph 3.u. below).

3.i. **Securities (IAS 32 and 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 recognized previously to shareholders' equity are then posted to the income statement.
It should be noted that purchases and sales are recognized on the date of the trade.

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 on adoption of the fair value option.
For a more complete description of the principles regarding financial assets we would refer readers to the note specially prepared on the subject ("financial instruments").

3.l. **Income taxes (IAS 12)**

Current taxes are recorded and determined on the basis of a realistic estimate of taxable income following current tax regulations of the country in which the company is based and taking into account any exemptions that may apply and any tax credits that may be claimed.
Deferred taxes are calculated on the basis of time differences, whether 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 recognized if there is likely to be taxable income on which the deductible temporary difference can be used.

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 utilized.

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 realizable value.

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

Cash and cash equivalents include cash in hand, call deposits and short-term and high-liquidity financial assets, which are easily convertible into cash and have an insignificant risk of change in price.

3.o. **Equity**

Ordinary shares are recorded at nominal value. Costs directly attributable to the issuance of new shares are deducted from the shareholders’ equity reserves, net of any related tax benefit.
Own shares are classified in a special item which is deducted from reserves; any subsequent transaction of sale, re-issuance or cancellation will have no impact on the income statement but will affect only shareholders’ 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 asset is realized or when a impairment loss is recognized.

The hedging reserve is formed when fair value changes are recognized 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 as “effective” is recognized to equity and is reversed to the income statement as and when the elements hedged are in turn recognized 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 accounting any differences resulting from such translation in a special reserve. When the subsidiary is sold the reserve is reversed to the income statement with a detail of any gains or losses resulting from its disposal.
The item “Retained earnings (losses)” includes accumulated income and losses and the transfer of balances from other equity reserves when these become free of any restrictions to which they have been subject.
This item also shows the cumulative effect of the changes in accounting principles and/or the correction of errors which are accounted for in accordance with IAS 8.

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

Loans are initially recognized at cost represented by their fair value net of ancillary costs incurred. Subsequently loans are measured at amortized cost calculated by applying the effective interest rate, taking into consideration any issuance costs incurred and any premium or discount applied at the time in which the instrument is settled.

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

Provisions for risks and losses refer to liabilities which are extremely likely 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 recognized exclusively in the presence of a current obligation, either legal or constructive, towards third parties which implies an outflow and when a reliable estimate of the amount involved can be made. The amount recognized as a provision is the best estimate of the disbursement required to fulfil the obligation as of the balance sheet date. The provisions recognized are re-examined at the close of each accounting period and are adjusted to represent the best current estimate. Changes in the estimate are recognized to the income statement.

When the estimated disbursement 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 risk-free interest rate, of the expected future outflows to discharge the obligation.

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

3.r. **Revenue recognition (IAS 18)**

Revenues from the sale of goods are recognized at the moment when ownership and the risks of the goods are transferred. Revenues are recognized net of returns, discounts and rebates. Revenues for the rendering of services are recognized at the moment when the service is rendered, with reference to the state of completion of the activity as of the balance sheet date.

Income from dividends, interest and royalties is recognized as follows:
- Dividends, when the right to receive payment is established (with an offset in 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 after the termination of their employment and other long term benefits are subject to actuarial valuation.
Following this methodology, liabilities recognized represent the present value of the obligation adjusted for any actuarial gains or losses which have not been accounted for.

Financial Law no. 296/2006 made important changes to severance and leaving indemnity (TFR) regulations, introducing the possibility for workers to transfer their TFR maturing after January 1 2007 to selected pension schemes. Thus the TFR accruing as of December 31 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 salary dynamics. Given that this new method of calculation reduces the volatility of actuarial gains / losses the decision was taken to abandon the corridor method and recognize all the actuarial gains and losses to the Income Statement.

Accounting principle IFRS 2 “Share based payments” issued in February 2005 but applicable as from January 1 2005 (and amended effective January 1 2010) stated that application would be retrospective for all transactions where stock options were awarded before November 7 2002 and where, as of the date of its taking effect, the vesting conditions contained in the various plans had not yet been satisfied.
In compliance with this principle the Cofide Group measures the notional cost of stock options and recognizes it to the income statement under personnel costs during the vesting period of the benefit, with a corresponding posting to the appropriate equity reserve.
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 respective period, which is evaluated with the aid of appropriate actuarial variables.
Similarly the cost resulting from the award of phantom stock options is determined in relation to the fair value of the options at the award date and is recognized to the income statement under personnel costs throughout the vesting period of the benefit; the offsetting entry, unlike for stock options, is made in the liabilities (miscellaneous personnel provisions) and not in an equity reserve. Until this liability is extinguished its fair value is recalculated at each balance sheet date and on the date of actual disbursement and all the fair value changes are posted to the income statement.

3.t. **Derivative instruments (IAS 32 and 39)**

Derivative instruments are measured at fair value.
The group uses derivatives mainly to hedge risks, in particular interest rate, foreign exchange and commodity price risks. The hedging purpose of the derivative is formally documented and the degree of “effectiveness” of the hedge is specified.
For accounting purposes hedging transactions can be classified as:
- fair value hedges – where the effects of the hedge are recognized to the income statement.
- cash flow hedges – where the effective portion of the hedge is recognized directly to shareholders’ equity while the non-effective part is recognized to income statement.
- hedges of a net investment in a foreign operation – where the effective portion of the hedge is recognized directly to shareholders’ equity while the non-effective part is recognized to the income statement.

3.u. **Foreign currency translation (IAS 21)**

The group’s functional currency is the euro, which is the currency in which its financial statements are prepared and published.
The companies of the group prepare their financial statements in the currencies that are used in their respective countries.

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

At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rate prevailing on that date.
Non-monetary items measured at historical cost in a foreign currency are translated using the historical exchange rate prevailing on the date of the transaction.
Non-monetary items measured at fair value are translated using the spot exchange rate at the date on which the measurements are determined for the financial statements.

The assets and liabilities of the companies within the group whose functional currency is not the euro are valued using the following procedures:

- assets and liabilities are translated using the spot exchange rate prevailing at the balance sheet date;
- costs and revenues are translated using the average exchange rate for the period;

Exchange rate differences are recognized directly to a special equity reserve.
Should an investment in a foreign operation be sold, the accumulated exchange rate differences recognized 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 sellable in its present condition and a sale must be considered as highly likely.
Assets or groups that are classified as held for sale are valued at the lower of their carrying value and expected realization value less costs to sell.
The individual assets or those which are part of a group classified as held for sale are not amortized.
These assets are shown in the financial statements on a separate line in the Income Statement giving 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 the 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 the effect of all potential ordinary shares, resulting for example from the possibility of the exercise of stock options assigned, which can have a dilutive effect.

3.x. **Business combinations**

Acquisitions of businesses are recognized using the acquisition or purchase method in compliance with the terms of 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, the liabilities incurred or assumed, plus any directly attributable acquisition costs.

The assets, the potential identifiable liabilities of the acquiree which respect the conditions for recognition are accounted for at their fair value as of the acquisition date. Any positive difference between the acquisition cost and the fair value of the share of net assets acquired attributable to the group is recognized as goodwill or, if negative, is recognized to the income statement.

Initial allocation to the 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 deal is completed, and it is possible to recognize the adjustment to the values provisionally assigned in the initial accounting within twelve months of the date of acquisition of control.

3.y. **Use of estimates**

The preparation of the financial statements and the explanatory notes in application of IFRS requires the use by management of estimates and assumptions which affect the values of the assets and liabilities in the balance sheet and the information regarding potential assets and liabilities as of the balance sheet date.
The estimates and assumptions used are based on experience and on other factors considered relevant. The actual results could therefore differ from these estimates. Estimates and assumptions are revised periodically and the effects of such revision are reflected in the income statement in the period in which the revision is made if the revision has effect only in that period, or even in subsequent periods if the revision has an effect both on the current financial year and on future years.
The items of the financial statements principally affected by this use of estimates are goodwill, deferred taxes and the fair value of financial instruments, stock options and phantom stock options.
See the specific business areas for further details.

4. FINANCIAL INSTRUMENTS

Financial instruments take on a particular significance in the economic and financial structure of the Cofide 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 that are valued at fair value with an offsetting entry in the income statement (“fair value through profit and loss” - FVTPL) in application of the fair value option, which are held for trading purposes;
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 recognized 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 purposes;

- 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 price movements in the short term.

Derivatives are included in this category unless they are designated as hedging 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 those instruments that meet the following conditions:

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

The designation of an individual instrument to this category is definitive, is made at the moment 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 amortized cost and constitute an exception to the general principle of measurement at fair value.

Amortized 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 moment of purchase, and recognizing them throughout the whole life of the instrument until its final maturity.

Amortized cost represents the initial recognition value of a financial instrument, net of any capital repayments and of any impairment, plus or minus the cumulated amount of the differences between its initial net value and the nominal amount 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 appropriate time 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 single instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for this, the tainting rule is applicable and requires that the whole portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, and this category cannot then be used in the following two years.

Loans and receivables

This refers to financial instruments which are not derivatives, have payments that are either fixed or can be determined, which are not quoted on an active market and which are not intended to be traded.

This category includes trade receivables (and payables).

The measurement of these instruments, except those classified as current assets (up to twelve months), is made by applying the method of amortized cost, using the effective interest rate and taking into account any discounts or premiums obtained or paid at the moment of acquisition and recognizing them throughout the whole life of the instrument until its final maturity of the same instruments.

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.
Financial instruments held as available for sale are recognized at their fair value plus any transaction costs.
Gains and losses are recognized to a special equity reserve until the financial instruments are sold or have been impaired. In such cases the profit or loss accrued under shareholders' equity is released to the income statement.

Fair value is the amount for which an asset can be exchanged or a liability can be settled, between knowledgeable, willing parties in a transaction 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 accounting period.
When no market prices are available, fair value is determined either on the basis of the fair value of another financial instrument that is substantially similar or by using appropriate financial techniques (for example the discounted cash flow method).
Investments in financial assets can be eliminated from the balance sheet, or derecognized, only when the contractual rights to receive their respective financial cash flows have expired or when the financial asset is transferred to third parties together with all its associated risks and rewards.

5. ACCOUNTING PRINCIPLES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The criteria for making estimates and measurements are re-examined 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 principle affects the current year or the previous one, its effect is recognized by indicating the change resulting from any transitional rules, the nature of the change, the description of the transitional rules, which may also affect future years, and the amount of any adjustments relating to years preceding those being presented.
If a voluntary change of a principle affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for the adoption of the new principle, and the amount of any adjustments made for years preceding those being presented.
In the event of a new principle/interpretation issued but not yet in force, an indication is given of the fact, of its potential impact, the reason for the principle/interpretation, the date on which it will take effect and the date on which it will first be applied.

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

The treatment of accounting errors involves an indication of the nature of the error, the amount of the adjustments and corrections to be made at the beginning of the first accounting period after it was recognized.

6. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

Accounting standards, Interpretations and Amendments applied in 2010

The following accounting standards, amendments and interpretations were applied for the first time by the Group as from January 1 2010.

- *IFRS 3 (2008) – Business Combinations*. In accordance with the transition rules for this standard, the group adopted IFRS 3 (revised in 2008) *Business Combinations* prospectively for the business combinations which took place as from January 1 2010. More specifically, the revised version of IFRS 3 introduced important changes, as indicated above, which mainly concern: rules for step acquisitions of subsidiaries; the right to measure at fair value any non-controlling interests acquired in a partial acquisition; the recognition of all costs relating to the business combination to the income statement and the recognition at the acquisition date of liabilities for contingent consideration.
- *IAS 27 (2008) – Consolidated and Separate Financial Statements.* The revisions to IAS 27 principally affect the accounting for transactions and events that result in a change in the group's interest in its subsidiaries and the attribution of a subsidiary's losses to non-controlling interests. In accordance with the relevant transitional provisions, the group adopted these changes to IAS 27 prospectively, recognizing effects on the accounting treatment of some acquisitions and sales of minority interests in subsidiaries.
  IAS 27 (2008) specifies that once control has been obtained, further transactions whereby the parent entity acquires additional equity interests or disposes of equity interests without modifying control are transactions with owners and therefore shall be accounted for as equity transactions. It follows that the carrying amounts of the controlling and non-controlling interests must be adjusted to reflect the changes in their relative interests in the subsidiary and any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly to equity and attributed to the owners of the parent. There is no consequential adjustment to the carrying amount of goodwill and no gain or loss is recognized in the income statement. Costs associated with these transactions are recognized in equity in accordance with IAS 32 paragraph 35. In prior years, in the absence of a specific principle or interpretation, if the group purchased a non-controlling interest in a subsidiary that it already controlled, it adopted the "Parent entity extension method", recognizing any excess of the acquisition cost over the carrying value of the assets and liabilities acquired as goodwill. If it disposed of a non-controlling interest without losing control, however, the group recognized any difference between the carrying amount of the assets and liabilities of the subsidiary and the consideration received to the income statement.

Accounting standards, amendments and interpretations effective from January 1 2010 but not applicable to the group

The following amendments, improvements and interpretations, effective as from January 1 2010, 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 arrangements:

- Improvement to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*

- Amendments to IAS 28 – *Investments in Associates* and to IAS 31 – *Interests in Joint Ventures*, resulting from the amendment to IAS 27.
- *Improvements* to *IAS/IFRS (2009).*
- Amendment to IFRS 2 – *Share-based Payments: Group Cash-settled Share-based Payment Transactions*.
- IFRIC 17 – *Distributions of Non-cash Assets to Owners*.
- IFRIC 18 – *Transfers of Assets from Customers*.
- Amendment to IAS 39 – *Financial Instruments: Recognition and Measurement: Eligible Hedged Items.*

<u>Accounting standards, amendments and interpretations not yet applicable and not adopted early by the group</u>

The group did not opt for early adoption of the following standards, interpretations and revisions of standards already published, which will be obligatory in subsequent period:

- IAS 32 – On October 8 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) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for 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 exercise price is denominated. The amendment is applicable retrospectively from January 1 2011. When applied this amendment is not expected to have significant effects of the group's financial statements.
- IAS 24 – On November 4 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 standard is applicable as from January 1 2011. The adoption of this standard is not expected to have any significant effects on the financial statements of the group.
- IFRS 9 – On November 12 2009 the IASB issued a new standard IFRS 9 – *Financial Instruments:* the same standard was then amended on October 28 2010. Applicable as from January 1 2013, the new standard represents the completion of the first part of a project to replace IAS 39 and introduces new criteria for classifying and measuring financial assets and liabilities and for derecognizing them from the 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 same liability. According to the new principle such changes must be recognized to Other total gains and losses and will no longer affect the income statement.
  As of the date of these financial statements the new standard had not yet been endorsed by the European Union.
- IFRIC 14 – On November 26 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 recognize this payment as an asset. The amendment is applicable as from January 1 2011. The adoption of this standard is not expected to have any significant effects on the financial statements of the group.

- IFRIC 19 – On November 26 2009 the IFRIC issued interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*, which provides guidance on how to account for the extinguishment of a financial liability with 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 the entity's shares to settle the financial liability, then the shares issued by the company become part of the consideration paid for the extinguishment of the financial liability and must be measured at fair value. The difference between the carrying value of the financial liability extinguished and the initial measurement amount of the equity instruments issued is posted to the income statement for the period. The interpretation is applicable as from January 1 2011. The adoption of this standard is not expected to have any significant effects on the financial statements of the group.
- IMPROVEMENTS TO IFRS – On May 6 2010 the IASB issued a set of amendments to IFRSs ("Improvements to IFRSs") which are applicable as from January 1 2011. Below are those which will lead to a change in the presentation, recognition and measurement of financial statement items, excluding those which will involve only a change in terminology or editorial changes with a minimum effect on the accounts, and those that affect standards or interpretations not applicable to the group:
  - IFRS 3 (2008) – *Business Combinations*: this amendment clarifies that the elements of non-controlling interests that do not entitle their holders to a proportionate share of the subsidiary's net assets must be measured at fair value or as required by the applicable accounting standards. Thus, for example, a stock option plan granted to employees must be measured, in the event of a business combination, according to the rules of IFRS 2 while the equity portion of a convertible debt instrument must be measured in accordance with IAS 32. In addition, the Board goes into further detail on the question of share-based payment plans that are replaced as part of a business combination by adding specific guidance to clarify the accounting treatment.
  - IFRS 7 – *Financial Instruments: Additional Disclosures:* this amendment emphasizes the interaction between the qualitative and the quantitative disclosures required by the standard concerning the nature and extent of risks inherent in financial instruments. This should assist users of financial statements to link related disclosures and to get an overall picture of the nature and extent of the risks involved in financial instruments. In addition, the disclosure requirement has been eliminated for financial instruments which have passed their expiry date but which have been renegotiated or written down, and also that relating to the fair value of collateral.
  - IAS 1 – *Presentation of Financial Statements*: the amendment require that the reconciliation of the changes in each component of equity be presented in the Notes or in the Financial Statements themselves.
  - IAS 34 – *Interim Financial Reporting:* by providing a series of examples clarification is given regarding the additional information that must be presented in Interim Financial Reports.

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

- IFRS 7 – *Financial instruments – additional disclosures* –the amendment published on October 7 2010 is applicable for accounting periods beginning on or after July 1 2011. The amendments were issued with the intent of improving the understanding of financial asset transfer transactions, including the understanding of the possible effects of any risk remaining in the company that transferred such assets. The amendments also require greater information if an unusual amount of such transactions are entered into at the end of an accounting period.

As of the date of these financial statements these amendments had not yet been endorsed by the European Union.

- IFRS 1- *First time Adoption of International Financial Reporting Standards(IFRS)-* the amendment published on December 20 2010 aimed to eliminate references to the date of January 1 2004 which was described as the date of transition to IFRS and to give a guide as to the presentation of financial statements in accordance with IFRS after a period of hyperinflation. These amendments are applicable as from July 1 2011 but as of the date of these financial statements they had not yet been endorsed by the European Union.
- IAS 12 – *Income taxes* – the amendment issued on December 20 2010 requires businesses to measure the deferred taxes resulting from a functioning asset according to the way in which the carrying value of this asset will be recovered (through continuing use or through a sale). Following this amendment SIC-21 – Income taxes – Recoverability of a non-depreciable asset at revaluation will no longer be applicable. This amendment is applicable from January 1 2012. As of the date of these financial statements these amendments had not yet been endorsed by the European Union.

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

NOTES ON THE STATEMENT OF FINANCIAL POSITION

7. **NON-CURRENT ASSETS**

7.a. INTANGIBLE ASSETS

2009	*Starting position*			*Changes in the period*							*Closing position*		
	Historical cost	*Accum. amort. & writedowns*	*Balance 31.12.2008*	*Acquisitions*	*Combinations sales of businesses*		*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Amortization & writedowns*	*Historical cost*	*Accum. amortization & writedowns*	*Balance 31.12.2009*
(in thousands of euro)					*increases*	*decreases*							
Start-up and expansion costs	75	(72)	3	2	--	--	--	(2)	--	(3)	72	(72)	--
Capitalized development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	56,044	(34,067)	21,977	6,576	--	--	1,150	2,787	(11)	(7,280)	67,667	(42,468)	25,199
Industrial patents and intellectual property rights	11,084	(8,877)	2,207	27	--	(2)	(3)	192	(10)	(443)	11,608	(9,640)	1,968
Concessions, licenses, trademarks & similar rights	79,484	(63,472)	16,012	12,131	52	(47)	(18)	7,972	(7)	(9,188)	86,761	(59,854)	26,907
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	218,502	--	218,502	399	--	--	--	--		--	218,901	--	218,901
Goodwill	1,017,404	(393,097)	624,307	29,353	1,537	--	--	7	(73)	--	1,048,228	(393,097)	655,131
Assets in process & advance payments													
- purchased	7,658	--	7,658	7,270	13,477	--	13	(7,497)	(323)	(5,312)	20,598	(5,312)	15,286
- produced internally	4,336	(7)	4,329	2,403	--	--	(31)	(3,387)	--	--	3,321	(7)	3,314
Other	11,755	(7,123)	4,632	1,011	562	(11)	81	(117)	--	(787)	13,820	(8,449)	5,371
Total	1,806,587	(506,715)	1,299,872	59,172	15,628	(60)	1,192	(45)	(424)	(23,013)	1,871,221	(518,899)	1,352,322

2010	*Starting position*			*Changes in the period*							*Closing position*		
	Historical cost	*Accum. amortization & writedowns*	*Balance 31.12.2009*	*Acquisitions*	*Combinations sales of businesses*		*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Amortization& writedowns*	*Historical cost*	*Accum. amortization & writedowns*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*							
Start-up and expansion costs	72	(72)	--		2	--	--		--	(1)	74	(73)	1
Capitalized 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 & 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	1,048,228	(393,097)	655,131	5,272	42,632	--	--	--	--	--	1,096,132	(393,097)	703,035
Assets in process & 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
Other	13,820	(8,449)	5,371	15,777	3		106	3,347	--	(774)	32,572	(8,784)	23,788
Total	1,871,221	(518,899)	1,352,322	63,756	43,293	(22)	1,042	3,423	(4,020)	(32,835)	1,978,401	(551,484)	1,426,917

AMORTIZATION RATES

Description	*%*
Capitalized 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%

Intangible assets rose from € 1,352,322 at December 31 2009 to € 1,426,917 thousand at December 31 2010.

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)	*31.12.2010*	*31.12.2009*
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)	*31.12.2010*	*31.12.2009*
Radio frequencies	80,618	80,618
Television frequencies	138,283	138,283
Total	218,901	218,901

Goodwill:

(in thousands of euro)	*31.12.2009*	*31.12.2008*
Utilities sector (Sorgenia group)	267,262	261,990
Media sector (Editoriale L'Espresso group)	140,038	140,038
Healthcare sector (Kos group)	164,239	121,607
Automotive sector (Sogefi group)	96,077	96,077
Other (from the consolidation of the subsidiary Cir)	35,419	35,419
Total	703,035	655,131

In detail, goodwill was allocated to the cash-generating units ("CGUs") identified according to the operating sectors of the Group. The chart above shows the allocation of goodwill by operating sector of the group. Regarding the goodwill resulting from the consolidation of the subsidiary Cir, it should be noted that it was allocated to the investments held by the companies and particularly to those made in the utilities sector.
For the purposes of testing for impairment 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, 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 decommissioning at an appropriate discount rate (discounted cash flow method). More specifically, in accordance with what is required by international accounting standards, for checking the value, cash flows were considered without taking into account the 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, which are unlevered and differential (because they refer to the 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 give a correct estimate of the value in use of a Cash Generating Unit, it was necessary to value the amount of expected future cash flows of the unit, expectations of any changes 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 use, an estimate was made of the weighted average cost of capital invested (WACC) at sector level, independently 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 WACC after-tax was used, thus expressing the future cash flows consistently in these cases.

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 price "made" 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 in an active market; prices for similar transactions effected 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 tangible assets with an indefinite useful life using the cash flow method and other valuation methods ascertained that there were no losses in value.
However considering that 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 balance sheet value of which is approximately € 400.2 million, the radio and television frequencies, recognized in the balance sheet at approximately € 218.9 million, and the goodwill allocated to the sector for a total of approximately € 140.0 million. This goodwill represents the higher value of acquisition costs compared to the Group's share of the relative 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/Messagero 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 (2011-2015) and determining terminal value.
  The discount rate used was the average cost of invested capital (*WACC pre-tax*) of the Espresso Group which was 10% (9.1% in 2009).

- *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 individual CGUs of the group, reference was made to the business plans for the period 2011-2015 prepared by management on the basis of reasonable hypotheses in line with past evidence. 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 latest budget prepared for 2011, approved by the Board of Directors on January 19 2011.
Moreover, the current situation of uncertainty in the short and medium term scenario led management to reconsider carefully the expected growth rate of revenues and margins.
Regarding advertising revenues in particular, overall stability was assumed for 2011 in the amount of advertising in a market for which the main operators in the sector are still forecasting a slight decline. This is because of the improvement of commercial efficiency. As for radio and the internet, growth was assumed of 3% and of 15% respectively, in line with the expected evolution of the sector.
As for circulation revenues, the business plan 2011-2015 assumes a trend for sales of the various titles in line with the trend seen over the last two years, bearing in mind the specific market conditions in which each newspaper operates, especially at local level.
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 *fair value less costs to sell* and/or 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 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 assuming a decline in advertising of 4% and a decline of 6% in the number of copies sold. Alternatively, assuming that the projected circulation and advertising revenues contained in the plan 2011-2015 are correct, value in use would be equal to the carrying amount if the discount rate (*WACC pre-tax*) were 14.2% instead of the 10% currently used;
- For the "Il Piccolo" CGU, value in use would be equal to the carrying amount assuming a decline of 1% in the amount of advertising collected and a fall of 4.5% in the number of copies sold. Alternatively, assuming that the assumptions about the trend of circulation and advertising revenues contained in the plan for 2011-2015 are valid, value in use would be equal to the carrying amount if we assume a discount rate for the expected cash flows (*WACC pre-tax*) of 12.5% instead of the 10% currently used.

Furthermore, 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-All Music" CGU would be equal to its carrying amount with an average price multiplier 2.11 times the number of inhabitants reachable by the 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 balance sheet. To do this a rise in revenues was assumed from the rent of bandwidth relating to the changeover from analogue to digital terrestrial technology in line with the national switch-over plan.

The *impairment test* carried out at the close of 2010 on the titles, radio and television frequencies, trademarks and goodwill, which are all considered as assets with an indefinite useful life, showed that there were no impairment losses needing recognition in the financial statements.

A comparison between the values determined from the procedures described and the carrying value in the accounts at December 31 2010 showed that there had been no loss in value.

To complete the tests described above, which confirmed that there were no impairment losses at December 31 2010 needing recognition in the accounts, the fair value – expressed in the stock prices of Gruppo Editoriale L'Espresso at December 31 2010 – was compared with the carrying value of the assets held by the group in the media sector. This comparison further validated the carrying value in the accounts of such assets.

Automotive sector
Goodwill allocated to the automotive sector, which coincides with the consolidation of the Sogefi group, is equal to approximately € 96.1 million.
For the purposes of the impairment test the group identified four CGUs to which the goodwill from acquisitions was allocated:

- filters
- car suspension components
- industrial vehicle suspension components
- precision springs.

In particular, the goodwill of the Filter Division totals approximately € 77 million, while that of the Car Suspension Components Division is approximately € 17 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/multiyear business plans for the period 2011-2014, approved by management and on a discount rate of 8.3% (8% in 2009) based on the weighted average cost of capital after tax.

Lastly, terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% and an operating cash flow based on the last year of the multiyear business plan (2014), adjusted to project a stable situation into perpetuity, using the following main assumptions:

- an overall balance between investments and amortization (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. The values used in the calculation of the average cost of capital (extrapolated from the main financial sources) are the following:

- Financial structure of the sector: 27.7%
- Unlevered beta of the sector: 1.07
- Risk free interest rate: 2.9%
- Risk premium: 5%
- Spread: 1%

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 this balance sheet and therefore no write-down was contemplated.

The results obtained from the analyses carried out through the determination of value in use were amply confirmed by the fair value – expressed in Sogefi's stock prices at December 31 2010 – of the assets held by the group in the automotive sector. These values are in fact much higher than the carrying amounts in the financial statements.

Utilities sector

The goodwill allocated to the utilities sector amounts to approximately € 302.7 million, of which € 267.3 million comes from the consolidation of the assets of Sorgenia, which consist mainly for approximately € 175.5 million of assets allocated to the "Renewables" CGU while approximately € 90 million refers to the Thermal CGU. The remaining amount of € 34.4 million comes from the consolidation of the subsidiary Cir and allocated to the utilities sector. This goodwill represents the higher cost of the acquisition compared to the group's share of the assets and liabilities acquired, measured at fair value.

The measurement of the goodwill allocated on the acquisitions made by the Sorgenia group, for the purposes 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 (*WACC after-tax*) 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. Specifically for the "Renewables" CGU the WACC varies from a minimum of 4.9% for the Solar businesses, to 8.9% for the Wind Romania initiatives, while for the Thermal CGU the WACC applied, net of tax, varies from 5.79% to 6.1%.

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 amount of electricity produceable by 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 in the balance sheet at December 31 2010 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 accounts 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 € 164.2 million. The group allocated all of the goodwill to a single CGU "Healthcare" 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 balance sheet, the value in use was calculated of the cash generating units to which the goodwill was allocated at KOS sub-holding level.

As required by accounting principle IAS 36, the KOS group tested the recoverability of the remaining value of the tangible and intangible assets recorded in the consolidated financial statements of the group at December 31 2010.

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 the consolidated financial statements. To identify the CGUs the following factors were taken into account: the organizational structure, the type of business and the way in which control is exercised over the operations of the same CGUs.

Given that the group operates, as already explained, in four different operating sectors (nursing homes for the elderly (RSAs), rehabilitation, acute medicine and hi-tech services), the CGUs and the groups of CGUs identified by management are as follows:

– In the "RSA" sector CGUs were identified, at a 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 sector;
– 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 the first level, as the individual facilities (in "IRSS", one of the CGUs consists of the out-patient 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, which was recently acquired, 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 the operation is 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 sector.

The recoverability of the carrying values was tested by comparing the net book value 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 on the following page shows the values of goodwill allocated to the operating sectors by the management of KOS and any other goodwill allocated to the *Healthcare* sector which at group level, as already mentioned, constitutes one single CGU. Although the goodwill was also tested at a lower level, the level that the goodwill of the "Healthcare" CGU was allocated to is considered significant because it confirms the strategic enterprise vision that the Directors of Cofide have regarding the specific characteristics of the business sector to which the KOS group belongs.

(in thousands of euro)	*31.12.2010*	*%*
Goodwill allocated by KOS sub-holding		
RSAs	80,566	49
Rehabilitation	69,390	42
Hi-tech services	13,341	8
Acute	--	--
Further goodwill allocated to *Healthcare* CGU	942	1
Total	164,239	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 2011-2015 (as described in the paragraph on the use of estimates), assuming that the situations take place 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 growth rate (*g rate*) of 1.5% was used (1% in 2009) 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 risks of the business. This rate, net of taxes (WACC after-tax), was 6.9% (6.8% in 2009).

From the test carried out no situations emerged, at the first level tested, of any significant losses in value while at the second level, to which the goodwill was allocated, no losses of value emerged.

However, considering that the recoverable value is calculated based on estimates, the group cannot be sure that there will be no impairment losses on goodwill in future periods. Given the continuing critical scenario in the market, the various factors used to make the estimates could be subject to revision.

Moreover, the KOS 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 sectors) did not reveal any problematic situations or instances where the carrying value was significantly higher than the recoverable value.

To complete the analyses described above, which confirmed that at December 31 2010 there was no impairment to be recorded in the financial statements, a comparison was made of the fair value of KOS used for the agreements signed during the year with partner AXA, which involved minority interests, with the carrying value in the accounts of the assets held by the group in the *Healthcare* sector. This comparison was further confirmation of the carrying values of the assets in the balance sheet.

7.b. TANGIBLE ASSETS

2009	*Starting position*			*Changes in the period*								*Closing position*		
	Historical cost	*Accum. depreciation & writedowns*	*Balance 31.12.2008*	*Acquisitions*	*Combinations sales of businesses*		*Capitalized financial expense*	*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2009*
(in thousands of euro)					*increases*	*decreases*								
Land	54,495	--	54,495	1,618	--	(16)	--	246	3,245	(2,690)	--	56,898	--	56,898
Buildings used for business	344,939	(110,516)	234,423	6,716	8,213	(347)	560	2,035	23,219	(923)	(11,438)	385,391	(122,933)	262,458
Plant and machinery	1,564,428	(773,020)	791,408	43,755	286	(351)	26,133	4,567	490,387	(3,391)	(86,152)	2,071,834	(805,192)	1,266,642
Industrial and commercial equipment	107,253	(81,204)	26,049	2,587	48	(3)	--	246	2,077	(193)	(6,147)	111,500	(86,836)	24,664
Other assets	231,907	(164,262)	67,645	10,233	167	(249)	--	32	4,451	(299)	(16,723)	237,478	(172,221)	65,257
Assets under construction & adv. payments	618,852	(2,311)	616,541	446,439	168	(2)	(12,344)	1,019	(535,942)	(1,205)	(2,701)	516,985	(5,012)	511,973
Total	2,921,874	(1,131,313)	1,790,561	511,348	8,882	(968)	14,349	8,145	(12,563)	(8,701)	(123,161)	3,380,086	(1,192,194)	2,187,892

2010	*Starting position*			*Changes in the period*								*Closing position*		
	Historical cost	*Accum. depreciation & writedowns*	*Balance 31.12.2009*	*Acquisitions*	*Combinations sales of businesses*		*Capitalized financial expense*	*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*								
Land	56,898	--	56,898	1,062	7,642	(770)	--	215	7,314	(115)	--	72,246	--	72,246
Buildings used for business	385,391	(122,933)	262,458	45,459	37,158	(7,653)	--	1,453	5,491	(11,975)	(14,177)	453,030	(134,816)	318,214
Plant and machinery	2,071,834	(805,192)	1,266,642	218,716	4,228	(5,709)		4,209	341,415	(19,263)	(109,330)	2,517,064	(816,156)	1,700,908
Industrial and commercial equipment	111,500	(86,836)	24,664	9,512	3,295	70	--	152	2,444	(1,132)	(6,946)	134,317	(102,258)	32,059
Other assets	237,478	(172,221)	65,257	12,070	2,269	(77)	--	299	2,947	(716)	(16,900)	251,096	(185,947)	65,149
Assets under construction & adv. 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	3,380,086	(1,192,194)	2,187,892	488,400	54,592	(14,149)	(1,096)	7,594	15,218	(33,201)	(150,851)	3,802,086	(1,247,687)	2,554,399

DEPRECIATION RATES

Description	*%*
Buildings used for business	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

2009	*Starting position*			*Changes in the period*								*Closing position*		
	Historical cost	*Accum. depreciation & writedowns*	*Net balance 31.12.2008*	*Acquisitions*	*Combinations sales of businesses*		*Capitalized financial expense*	*Exchange rate differences*	*Other changes*	*Net disposals*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2009*
(in thousands of euro)					*increases*	*decreases*				*cost*				
Properties	21,151	(1,614)	19,537	--	--	--	--	--		--	(572)	21,151	(2,186)	18,965
Total	21,151	(1,614)	19,537	--	--	--	--	--	--	--	(572)	21,151	(2,186)	18,965

2010	*Starting position*			*Changes in the period*								*Closing position*		
	Historical cost	*Accum. depreciation & writedowns*	*Net balance 31.12.2009*	*Acquisitions*	*Combinations sales of businesses*		*Capitalized financial expense*	*Exchange rate differences*	*Other changes*	*Net disposals*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*				*cost*				
Properties	21,151	(2,186)	18,965	370	5,341	--	--	--	746	--	(680)	29,065	(4,323)	24,742
Total	21,151	(2,186)	18,965	370	5,341	--	--	--	746	--	(680)	29,065	(4,323)	24,742

Investment property rose from € 18,965 thousand at December 31 2009 to € 24,742 thousand at December 31 2010.
Its market value is significantly higher than the carrying values.

DEPRECIATION RATES

Description	*%*
Buildings	3.00%

LEASING

The position of assets under leasing as of December 31 2010 and of restrictions applied to 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*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*
Land	1,287	2,515		--	3,139	3,139
Buildings	60,280	58,901	9,599	7,475	122,156	68,471
Plant and machinery	19,933	34,992	2,362	21,234	541,397	584,601
Other assets	2,564	2,521	2,094	1,652	1,656	1,132
Assets under constr. & advance payments		--	--	--	--	10,851

7.d. INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY

(in thousands of euro)

2009	*%*	*Balance 31.12.2008*	*Increases*	*Decreases*	*Dividendis*	*Pro-rata share of result Loss*	*Income*	*Other changes*	*Balance 31.12.2009*
Tirreno Power S.p.A.	50.00	243,612	3,482	--	(51,152)	--	39,902	--	235,844
Le Scienze S.p.A.	50.00	385	--	--	(309)	--	282	--	358
Editoriale Libertà S.p.A.	35.00	23,560	--	--	--	--	647	--	24,207
Editoriale Corriere di Romagna S.r.l.	49.00	3,035	--	--	--	(43)	--	--	2,992
Altrimedia S.p.A.	35.00	770	--	--	(140)	--	127	--	757
Premium Publisher Network Consorzio	29.63	--	20	--	--	--	--	--	20
Allevard Ressorts Composites S.a.s.	50.00	101	--	--	--	--	--	--	101
KTP Global Finance S.C.A.	47.54	--	--	--	--	--	--	--	--
Resource Energy B.V.	47.50	1,047	--	(95)	--	(796)	--	--	156
GICA S.A.	25.00	214	578	--	--	(315)	--	7	484
Fin Gas S.r.l.	50.00	7,778		--	--	(132)	--	(2)	7,644
Parc Éolien d'Epense S.a.s.	25.00	2,261		--	--	--	23	(5)	2,279
Parc Éolien de la Voie Sacrée S.a.s.	24.86	61				(5)	--	(13)	43
Saponis Investments SP Zoo	26.76	--	1,025	--	--	(11)	--	--	1,014
Total		282,824	5,105	(95)	(51,601)	(1,302)	40,981	(13)	275,899

(in thousands of euro)

2010	*%*	*Balance 31.12.2009*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result Loss*	*Income*	*Other changes*	*Balance 31.12.2010*
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

7.e. OTHER EQUITY INVESTMENTS

(in thousands of euro)	*%*	*31.12.2010*	*31.12.2009*
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
Sanatrix S.r.l.	--	--	5,105
Fidia S.r.l.	--	--	104
Others	--	2,184	1,563
Total		5,041	9,629

The values recorded in the balance sheet correspond to cost, less any impairment, if applicable, and are considered to be substantially equivalent to the fair value of the same investments.

7.f. OTHER RECEIVABLES

The item “Other receivables” at December 31 2010 had a balance of € 179,259 thousand, down from € 208,075 thousand at December 31 2009.
At December 31 2010 the item included € 111,455 thousand (€ 126,660 thousand at December 31 2009) of receivables (unsecured and mortgage-based) of the securitization companies Zeus Finance S.r.l. and Urania Finance S.A., € 20,211 thousand (€ 12,892 thousand at December 31 2009) of tax credits with Inland Revenue in relation to CO2 rights that the Sorgenia group should have been assigned. Since the national plan for assignation of CO2 rights for this year did not have enough capacity, for the new plants that started operating in 2010 it was not possible to credit the rights to their accounts. Therefore, in order not to create disparity of treatment between the various market operators and following a resolution by the electricity market watchdog, these operators were given a tax credit equal to the value of the CO2 rights not assigned. Since the procedures for using or obtaining repayment of this credit are not yet known, it was accounted for under non-current receivables. This item also includes € 16,345 thousand (€ 16,787 thousand at December 31 2009) of security deposits made as guarantees to suppliers of the wind plant equipment and as deposits paid to the GSE and electricity and natural gas distributors.

7.g. SECURITIES

Securities” amounted to € 100,772 thousand at December 31 2010, up from € 83,051 thousand at December 31 2009 and refer mainly to investments in private equity funds. These funds were measured at fair value recognizing to the fair value reserve, for Cofide’s part, of an amount, net of tax, of € 7,524 thousand (€ 3,209 thousand at December 31 2009). At December 31 2010 the remaining commitment for investment in private equity funds stood at € 25 million.

7.h. DEFERRED TAXES

The amounts refer to taxes resulting from deductible temporary differences and from losses carried forward, which are deemed to be recoverable.

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

(in thousands of euro)	*2010*		*2009*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Temporary difference liabilities from:				
- write-down of current assets	152,193	48,907	126,013	39,629
- write-down of fixed assets	67,982	21,640	56,511	18,289
- revaluation of current liabilities	40,268	12,441	27,127	8,730
- revaluation of personnel provisions	39,327	11,926	31,510	9,837
- revaluation of provisions for risks and losses	51,446	15,896	82,948	24,933
- revaluation of long-term debt	40	13	406	130
- write-down of financial instruments	50,162	16,837	35,851	11,625
- tax losses from prior periods	299,511	92,326	243,621	78,030
Total deferred tax assets	**700,929**	**219,986**	**604,184**	**191,203**

Temporary difference assets from:				
- revaluation of current assets	3,265	886	3,500	1,115
- revaluation of fixed assets	532,349	170,147	518,739	163,586
- write-down of current liabilities	16,571	5,163	3,646	1,171
- valuation of personnel provisions	22,454	6,321	23,815	6,846
- write-down of provisions for risks and losses	1,226	357	895	774
- revaluation of financial instruments	30,983	10,354	25,476	8,497
Total deferred tax liabilities	**606,848**	**193,228**	**576,071**	**181,489**
Net deferred taxes		**26,758**		**9,714**

Earlier losses not utilized for the calculation of deferred taxes refer to Cir International for approximately € 424 million, which can be carried forward without any limit, and to the Sogefi group for € 15.7 million. It should be pointed out that no deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered.

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

2010 *(in thousands of euro)*	*Balance at 31.12.2009*	*Use of deferred taxes from prior periods*	*Deferred taxes arising in the period*	*Exchange rate differences*	*Other changes*	*Balance at 31.12.2010*
Deferred tax assets:						
- income statement	186,276	(26,682)	54,582	--	(508)	213,668
- shareholders' equity	4,927	(588)	508	341	1,130	6,318
Deferred tax liabilities:						
- income statement	(180,882)	5,704	(7,056)	--	1,261	(180,973)
- shareholders' equity	(607)	298	(5,065)	(775)	(6,106)	(12,255)
Net deferred taxes	9,714					26,758

2009 *(in thousands of euro)*	*Balance at 31.12.2008*	*Use of deferred taxes from prior periods*	*Deferred taxes arising in the period*	*Exch. rate differences*	*Balance at 31.12.2009*
Deferred tax assets:					
- income statement	116,585	(13,478)	82,501	668	186,276
- shareholders' equity	3,791	(2,113)	3,249	--	4,927
Deferred tax liabilities:					
- income statement	(174,916)	11,621	(16,286)	(1,301)	(180,882)
- shareholders' equity	13	(13)	(607)	--	(607)
Net deferred taxes	(54,527)	(3,983)	68,857	(633)	9,714

The item "Other changes" refers mainly to business combinations.

8. CURRENT ASSETS

8.a. INVENTORIES

Inventories can be broken down as follows:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Raw materials, secondary materials and consumables	72,084	56,611
Work in progress and semi-finished goods	12,176	16,828
Finished goods and merchandise	66,859	82,539
Advance payments	164	172
Total	151,283	156,150

The value of stocks is shown net of any write-down made either in past periods or in this current one and takes into account the degree of obsolescence of finished goods, merchandise and secondary materials.

8.b. TRADE RECEIVABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Receivables - clients	1,129,456	1,023,998
Receivables – subsidiaries and joint ventures	6,894	16,568
Receivables – associated companies	1,098	1,464
Total	1,137,448	1,042,030

"Receivables - clients" are non-interest bearing and have an average maturity in line with market conditions.
Trade receivables are shown net of any write-downs taking credit risk into account. During 2010 provisions were made for the write-down of receivables for the sum of € 45,129 thousand compared with € 37,717 thousand in 2009.

"Receivables – subsidiaries and joint ventures" represent intercompany receivables not eliminated because they refer to companies not fully consolidated line by line. The balance at December 31 2010 refers mainly to receivables from Tirreno Power S.p.A..

8.c. OTHER RECEIVABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Receivables – associated companies	1,371	1,727
Tax receivables	114,219	139,624
Receivables - others	65,550	63,114
Total	181,140	204,465

8.d. CREDITI FINANZIARI

"Financial receivables" rose from € 27,229 thousand at December 31 2009 to € 399,064 thousand at December 31 2010 and refer mainly for € 9,202 thousand to the accrued interest on the swap relating to the Cir International S.A. bond maturing in 2011 and for € 387,599 thousand to the fair value measurement, in the Sorgenia group, of both hedging derivatives and derivatives that do not meet the conditions for being qualified as hedges according to IAS 39 but which are entered into for hedging purposes.

8.e. SECURITIES

This item consists of the following categories of securities:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Italian Government securities or equivalent securities	10,233	4,010
Investments funds or similar funds	33,364	20,218
Bonds and notes	73,049	191,294
Certificates of deposit and miscellaneous securities	112,613	122,742
Total	229,259	338,264

The measurement at fair value of the item "Securities" involved a negative adjustment to the income statement of € 5.6 million.

8.f. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item refers for € 84,047 thousand to shares in hedge funds and redeemable shares in asset management companies held by Cir International S.A.. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.
The fair value measurement of these funds involved a total value adjustment of € 15,049 thousand (€ 13,256 thousand at December 31 2009). The effects of the change in these bonds on Cofide's equity pro rata amounted to € 7,309 thousand. The item includes € 60,197 thousand of bonds held by the Espresso group. The effects of the change in these bonds on Cofide's equity pro rata amounted to a negative figure of € 117 thousand.
The item "Available-for-sale financial assets" also includes the investment in Banca Intermobiliare d'Investimento e Gestioni S.p.A. for an amount of € 16,835 thousand (€ 14,358 thousand at December 31 2009). The measurement at fair value of this investment led to a positive adjustment of

€ 3,514 thousand (€ 1,802 thousand at December 31 2009) and this was recognized in the item "Fair Value Reserve" which at December 31 2010 had a balance of € 1,799 thousand (a negative balance of € 1,715 thousand at December 31 2009).
With reference to the investments in securities classified as "Available-for-sale financial assets", the Directors consider that in the absence of any specific prejudicial elements, a significant and prolonged decline of fair value below historical cost is objective evidence of impairment.
For this reason, in relation to the investments in securities issued by Banca Intermobiliare d'Investimento e Gestioni S.p.A., the negative fair value reserve relating to the Banca Intermobiliare S.p.A. convertible bonds for an amount of € 718 thousand was recognized to the income statement.

8.g. CASH AND CASH EQUIVALENTS

Cash and cash equivalents rose from € 585,625 thousand at December 31 2009 to € 612,322 thousand at December 31 2010.
A breakdown of the change during the period is given in the cash flow statement.

8.i. ASSETS HELD FOR DISPOSAL

This item includes the net value of € 722 thousand of the real estate property of the British subsidiary of the Sogefi group United Springs Ltd which is scheduled to be sold in 2011.

9. **EQUITY**

9.a. SHARE CAPITAL

At December 31 2010 the share capital stood at € 359,604,959, unchanged from December 31 2009, and consisted of 719,209,918 ordinary shares each with a nominal value of € 0.50.
The share capital is fully subscribed and paid up.

9.b. RESERVES

The item "Reserves" can be broken down as follows:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Other reserves*	*Total reserves*
Balance at December 31 2008	5,044	21,382	22,174	(9,395)	35,776	74,981
Retained earnings	--	811	--	--	--	811
Fair value measurement of hedging instruments	--	--	(138)	--	--	(138)
Fair value measurement of securities	--	--	6,953	--	--	6,953
Securities fair value reserve released to income statement	--	--	(18,923)	--	--	(18,923)
Effects of equity changes in subsidiaries	--	--	(4,185)	12	7,675	3,502
Currency translation differences	--	--	(605)	7,006	--	6,401
Balance at December 31 2009	5,044	22,193	5,276	(2,377)	43,451	73,587
Retained earnings	--	69	--	--	--	69
Fair value measurement of hedging instruments	--	--	2,436	--	--	2,436
Fair value measurement of securities	--	--	8,227	--	--	8,227
Securities fair value reserve released to income statement	--	--	310	--	--	310
Effects of equity changes in subsidiaries	--	--	(47)	(4)	6,574	6,523
Currency translation differences	--	--	43	2,885	--	2,928
Balance at December 31 2010	5,044	22,262	16,245	504	50,025	94,080

The "Fair value reserve" stood at € 16,245 thousand at December 31 2010 net of tax and referred for the positive amounts of € 7,524 thousand to the measurement of "Securities" in item 7.g., of € 8,990 thousand to the measurement of "Available-for-sale financial assets" in item 8.f., and also to the negative change of € 269 thousand from the valuation of hedging instruments.

The "Translation reserve" had a balance of € 504 thousand at December 31 2010 with the following breakdown:

(in thousands of euro)

	31.12.2009	*Increases*	*Decreases*	*31.12.2010*
Sogefi group	(708)	2,975	--	2,267
Cir Ventures	(1,534)	389		(1,145)
Cir International	--	--	(662)	(662)
Sorgenia	(179)	178		(1)
Others	44	1	--	45
Total	(2,377)	3,543	(662)	504

The item “Other reserves” had the following breakdown at December 31 2010:

(in thousands of euro)

Merger surplus	43
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated shareholders’ equity	49,982
Total	50,025

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. BONDS AND NOTES

The detail of the item “Bonds and Notes”, net of intercompany elimination, is as follows:

(in thousands of euro)	*Effective rate*	*31.12.2010*	*31.12.2009*
Gruppo Editoriale L’Espresso S.p.A. 5.125% Note 2004/2014	4.82%	278,015	291,720
CIR S.p.A. 5.75% Note 2004/2024	5.87%	268,146	266,911
Société Française d’Eoliennes (SFE) 6.5% Note 2006/2013	7.50%	1,294	2,070
CIR International S.A. 6.375% Note 2003/2011	--	--	157,561
Total		547,455	718,262

In application of IAS 32 and 39, at January 1 2005 the original values of bond and note issues were written down to account for expenses incurred and bond issuance discounts.
At December 31 2010 CIR International was holding a nominal € 30,000 thousand (unchanged from December 31 2009) of the CIR 5.75% Note issue 2004/2024.
The CIR International S.A. 6.375% 2003/2011 note was reclassified under current liabilities in the item 11.a Bonds and notes.

10.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Collateralized bank loans	138,154	128,316
Other bank loans	1,856,814	1,547,810
Leasing	85,868	80,210
Other borrowings	90,280	146,891
Total	2,171,116	1,903,227

The item “Other bank loans” consists mainly of the following:

- € 452,000 thousand lent to Sorgenia Power by Banca Monte dei Paschi di Siena at a floating rate and maturity 2019, the interest rate being Euribor 3/6M + spread;
- € 287,500 thousand lent to Sorgenia by Intesa Sanpaolo at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;
- € 100,000 thousand lent to Sorgenia by Intesa Sanpaolo at a floating rate and maturity 2014, the interest rate being Euribor 3/6M + spread;
- € 295,000 thousand lent to Sorgenia by Banca Monte dei Paschi di Siena at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;
- € 178,000 thousand lent to Sorgenia Power by Banca Monte dei Paschi di Siena at a floating rate and maturity 2019, the interest rate being Euribor 3/6M + spread;
- € 244,282 thousand lent to Sorgenia Puglia S.p.A. by Banca Monte dei Paschi di Siena at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;
- € 59,665 thousand lent to Soluxia Sarda II S.r.l. and Sorgenia Solar Power S.r.l. by Banca Monte dei Paschi di Siena at a floating rate and maturity 2028, the interest rate being Euribor 3/6M + spread;
- € 13,000 thousand lent to Sorgenia Idro S.r.l. by Banca Popolare di Milano at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;
- € 39,732 thousand lent to Société Française d’Eoliennes by Banco Sabadell at a floating rate and maturity 2021, the interest rate being Euribor 3/6M + spread;
- € 19,305 thousand as partial drawdown of a loan agreement of € 50,000 thousand, signed by Sogefi S.p.A. with maturity 2013 at a floating rate, the interest rate being Euribor 3/6M + spread;
- € 44,044 thousand as partial drawdown of a loan agreement of € 100,000 thousand, signed by Sogefi S.p.A. with maturity 2013 at a floating rate, the interest rate being Euribor 3/6M + spread;
- € 69,702 thousand as partial drawdown of a syndicated loan agreement signed by Sogefi S.p.A. with maturity 2013, for a total amount of € 160,000 thousand with banks lead-managed by ING Bank N.V. and Intesa Sanpaolo S.p.A., the interest rate being Euribor 3/6M + spread.

10.c. PERSONNEL PROVISIONS

The detail of this item is the following:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Employee leaving indemnity (TFR)	92,685	106,004
Retirement funds and similar obligations	32,273	31,852
Total	124,958	137,856

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Opening balance	137,856	148,779
Provisions made for work done during the period	23,608	21,482
Increases for interest	6,153	6,230
Actuarial income or expense	39	(111)
Benefits paid out	(24,386)	(20,145)
Increases or decreases due to changes in consolidation area	(1,267)	(237)
Other changes	(17,045)	(18,142)
Closing balance	124,958	137,856

TFR 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 making advance payouts	2% - 3%
Voluntary resignation rate	2% - 10% of staff

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. 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 in progress*	*Provision for restructuring charges*	*Provision for miscellaneous risks*	*Total*
Balance at December 31 2009	11,147	11,056	54,716	76,919
Sums set aside during the year	6,261	7,062	1,693	15,016
Withdrawals	(1,542)	(10,062)	(5,006)	(16,610)
Exchange rate differences	--	4	46	50
Other changes	(3,234)	--	8,056	4,822
Balance at December 31 2010	12,632	8,060	59,505	80,197

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

(in thousands of euro)	*Provision for disputes in progress*	*Provision for restructuring charges*	*Provision for miscellaneous risks*	*Total*
Balance at December 31 2009	6,255	33,603	55,820	95,678
Sums set aside during the year	1,239	12,257	14,847	28,343
Withdrawals	(3,383)	(29,084)	(13,050)	(45,517)
Other changes	3,562	--	285	3,847
Balance at December 31 2010	7,673	16,776	57,902	82,351

Apart from the libel disputes regarding the Espresso group, which are typical of all publishing businesses, the Provision for disputes in progress includes risks for disputes of a commercial nature and labour disputes.
The Provision for restructuring charges includes sums set aside for restructuring action that has been announced to the parties concerned and in particular refers to the production reorganization programs of the Sogefi group and the Espresso group. The Provision for miscellaneous risks is mainly to cover tax disputes outstanding with local tax authorities.

11. <u>CURRENT LIABILITIES</u>

11.a. BONDS AND NOTES

This item which amounted to € 157,978 thousand referred for € 157,202 thousand to the Cir International S.A. 6.375% 2003/2011 bond which was repaid on January 10 2011 and for € 776 thousand to the current part of Bonds and Notes issued by French companies of the Sorgenia group.

11.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Collateralized bank loans	25,850	22,481
Other bank loans	45,058	68,735
Finance leases	11,173	10,127
Other borrowings	447,372	91,156
Total	529,453	192,499

The item "Other borrowings includes € 59,959 thousand relating to the current part of the syndicated loan with a floating rate taken out in 2006 for an original period of five years by the parent company Cofide S.p.A.. It should be noted that this item also includes the fair value measurement for the Sorgenia group of hedging derivatives and deals entered into for cash flow hedging purposes for an amount of € 8,932 thousand. It also includes forward purchases and sales of electricity for € 345,175 thousand.

11.c. TRADE PAYABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Payables – subsidiaries and joint ventures	33,525	27,266
Payables – associated companies	1,971	1,383
Payables - suppliers	820,952	797,064
Advance payments	7,502	11,343
Payables in the form of notes	--	4
Total	863,950	837,060

The item "Payables – subsidiaries and joint ventures" refers mainly to the trade payables of Sorgenia S.p.A. to Tirreno Power S.p.A..

11.d. OTHER PAYABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Due to employees	72,621	67,080
Tax payables	51,512	59,529
Social security payables	50,128	47,399
Other payables	1,942	56,241
Total	236,203	230,249

NOTES ON THE INCOME STATEMENT

12. **REVENUES**

BREAKDOWN BY BUSINESS SECTOR

(in millions of euro)	*2010*		*2009*		*Change*
	amount	*%*	*amount*	*%*	*%*
Utilities	2,668.5	55.5	2,325.8	54.5	14.7
Media	885.0	18.4	886.6	20.8	(0.2)
Automotive components	924.7	19.3	781.0	18.3	18.4
Healthcare	325.4	6.8	273.4	6.4	19.0
Others	1.9	--	--	--	n.a.
Total consolidated revenues	**4,805.5**	**100.0**	**4,266.8**	**100.0**	**12.6**

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2010	*Total revenues*	*Italy*	*Rest of Europe*	*North America*	*South America*	*Asia*	*Other countries*
Utilities	2,668.5	2,602.1	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	--	--	--	--	--
Others	1.9	--	1.9	--	--	--	--
Total consolidated revenues	4,805.5	3,884.0	656.1	18.6	219.4	25.4	2.0
Percentages	100.0%	80.8%	13.7%	0.4%	4.6%	0.5%	0.0%

(in millions of euro)

2009	*Total revenues*	*Italy*	*Rest of Europe*	*North America*	*South America*	*Asia*	*Other countries*
Utilities	2,325.8	2,297.1	28.7	--	--	--	--
Media	886.6	886.6	--	--	--	--	--
Automotive components	781.0	68.5	527.6	15.0	153.0	15.1	1.8
Healthcare	273.4	273.4	--	--	--	--	--
Others	--	--	--	--	--	--	--
Total consolidated revenues	4,266.8	3,525.6	556.3	15.0	153.0	15.1	1.8
Percentages	100.0%	82.6%	13.0%	0.4%	3.6%	0.4%	0%

The types of products marketed by the group and the nature of the business sectors in which it operates mean that revenue flows are reasonably linear throughout the year and are not subject to any particular cyclical phenomena provided that the basis of consolidation remains unchanged.

13. **OPERATING COSTS AND REVENUES**

13.a. COSTS FOR THE PURCHASE OF GOODS

This item rose from € 2,554,077 thousand in 2009 to € 2,911,320 thousand in 2010. The costs include € 282.4 million paid to related parties of which € 275.5 million for transactions outstanding with the affiliate Tirreno Power.

13.b. COSTS FOR SERVICES

This item rose from € 746,007 thousand at December 31 2009 to € 785,538 thousand in 2010, as can be seen from the following breakdown:

(in thousands of euro)	*2010*	*2009*
Technical and professional consulting	149,188	140,516
Distribution and transportation costs	42,491	41,583
Outsourcing	65,884	56,385
Other expenses	527,975	507,523
Total	785,538	746,007

13.c. PERSONNEL COSTS

Personnel costs totalled € 684,344 thousand at December 31 2010 (€ 667,570 thousand at December 31 2009).
The Group had an average of 12,911 employees in 2010.

(in thousands of euro)	*2010*	*2009*
Salaries and wages	462,659	444,805
Social security contributions	149,952	142,751
Employee leaving indemnity	22,488	22,040
Retirement and similar benefits	1,136	(526)
Valuation of stock option plans	9,684	10,607
Other costs	38,425	47,893
Total	684,344	667,570

13.d. OTHER OPERATING INCOME

This item can be broken down as follows:

(in thousands of euro)	*2010*	*2009*
State grants and contributions	2,907	4,776
Capital gains on disposals	3,693	1,103
Non-recurring gains and other income	98,015	97,988
Total	104,615	103,867

13.e. OTHER OPERATING COSTS

This item can be broken down as follows:

(in thousands of euro)	*2010*	*2009*
Write-downs and losses on receivables	61,281	43,467
Provisions made for risks and losses	17,070	20,167
Indirect taxes	27,620	23,036
Restructuring charges	12,022	17,162
Capital losses on disposal of assets	1,115	3,980
Non-recurring losses and other charges	55,996	32,141
Total	175,104	139,953

The increase in this item was mainly due to the rise in "write-downs and losses on receivables".

14. **FINANCIAL INCOME AND EXPENSE**

14.a. FINANCIAL INCOME

This item has the following breakdown:

(in thousands of euro)	*2010*	*2009*
Interest income on bank accounts	3,761	4,150
Interest on securities	9,442	9,232
Other interest income	21,501	22,445
Interest rate derivatives	9,362	2,357
Exchange rate gains	11,261	16,468
Other financial income	3,112	4,024
Total	58,439	58,676

14.b. FINANCIAL EXPENSE

This item includes the following:

(in thousands of euro)	*2010*	*2009*
Interest expense on bank accounts	56,178	46,742
Interest expense on bonds	38,746	43,116
Other interest expense	26,257	21,405
Interest rate derivatives	15,414	9,088
Exchange rate losses	13,654	27,648
Other financial expenses	17,260	15,576
Total	167,509	163,575

As was the case last year, the item "Other financial expenses" includes € 10,200 thousand that refers to the write-down of the interest accrued on the PECs issued by KTP Global Finance.

14.c. GAINS FROM TRADING SECURITIES

The detail of “Gains from trading securities” is as follows:

(in thousands of euro)	*2010*	*2009*
Shares and options - subsidiaries	4,117	76,735
Shares and options - associates	146	--
Shares and options - other companies	1,776	7
Other securities and other gains	36,634	75,363
Total	42,673	152,105

The item “Shares and options - subsidiaries” refers mainly to the capital gain realized, in the Espresso group, on the sale of the subsidiary Rotosud. The amount for last year referred to the subscription of capital increases in the company Sorgenia Holding.

14.d. LOSSES FROM TRADING SECURITIES

The breakdown of “Losses from trading securities” is the following:

(in thousands of euro)	*2010*	*2009*
Shares and options - subsidiaries	365	360
Shares and options - other companies	1,135	1,436
Other securities and other losses	4,244	5,906
Total	5,744	7,702

14.e. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

This item, amounting to € 6,851 thousand, refers essentially for € 5,610 thousand to the fair value measurement of the “Securities” recorded in Current assets.

15. **INCOME TAXES**

Income taxes can be broken down as follows:

(in thousands of euro)	*2010*	*2009*
Current taxes	35,983	50,818
Deferred taxes	(25,776)	(66,441)
Tax expense from prior periods	3,040	11,355
Total	13,247	(4,268)

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 item deferred taxes is largely attributable to the tax credits accumulated by the Sorgenia group in relation to the new investments in production capacity made during the year.

The following chart shows the reconciliation of the ordinary tax rate and the effective tax rate for financial year 2010:

(in thousands of euro)	*2010*
Pre-tax income resulting from financial statements	130,929
Theoretical income taxes	36,658
Tax effect of non-deductible costs	11,040
Tax effect of losses of prior periods which generate deferred tax assets in the period	(63,260)
Tax effect of losses of prior periods which did not generate deferred tax assets	(9,076)
Tax effect on interest rate differentials of foreign companies	1,498
Non-taxable grants	--
Other	8,520
Income taxes	(14,620)
Average effective tax rate	(11,2)
Theoretical tax rate	28,0
IRAP and other taxes	24,827
Tax charges from prior periods	3,040
Total taxes from financial statements	13,247

16. 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 capital dilution effects of any options outstanding. The calculation of the shares in circulation does not include own shares held as treasury stock.
The company has no options outstanding or does it have any own shares and so the diluted earnings per shares is equal to the basic earnings per share.
The following chart shows the information on the shares used to calculate the basic and diluted earnings per share.

	2010	*2009*
Net income attributable to the Shareholders (in thousands of euro)	22,866	62,293
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings per share (euro)	**0.0318**	**0.0866**

	2010	*2009*
Net income from the comprehensive income statement attributable to the Shareholders (in thousands of euro)	37,229	57,681
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings per share (euro)	**0.0518**	**0.0802**

17. **FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES** (IFRS 7)

The Cofide group operates in different sectors of industry and services both at national and at 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 minimize these risks the group uses financial derivative instruments for hedging purposes.
Risk management is carried out by the central finance and treasury function on the basis of policies approved by Management and transmitted to the subsidiaries on July 25 2003.

Market risk

Foreign currency risk

Operating internationally and buying commodities denominated in USD the group is subject to the risk that fluctuations in foreign exchange rates may affect the fair value of some of its assets and liabilities. Although the group produces and sells mainly in the euro area it is subject to exchange rate risk especially in relation to the British pound, the Brazilian real, the US dollar, the Argentine peso, the Chinese renminbi and the Indian rupee.
The Group uses forward contracts to reduce the risk of fluctuations in the EUR/USD exchange rate. As described in the paragraph on Price risk, in some cases it covers its purchase and sales formulae directly and the price of this cover depends on the EUR/USD exchange rate. By fixing its formulae in euro, the exchange rate is indirectly hedged too.
Regarding the exchange rate risk of translating the financial statements of foreign operations, 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, in the event of need, can raise funding locally.
In order to show the potential effect in the financial statements of the exposure to exchange rate risk, a sensitivity analysis was carried out, assuming shifts in the exchange rate.

For the purposes of comparison, the results of the analysis at December 31 2009 are also shown.

Sensitivity Analysis EUR/USD exchange rate	*31.12.2010*		*31.12.2009*	
Shift in EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousands)	13,712	(13,081)	7,306	(6,970)
Effect on Equity (EUR/thousands)	13,712	(13,081)	(5,787)	5,234

Price risk

Through the activity in the utilities 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 US dollars, the group is also exposed to fluctuations in the EUR/USD exchange rate.
Sorgenia continually monitors this exposure by breaking its contractual formulae down into the underlying risk factors and managing the exposure using a two-stage procedure.

First, taking part in the negotiation of contracts for the purchase of electricity and gas and in the definition of pricing policies enables the group to verify rates used and thus achieve a high level of natural hedging, minimizing the impact on margins of the factors of uncertainty mentioned above not only at business line level but also at consolidated portfolio level.
Secondly, monitoring net remaining exposure after the action described above.
Sorgenia trades derivative instruments with prime financial institutions in order to minimize counterparty risk. The derivatives in question are traded over the counter (OTC), directly with the counterparties, and are mainly fixed to floating swaps or vice versa for commodity price hedges, and outright forwards for exchange rate hedges.
Since 2008, in view of the greater liquidity in the derivatives markets, in order to reduce basis risk on the hedges as far as possible, the group has been negotiating with its financial counterparties contracts where the underlying is the whole formula for the purchase or sale of natural gas or electricity. These hedges make it possible to eliminate the change in costs and revenues due to the commodity risk factor and the exchange rate risk factor by entering into just one contract.
As from this year these commodity derivative contracts, being entered into exclusively for hedging purposes, are managed according to the rules of hedge accounting as set out in IAS 39. Therefore the effects in terms of profit and loss of the changes in their fair value are recognized directly to a special equity reserve (Cash flow hedge reserve).
Should the effectiveness test show that the hedges have some degree of non-effectiveness, the non-effective part will be recognized immediately to the income statement.
The fair value of derivatives contracts is calculated using market forward prices as of the balance sheet date, when the underlying commodities are traded in markets where there is a forward price structure. Otherwise the fair value is calculated using internal models based on data and information available in the market, supplied by recognized and reliable third party sources.
Regarding the hierarchical form of classification introduced by the recent Amendment to 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 last year.
For commodities the maturity of the swap contracts is generally no longer than 18 months.
At December 31 there were no open positions in liquid fuel derivatives; the fair value for this kind of instrument was therefore zero.
There were however open positions in derivatives on price formulae maturing in 2011 and 2012.
In order to measure the exposure to the group to the risk of changes in the prices of commodities and gas and electricity price formulae, a sensitivity analysis was carried out based on the revaluation of the fair value of derivative contracts outstanding at December 31 2010 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 accuracy of measurement, 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)	*31.12.2010*		*31.12.2009*	
Shifts	-5%	+5%	-5%	+5%
Effect on the income statement	(1,228)	1,228	(5,660)	5,988
Effect on shareholders' equity	(7,207)	7,207	(5,660)	5,988

The higher exposure to the risk of changes in commodity prices, which is however offset by physical purchases and sales 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 December 31 2010 compared to December 31 2009. In fact at that date all the positions were closed.
As in 2009, in 2010 the Sorgenia group minimized its exposure to the changes in commodity prices thanks to greater opportunities for defining sales formulae consistent with its sourcing formulae and thanks also to having established hedging strategies using financial instruments.
The derivatives contracts in commodities are in fact entered into for the exclusive purpose of hedging, therefore the changes in the results of the commodity derivatives 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 in the markets, both managed and OTC, on which the derivative instruments are based.
During 2010 the Sorgenia group managed to reduce this remaining risk factor thanks to its ability to negotiate with its financial counterparties both hedges of its sales formulae and less liquid commodities with which the values of the underlying physical contracts are directly correlated.
As from this year the Sorgenia group also engages in speculative trading activity. This activity is separated out in a special portfolio and the deals done were in the power market, in commodities and foreign exchange. This portfolio is monitored on a daily basis by a special department of the company, has strict limits as to risk (calculated through VaR) and profit and loss (calculated as a stop-loss limit on P&L).
In 2010 the area started operating with a daily VaR of 95%. The average percentage of use of the VAR limit has been 58%, closing at December 31 with a value of approximately € 88,000, while the stop loss limit has not yet been activated.
In order to calculate VaR reliably, the Risk Management department of Sorgenia S.p.A. has developed a mixed parametric-simulative method on the basis of which price scenarios are generated which are consistent with the parameters described by historical observations. The Value at Risk is on a daily basis and has a confidence level of 95%. The value of VaR is a function of statistical price distribution and market returns, and also of serial correlations of different products and markets.

<u>Credit risk</u>
Credit risk can be valued both in commercial terms relating to client type, the terms of the contract and the concentration of sales, and in financial terms connected with the type of counterparty dealt with 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 clients with an appropriate credit history. 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 for the various sectors of business in which it occurs. In the energy sector, for example, the assessment of exposure to credit risk is made using internal processes and with the aid of companies with expertise both in the sector of assessment and granting credit lines and in credit recovery. The number of clients and their diversification make exposure to a concentration of credit risk irrelevant.
In the "Automotive components" sector there is no excessive concentration of risk since the Original Equipment and After-market distribution channels through which it operates are car manufacturers or large purchasing groups.
The "Media" sector has no areas of risk for trade receivables of a significant entity and in any case the group adopts operating procedures that prevent the sale of products or services to clients without an adequate credit profile or a collateral guarantee.
The healthcare sector does not present any concentration of credit risk because credit exposure is spread over a large number of clients and counterparties especially in the sector of residences for the elderly. The hospital sector, however, has a higher concentration of risk because the most significant counterparties are the local health authorities.
Since 2006 the Cofide group has been acquiring and managing non-performing loans and has put in place procedures for evaluating and establishing the fair value of its portfolios. On one of the following pages there is a chart showing the breakdown of credit risk and the changes in the provision for the write-down of receivables.

Liquidity risk

Prudent management of liquidity risk implies maintaining sufficient liquidity and short term securities and ensuring an adequate supply of credit lines to ensure that sufficient financial resources can be raised.
The group meets its maturities and commitments systematically, and such conduct enables it to operate in the market with the necessary flexibility and reliability to maintain a correct balance between funding and the application of its financial resources.
The companies that head the four most significant business sectors manage their liquidity risk directly and independently. Tight control is exercised over the net financial position and its evolution in the short, medium and long term. In general the Cofide group follows an extremely prudent financial policy using funding structures mainly in the medium long term. The operating groups manage their treasury functions in a centralized manner.
In the following pages there is a chart showing a breakdown of liquidity risk for the operating groups.

Interest rate risk (affecting fair value and cash flows)

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

Sensitivity analysis

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

(amounts in thousands of euro)	31.12.2010		31.12.2009	
Percentage shifts	-1%	+1%	-1%	+1%
Change in Income Statement	(9,791)	7,947	2,318	(6,147)
Change in Shareholders' Equity	(34,070)	35,541	(13,279)	19,466

Derivative instruments

Derivative instruments are recognized 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 to protect from 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 from the exchange rate risk in the conversion of the equity of subsidiaries denominated in a currency other than the functional currency of the group.

For derivative instruments 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 posted to the income statement.
For instruments classified as cash flow hedges (for example interest rate swaps) gains and losses from marking them to market are posted directly to shareholders' equity for the part which "effectively" covers the risk they are intended to cover, while any "non-effective" part is posted to the income statement.
For instruments classified as hedges of net investments in foreign operations gains and losses obtained from marking them to market are posted directly to shareholders' equity for the part which "effectively" hedges the risk they are intended to cover, while any "non-effective" part is posted to the income statement.
Derivatives used for hedging purposes, when the hedge accounting is entered, are accompanied by a hedging relationship which designates the individual instrument as entered into for the purposes of hedging and gives the parameters of effectiveness of the hedge in relation to the financial instrument being hedged.
The level of effectiveness of the hedge is evaluated at regular intervals and the effective part of the relationship is posted to shareholders' equity while any non-effective part is charged to the income statement. More specifically, the hedge is considered to be effective when the change in fair value or in the financial flows of the instrument hedged is almost entirely compensated for by the change in the fair value or the financial flows of the hedging instrument and when the results achieved are in a range of between 80% and 125%.

At December 31 2010, the group had the following derivatives contracts booked as hedges at their notional value:

(a) Interest hedges:
Hedging interest on the Cir International fixed to floating bond issue (€ 148 million) maturing in 2011;
Hedging interest on the Gruppo Editoriale L'Espresso fixed to floating bond issue (notional value € 50 million);
Hedging Sogefi bank borrowings, notional value € 85 million maturing in 2011 (€ 5 million), maturing in 2012 (€ 30 million) and maturing in 2013 (€ 50 million);
Hedging Sorgenia group bank borrowings, notional value € 1,578.7 million;
Hedging Kos group bank borrowings, notional value € 122.5 million;

(b) Foreign currency hedges:
Forward sales of a total of USD 112 million hedging investments in hedge funds;
Forward sale of USD 7.2 million against EUR maturing in 2011;
Forward purchase of € 2.5 million against GBP maturing in 2011;
Forward purchase of € 2.3 million against BRL maturing in 2011;
Forward purchase of USD 1.9 million against ARP maturing in 2011.

Capital parameters

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 financial debt (represented by bond or notes issued net of free cash flow and investments in financial instruments considered as liquid, according to parameters agreed on with the rating agency) and the total investment assets measured at fair value (including equity investments and the remaining part of investments in financial instruments).
Management's objective is to maintain a sold and flexible financial structure in order to maintain this ratio below 30%. Today it stands at 8%.

Contractual clauses of loan agreements

Some of the loan agreements in favour of the group contain special clauses which envisage, in the event of failure to comply with certain economic and financial covenants, the possibility that the lending banks may require the loans to be repaid if the company involved does not immediately remedy the infringement of the said covenants as per the terms and conditions of the loan agreements.
At December 31 2010 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 the end of the year.

Sogefi group

Sogefi S.p.A., the parent company of the group's sub-holding operating in the automotive sector, has undertaken to observe a series of covenants which are summarized below:

- A 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;
- A loan of € 100 million: ratio of consolidated net financial position to consolidated EBITDA lower than 4;
- A loan of € 50 million: ratio of consolidated net financial position to consolidated EBITDA lower than 3.5;
- A loan of € 40 million from the European Investment Bank (EIB); ratio of consolidated net financial position to consolidated EBITDA 3.5 or lower; ratio of consolidated EBITDA to consolidated net financial expense no lower than 4.

For all the loan agreements indicated above the income and expense from non-ordinary operations are excluded from the EBITDA calculation.

Sorgenia group

The Sorgenia group through some of its subsidiaries has undertaken in relation to loans for the construction of power plants to respect covenants that require that the ratio of consolidated net debt to the sum of debt plus equity (gearing ratio) remain between 64% and 80%, depending on the loan and that the operating cash flow net of tax during the period of construction of the power plants be higher than 1.05 times the disbursements for repayment of capital and interest as set out in the repayment schedule (debt service coverage ratio).
These commitments were entered into on a total credit facility amount of approximately € 1,250 million.

Below is the covenant position of the Kos group in relation to loans outstanding year end:

KOS group

The KOS group has undertaken to observe a series of covenants in relation to certain loans. Details are as follows:

- Revolving credit lines for a total of € 33 million obtained by the parent company of the KOS group: ratio of consolidated net financial position to consolidated equity below 2.5;
- Syndicated loan for a total of approximately € 30 million obtained by Residenze Anni Azzurri S.r.l.: ratio of net financial position to EBITDA below 3.8 and ratio of consolidated net financial position to consolidated equity lower than 2.2;
- Syndicated loan for a total of approximately € 34 million obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA lower than 6.8, ratio of consolidated net financial position to consolidated equity lower than 1.6, and a debt service coverage ratio of above 0.8;
- Loan of approximately € 0.3 million obtained by Redancia S.r.l.: ratio of net financial position to EBITDA lower than 3.0, ratio of consolidated net financial position to consolidated equity below 2.1, and a debt service coverage ratio of above 1.05.

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 (with the exception of derivatives) is measured using commonly accepted valuation techniques and based on analytical models using discounted cash flows, which use as variables the prices observable on recent market transactions and from broker quotes for similar instruments;
- For derivatives listed on an active market the fair value is calculated on the basis of market prices; if these prices are not published, different valuation techniques are used for the various types of instruments.

In particular, for the measurement of certain investments in bond instruments where there is no regular market for them, i.e. where there is not a sufficient number of transactions on an ongoing basis with a bid-offer spread and a sufficiently limited volatility, then the fair value of these instruments is mainly calculated using quotes provided by prime international brokerage houses at the request of the company, which are then validated through a comparison with the prices present in the market, albeit of a limited number of deals, or with those observable for other instruments with similar characteristics.

In measuring investments in private equity funds, the fair value is determined on the basis of the NAV communicated by the respective fund administrators at the balance sheet date. In cases where this information is not available at the balance sheet date, the last official communication available is used, which must not however be more than three months old at the balance sheet date and should be validated with subsequent information made available to investors by the fund managers.

As from the balance sheet date December 31 2009 the company must indicate whether fair value is determined, totally or partly, from price quotations published in an active market ("Level 1") or whether it is estimated using prices that can be inferred from market quotes for similar assets or through valuation techniques for which all significant factors are inferred from data observable in the market ("Level 2") or from valuation techniques based mostly on input not observable in the market which therefore involve estimates and assumptions being made by management ("Level 3").

The chart below shows the breakdown of financial assets and liabilities measured at fair value:

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 equity investments (item 7.e.)	--	--	--	--
- Other receivables (item 7.f.)	--	9,954	--	9,954
- Securities in non-current assets (item 7.g.)	--	74,955	25,667	100,622
Financial assets				
(at fair value through profit and loss)				
- Other equity investments (item 7.e.)	--	--	--	--
- Securities in non-current assets (item 7.g.)	150	--	--	150
CURRENT ASSETS				
Financial assets				
(at fair value through profit and loss))				
Financial receivables (item 8.d.)				
- derivatives	--	11,941	--	11,941
Securities in current assets (item 8.f.)				
- Equity investments	15,759	--	--	15,759
- Ital. Government securities & similar instruments	10,233	--	--	10,233
- Investment funds and similar instruments	14,025	19,339	--	33,364
- Bonds and notes	73,382	--	--	73,382
- Certificates of deposit and sundry securities	17	96,504	--	96,521
Total Securities in current assets (item 8.f.)	113,416	115,843	--	229,259
Financial assets				
(at fair value with offset in equity)				
Financial receivables (voce 8.d.)				
- derivatives	--	386,574	--	386,574
Available-for-sale financial assets (item 8.f.)				
- Equity investments	11,463	--	--	11,463
- Ital. Government securities & similar instruments	60,197	--	--	60,197
- Investment funds and similar instruments	--	84,283	--	84,283
- Bonds and notes	5,372	--	--	5,372
- Certificates of deposit and sundry securities	--	--	--	--
Total available-for-sale financial assets (item 8.f.)	77,032	84,283	--	161,315
NON-CURRENT LIABILITIES				
Financial liabilities				
(at fair value with offset in equity)				
Other borrowings (items 10.b.)				
- derivatives	--	(7,707)	--	(7,707)
Financial liabilities				
(at fair value through profit and loss)				
Other borrowings (item 10.b.)				
- derivatives	--	(1,318)	--	(1,318)
CURRENT LIABILITIES				
Financial liabilities				
(at fair value with offset in equity)				
Other borrowings (item 10.b.)				
- derivatives	--	(373,755)	--	(373,755)
Financial liabilities				
(at fair value through profit and loss)				
Other borrowings (item 11b.)				
- derivatives	--	(5,558)	--	(5,558)

During 2010 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 € 11.2 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 € 14.4 million).

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

	FINANCIAL ASSETS			
	Held for trading	*Measured at fair value*	*Available for sale*	*Hedges*
Opening position	--	--	20,803	--
Increases				
- Purchases	--	--	--	--
- Gains recognized to:				
Income Statement	--	--	--	--
- of which capital gains	--	--	--	--
Shareholders' equity	--	--	4,689	--
Transferred from other levels	--	--	--	--
Other increases	--	--	785	--
Decreases				
- Sales	--	--	--	--
- Repayments			--	
- Losses recognized to:	--	--	--	--
Income Statement	--	--	--	--
- of which capital losses	--	--	--	--
Shareholders' equity	--	--	(610)	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	--	--
Closing position	--	--	25,667	--

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 financial assets	Liabilities at FV through P&L designated as such on 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	157,556	--	--	157,556	--	--	--	--	--	157,556	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	66,921	--	--	66,921	--	--	--	--	--	66,921	--	--
Financial receivables	8.d	399,064	397,247	--	1,817	--	--	--	--	--	399,064	4,422	
Securities	8.e	229,529	229,242	--	--	--	17	--	--	--	229,529	9,236	--
Available-for-sale financial assets	8.f	161,315	--	--	--	--	161,315	--	--	--	161,315	3,551	4,725
Cash and cash equivalents	8.g	612,322	--	--	612,322	--	--	--	--	--	612,322	4,191	--
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		(173,676)	--	--	--	--	--	--	--	(173,676)	(173,676)	(5,711)	--
Bonds and notes	11.a	(157,978)	--	--	--	--	--	--	--	(157,978)	(157,978)	(9,692)	--
Other borrowings	11.b	(529,453)	--	--	--	--	--	(373,315)	--	(156,138)	(519,388)	(5,988)	218
Trade payables	11.c	(863,950)	--	--	--	--	--	--	--	(863,950)	(863,950)	(32)	--

(*) Not including € 21,703 thousand of tax receivables
(**) Not including € 114,219 thousand of tax receivables

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE BALANCE SHEET
FINANCIAL YEAR 2009

(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 financial assets*	*Liabilities at FV through P&L designated as such on 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	9,629	--	--	1,091	10	8,528	--	--	--	9,629	85	--
Other receivables (*)	7.f	193,519	--	--	193,519	--	--	--	--	--	193,519	15,128	--
Securities	7.g	83,051	--	--	--	10,914	72,137	--	--	--	83,051	(6,859)	555
CURRENT ASSETS													
Trade receivables	8.b	1,042,030	--	--	1,042,030	--	--	--	--	--	1,042,030	31,256	--
Other receivables (**)	8.c	64,841	--	--	64,841	--	--	--	--	--	64,841	4,180	--
Financial receivables	8.d	27,229	1,503	--	25,726	--	--	--	--	--	27,229	4,145	1,085
Securities	8.e	338,264	278,548	59,716		--	--	--	--	--	338,264	46,386	--
Availalble-for-sale financial assets	8.f	119,527	--	--	--	--	119,527	--	--	--	119,527	44,098	(20,290)
Cash and cash equivalents	8.g	585,625	--	--	585,625	--	--	--	--	--	585,625	6,168	--
NON-CURRENT LIABILITIES													
Bonds and notes	10.a	(718,262)	--	--	--	--	--	--	--	(718,262)	(638,703)	(28,786)	--
Other borrowings	10.b	(1,903,227)	--	--	--	--	--	--	--	(1,903,227)	(1,995,879)	(42,320)	(3,720)
Trade payables		(703)	--	--	--	--	--	--	--	(703)	(703)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(66,294)	--	--	--	--	--	--	--	(66,294)	(66,294)	(4,196)	--
Bonds and notes	11.a	(731)	--	--	--	--	--	--	--	(731)	(731)	(14,396)	--
Other borrowings	11.b	(192,499)	--	--	--	--	--	(4,768)	--	(187,731)	(228,285)	(9,628)	--
Trade payables	11.c	(837,060)	--	--	--	--	--	--	--	(837,060)	(837,060)	(5,187)	--

(*) Not including € 14,556 thousand of tax receivables
(**) Not including € 139,624 thousand of tax receivables

CLASSES OF RISK - FINANCIAL YEAR 2010

(in thousands of euro)

	Items of Bal. Sheet	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	157,556	--	--	--	157,556
Securities	7.g	100,772	--	--	--	100,772
CURRENT ASSETS						
Trade receivables	8.b	1,137,448	--	--	--	1,137,448
Other receivables (**)	8.c	66,921	--	--	--	66,921
Financial receivables	8.d	399,064	--	--	--	399,064
Securities	8.e	229,259	--	--	--	229,259
Available-for-sale financial assets	8.f	161,315	--	--	--	161,315
Cash and cash equivalents	8.g	612,322	--	612,322	--	--
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		(173,676)	(173,676)	--	--	--
Bonds and notes	11.a	(157,978)	(157,978)	--	--	--
Other borrowings	11.b	(529,453)	(529,453)	--	--	--
Trade payables	11.c	(863,950)	(863,950)	--	--	--

(*) Not including € 21,703 thousand of tax receivables
(**) Not including € 114,219 thousand of tax receivables

CLASSES OF RISK - FINANCIAL YEAR 2009

(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	9,629	--	--	--	9,629
Other receivables (*)	7.f	193,519	--	--	--	193,519
Securities	7.g	83,051	--	--	--	83,051
CURRENT ASSETS						
Trade receivables	8.b	1,042,030	--	--	--	1,042,030
Other receivables (**)	8.c	64,841	--	--	--	64,841
Financial receivables	8.d	27,229	--	--	--	27,229
Securities	8.e	338,264	--	--	--	338,264
Available-for-sale financial assets	8.f	119,257	--	--	--	119,527
Cash and cash equivalents	8.g	585,625	--	585,625	--	--
NON-CURRENT LIABILITIES						
Bonds and notes	10.a	(718,262)	(718,262)	--	--	--
Other borrowings	10.b	(1,903,227)	(1,903,227)	--	--	--
Trade payables		(703)	(703)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(66,294)	(66,294)	--	--	--
Bonds and notes	11.a	(731)	(731)	--	--	--
Other borrowings	11.b	(192,499)	(192,499)	--	--	--
Trade payables	11.c	(837,060)	(837,060)	--	--	--

(*) Not including € 14,556 thousand of tax receivables
(**) Not including € 139,624 thousand of tax receivables

CREDIT RISK

(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	157,556	17,441	140,115	--	--	--	140,115	--	
Gross receivable		324,295	184,180	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	66,936	43,294	23,642	16	--	--	23,626	--	
Gross receivable		67,353	43,711	23,642	16	--	--	23,626	--	
Provision for writedown		(417)	(417)	--	--		--	--	--	--
Total		1,361,940	715,543	646,397	93,316	30,429	21,975	487,642	13,035	(59,329)

(*) Not including € 21,703 thousand of tax receivables
(**) Not including € 114,219 thousand of tax receivables

(in thousands of euro)

Position at December 31 2009	*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	193,519	61,512	132,007	--	--	--	132,007	--	
Gross receivable		346,058	214,051	132,007	--	--	--	132,007	--	
Provision for writedown		(152,539)	(152,539)	--	--	--	--	--	--	(26,392)
Trade receivables	8.b	1,042,030	706,937	335,093	87,502	29,939	29,604	188,048	--	
Gross receivable		1,141,116	716,573	424,543	89,708	32,303	31,754	270,778	--	
Provision for writedown		(99,086)	(9,636)	(89,450)	(2,206)	(2,364)	(2,150)	(82,730)	--	(37,717)
Other receivables (current assets) (**)	8.c	64,841	63,556	1,285	--	989	296	--	--	
Gross receivable		65,376	64,040	1,336	--	1,040	296	--	--	
Provision for writedown		(535)	(484)	(51)	--	(51)	--	--	--	(171)
Total		1,300,390	832,005	468,385	87,502	30,928	29,900	320,055	--	(64,280)

(*) Not including € 14,556 thousand of tax receivables
(**) Not including € 139,624 thousand of tax receivables

PROVISION FOR WRITEDOWN OF RECEIVABLES

(in thousands of euro)

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

(in thousands of euro)

Position at December 31 2009	*Starting balance*	*Writedowns*	*Withdrawals*	*Exch. Rate diff. +/-*	*Business comb. +/-*	*Closing balance*
Provision for writedown of receivables	(197,569)	(64,280)	8,270	(107)	1,526	(252,160)

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	169,079	181,194	836,245	190,810	269,048	542,128	2,188,504
- 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	173,676	--	--	--	--	--	173,676
Trade payables	863,950	422	--	--	--	--	864,372
Derivative financial liabilities							
Hedging derivatives	17,066	4,272	829	1,719	49	7,598	31,533
Non-hedging derivatives	354,175	--	--	--	--	--	354,175
TOTAL	1,785,221	238,012	888,767	504,783	295,496	1,107,369	4,819,648

LIQUIDITY RISK - FINANCIAL YEAR 2009

(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	40,517	188,498	31,063	30,480	315,786	425,282	1,031,626
Other borrowings:							
- Loans from banks	228,183	206,615	630,468	286,960	211,188	439,791	2,003,205
- from leasing companies	8,294	8,154	8,010	6,176	5,180	46,610	82,424
- from other lenders	6,053	8,273	80,845	1,031	620	4,396	101,218
Bank overdrafts	66,294	--	--	--	--	--	66,294
Trade payables	837,694	--	--	--	--	--	837,694
Derivative financial liabilities							
Hedging derivatives	8,898	776	472	274	113	(71)	10,462
Non-hedging derivatives	1,140	527	290	92	4	--	2,053
TOTAL	1,197,073	412,843	751,148	325,013	532,891	916,008	4,134,976

18. GUARANTEES AND COMMITMENTS

At December 31 2010 the position of guarantees and commitments was the following:

Cir and the financial holding companies

In relation to the incentive plans for directors and employees, Cir, jointly with Verbund, has made the undertaking to buy back the shares of Sorgenia S.p.A. resulting from the exercise of options by employees who are beneficiaries of the stock option plans outstanding at December 31 2010.

Other guarantees and commitments of Cir are as follows:
- Commitments for investment in private equity funds by Cir International for € 25.3 million;
- An annual commitment to cover just the running costs of the company KTP Global Finance SCA, the holding company of the KTP group.

Sorgenia group

1. Guarantees made
   As collateral for loans obtained by subsidiaries, shares representing the capital of the companies being financed have been pledged in favour of the lending banks for a total of € 437,769 thousand. The increase is mainly due to the guarantees made by the company Sorgenia E&P S.p.A.
   Sorgenia E&P S.p.A issued a guarantee in favour of Nexen Petroleum UK for certain works commissioned by Sorgenia E&P UK in relation to a block in the United Kingdom. The amounts still outstanding at the end of the year relate to two success fees scheduled for 2011 and 2014 each for an amount of € 938 thousand.
   Sorgenia E&P S.p.A has also signed a letter of credit in favour of BBVA BOGOTA' for an amount of USD 3,780 thousand to guarantee obligations resulting from the exploration contract signed on February 16 2009 maturing on February 28 2011. The company has also undertaken to guarantee the payables of its subsidiaries as follows:
   - for Sorgenia International B.V. up to a maximum of € 3,508 thousand for a period of one year and three months starting from financial year 2010 (until March 31 2011);
   - for Sorgenia E&P Colombia B.V. up to a maximum of € 12,942 thousand for a period of one year and three months starting from financial year 2010 (until March 31 2011);
   - for Sorgenia E&P UK up to a maximum of € 25,664 thousand for a period of one year and three months starting from financial year 2010 (until March 31 2011);

2. Sureties and guarantees
   Within the group guarantees have been granted to third parties for a total of € 369,546 thousand. These are mainly obligations issued to guarantee payment linked to the purchase and transmission of electricity and gas and also undertakings in favour of the Inland Revenue for IVA for which rebates have been requested. This category also includes guarantees required for the construction of power plants and the purchase of land.

3. Commitments
   Commitments outstanding as of the balance sheet date refer mainly to guarantees issued by Sorgenia S.p.A. in favour of banks lending to 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 sites.

Sorgenia S.p.A. has signed an undertaking to capitalize Sorgenia Power for up to € 140,951 thousand and to finance the same company for up to a maximum of € 15,508 thousand. There are also commitments to make a financial contribution to the associate GICA S.A. and to the subsidiary Noventi Ventures II LP of up to a maximum of € 15,000 thousand, of which € 125 thousand has already been paid leaving a remaining commitment of a € 14,875 thousand, and USD 30,000 thousand, of which USD 18,887 thousand have already been paid, respectively. The remaining commitment is for € 8,137 thousand.
Lastly, it should be noted that just for the natural gas business, the supply contract includes a take or pay clause which makes it obligatory for the purchaser to pay for any shortfall in the amount withdrawn compared to the minimum stipulated in the contract. As a guarantee for the parties, the same contract also has a clause that regulates the procedures for negotiating the price for the duration of the contract. Negotiations in progress at the close of the year, according to the said clause of the contract, did not have any impact on the financial statements.

Espresso Group

Apart from liens on printing plants and rotary presses set up by banks to cover loans made in 2005, at December 31 2010 the company had commitments outstanding for € 4,615 thousand in relation to contracts for the purchase of plants and other printing equipment (€ 529 thousand) mainly for the Padua and Livorno divisions of Finegil Editoriale and l'Editoriale Nuova Sardegna for the full-colour project.
Guarantees amounted to € 4,086 thousand and referred mainly to bank guarantees made 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 Inland Revenue Department to guarantee excess credit positions created in the last three years.

Sogefi group

Operating leases

For accounting purposes, lease and hire contracts are classified as operating leases when the following conditions apply:
- a significant part of the risks and benefits of ownership are maintained by the lessor;
- there are no options giving the right to buy the leased property at a price that does not represent the presumed market value of the same at the close of the period;
- the duration of the contract does not extend over most of the useful life of the property rented or hired.

The rental payments for operating leases are recognized to the income statement in line with the underlying contracts.
The main operating leases outstanding at December 31 2010 refer to the following subsidiaries:
- Allevard Sogefi U.S.A. Inc. for the lease of the production site situated in Prichard (West Virginia). The contract terminates in March 2019 and the remaining instalments total USD 3,434 thousand, of which USD 444 thousand in up to one year.
  Against this contract Sogefi S.p.A. has issued a guarantee for approximately 54% of the remaining lease instalments which is renewed at the end of each year on the basis of the remaining amount. 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 a market price.
- Allevard Federn GmbH for the lease of the production site located at Volklingen. At March 2010 the company renewed the lease until May 2020. The instalments remaining as of De-

cember 31 2010 amounted to € 3,574 of which € 367 due in up to one year. For this contract the group has not provided any guarantee.

Future lease payments in relation to the operating lease contracts of the Sogefi group at December 31 2010 are as follows:

(in thousands of euro)	*2010*	*2009*
Up to 1 year	4,901	4,774
Over 1 year but up to 5	9,293	9,388
Over 5 years	2,961	1,250
Total	17,156	15,412

Commitments for investments

At December 31 2010 there were commitments for investments for a total of € 4,266 thousand.

Guarantees issued

The detail of these guarantees is as follows:

(in thousands of euro)	*2010*	*2009*
Guarantees in favour of third parties	1,021	987
Other guarantees in favour of third parties	9,714	9,714
Collateral security provided for debt shown in the balance sheet	5,643	1,557

Guarantees issued refer to operating lease contracts and guarantees given to certain clients and are recognized at the value of the commitment outstanding as of the balance sheet date.
The item “Other guarantees in favour of third parties” refers to the commitment of LPDN GmbH towards the employee pension fund of the two business divisions at the time of the acquisition made in 1996. This commitment is covered by contractual obligations on the part of the vendor, a prime German economic operator.
Collateral security refers exclusively to the Indian subsidiaries which for the loans obtained gave the banks liens on their tangible assets, inventory and trade receivables.

Other risks

At December 31 2010 the Sogefi group had assets belonging to third parties on the premises of its companies for a value of € 5,180 thousand.

<u>Kos group</u>

Below is the breakdown of the bank guarantees and other guarantees issued by the company 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 urbanization 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 lease of the Rivarolo building for € 75 thousand;

- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Rivarolo business arm for € 35 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the nursing home to be built at 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 lease of the Peveragno building, for € 235 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Dorzano building, for € 121 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Dormelletto building, for € 200 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of a building, 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 made by other companies of the group for an amount of € 7,656 thousand which has the following breakdown:

- A guarantee made by Residenze Anni Azzurri S.r.l. guaranteeing payment of the lease payments of the care-homes, for € 8,237 thousand;
- A guarantee made by Residenze Anni Azzurri S.r.l. in favour of HSS Real Estate S.p.A. to guarantee the security deposit policy for the urbanization works of the care-home to be built in the local district of Monza, for an amount of € 184 thousand;
- A guarantee made by Residenze Anni Azzurri S.r.l. in favour of the Modena Town Council accredited beds, for an amount of € 23 thousand;
- Guarantee policies issued by the Suzzara Hospital in favour of F.lli Montecchi, for € 953 thousand.

At December 31 2010 the other commitments and risks amounted to € 4,949 thousand and mainly referred to the following:

- goods distributed for use free of charge for an amount of € 2,030 thousand
- commitments relating to the refurbishment of the Suzzara Hospital, for contracts already signed at December 31 2010, for an amount of € 1,967 thousand;
- contractual obligations for technological adjustments to equipment, where this proves to be necessary, for approximately € 822 thousand. As the contracts are at present, there is no reason to suppose that there is any likelihood of this obligation taking place;
- third party commitments to sell for approximately € 130 thousand.

The group carries out its business in owned properties and in leased properties. The lease contracts in particular have a duration of from 3 to 9 years and are generally renewable. Of the 37 care-homes in operation for the elderly, at the balance sheet date 5 properties were owned, while 12 of the 22 functional and psychiatric rehabilitation facilities were owned (including two nursing homes for the elderly). The remaining facilities (day hospitals, psychiatric treatment communities, diagnostic departments) are generally leased.

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

(in thousands of euro)	*Financial year*	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*
Lease payments due	31/12/2009	13,797	13,834	13,658	13,538	13,178	110,016
Lease payments due	31/12/2010	14,268	14,382	14,525	14,321	14,419	128,247

The change in the amounts due compared to December 31 2009 was mainly due to the change in the consolidation and in particular to the acquisition of the care-homes in Segrate and Cassina De' Pecchi.

19. **INFORMATION ON THE BUSINESS SECTORS**

The business sectors coincide with the groups of companies over which Cofide S.p.A. has control through Cir. 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	8,755,325	565,922	121,649
Other European countries	1,162,374	55,485	50,107
North America	54,359	1,061	946
South America	137,749	12,939	6,424
Asia	36,573	4,283	1,042
Consolidation adjustments	(2,432,821)	(592)	4,198
Total assets	7,713,559	639,098	184,366

INCOME STATEMENT BY BUSINESS SECTOR AND CONTRIBUTIONS TO THE RESULTS OF THE GROUP

(in millions of euro)

CONSOLIDATED / AGGREGATE	*2010*										*2009*
	Revenues	*Costs of production* (1)	*Other operating income & expense* (2)	*Adjustments to the value of investments consolidated at equity*	*Amortization depreciation & writedowns*	*Net financial income & expense* (3)	*Dividends, gains & losses from trading & valuing securities* (4)	*Income taxes*	*Net income minority Shareholders*	*Net income of the Group*	*Net income of the Group*
Sorgenia group	2,668.5	(2,523.0)	(38.5)	36.5	(82.8)	(52.8)	(0.5)	51.2	(46.0)	12.6	16.7
Espresso group	885.0	(727.4)	(11.4)	1.0	(38.2)	(17.8)	3.8	(44.8)	(36.8)	13.4	1.5
Sogefi group	924.7	(815.4)	(21.2)	--	(46.1)	(9.8)	0.2	(11.6)	(15.6)	5.2	(2.1)
Kos group	325.4	(272.8)	(13.5)	--	(15.6)	(8.3)	(0.2)	(10.5)	(3.4)	1.1	(0.1)
Other subsidiaries	1.9	(29.4)	27.7	--	(0.7)	(3.0)	--	(0.7)	2.3	(1.9)	(0.1)
Total operating subsidiaries	**4,805.5**	**(4,368.0)**	**(56.9)**	**37.5**	**(183.4)**	**(91.7)**	**3.3**	**(16.4)**	**(99.5)**	**30.4**	**15.9**
Financial subsidiaries	--	**(0.2)**	--	--	--		**(1.9)**	--	**1.3**	**(0.8)**	**21.2**
Total subsidiaries	**4,805.5**	**(4,368.2)**	**(56.9)**	**37.5**	**(183.4)**	**(91.7)**	**1.4**	**(16.4)**	**(98.2)**	**29.6**	**37.1**
CIR & financial holding companies before non-recurring items	--	(17.8)	4.5	--	(0.9)	(17.3)	28.7	2.6	0.1	(0.1)	1.9
Non-recurring items	--	(4.8)	(3.1)	--	--	--	1.0	0.6	3.3	(3.0)	30.7
<u>Cofide</u>											
Revenues	--									--	--
Operating costs		(3.3)								(3.3)	(3.7)
Other operating income and expense			0.8							0.8	0.9
Adjustments to the value of investments consolidated at equity				--						--	--
Amortization, depreciation & writedowns					(0.1)					(0.1)	(0.1)
Net financial income & expense						(0.1)				(0.1)	(4.1)
Dividends, gains and losses from trading securities							(0.9)			(0.9)	(0.4)
Income taxes								--		--	--
Total consolidated of the Group	**4,805.5**	**(4,394.1)**	**(54.7)**	**37.5**	**(184.4)**	**(109.1)**	**30.2**	**(13.2)**	**(94.8)**	**22.9**	**62.3**

(1) This item is the sum of "change in inventories", "costs for purchase of goods, "costs for services", "personnel costs" in the consolidated income statement.
The item does not consider the effect of € (15.8) million of intercompany elision.
(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. The item does not consider the effect of intercompany elision of € 15.8 million.
(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.

CONSOLIDATED BALANCE SHEET BY BUSINESS SECTOR

(in millions of euro)

CONSOLIDATED / AGGREGATE	31.12.2010 *Fixed assets* (1)	*Other net non-current assets & liabilities* (2)	*Net working capital* (3)	*Net financial position* (4)	*Total equity*	*of which:*	*Minority Shareholders' equity*	*Equity of the Group*	31.12.2009 *Equity of the Group*
Sorgenia group	2,528.0	139.7	266.1	(1,738.4) (*)	1,195.4		910.5	284.9	270.3
Espresso group	871.5	(191.3)	(1.9)	(135.0)	543.3		399.3	144.0	129.4
Sogefi group	361.1	(25.5)	43.7	(164.9)	214.4		159.4	55.0	46.5
Kos group	397.0	(26.9)	(0.2)	(189.3)	180.6		131.9	48.7	43.6
Other subsidiaries	8.6	66.5	6.6	(58.7)	23.0		11.7	11.3	12.0
Total subsidiaries	**4,166.2**	**(37.5)**	**314.3**	**(2,286.3)**	**2,156.7**		**1,612.8**	**543.9**	**501.8**
CIR and financial holding companies	127.7	138.1	(17.2)	123.6	372.2		190.7	181.5	179.3
Cofide									
Fixed assets	36.7				36.7			36.7	36.7
Other net non-current assets & liabilities		(0.3)			(0.3)			(0.3)	(0.2)
Net working capital			17.5		17.5			17.5	15.1
Net financial position				(31.9)	(31.9)			(31.9)	(28.5)
Total consolidated of the Group	**4,330.6**	**100.3**	**314.6**	**(2,194.6)**	**2,550.9**		**1,803.5**	**747.4**	**704.2**

(*) The financial position includes the free cash flow of Sorgenia Holding S.p.A.

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

(2) This item is the algebraic sum of "other receivables", "securities" and "deferred taxes" in non-current assets and of "other payables", "deferred taxes", "personnel provisions" and "provisions for risks and losses" in non-current liabilities of the consolidated balance sheet.

(3) This item is the algebraic sum of "inventories", "contracted work in progress", "trade receivables", "other receivables" in current assets and of "trade payables", "other payables" and "provisions for risks and losses" in current liabilities of the consolidated balance sheet.
The item includes € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. classified in the consolidated financial statements under the item "available-for-sale financial assets".

(4) This item is the algebraic sum of "financial receivables", " securities", "available-for-sale financial assets" and "cash and cash equivalents" in current assets, "bonds and notes" and "other borrowings" in non-current liabilities and of "bank overdrafts", "bonds and notes" and "other borrowings" in current liabilities of the consolidated balance sheet.
The item does not include € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. reclassified under item (3) Net working capital.

20. JOINTLY CONTROLLED COMPANIES

As of December 31 2010 the joint ventures were Tirreno Power and KTP.

International accounting standards give two methods for consolidating holdings in joint ventures:
. the usual method, which involves pro-rata consolidation;
. the alternative method which involves use of the equity method.
The group has adopted the equity method for the sake of consistency with the way the accounts were presented previously.

The chart below shows the key financial figures of the company Tirreno Power and of the KTP group:

Tirreno Power

(in millions of euro)	*Financial year 2010*	*Financial year 2009*	*Change in absolute terms*	*Change %*
Income statement				
Electricity sold (TWh)	15.3	14.4	0.9	6.3
Revenues from sales and services	1,288.5	1,240.9	47.6	3.8
Gross operating margin	249.4	261.4	(12.0)	(4.6)
Net income	74.5	79.8	(5.3)	(6.6)

	31.12.2010	*31.12.2009*	*Change in absolute terms*
Balance sheet			
Net invested capital	1,479.7	1,451.6	28.1
Net financial debt	990.9	1,042.0	(51.1)
Shareholders' equity	488.8	409.6	79.2
No. of employees	526	591	(65)

The pertinent part of the earnings of Tirreno Power, consolidated using the equity method on the basis of values determined by the application of IAS/IFRS accounting standards, totalled € 37.3 million in 2010, down from € 39.9 million in 2009.

KTP

(in thousands of euro)	*31.12.2009*	*31.12.2008*
Assets		
- Current	140,900	131,832
- Non-current	441,729	482,303
Total assets	582,629	614,135

Liabilities and equity		
- Current	559,641	566,791
- Non-current	262,115	267,667
Shareholders' equity	(239,127)	(220,263)
Total liabilities and equity	582,629	614,135

Income statement		
Interest income	33,732	47,425
Commission income	98,493	107,241
Total income	132,225	154,666
Interest expense	(43,132)	(63,542)
Commission expense	(45,470)	(58,334)
Operating costs and other	(59,665)	(100,862)
Taxes	(5,087)	(5,894)
Total costs	(153,354)	(228,632)
Net result	(21,129)	(73,966)

The figures shown above refer to the last approved financial statements available.

In accordance with the terms of IAS/IFRS international accounting standards, the value of the investments in Tirreno Power and KTP was subjected to an impairment test at December 31 2010.

21. NET FINANCIAL POSITION

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

(in thousands of euro)			*31.12.2010*	*31.12.2009*
A.	Cash and bank deposits		612,322	585,625
B.	Other free cash flow		144,480	105,169
C.	Securities held for trading		229,259	338,264
D.	**Cash and cash equivalents (A) + (B) + (C)**		986,061	1,029,058
E.	**Current financial receivables**		399,064	27,229
F.	Current bank borrowings	(*)	(244,584)	(157,510)
G.	Bonds and notes issued		(157,978)	(731)
H.	Current part of non-current debt		(458,543)	(101,281)
I.	Other current borrowings		(2)	(2)
J.	**Current financial debt (F) + (G) + (H) + (I)**		(861,107)	(259,524)
K.	**Net current financial position (J) + (E) + (D)**		524,018	796,763
L.	Non-current bank borrowings	(**)	(1,994,968)	(1,676,126)
M.	Bonds and notes issued		(547,455)	(718,262)
N.	Other non-current borrowings	(**)	(176,148)	(227,101)
O.	**Non-current financial debt (L) + (M) + (N)**		(2,718,571)	(2,621,489)
P.	**Net financial position (K) + (O)**		(2,194,553)	(1,824,726)

(*) The amount of € 70,908 thousand (€ 244,584 - € 173,676) is classified in the Balance Sheet in the item "Other borrowings".
(**) Classified under the item "Other borrowings" – Non-current liabilities

It should be noted that the "Net financial position" does not include € 16,835 thousand relating to the investment in the equity and convertible bonds of Banca Intermobiliare S.p.A. which are classified as "Available-for-sale financial assets".

22. DISCLOSURES REGARDING SHARE-BASED INCENTIVE PLANS

CIR

The following chart shows the incentive plans of Cir S.p.A.:

STOCK OPTION PLANS OUTSTANDING AT DECEMBER 31 2010

The following chart shows the stock option plans of the parent company CIR S.p.A..

	Options in circulation at start of period		*Options awarded during the year*		*Options exercised in the year*		*Options which expired 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 maturity (years)*	*No. of options*	*Weighted average strike price*
Stock Option Plan March 7 2000	2,631,000	3.70	--	--	--	--	2,631,000	3.70	--	--	--	--	--
Stock Option Plan September 13 2000	29,000	4.06	--	--	--	--	--	--	29,000	4.06	0.25	29,000	4.06
Stock Option Plan January 30 2001	1,488,000	2.62	--	--	--	--	140,000	--	1,348,000	2.62	0.75	1,348,000	2.62
Stock Option Plan September 7 2001	21,400	1.28	--	--	--	--	--	--	21,400	1.28	1.00	21,400	1.28
Stock Option Plan September 5 2003	112,500	1.13	--	--	--	--	--	--	112,500	1.13	3.16	112,500	1.13
Stock Option Plan March 12 2004	395,600	1.60	--	--	--	--	4,600	1.60	391,000	1.60	3.75	391,000	1.60
Stock Option Plan September 6 2004	1,518,700	1.56	--	--	--	--	18,400	1.56	1,500,300	1.56	4.16	1,500,300	1.56
Stock Option Plan March 11 2005	4,009,800	2.34	--	--	--	--	385,600	2.34	3,624,200	2.34	4.75	3,624,200	2.34
Stock Option Plan September 6 2005	2,705,000	2.49	--	--	--	--	170,000	2.49	2,535,000	2.49	5.17	2,535,000	2.49
Stock Option Plan 2006 1st tranche	2,765,000	2.50	--	--	--	--	174,800	2.50	2,590,200	2.50	6.01	2,590,200	2.50
Stock Option Plan 2006 2nd tranche	2,765,000	2.47	--	--	--	--	189,200	2.47	2,575,800	2.47	6.50	2,476,800	2.47
Extraordinary Stock Option Plan 1st tranche	3,852,500	3.0877	--	--	--	--	171,150	3.0877	3,681,350	3.0877	6.75	3,334,350	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,852,500	2.7344	--	--	--	--	202,050	2.7344	3,650,450	2.7344	7.25	2,887,050	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,935,000	1.6806	--	--	--	--	241,800	1.6806	3,693,200	1.6806	7.75	2,493,000	1.6806
Extraordinary Stock Option Plan 4th tranche	3,400,500	1.0718	--	--	--	--	245,400	1.0718	3,155,100	1.0718	8.25	1,531,300	1.0718
Stock Option Plan 2009 1st tranche	3,730,900	0.9907	--	--	--	--	213,000	0.9907	3,517,900	0.9907	8.75	1,337,100	0.9907
Stock Option Plan 2009 2nd tranche	3,890,000	1.5449	--	--	--	--	217,600	1.5449	3,672,400	1.5449	9.17	1,145,400	1.5449
Stock Option Plan 2010 1st tranche			3,895,000	1.6208	--	--	102,500	1.6208	3,792,500	1.6208	9.76	701,100	1.6208
Stock Option Plan 2010 2nd tranche			3,895,000	1.4982	--	--	125,000	1.4982	3,770,000	1.4982	10.17	--	--
Total	41,102,400	2.1693	7,790,000	1.5595	--	--	5,232,100	2.8704	43,660,300	1.9764	7.2724	28,057,700	2.2243
OWN SHARES HELD													
Stock Option Plan January 11 2005	11,050,000	2.15	--	--	--	--	11,050,000	2.15	--	--	--	--	--
Total	11,050,000	2.15	--	--	--	--	11,050,000	2.15	--	--	--	--	--
Grand total	52,152,400	2.1652	7,790,000	1.5595	--	--	16,282,100	2.3815	43,660,300	1.9764	7.2724	28,057,700	2.2243

Sorgenia

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

Stock Option Plans

Stock Option Plans	*Stock options assigned*	*Stock options exercised at December 31 2009*	*Stock options exercised in 2010*	*Stock options exercised at December 31 2010*	*Stock options no longer exercisable*	*Stock options to be exercised*
September 28 2001	2,004,000	1,714,000	--	1,714,000	134,000	156,000
April 15 2003	9,215,000	7,435,000	--	7,435,000	215,000	1,565,000
February 25 2005	8,236,300	408,000	1,397,940	1,805,940	205,320	6,225,040
July 29 2005	22,120,565	116,000	814,000	930,000	--	21,190,565
April 18 2006	9,515,300	228,000	--	228,000	412,600	8,874,700
2009-2012 I Tranche	21,723,005	305,064	3,799,380	4,104,444	905,180	16,713,381
2009-2012 II Tranche	15,122,800	16,800	515,100	531,900	916,500	13,674,400
May 18 2009	15,300,000	--	85,800	85,800	1,523,400	13,690,800
March 18 2010	15,300,000	--	--	--	455,000	14,845,000
Total	162,251,970	53,477,864	6,812,220	60,290,084	5,027,000	96,934,886

In the period January 1 – December 31 2010 6,812,220 options were exercised.

Espresso

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

STOCK OPTIONS PLANS FOR EMPLOYEES AS OF DECEMBER 31 2010

	Options in circulation at start of period		Options assigned during the period		Options cancelled in the period		Options exercised in the period			Options which expired in the period		Options in circulation at end of period			Options exercisable at end of period	
	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	Average market price at exercise date	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 2000	1,145,000	25.60			1,145,000	25.60										
Stock Option Plan April 24 2001	480,000	6.25										480,000	6.25	0.75	480,000	6.25
Stock Option Plan October 24 2001	100,600	2.51										100,600	2.51	1.25	100,600	2.51
Stock Option Plan March 6 2002	258,200	3.30										258,200	3.30	1.75	258,200	3.30
Stock Option Plan July 24 2002	288,950	3.36										288,950	3.36	2.00	288,950	3.36
Stock Option Plan February 26 2003	392,500	2.86										392,500	2.86	2.75	392,500	2.86
Stock Option Plan July 23 2003	501,550	3.54										501,550	3.54	3.00	501,550	3.54
Stock Option Plan February 25 2004	1,047,500	4.95			20,000	4.95						1,027,500	4.95	3.75	1,027,500	4.95
Stock Option Plan July 28 2004	1,057,500	4.80			20,000	4.80						1,037,500	4.80	4.00	1,037,500	4.80
Stock Option Plan February 23 2005	1,132,100	4.75			69,600	4.75						1,062,500	4.75	4.75	1,062,500	4.75
Stock Option Plan July 27 2005	1,154,900	4.65			67,400	4.65						1,087,500	4.65	5.00	1,087,500	4.65
Stock Option Plan 2006 - I tranche	1,179,800	4.33			59,800	4.33						1,120,000	4.33	6.00	1,120,000	4.33
Stock Option Plan 2006 - II tranche	1,171,400	3.96			51,400	3.96						1,120,000	3.96	6.50	1,075,200	3.96
Extraord. Stock Option Plan 2009 - I tranche	1,495,600	3.84			40,600	3.84						1,455,000	3.84	6.75	1,309,500	3.84
Extraord. Stock Option Plan 2009 - II tranche	1,489,000	3.60			34,000	3.60						1,455,000	3.60	7.25	1,134,900	3.60
Extraord. Stock Option Plan 2009 - III tranche	1,752,400	2.22			27,400	2.22						1,725,000	2.22	7.75	1,138,500	2.22
Extraord. Stock Option Plan 2009 - IV tranche	1,553,500	1.37			29,800	1.37	55,200	1.37				1,468,500	1.37	8.25	675,000	1.37
Ord. Stock Option Plan 2009 - I tranche	2,341,500	1.00					102,300	1.00				2,239,200	1.00	8.75	789,200	1.00
Ord. Stock Option Plan 2009 - II tranche	2,500,000	1.86					6,300	1.86				2,493,700	1.86	9.25	743,700	1.86
Ord. Stock Option Plan 2010 - I tranche			2,795,000	2.25								2,795,000	2.25	9.75	503,100	2.25
Ord. Stock Option Plan 2010 - II tranche			2,795,000	1.58								2,795,000	1.58	10.25		1.58
Total	21,042,000	4.38	5,590,000	1.92	1,565,000	19.80	163,800	1.09				24,903,200	2.88	7.27	14,725,900	3.61

Sogefi

Below is information on the stock option and phantom stock option plans outstanding in the Sogefi group.

Sogefi S.p.A. puts in place stock option plans for the Chief Executive Officer of the Company and for executives of the Company and its subsidiaries who hold positions of importance in the Group, with the aim of rewarding their loyalty to the Group and living them an incentive to increase their commitment to improving the company performance and creating value in the long term.
The plans give the beneficiaries the right to exercise an option to subscribe newly issued SOGEFI shares at a determined price and within a predefined time frame. The regulations stipulate that an essential condition for the exercise of the option is the continuation of the employment relationship with the Company or with its subsidiaries at the date of exercise of the option, except in cases of retirement, permanent invalidity or death.

The stock option plans must first be approved by the Shareholders' Meeting.

In 2010 the Board of Directors instituted the following stock option plan:
• Stock Option Plan 2010 reserved for the Chief Executive Officer of the Company and executives of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.10% of the share capital at December 31 2010) with a strike price of € 2.3012, exercisable between September 30 2010 and September 30 2020.

Except what is shown above and what is stated in the following paragraph "*Phantom stock option plans*", the Group has not entered into any other transaction involving the purchase of goods or services payments based on shares or with any other instrument representing shares of capital and therefore it is not necessary to give the fair value of any such goods or services.
According to the provisions of accounting standard IFRS 2, only plans assigned after November 7 2002 should be taken into consideration (it should be noted that the Company has no plans introduced before that date) and thus the main features of the ones issued in 2004, 2005, 2006, 2007, 2008 and 2009 are given together with those issued in 2010:
• Stock Option Plan 2004 for a maximum of 1,880,000 ordinary shares (1.61% of the share capital at December 31 2010) at € 2.64 each exercisable every four months from September 30 2004 to September 30 2014;
• Stock Option 2005 reserved for executives of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.66% of share capital at December 31 2010) with a strike price of € 3.87, exercisable from September 30 2005 to September 30 2015;
• Stock Option Plan 2006 reserved for executives of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of share capital at December 31 2010) with a strike price of € 5.87, exercisable from September 20 2006 to September 30 2016;
• Stock Option Plan 2007 reserved for executives of the foreign subsidiaries for a maximum of 715,000 shares (0.61% of share capital at December 31 2010) with an initial strike price of € 6.96, exercisable between September 30 2007 and September 30 2017. On April 22 2008, on the strength of the 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 executives of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of share capital at December 31 2010) with a strike price of € 2.1045, exercisable from September 30 2008 to September 30 2018.

• Stock Option Plan 2009 reserved for executives of the Company and its subsidiaries for a maximum of 2,335,000 shares (2.01% of share capital at December 31 2010) with a strike price of € 1.0371, exercisable from September 30 2009 to September 30 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 the Company 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 December 31 2010), of which 475,000 (Tranche I options) with a strike price of € 5.9054, exercisable from June 30 2009 to September 30 2017 and 540,000 (Tranche II options) with a strike price of € 2.1045, exercisable from June 30 2009 and September 30 2018.

The fair value of the options assigned during 2010 was calculated, at the time of assignation, using the Black-Scholes method and comes to a total of € 742 thousand. The notional cost of these attributable to the year 2010 for the plans outstanding was € 540 thousand, which was recognized to the income statement in the item "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.

	2010		*2009*	
	No. of options	*Average strike price*	*No. of options*	*Average strike price*
Not exercised/not exercisable at the start of the year	6,509,400	3.18	3,947,600	4.55
Assigned during the year	2,440,000	2.30	3,350,000	1.90
Cancelled during the year	(419,000)	3.23	(778,200)	4.58
Exercised during the year	(286,000)	1.04	--	--
Not exercised/not exercisable at the end of the year	8,244,400	3.18	6,509,400	3.18
Exercisable at the end of the year	3,964,900	4.12	2,884,300	4.48

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 examination or in previous years.
The line "Exercisable at the end of the year" refers to the total amount of the options which had vested at the end of the year but had not yet been exercised.

The following chart shows the breakdown of the number of options exercisable at December 31 2010:

	Plans 2004 - 2009
No. of options remaining and exercisable at December 31 2009	2,884,300
Options which vested in the year	1,734,800
Options exercised in the year	(368,200)
Options cancelled in the year	(286,000)
No. of options remaining and exercisable at December 31 2010	3,964,900

Phantom stock option plans
Phantom stock option plans, unlike traditional stock option plans, do not involve assignation 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 moment of assignation of the option.

In 2009, as explained in the paragraph "*Stock option plans*" the parent company gave the beneficiaries of Phantom Stock Option plans 2007 and 2008 the right to give up the options of the above-mentioned plans and take part in Extraordinary Stock Option Plan 2009.

Below are the main features of the plans outstanding:

• *Phantom Stock Option Plan* 2007 reserved for the Chief Executive, executives and staff of the Parent Company, as well as executives of the Italian subsidiaries, for a maximum of 1,760,000 options with an initial award value of € 7.0854 adjusted during the year 2008 to € 5.9054, exercisable from September 30 2007 to September 30 2017. Following the reorganization of the plan as described above, 475,000 options were given up;

• *Phantom Stock Option Plan* 2008 reserved for the Chief Executive and executives of the Parent Company, as well as executives of the Italian subsidiaries, for a maximum of 1,700,000 options with an award value of € 2.1045, exercisable from September 30 2008 to September 30 2018. Following the reorganization of the plan as described above, 540,000 options were given up.

The chart below shows the breakdown of the number of phantom stock options at December 31 2010:

	2010
Not exercised/not exercisable at the start of the year	1,830,000
Awarded 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	1,409,400

<u>KOS</u>

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

STOCK OPTION PLANS AT DECEMBER 31 2010

	Options in circulation at start of period		*Options assigned in the period*		*Options exercised in the period*		*Options which expired in the period*		*Options in circulation at end of period*			*Options exercisable at end of period*		*Maturity of options*	
	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*	*Vesting date (100%)*	*Expiry date*
Stock Option Plan '02	24,000	0.4925	--	--	24,000	0.493	--	--	0			0		31/12/2006	31/03/2013
Stock Option Plan '03	632,000	0.5000	--	--	632,000	0.500	--	--	0			0		31/12/2007	31/03/2014
Stock Option Plan '05	2,397,320	1.7000	--	--	2,297,320	1.700	100,000	1.7000	0			0		30/06/2009	30/09/2015
Investment andStock Option Plan '05	884,060	1.7000	--	--	884,060	1.700	--		0			0		30/06/2009	30/09/2015
Stock Option Plan '06	1,186,800	2.2000	--	--	1,086,800	2.200	100,000	2.2000	0			0		30/06/2010	30/09/2016
Investment and Stock Option Plan '06	78,840	2.2000	--	--	78,840	2.200	--		0			0		30/06/2010	30/09/2016
Stock Option Plan June '06	1,662,200	2.2000	--	--	1,587,200	2.200	75,000	2.2000	0			0		31/12/2010	31/03/2017
Stock Option Plan '07	610,000	3.4000	--	--	140,000	3.400	50,000	3.4000	420,000	3.4000	9.80	420,000	3.4000	30/09/2010	30/09/2020
Total	**7,475,220**	**1.9292**	--	--	6,730,220	1.8229	325,000	2.2308	**420,000**	**3.4000**	**9.80**	**420,000**	**3.4000**		

Other stock option plans

Regarding the other companies of the group, it should be pointed out that the subsidiary Euvis S.p.A. has stock option plans based on shares of the company reserved for employers and directors.

At December 31 2010 the Company had four share-based payment agreements outstanding as described below:

- Stock Option Plan reserved for employees and directors of March 8 2005:
  a. Number of options assigned, net of those cancelled: 68,750;
  b. Final maturity: December 31 2015;
  c. Vesting conditions: at December 31 2010 100% of the total options assigned had vested.
- Stock Option Plan reserved for employees and directors of July 13 2005:
  a. Number of options assigned, net of those cancelled: 89,500;
  b. Final maturity: December 31 2015;
  c. Vesting conditions: at December 31 2010 100% of the total options assigned had vested.
- Investment Plan in stock options reserved for employees and directors of July 13 2005:
  a. Number of options assigned, net of those cancelled: 66,000;
  b. Final maturity: December 31 2015;
  c. Vesting conditions: at December 31 2010 100% of the total options assigned had vested.
- Stock Option Plan reserved for employees of July 7 2009:
  a. Number of options assigned, net of those cancelled: 119,500;
  b. Final maturity: September 30 2019;
  c. Vesting conditions: at December 31 2010 42% of the total options assigned had vested.

23. **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.

With a deed notified on October 23 2009, Fininvest S.p.A. appealed against ruling no. 11786 of October 3 2009 of the Milan Law Court which sentenced Fininvest S.p.A. to pay Cir patrimonial damages for the sum of € 749,955,611.93 plus interest at the legal interest rate on the above sum from the date of the ruling until payment is made. With this ruling, the Court also sentenced Fininvest to pay compensation for the non-patrimonial damage suffered by Cir, postponing settlement of this until a later verdict; lastly it sentenced Fininvest to reimburse Cir’s legal costs including € 981.80 of advances, € 6,394.86 of expenses, € 16,148.00 of taxes and € 2,000,000.00 of legal fees plus general expenses of 12.50% of the duties and fees plus IVA and CPA as per the terms of the law.

At the hearing of 22.12.2009 fixed by the Court of Appeal for the discussion of the appeal made by Fininvest for suspension of the executive efficacy of the above mentioned verdict, Fininvest gave Cir a bank guarantee at the first request for the sum of € 806 million. On receipt of this, Cir said that it would not have the first degree ruling executed until the Court of Appeal has published its verdict.

On 3.2.2010, Cir filed an appearance in the Court of Appeal, requesting the rejection of the impugnment proposed by Fininvest. It also proposed an incidental appeal against certain clauses of the first degree verdict and petitioned that Fininvest be sentenced to pay the compensation for patrimonial damage, quantified in the sum of € 342,259,187.26, plus revaluation and interest as from 24.1.1991.
During the proceedings the Court ordered an official technical opinion, which was filed on September 23 2010.

On November 23 2010 there was a hearing to give the conclusions and subsequently the parties filed their respective final defences.

On March 4 2011 a hearing was held for the oral discussion before the Court of Appeal after which the case was kept on hold awaiting a decision.

24. COMPANY ACQUISITIONS

As already described in paragraph 2.d. “Changes in the consolidation area”, the Kos group made a series of acquisitions the effects of which are shown below.

The companies and business arms 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.

The total effect on the assets and liabilities of the group and on the net financial position of the acquisitions is summed up in the following chart:

(in thousands of euro)		*31.12.2010*
Fixed assets (*)	G	57,181
Working capital		943
Net non-current assets / (liabilities)		(8,213)
Financial assets		1,911
Borrowings	C	(22,032)
Net cash and cash equivalents	B	(3,259)
Minority interests		(983)
Goodwill	H	42,633
Equity reserves		(614)
Shareholdings already owned by the Group		(5,105)
Acquisition price		**(62,462)**
of which:		
Advance payments made in prior periods		(4,814)
Payables to concessionaires for amounts in subsequent periods		(7,180)
Price paid net of advances	A	(50,468)
Effect on financial debt	**D=A+B+C**	**(75,759)**
Purchase price net of cash & cash equivalents	**E=A+B**	**(53,727)**
Inflows from sale of property	F	11,750
Acquisition price net of cash & cash equivalents and inflow from sale of property	**(E+F)**	**(41,977)**
Fixed assets resulting from acquisition	**I=G+H**	**99,814**

(*) This item includes tangible assets, intangible assets (except for goodwill) and investment property.

The effect on revenues from the acquisition date of the above acquisitions amounted to approximately € 37,091 thousand while the effect on EBITDA was € 5,901 thousand. Revenues and EBITDA for the period from January 1 2010 to the date of initial consolidation of these companies amounted to € 3,877 thousand and € 354 thousand respectively.

25. **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)	*2010*
Fees charged to the Parent Company of the Group:	
a) by the firm of auditors, for auditing services	59
b) by the firm of auditors:	
- for auditing services for the purposes of certification	4
- 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	2,768
b) by the firm of auditors:	
- for auditing services for the purposes of certification	484
- for other services	119
c) by entities belonging to the network of the firm of auditors, for providing other services	190
- of which for tax consulting	12

KEY INFORMATION ON THE PARENT COMPANY CARLO DE BENEDETTI & FIGLI S.a.p.a

Cofide S.p.A. is subject to management and coordination by its controlling company Carlo De Benedetti & Figli S.a.p.A. (Art. 2497-bis of the Civil Code); in attachment 2 of the Statutory Financial Statements gives the key figures of the parent company as shown in its statutory financial statements for the year ended December 31 2009.

RELATED PARTY TRANSACTIONS

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	*Trade revenues*	*Costs for purchase of goods*	*Costs for services*	*Other operating costs*	*Other operating income*	*Financial income*	*Financial expense*	*Dividends*
Parent companies	--	--	--	(3)	--	--	--	--
Subsidiaries	--	--	--	--	--	22	--	--
Associates	430	(2,563)	--	--	1	--	--	16
Jointly controlled companies	148,773	(275,747)	(6)	--	826	10,203	(10,200)	--
Other (*)	1,477	(4,075)	--	--	28	--	--	--
Other related parties	--	--	--	--	321	--	--	--
Total	150,680	(282,385)	(6)	(3)	1,176	10,225	(10,200)	16

(*) This refers to transactions of subsidiaries with their minority Shareholders

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)	*Non-current assets*	*Current assets*		*Current liabilities*		
(in thousands of euro)	*Other receivables*	*Trade receivables*	*Other receivables*	*Other borrowings*	*Trade payables*	*Other payables*
Parent companies	--	--	--	--	--	--
Subsidiaries	--	43	1,374	--	8	21
Associates	277	1,098	--	2	1,971	--
Jointly controlled companies	--	6,851	--	--	33,517	4,540
Other related parties	--	--	--	--	--	
Total	277	7,992	1,374	2	35,496	4,561

COFIDE Group

Consolidated Financial Statements of the Directly Controlled Subsidiary as of December 31 2010

CIR GROUP

CIR GROUP

1. STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS		31.12.2010		31.12.2009
NON-CURRENT ASSETS		**4,791,833**		**4,287,814**
INTANGIBLE ASSETS		1,391,359		1,316,903
TANGIBLE ASSETS		2,553,835		2,187,369
INVESTMENT PROPERTY		23,890		18,115
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY		319,469		275,899
OTHER EQUITY INVESTMENTS		5,041		9,629
OTHER RECEIVABLES		179,082		207,899
of which with related parties (*)	*277*		*4,480*	
SECURITIES		100,772		83,051
DEFERRED TAXES		218,385		188,949
CURRENT ASSETS		**2,829,753**		**2,362,336**
INVENTORIES		151,283		156,150
CONTRACTED WORK IN PROGRESS		10,421		3,464
TRADE RECEIVABLES		1,137,448		1,042,030
of which from related parties (*)	*7,992*		*18,032*	
OTHER RECEIVABLES		177,660		200,627
of which with related parties (*)	*1,374*		*1,727*	
FINANCIAL RECEIVABLES		399,064		27,229
SECURITIES		216,552		278,548
AVAILABLE-FOR-SALE FINANCIAL ASSETS		144,244		104,967
CASH AND CASH EQUIVALENTS		593,081		549,321
ASSETS HELD FOR DISPOSAL		722		700
TOTAL ASSETS		**7,622,308**		**6,650,850**

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.2010		31.12.2009
SHAREHOLDERS' EQUITY		**2,522,940**		**2,332,335**
ISSUED CAPITAL		396,059		396,059
less OWN SHARES		(21,537)		(21,537)
SHARE CAPITAL		374,522		374,522
RESERVES		321,923		295,983
RETAINED EARNINGS (LOSSES)		733,733		582,818
NET INCOME FOR THE YEAR		56,850		143,432
EQUITY OF THE GROUP		**1,487,028**		**1,396,755**
MINORITY SHAREHOLDERS' EQUITY		1,035,912		935,580
NON-CURRENT LIABILITIES		**3,118,360**		**2,958,552**
BONDS AND NOTES		547,455		718,262
OTHER BORROWINGS		2,171,116		1,843,359
OTHER PAYABLES		2,021		1,177
of which to related parties (*)	*--*		*69*	
DEFERRED TAXES		193,228		181,489
PERSONNEL PROVISIONS		124,343		137,346
PROVISIONS FOR RISKS AND LOSSES		80,197		76,919
CURRENT LIABILITIES		**1,981,008**		**1,359,963**
BANK OVERDRAFTS		173,671		66,290
BONDS AND NOTES		157,978		731
OTHER BORROWINGS		469,494		132,499
of which from related parties (*)	*2*		*2*	
TRADE PAYABLES		863,344		836,587
of which to related parties (*)	*35,496*		*28,649*	
OTHER PAYABLES		234,170		228,178
of which to related parties (*)	*4,561*		*--*	
PROVISIONS FOR RISKS AND LOSSES		82,351		95,678
TOTALE LIABILITIES AND SHAREHOLDERS' EQUITY		**7,622,308**		**6,650,850**

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

CIR GROUP

2. INCOME STATEMENT

(in thousands of euro)

		2010		2009
SALES REVENUES		4,805,467		4,266,865
of which with related parties (*)	*150,680*		*60,674*	
CHANGE IN INVENTORIES		2,886		(14,150)
COSTS FOR PURCHASE OF GOODS		(2,911,272)		(2,554,020)
of which from related parties (*)	*(282,385)*		*(258,162)*	
COSTS FOR SERVICES		(783,580)		(744,104)
of which from related parties (*)	*(1,244)*		*(1,531)*	
PERSONNEL COSTS		(681,680)		(664,835)
OTHER OPERATING INCOME		104,987		104,317
of which from related parties (*)	*1,622*		*1,295*	
OTHER OPERATING COSTS		(174,268)		(139,110)
of which with related parties (*)	*(3)*		--	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY		37,517		39,679
AMORTIZATION, DEPRECIATION AND WRITEDOWNS		(184,252)		(146,651)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)		**215,805**		**147,991**
FINANCIAL INCOME		54,118		53,823
of which from related parties (*)	*10,225*		*10,426*	
FINANCIAL EXPENSE		(165,021)		(157,896)
of which with related parties (*)	*(10,200)*		*(10,201)*	
DIVIDENDS		108		587
of which from related parties (*)	*16*		--	
GAINS FROM TRADING SECURITIES		42,170		151,518
LOSSES FROM TRADING SECURITIES		(5,271)		(6,936)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		(5,937)		(4,008)
INCOME BEFORE TAXES		**135,972**		**185,079**
INCOME TAXES		(12,586)		4,334
RESULT AFTER TAXES FROM OPERATING ACTIVITY		**123,386**		**189,413**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL		--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY SHAREHOLDERS		**123,386**		**189,413**
- NET INCOME OF MINORITY SHAREHOLDERS		(66,536)		(45,981)
- **NET INCOME OF THE GROUP**		**56,850**		**143,432**
BASIC EARNINGS PER SHARE (in euro)		0.0759		0.1917
DILUTED EARNINGS PER SHARE (in euro)		0.0758		0.1917

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

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

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

1. The undersigned Rodolfo De Benedetti, as Chief Executive Officer, and Giuseppe Gianoglio, as Officer responsible for the preparation of the accounting and corporate documents of Cofide 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 2010 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 10 2011

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed by
Giuseppe Gianoglio
Officer Responsible

FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*Notes*	31.12.2010	31.12.2009
NON-CURRENT ASSETS		**580,457,959**	**579,513,313**
TANGIBLE ASSETS	*5.a.*	479,494	449,402
INVESTMENT PROPERTY	*5.b.*	851,763	850,377
INVESTMENTS IN SUBSIDIARIES	*5.c.*	579,038,003	578,073,136
OTHER EQUITY INVESTMENTS	*5.d.*	0	0
OTHER RECEIVABLES	*5.e.*	88,699	140,398
CURRENT ASSETS		**47,503,133**	**108,462,938**
OTHER RECEIVABLES	*6.a.*	2,613,378	2,746,028
SECURITIES	*6.b.*	29,778,439	74,275,946
CASH AND CASH EQUIVALENTS	*6.c.*	15,111,316	31,440,964
TOTAL ASSETS		**627,961,092**	**687,976,251**

LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.2010	31.12.2009
SHAREHOLDERS' EQUITY		**565,629,407**	**565,701,804**
SHARE CAPITAL	*7.a.*	359,604,959	359,604,959
RESERVES	*7.b.*	162,461,273	158,878,584
RETAINED EARNINGS (LOSSES)	*7.c.*	47,149,397	45,840,973
NET INCOME (LOSS) FOR THE YEAR		(3,586,222)	1,377,288
NON-CURRENT LIABILITIES		**404,088**	**60,234,150**
OTHER BORROWINGS	*8.a.*	0	59,868,363
OTHER PAYABLES	*8.b.*	34,582	34,582
PERSONNEL PROVISIONS	*8.c.*	369,506	331,205
CURRENT LIABILITIES		**61,927,597**	**62,040,297**
BANK OVERDRAFTS	*9.a.*	4,928	4,157
OTHER BORROWINGS	*9.b.*	59,958,996	60,000,532
TRADE PAYABLES	*9.c.*	289,545	263,608
OTHER PAYABLES	*9.d.*	1,674,128	1,772,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**627,961,092**	**687,976,251**

2. INCOME STATEMENT

(in euro)

	Notes		% (**)	2010		% (**)	2009
SUNDRY REVENUES AND INCOME	10			1,295,049			1,572,426
of which: with related parties (*)		*1,238,000*	*95.6%*		*1,531,360*	*97.4%*	
COSTS FOR THE PURCHASE OF GOODS	11			(47,606)			(57,570)
COSTS FOR SERVICES	12			(2,603,155)			(2,657,383)
of which: from related parties (*)		*(511,200)*	*19.6%*		*(634,800)*	*23.9%*	
PERSONNEL COSTS	13			(753,448)			(1,057,823)
OTHER OPERATING COSTS	14			(419,859)			(470,177)
AMORTIZATION, DEPRECIATION & WRITEDOWNS	15			(88,066)			(75,861)
OPERATING INCOME (LOSS)				(2,617,085)			(2,746,388)
FINANCIAL INCOME	16			1,594,354			1,468,532
of which: from related parties (*)		*0*	*0.0%*		*365,852*	*24.9%*	
FINANCIAL EXPENSE	17			(1,678,898)			(3,959,074)
DIVIDENDS	18			0			7,271,548
of which: from related parties (*)		*0*	*0.0%*		*7,271,548*	*100.0%*	
GAINS FROM TRADING SECURITIES	19			502,646			333,661
of which: from related parties (*)		*0*	*0.0%*		*172,661*	*51.7%*	
LOSSES FROM TRADING SECURITIES	20			(473,230)			(766,483)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	21			(914,009)			(224,508)
INCOME / LOSS BEFORE TAXES				(3,586,222)			1,377,288
INCOME TAXES	22			0			0
NET INCOME (LOSS) FOR THE YEAR				**(3,586,222)**			**1,377,288**
BASIC EARNINGS (LOSS) PER SHARE	23			*(0.0050)*			*0.0019*
DILUTED EARNINGS (LOSS) PER SHARE	23			*(0.0050)*			*0.0019*

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

(**) Percentage of the whole

3. STATEMENT OF COMPREHENSIVE INCOME

(in euro)

	2010	2009
NET INCOME (LOSS) FOR THE YEAR	**(3,586,222)**	**1,377,288**
OTHER ITEMS OF COMPREHENSIVE INCOME STATEMENT		
Net change in fair value of available-for-sale financial assets	3,513,825	3,237,140
Taxes on items of comprehensive income statement	-	-
OTHER ITEMS OF COMPREHENSIVE INCOME STATEMENT NET OF TAX	3,513,825	3,237,140
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE YEAR	**(72,397)**	**4,614,428**
BASIC EARNINGS (LOSS) PER SHARE	*(0.0001)*	*0.0064*
DILUTED EARNINGS (LOSS) PER SHARE	*(0.0001)*	*0.0064*

4. STATEMENT OF CASH FLOW

(in euro)

	2010	*2009*
OPERATING ACTIVITY		
NET INCOME / (LOSS) FOR THE YEAR	(3,586,222)	1,377,288
ADJUSTMENTS:		
AMORTIZATION AND DEPRECIATION	88,066	75,861
PROVISIONS MADE FOR PERSONNEL NET OF WITHDRAWALS	38,301	(849,265)
LOSSES / (GAINS) ON SALE OF INVESTMENTS IN SUBSIDIARIES	(248,694)	(172,661)
LOSSES / (GAINS) ON SALE OF CURRENT SECURITIES	219,278	605,484
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	914,009	224,508
(INCREASE) REDUCTION IN NET WORKING CAPITAL	60,715	36,434,939
of which with related parties		*36,454,798*
CASH FLOW FROM OPERATING ACTIVITY	(2,514,547)	37,696,154
INVESTMENT ACTIVITY		
CHANGE IN INVESTMENTS IN SUBSIDIARIES	(716,173)	1,471,891
CHANGE IN TANGIBLE ASSETS AND INVESTMENT PROPERTY	(119,544)	(21,227)
CHANGE IN OTHER CAPITALIZED RECEIVABLES	51,699	(52,772)
CASH FLOW FROM INVESTMENT ACTIVITY	(784,018)	1,397,892
FUNDING ACTIVITY		
CHANGE IN OTHER BORROWINGS	(59,909,899)	(30,058,936)
NET CHANGE IN CURRENT SECURITIES	46,878,045	16,523,063
CASH FLOW FROM FUNDING ACTIVITY	(13,031,854)	(13,535,873)
INCREASE (REDUCTION) IN NET CASH AND CASH EQUIVALENTS	(16,330,419)	25,558,173
NET CASH AND CASH EQUIVALENTS AT START OF YEAR (*)	31,436,807	5,878,634
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (*)	**15,106,388**	**31,436,807**

*(*) This refers to cash and cash equivalents net of the item bank overdrafts.*

5. STATEMENT OF CHANGES IN EQUITY

(in euro)

	Share capital	*Reserves*	*Retained earnings (losses)*	*Net income (loss) for year*	*Total*
BALANCE AT JANUARY 1 2009	**359,604,959**	**154,830,142**	**30,426,225**	**16,226,050**	**561,087,376**
Net income for 2008 allocated to reserves	0	811,302	15,414,748	(16,226,050)	0
Adjustment of securities to fair value:					
- Change in reserve	0	3,237,140	0	0	3,237,140
Result for financial year 2009	0	0	0	1,377,288	1,377,288
Total comprehensive result for 2009	*0*	*3,237,140*	*0*	*1,377,288*	*4,614,428*
BALANCE AT DECEMBER 31 2009	**359,604,959**	**158,878,584**	**45,840,973**	**1,377,288**	**565,701,804**
Net income for 2009 allocated to reserves	0	68,864	1,308,424	(1,377,288)	0
Adjustment of securities to fair value:					
- Change in reserve	0	3,513,825	0	0	3,513,825
Result for financial year 2010	0	0	0	(3,586,222)	(3,586,222)
Total comprehensive result for 2010	*0*	*3,513,825*	*0*	*(3,586,222)*	*(72,397)*
BALANCE AT DECEMBER 31 2010	**359,604,959**	**162,461,273**	**47,149,397**	**(3,586,222)**	**565,629,407**

EXPLANATORY NOTES

1. FOREWORD

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 D. Lgs. no. 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The balance sheet is based on the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with the time principle and matching principles and the assumption that the business is a going concern. 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 the fact that the business is a going concern.

The classification criteria adopted are as follows:
- The statement of financial position is organized in opposing items on the basis of current and non-current assets and liabilities;
- The income statement is shown by type of expenditure;
- The cash flow statement was prepared using the indirect method;
- The chart showing changes in shareholders' equity gives a breakdown of the changes that took place in the year and in the previous year;
- The comprehensive income statement shows the theoretical effect of net changes in the fair value of available-for-sale financial assets.

These financial statements are expressed in units of euro which is the "functional" and "presentation" currency of Cofide S.p.A. according to the terms of IAS 21, except where stated otherwise.

Events which took place after the balance sheet 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 5 of the Report on Operations for a description of 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 March 10 2011.

Below is a description of the accounting principles adopted in the preparation of these Financial Statements as of December 31 2010 in relation to the main items of the balance sheet and income statement included in the statements.

2. ACCOUNTING PRINCIPLES APPLIED

2.a. **Tangible assets (IAS 16)**

Tangible assets are valued at purchase price or production cost and are recognized 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 in relation to the remaining useful life of the various assets.

Since the assets considered in the individual categories are all fairly homogeneous, the following rates are considered to be representative of their useful life:

	Rates
Properties used for business	3%
Motor vehicles	25%
Electronic office equipment	20%
Furniture and fittings	15%
Alarm systems	30%
Telephone systems	20%
Assets expensed during the year	100%

Properties not held for business use are classified in the appropriate item of the assets and are recognized on the basis of IAS 40 “Investment Property”.

Should there be any events which one can assume will cause a lasting reduction in the value of an asset, 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 the sale of the asset.

Value in use is determined from the net present value of cash flows resulting from the use expected of the same 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 group 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 such loss in value cease to exist then the asset is revaluated. Write-downs and revaluations are posted to the income statement.

2.b. **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, with a financial leasing agreement, for the purpose of receiving lease payments or for obtaining a gain on the capital invested or for 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, in the ordinary business activities.

The cost of a investment property is represented by its purchase price, any improvements made, any replacements and extraordinary maintenance. For subsequent recognition after its initial one, the company has opted for the cost method to be applied to all its investment property. According to the cost method, estimation is made net of depreciation and of any impairment losses.
In the event of change of use from investment to owner/occupancy or inventory, the fair value at the date of such change shall replace cost. If the opposite change takes place, IAS 16 is applied until the change. Any difference between carrying value and fair value should be treated as a revaluation in accordance with IAS 16.

At the moment of disposal or in the event of permanent non-use of the assets, all related income and expenses will be charged to the income statement.

2.c. **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 loss of value. If there is evidence of such a loss, 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, in valuing the presence of any losses in 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, meaning 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 the terms set out in IAS 28 (paragraph 33).

When at a later date the loss of value ceases to exist or is reduced, the carrying value of the assets is revalued to the extent of the new estimate of recoverable value but cannot exceed the value which would have been determined if no impairment loss had been recognized.
The recovery of an impairment loss is immediately posted to the income statement.

2.d. **Investments in subsidiaries and associates (IAS 27 and IAS 28)**

Investments in subsidiaries and associates are recognized at cost adjusted for any impairment.
Any positive difference, arising on acquisition, between the acquisition cost and the acquirer’s share of the shareholders’ equity of the investee company at current values is therefore included in the carrying value of the shareholding.
Investments in subsidiaries and associates are subjected to an impairment test every year, or if necessary even more frequently, to check for any losses in value. Where there is evidence that the investments have lost value, the impairment loss is recognized in the income statement as a write-down.
In the event of the company’s share of the losses of the investee company exceeding the carrying value of the investment, and when the company is obliged to or wishes to respond, then the value of the investment is reduced to zero and the company’s share of any further losses is recognized as a provision in the liabilities. Should the loss in value subsequently cease to exist or become reduced, the value is restored with the amount recognized to the income statement within the limit of its cost.

2.e. **Other equity investments**

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

2.f. **Receivables and payables (IAS 32 and 39)**

Receivables are recognized at amortized cost and measured at their presumed realization value, while payables are recognized at amortized cost.

Receivables and payables in foreign currencies, which are originally recognized at the spot rates of the transaction date, are adjusted to the year-end spot exchange rates and any exchange gains and losses are recognized to the income statement.
Any net income is set aside in a special reserve which cannot be distributed until it is realized.

There were no receivables or payables in foreign currencies recorded in the balance sheet at December 31 2010.

2.g. **Securities (IAS 32 and 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. In the event of permanent losses of value or of imminent disposal, the gains and losses recognized previously to shareholders' equity are then posted to the income statement.

This category also includes financial assets either bought or issued and classified as held for trading purposes.

For a more complete description of the treatment of financial instruments we would refer readers to the note specially prepared on the subject.

2.h. **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 time 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 recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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 utilized.

2.i. **Cash and cash equivalents (IAS 32 and 39)**

Cash and cash equivalents include cash in hand, call deposits and short-term and high-liquidity financial assets, which are easily convertible into cash and which have an irrelevant risk of change in value.

2.l. **Equity**

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

Unrealized gains and losses, net of tax, on financial assets classified as “available for sale” are recorded in shareholders’ equity in the fair value reserve.
The reserve is reversed to the income statement when the asset is realized or when a permanent impairment loss to the said asset is recognized.

The item “Retained earnings (losses)” includes accumulated earnings and balances transferred from other reserves when these become free of any limitations to which they have been subject. This item also shows the cumulative effect of the changes in accounting principles and/or the correction of errors which are accounted for in accordance with IAS 8.

2.m. **Borrowings (IAS 32 and 39)**

Loans are initially recognized at cost, represented by their fair value net of any transaction costs incurred. Subsequently loans are measured at amortized cost calculated by applying the effective interest rate, taking into consideration any issuance costs incurred and any premium or discount applied at the time when the instrument is settled.

2.n. **Revenue recognition (IAS 18)**

Revenues for the rendering of services are recognized at the moment when the service is rendered, with reference to the state of completion of the activity as of the balance sheet date.

Dividend and interest income are recognized as follows:
- Dividends, in the year in which they are received;
- Interest, using the effective interest rate method (IAS 39).

2.o. **Employee benefits (IAS 19)**

Benefits to be paid to employees after the termination of their employment and other long term benefits are subject to actuarial valuation.

Following this methodology, liabilities recognized represent the present value of the obligation adjusted for any actuarial gains or losses which have not been accounted for.

The instruments underlying the above mentioned benefits can be distinguished between “defined contribution plans” and “defined benefit plans”, where in the first case the obligation of the company is limited to paying the contributions (to the State, to funds or to a separate legal entity) and is determined on the basis of the contributions owed, while in the second case liabilities are determined on the basis of actuarial calculations.

Actuarial gains and losses for the defined benefit pension plans are recognized to the income statement, pro rata on the basis of the remaining working life of the employees covered by the plan, for the excess of 10% of the greater of the fair value of any assets servicing the plan and the present value of the associated liability, in accordance with the so called corridor method.

For other long-term benefits, actuarial gains and losses are recognized to the income statement

2.p. **Derivative instruments (IAS 32 and 39)**

Derivative financial instruments 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, giving the effectiveness of the hedge.

For accounting purposes hedging transactions can be classified as:

- fair value hedges – where the effects of the hedge are recognized to the income statement;
- cash flow hedges – where the fair value change of the effective portion of the hedge is recognized directly to equity while the non-effective part is recognized 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 recognized directly to equity while the non-effective part is recognized to the income statement.

At December 31 2010 there were no hedging derivative instruments outstanding.

2.q. **Foreign currency translation (IAS 21)**

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

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

At the balance sheet date monetary assets and liabilities are translated at the spot 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 spot exchange rate at the date on which the measurements are determined for the financial statements.

2.r. **Use of estimates**

The 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 balance sheet and the disclosures regarding potential assets and liabilities as of the balance sheet 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 revised periodically and the effects of any changes made to them are reflected in the income statement in the period in which the amendment is made if the revision affects only that period, or even 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.
See the specific areas for further details.

22.s. **Earnings per share (IAS 33)**

Basic earnings per share are determined by dividing the net income attributable to the 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.

2.t. **Adoption of new Accounting Standards, Interpretations and Amendments**

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

3. FINANCIAL INSTRUMENTS

Financial instruments take on a particular significance in the economic and financial structure of the Company 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 and 39.
According to IAS 32 financial instruments are classified into four categories:

a) Financial instruments that are valued at fair value through profit and loss (FVTPL), which are held for trading purposes;
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 recognized on the basis of their value date.

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

- They are held for trading purposes;

- They are financial asset coming under the sphere of application of IAS 39 that are not instruments representing capital and the fair value of which can be reliably determined.

Trading generally means frequent buying and selling with the aim of generating profit on price movements in the short term.

The designation of even a single instrument in this category is definitive. It is designated as such from initial recognition and cannot be changed.

Derivatives are included in this category unless they are designated as hedge instruments.

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 amortized cost and constitute an exception to the general measurement principle of fair value.

Amortized 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 moment of purchase, and recognizing them throughout the whole life of the instrument until its final maturity.
Amortized cost represents the initial recognition value of a financial instrument, net of any capital repayments and of any impairment, plus or minus the cumulated amount of the 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 appropriate time 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 single instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for this, the tainting rule is applicable and requires that the whole portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, and this category cannot then be used in the two following years.

Loans and receivables
This refers to financial instruments which are not derivatives, have payments that are either fixed or can be determined, which are not quoted on an active market and which are not intended to be traded.

This category includes trade receivables and payables.

The measurement of these instruments is made by applying the method of amortized cost, using the effective interest rate and taking into account any discounts or premiums obtained or paid at the moment of acquisition and recognizing them throughout the whole life of the instrument until its final 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.
Financial instruments held for trading are recognized at their fair value plus any transaction costs.

Gains and losses are recognized to a separate item of equity until the financial instruments are sold or have been impaired. In such cases the profit or loss accumulated under shareholders’ equity is released to the income statement.

Fair value is the price at which an asset can be traded, or a liability may be extinguished 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 accounting period.
Where no market prices are available, fair value is determined either on the basis of the fair value of another financial instrument that is substantially similar or by using appropriate financial techniques (for example the discounted cash flow method).

Investments in financial assets can be eliminated from the balance sheet, or derecognized, only when the contractual rights to receive their respective financial cash flows have expired or when the financial asset is transferred to third parties together with all its associated risks and rewards.

4. ACCOUNTING PRINCIPLES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The criteria for making estimates and measurements are re-examined 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 principle affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for the adoption of the new principle, and the amount of any adjustments made for years preceding those being presented.

If a voluntary change of a principle affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for the adoption of the new principle, and the amount of any adjustments made for years preceding those being presented.

In the event of a new principle/interpretation issued but not yet in force, an indication is given of the fact, of its potential impact, the reason for the principle/interpretation, the date on which it will take effect and the date on which it will first be applied.

A change in accounting estimates involves an indication of the nature and the impact of the change. Estimates are used mainly to show impairment of assets recorded, provisions made for risks, employees benefits, taxes and other provisions and reserves. Estimates and assumptions are reviewed regularly and the effects of any such 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 accounting period after it was discovered.

STATEMENT OF FINANCIAL POSITION

5. NON-CURRENT ASSETS

5.a. TANGIBLE ASSETS

The item underwent the following changes:

2009	*Starting position*			*Changes in the year*				*Closing position*		
	Historical	*Accumulated*	*Balance*	*Acquisitions*	*Disinvestments & adjustments*		*Depreciation*	*Historical*	*Accumulated*	*Balance*
(in euro)	*cost*	*depreciation*	*01.01.2009*		*cost*	*acc. dep.*		*cost*	*depreciation*	*31.12.2009*
Properties										
- Property in Rome used for business	1,146,805	(695,900)	450,905	1,800	0	0	(34,431)	1,148,605	(730,331)	418,274
Total	1,146,805	(695,900)	450,905	1,800	0	0	(34,431)	1,148,605	(730,331)	418,274
Industrial and commercial equipment										
- Motor vehicles	171,392	(134,126)	37,266	14,400	(30,471)	30,471	(31,036)	155,321	(134,691)	20,630
- Electronic office equipment	43,545	(43,545)	0	4,626	0	0	(925)	48,171	(44,470)	3,701
- Furniture and fittings	391,229	(378,081)	13,148	150	0	0	(7,058)	391,379	(385,139)	6,240
- Alarm systems	20,192	(20,192)	0	0	0	0	0	20,192	(20,192)	0
- Telephone systems	10,771	(8,054)	2,717	0	0	0	(2,160)	10,771	(10,214)	557
- Assets expensed in the year	12,895	(12,895)	0	251	0	0	(251)	13,146	(13,146)	0
Total	650,024	(596,893)	53,131	19,427	(30,471)	30,471	(41,430)	638,980	(607,852)	31,128
Total tangible assets	1,796,829	(1,292,793)	504,036	21,227	(30,471)	30,471	(75,861)	1,787,585	(1,338,183)	449,402

2010	*Starting position*			*Changes in the year*				*Closing position*		
	Historical	*Accumulated*	*Balance*	*Acquisitions*	*Disinvestments & adjustments*		*Depreciation*	*Historical*	*Accumulated*	*Balance*
(in euro)	*cost*	*depreciation*	*01.01.2010*		*cost*	*acc. dep.*		*cost*	*depreciation*	*31.12.2010*
Properties										
- Property in Rome used for business	1,148,605	(730,331)	418,274	5,567	0	0	(34,542)	1,154,172	(764,873)	389,299
Total	1,148,605	(730,331)	418,274	5,567	0	0	(34,542)	1,154,172	(764,873)	389,299
Industrial and commercial equipment										
- Motor vehicles	155,321	(134,691)	20,630	111,500	(70,500)	70,500	(44,905)	196,321	(109,096)	87,225
- Electronic office equipment	48,171	(44,470)	3,701	0	0	0	(1,851)	48,171	(46,321)	1,850
- Furniture and fittings	391,379	(385,139)	6,240	0	0	0	(5,120)	391,379	(390,259)	1,120
- Alarm systems	20,192	(20,192)	0	0	0	0	0	20,192	(20,192)	0
- Telephone systems	10,771	(10,214)	557	0	0	0	(557)	10,771	(10,771)	0
- Assets expensed in the year	13,146	(13,146)	0	1,091	0	0	(1,091)	14,237	(14,237)	0
Total	638,980	(607,852)	31,128	112,591	(70,500)	70,500	(53,524)	681,071	(590,876)	90,195
Total tangible assets	1,787,585	(1,338,183)	449,402	118,158	(70,500)	70,500	(88,066)	1,835,243	(1,355,749)	479,494

5.b. INVESTMENT PROPERTY

The item underwent the following changes:

2009	*Starting position*			*Changes in the year*				*Closing position*		
	Historical	*Accumulated*	*Balance*	*Acquisitions*	*Disinvestments*		*Depreciation*	*Historical*	*Accumulated*	*Balance*
(in euro)	*cost*	*depreciation*	*01.01.2009*		*cost*	*acc. dep.*		*cost*	*depreciation*	*31.12.2009*
Properties										
- Properties in Milan not used for business	852,328	(1,951)	850,377	0	0	0	0	852,328	(1,951)	850,377
Total	852,328	(1,951)	850,377	0	0	0	0	852,328	(1,951)	850,377

2010	*Starting position*			*Changes in the year*				*Closing position*		
	Historical	*Accumulated*	*Balance*	*Acquisitions*	*Disinvestments*		*Depreciation*	*Historical*	*Accumulated*	*Balance*
(in euro)	*cost*	*depreciation*	*01.01.2010*		*cost*	*acc. dep.*		*cost*	*depreciation*	*31.12.2010*
Properties										
- Properties in Milan not used for business	852,328	(1,951)	850,377	1,386	0	0	0	853,714	(1,951)	851,763
Total	852,328	(1,951)	850,377	1,386	0	0	0	853,714	(1,951)	851,763

These are properties in central Milan, the market value of which is considerably higher than its carrying value.

5.c. INVESTMENTS IN SUBSIDIARIES

This item underwent the following changes:

2009	*Starting position*		*Changes in the year*					*Closing position*	
	01.01.2009		*Increases*		*Decreases*		*Writedowns*	*31.12.2009*	
(in euro)	*no. shares*	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*amount*	*no. shares*	*amount*
CIR S.P.A.	363,028,621	572,856,636	0	0	0	0	0	363,028,621	572,856,636
COFIDE INTERNATIONAL S.A.	50,000	1,267,491	0	0	50,000	1,267,491	0	0	0
COFIDEFIN SERVICOS DE CONSULTORIA LDA	32,000	31,739	0	0	32,000	31,739	0	0	0
EUVIS S.P.A.	2,469,500	5,216,500	0	0	0	0	0	2,469,500	5,216,500
Total		579,372,366		8,261,724		1,299,230	0		578,073,136

2010	*Starting position*		*Changes in the year*					*Closing position*	
	01.01.2010		*Increases*		*Decreases*		*Writedowns*	*31.12.2010*	
(in euro)	*no. shares*	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*amount*	*no. shares*	*amount*
CIR S.P.A.	363,028,621	572,856,636	3,215,000	4,177,613	2,472,457	3,212,746	0	363,771,164	573,821,503
EUVIS S.P.A.	2,469,500	5,216,500	0	0				2,469,500	5,216,500
Total		578,073,136		4,177,613		3,212,746	0		579,038,003

Below are some key data on the investments in subsidiaries taken from the proposed financial statements approved by the Boards of Directors of the investees (*values in euro*):

Name of Company		Registered office	Capital 31.12.10	Equity 31.12.10	Net income (loss) 2010	Percentage of direct control	Percentage of indirect control
CIR S.P.A.	(*)	Milan - Via Ciovassino, 1	396,058,634	968,540,558	(14,715,748)	45.92%	48.56%
EUVIS S.P.A.		Milan – Viale Vittorio Veneto , 16	4,520,000	(5,989,404)	(2,118,060)	54.63%	54.63%

(*) The percentage of indirect control includes CIR own shares

The increase in the investment in CIR was the result of the exercise of a put option sold by the company during the year. It was recorded in the accounts on the basis of the strike price in the contract net of the premium paid on the sale of the option. Subsequent sales during the year led to the recognition to the income statement of a gain from trading securities of € 248,694.

As required by IFRS, equity investments on the books at year end were subjected to an impairment test to check whether there was any evidence that the carrying value of these assets might not have been considered to be wholly recoverable.

The main equity investment held by Cofide is its controlling interest in Cir S.p.A.. For the purposes of the impairment test for the separate financial statements, given its nature as a holding company, this investment was not significant on its own but was part of the impairment test carried out on the CGUs at consolidated level. The impairment tests carried out at consolidated level did not reveal the need to make any value adjustments.

Concerning the investment in Euvis, on February 16 2009 an agreement was finalized that led to the entry into the shareholding structure of the US banking group JPMorgan Chase N.A. For the purposes of the impairment test, the price of the transaction between the two third parties was considered. An integral part of this agreement was that the shareholder JPMorgan Chase N.A. should pay in a one-off capital contribution without any rights attached of € 407 thousand. This was fully paid in and recorded in the financial position in January 2011. This deal has no dilutive effect on the capital of the investee. The impairment test did not reveal the need to make any adjustments to the value of the investment.

5.d. OTHER EQUITY INVESTMENTS

This item underwent the following changes:

2009	Starting position		Changes in the year					Closing position	
	01.01.2009		Increases		Decreases		Writedowns	31.12.2009	
(in euro)	no .shares	amount	no. shares	amount	no. shares	amount	amount	no. shares	amount
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	0	0	0	0	0	0	3,812,055	0
C IDC S.p.A. *(in liquidation and settlement with creditors)*	1,231,319	0	0	0	0	0	0	1,231,319	0
Total		0		0		0	0		0

2010	Starting position		Changes in the year					Closing position	
	01.01.2010		Increases		Decreases		Writedowns	31.12.2010	
(in euro)	no. shares	amount	no. shares	amount	no. shares	amount	amount	no. shares	amount
KIWI.COM. SERVICOS DE CONSULTORIA S.A.	3,812,055	0	0	0	0	0	0	3,812,055	0
C IDC S.p.A. *(in liquidation and settlement with creditors)*	1,231,319	0	0	0	0	0	0	1,231,319	0
Total		0		0		0	0		0

These are investments that were already fully written off in prior periods.

In accordance with the terms of Art. 87 of the TUIR, it should be noted that the above investments were recorded in financial assets of previous financial statements prepared in accordance with Italian accounting principles.

5.e. OTHER RECEIVABLES

This item has the following breakdown:

(in euro)	*31.12.2010*	*31.12.2009*
Receivables – Inland Revenue	73,558	125,235
Receivables - others	15,141	15,163
Total	88,699	140,398

6. **CURRENT ASSETS**

6.a. OTHER RECEIVABLES

This item has the following breakdown:

(in euro)	*31.12.2010*	*31.12.2009*
Receivables – Inland Revenue	45,507	65,334
Receivables - others	2,567,871	2,680,694
Total	2,613,378	2,746,028

6.b. SECURITIES

This item contains the following categories of securities:

(in euro)	*31.12.2010*	*31.12.2009*
Available-for-sale securities		
Investments in other companies:		
- Banca Intermobiliare S.p.A.	11,463,650	8,990,176
Convertible bonds:		
- Banca Intermobiliare S.p.A.	5,282,094	5,277,516
Investment funds	236,018	202,146
Interest on securities	89,750	89,750
	17,071,512	*14,559,588*
Securities held for trading		
Non-convertible bonds	12,373,976	58,296,564
Interest on securities	332,951	1,419,794
	12,706,927	*59,716,358*
Total	29,778,439	74,275,946

The fair value measurement of available-for-sale securities at year end gave rise to a positive adjustment of € 2,767,512 which was recognized directly to equity.

Regarding the investments in securities classified as “Available-for-sale financial assets”, in the absence of any specific prejudicial elements, the Directors consider that a significant and prolonged reduction of the fair value below historical cost constitutes objective evidence of impairment.
For this reason the negative fair value reserve relating to the convertible bonds of Banca Intermobiliare S.p.A. of € 717,906 was released to the income statement.

The fair value measurement at year end of securities held for short-term trading (*Fair Value Through Profit or Loss*) led to a net negative adjustment of € 196,103 which was recognized to the income statement.

In accordance with the terms of IFRS 7, it is necessary to indicate whether the fair value of securities is determined, wholly or partly, with direct reference to market prices published by an active market ("Level 1") or whether it is estimated using prices that can be inferred from the market quotes for similar instruments or using valuation techniques which use key factors taken from directly observable market data ("Level 2") or whether it is defined using valuation techniques that are largely based on key data that cannot be taken from the market and which therefore involve estimates and assumptions being made by management ("Level 3").

The following chart shows the classification of securities according to the way their fair value was determined for financial years 2010 and 2009 (values in euro):

2010	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value with offset in equity				
Available-for-sale securities:				
- Investments in other companies	11,463,650	--	--	11,463,650
- Convertible bonds	5,371,844	--	--	5,371,844
- Investment funds and similar instruments	--	236,018	--	236,018
Total	*16,835,494*	*236,018*	--	*17,071,512*
Financial assets measured at fair value through profit or loss				
Securities held for trading:				
- Non-convertible bonds	12,706,927	--	--	12,706,927
Total	*12,706,927*	--	--	*12,706,927*
Total securities	29,542,421	236,018	--	29,778,439

2009	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value with offset in equity				
Available-for-sale securities:				
- Investments in other companies	8,990,176	--	--	8,990,176
- Convertible bonds	5,367,266	--	--	5,367,266
- Investment funds and similar instruments	--	202,146	--	202,146
Total	*14,357,442*	*202,146*	--	*14,559,588*
Financial assets measured at fair value through profit or loss				
Securities held for trading:				
- Non-convertible bonds	59,716,358	--	--	59,716,358
Total	*59,716,358*	--	--	*59,716,358*
Total securities	74,073,800	202,146	--	74,275,946

6.c. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went down by € 16,329,648 from € 31,440,964 to € 15,111,316.

The breakdown of this change is shown in the cash flow statement together with current bank borrowings.

7. EQUITY

7.a. SHARE CAPITAL

The share capital of € 359,604,959 consists of 719,209,918 ordinary shares each with a nominal value of € 0.50 and is fully subscribed and paid up. No shares are subject to any rights, privileges or limitations as to the distribution of dividends.

7.b. RESERVES

The changes in the equity reserves are shown in the chart on the next page.

For the sake of clarity, the different reserves were maintained on the basis of their origin as was the case in previous financial statements prepared in accordance with Italian accounting principles.

The item “fair value reserve” reflects the valuation of securities contained in current assets and classified as available for sale.

7.c. RETAINED EARNINGS (LOSSES)

Initially this item contained the restatement, in application of international accounting standards, of the reserve for the revaluation of equity investments, used until December 31 2004 for valuing investments in subsidiaries using the equity method.

Compared to December 31 2009, the item rose by € 1,308,424 due to the allocation of part of the earnings for the previous year.

Information regarding the possible utilization of the equity reserves and whether they can be distributed are given in Attachment no. 1).

CHANGES IN EQUITY RESERVES

(in euro)	Share premium reserve	Legal reserve	Merger surplus	Recovery of historical cost of investments	IAS transition reserve	Fair value reserve	TOTAL
BALANCE AT JANUARY 1 2009	5,044,115	21,382,009	42,975	133,069,943	243,375	(4,952,275)	154,830,142
Allocation of net income 2008:							
. *Allocation to reserve*	0	811,302	0	0	0	0	811,302
Changes in fair value reserve:							
. *Sales of available-for-sale securities*	0	0	0	0	0	1,434,816	1,434,816
. *Fair value measurement at year end of available-for-sale securities*	0	0	0	0	0	1,802,324	1,802,324
BALANCE AT DECEMBER 31 2009	5,044,115	22,193,311	42,975	133,069,943	243,375	(1,715,135)	158,878,584
Allocation of net income 2009:							
. *Allocation to reserve*	0	68,864	0	0	0	0	68,864
Changes in fair value reserve:							
. *Sales of available-for-sale securities*	0	0	0	0	0	28,407	28,407
. *Fair value measurement at year end of available-for-sale securities*	0	0	0	0	0	2,767,512	2,767,512
. *Impairment losses of available-for-sale securities*	0	0	0	0	0	717,906	717,906
BALANCE AT DECEMBER 31 2010	5,044,115	22,262,175	42,975	133,069,943	243,375	1,798,690	162,461,273

8. NON-CURRENT LIABILITIES

8.a. OTHER BORROWINGS

This item has the following breakdown:

(in euro)	*31.12.2010*	*31.12.2009*
Bank loan	0	59,868,363
Total	0	59,868,363

This items shows the amount maturing in over one year of an unsecured five-year floating-rate syndicated loan agreement entered into in 2006 with a pool of prime banks. The item “other borrowings” in current liabilities shows the amount maturing in up to one year and reference should be made to this item for further details.

8.b. OTHER PAYABLES

This item has the following breakdown:

(in euro)	*31.12.2010*	*31.12.2009*
Sundry payables due in over twelve months	34,582	34,582
Total	34,582	34,582

8.c. PERSONNEL PROVISIONS

The detail and changes in this item are shown below:

(in euro)	*31.12.2010*	*31.12.2009*
Employee leaving indemnity (TFR)	369,506	331,205
Total	369,506	331,205

(in euro)	
Balance at January 1 2010	331,205
Net change for the year	39,371
Taxes	(1,070)
Balance at December 31 2010	369,506

9. **CURRENT LIABILITIES**

9.a. BANK OVERDRAFTS

Bank overdrafts were not significant. The breakdown of any changes is shown in the cash flow statement together with that of cash and cash equivalents.

9.b. OTHER BORROWINGS

This item includes the following:

(in euro)	*31.12.2010*	*31.12.2009*
Bank loan	59,958,464	60,000,000
Other borrowings	532	532
Total	59,958,996	60,000,532

The balance at December 31 2010 of the bank loan refers to the remaining part of the loan which all matures in the next financial year. This is a five year floating rate syndicated loan contracted in 2006 with prime banks without the issue of collateral. The loan is at Euribor three or six months plus a spread of 1.00 percentage point. At the end of the year the interest rate applied was 2.024%.

The covenants included in the contract, which mean that the company is obliged to hold an interest of no less than 40% of the ordinary shares of Cir until the loan is extinguished, are fully complied with.

During the year there was no failure to comply with or any infringement of the clauses of the contract.

9.c. TRADE PAYABLES

These are payables to suppliers, which rose from € 263,608 to € 289,545.

9.d. OTHER PAYABLES

This item includes the following:

(in euro)	*31.12.2010*	*31.12.2009*
Inland Revenue payables	1,424,726	1,515,704
Social security payables	33,481	31,343
Other payables	215,921	224,953
Total	1,674,128	1,772,000

INCOME STATEMENT

10. SUNDRY REVENUES AND INCOME

This item has the following breakdown:

(in euro)	*2010*	*2009*
Services supplied to subsidiaries	1,238,000	1,526,250
Income from properties	26,213	26,082
Recovery of costs from subsidiaries	0	5,110
Other income and recovery of costs from others	30,836	14,984
Total	1,295,049	1,572,426

The services supplied to subsidiaries refer to the to the management support and communication services supplied to Cir S.p.A..

11. COSTS FOR THE PURCHASE OF GOODS

This item shows the value of purchases of consumable goods made by the company.
The balance fell from € 57,570 to € 47.606.

12. COSTS FOR SERVICES

This item includes the following:

(in euro)	*2010*	*2009*
Services supplied by subsidiaries	511,200	634,800
Administrative, tax, legal and corporate consulting	796,258	770,484
Fees to administrative and control bodies	982,132	911,020
Other operating costs	313,565	341,079
Total	2,603,155	2,657,383

The item services supplied by subsidiaries refers to financial, legal and administrative assistance supplied by Cir S.p.A.

13. **PERSONNEL COSTS**

Personnel costs declined from € 1,057,823 to € 753,448.
The following chart shows the changes in the number of employees by category:

	31.12.2009	*Hires*	*Resignations*	*31.12.2010*	*Average for the year*
Executives	1			1	1
Office staff	3			3	3
Total	4			4	4

14. **OTHER OPERATING COSTS**

This item includes the following:

(in euro)	*2010*	*2009*
Taxes, duties and rights	68,858	70,615
Obligatory contributions and membership fees	102,297	86,314
Donations to charity	232,500	232,500
Other charges and expenses	16,204	80,748
Total	419,859	470,177

15 **AMORTIZATION, DEPRECIATION & WRITEDOWNS**

This item contains only the depreciation of tangible assets, which rose from € 75,861 to € 88,066.

16. **FINANCIAL INCOME**

This item includes the following:

(in euro)	*2010*	*2009*
Interest income on loan to subsidiary	0	365,852
Interest income on Italian Government securities	0	90,879
Interest income on other fixed income securities	1,264,680	602,099
Interest income on deposits	181,050	408,224
Other financial income	148,624	1,478
Total	1,594,354	1,468,532

17. **FINANCIAL EXPENSE**

This item includes the following:

(in euro)	*2010*	*2009*
Interest expense and charges on bank loan	1,651,191	3,915,809
Interest expense and commissions on bank accounts	16,968	13,389
Commissions on Stock Exchange deals	10,739	29,876
Total	1,678,898	3,959,074

18. **DIVIDENDS**

This item includes the following:

(in euro)	*2010*	*2009*
Dividends from subsidiaries:		
- Cofidefin Serviços de Consultoria Lda	0	972,800
- Cofide International S.A. as distribution of positive balance to be settled	0	6,298,748
Total dividends	0	7,271,548

19. **GAINS FROM TRADING SECURITIES**

This item includes the following:

(in euro)	*2010*	*2009*
Gains from trading investments in subsidiaries	248,694	172,661
Gains from trading fixed income securities	6,660	47,518
Gains on investment funds	247,292	113,482
Total	502,646	333,661

20. LOSSES FROM TRADING SECURITIES

This item includes the following:

(in euro)	*2010*	*2009*
Losses from trading investments in other companies	18,606	766,483
Losses from trading fixed income securities	454,624	0
Total	473,230	766,483

21. ADJUSTMENTS TO FINANCIAL ASSETS

This item includes the following:

(in euro)	*2010*	*2009*
Writedown of fixed income securities	(196,103)	(224,658)
Impairment losses of available-for-sale securities	(717,906)	0
Revaluation of fixed income securities	0	150
Total	(914,009)	(224,508)

The adjustments for impairment losses refer to the release to the income statement of the negative fair value reserve for the Banca Intermobiliare S.p.A. convertible bonds, classified as available-for-sale securities, which constitutes objective evidence of impairment.

22. INCOME TAXES

Because the net result was negative no current income taxes are due.
No deferred taxes were set aside for the tax losses because they are not presumed to be recoverable.

23. EARNINGS (LOSS) PER SHARE

Basic earnings or loss per share is calculated by dividing the net result for the period attributable to the Ordinary Shareholders by the weighted average number of shares in circulation. Diluted earnings per share is calculated by dividing the net result for the period attributable to the Ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effect of outstanding options. Any own shares held as treasury stock are not included in the calculation.
The company has no options outstanding nor does it have any treasury stock so that the diluted earnings per share are equal to the basic earnings per share.
The following chart shows the information on the shares for the calculation of the basic or diluted earnings or loss per share (*values in euro*):

	2010	*2009*
Net result attributable to Shareholders	(3,586,222)	1,377,288
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**(0.0050)**	**0.0019**

	2010	2009
Result of the comprehensive income statement attributable to the Shareholders	(72,397)	4,614,428
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**(0.0001)**	**0.0064**

24. RELATED PARTY TRANSACTIONS

Information on the impact of related-party transactions on the financial situation of the company and on its earnings for the year are given in the comments on the individual items of the financial statements.

The paragraph "Other information" in the Report on Operations contains a chart summing up the effects of these transactions.

25. NET FINANCIAL POSITION

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

	(in euro)	31.12.2010	31.12.2009
A.	Cash and bank deposits	15,111,316	31,440,964
B.	Other cash equivalents	0	0
C.	Securities held for trading	12,942,945	59,918,504
D.	**Cash and cash equivalents**	28,054,261	91,359,468
E.	Current financial receivables	0	0
F.	Current bank borrowings	4,928	4,157
G.	Current part of non-current debt	59,958,464	60,000,000
H.	Other current bank borrowings	0	0
I.	**Current financial debt (F) + (G) + (H)**	59,963,392	60,004,157
J.	**Net current financial debt (surplus) (I) – (E) – (D)**	31,909,131	(31,355,311)
K.	Non-current bank borrowings	0	59,868,363
L.	**Non-current financial debt**	0	59,868,363
M.	**Net financial debt (surplus) (J) + (L)**	31,909,131	28,513,052

26. OTHER INFORMATION

FINANCIAL RISK MANAGEMENT

In the sphere of enterprise risks, the main financial risks identified, monitored and actively managed by the company are the following:

a) The interest rate risk resulting from exposure to fluctuations in interest rates;
b) The credit risk resulting from the potential default of a counterparty;
c) The 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 expense.
The company continuously monitors its exposure to interest rate risk and manages this risk by investing in financial instruments that are consistent with its medium-term funding through the floating rate syndicated loan maturing in 2011.

Sensitivity analysis
A one percent parallel shift in the 3 months Euribor curve on floating rate assets and liabilities would have the following effects:

(amounts in thousands of euro)	*31.12.2010*	
Parallel shifts	-1%	+1%
Change in Income Statement	(11)	11
Change in Equity	309	(295)

Credit risk
Credit risk means the exposure of the company to potential losses resulting from the failure of counterparties to meet their obligations. In relation in particular to the financial counterparty risk resulting from the investment of liquidity and from derivatives positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable 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 December 31 2010 there was no significant concentration of credit risk.

Liquidity risk
Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. As things stand today the company believes that it will be able to fulfil its expected financial needs on the basis of its free cash flow and expected future cash inflows.

In compliance with the requirements of accounting principle IFRS7, the following charts give information regarding the various categories of financial assets and liabilities and the classes of risk of financial instruments.

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES SHOWN IN 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 ad held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such on initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value at end of year*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other receivables	*5.e.*	15	--	--	15	--	--	--	--	--	15	--	--
CURRENT ASSETS													
Other receivables	*6.a.*	2,568	--	--	2,568	--	--	--	--	--	2,568	--	--
Securities	*6.b.*	29,778	--	12,707	--	--	17,071	--	--	--	29,778	1,327	3,514
Cash & cash equivalents	*6.c.*	15,111	--	--	15,111	--	--	--	--	--	15,111	181	--
NON-CURRENT LIABILITIES													
Other borrowings	*8.a.*	--	--	--	--	--	--	--	--	--	--	--	--
Other payables	*8.b.*	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Bank overdrafts	*9.a.*	5	--	--	--	--	--	--	--	5	5	(17)	--
Other borrowings	*9.b.*	59,959	--	--	--	--	--	--	1	59,958	59,959	(1,651)	--
Trade payables	*9.c.*	290	--	--	--	--	--	--	--	290	290	--	--

ADDITIONAL INFORMATION

The item "other borrowings" in non-current liabilities refers to a floating-rate bank loan. It is deemed that the carrying value is a reasonably close to its fair value..

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES SHOWN IN BALANCE SHEET
FINANCIAL YEAR 2009

(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 ad held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such on initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value at end of year*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other receivables	*5.e.*	15	--	--	15	--	--	--	--	--	15	--	--
CURRENT ASSETS													
Other receivables	*6.a.*	2,681	--	--	2,681	--	--	--	--	--	2,681	--	--
Securities	*6.b.*	74,276	--	59,716	--	--	14,560	--	--	--	74,276	(137)	3,237
Cash & cash equivalents	*6.c.*	31,441	--	--	31,441	--	--	--	--	--	31,441	408	--
NON-CURRENT LIABILITIES													
Other borrowings	*8.a.*	59,868	--	--	--	--	--	--	--	59,868	59,868	(3,916)	--
Other payables	*8.b.*	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Bank overdrafts	*9.a.*	4	--	--	--	--	--	--	--	4	4	(13)	--
Other borrowings	*9.b.*	60,001	--	--	--	--	--	--	1	60,000	60,001	--	--
Trade payables	*9.c.*	264	--	--	--	--	--	--	--	264	264	--	--

ADDITIONAL INFORMATION

The items "other borrowings" refer for € 119,868 thousand to a floating-rate bank loan. It is deemed that the carrying value is a reasonably close to its fair value.

CLASSES OF RISK – FIN. 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	*5.d.*	--	--	--	--	--
Other receivables	*5.e.*	15	--	--	--	15
CURRENT ASSETS						
Other receivables	*6.a.*	2,568	--	--	--	2,568
Securities	*6.b.*	29,778	--	12,707	--	17,071
Cash & cash equivalents	*6.c.*	15,111	--	15,111	--	--
NON-CURRENT LIABILITIES						
Other borrowings	*8.a.*	--	--	--	--	--
Other payables	*8.b.*	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	*9.a.*	5	5	--	--	--
Other borrowings	*9.b.*	59,959	59,959	--	--	--
Trade payables	*9.c.*	290	290	--	--	--

CLASSES OF RISK – FIN. YEAR 2009

(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	*5.d.*	--	--	--	--	--
Other receivables	*5.e.*	15	--	--	--	15
CURRENT ASSETS						
Other receivables	*6.a.*	2,681	--	--	--	2,681
Securities	*6.b.*	74,276	--	59,716	--	14,560
Cash & cash equivalents	*6.c.*	31,441	--	31,441	--	--
NON-CURRENT LIABILITIES						
Other borrowings	*8.a.*	59,868	59,868	--	--	--
Other payables	*8.b.*	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	*9.a.*	4	4	--	--	--
Other borrowings	*9.b.*	60,001	60,001	--	--	--
Trade payables	*9.c.*	264	264	--	--	--

CREDIT RISK FINANCIAL YEAR 2010

Position at December 31 2010 *(in thousands of euro)*	*Bal. Sheet items*	*Total receivable*	*Not yet due*	*Overdue by >*	*0 - 30 days*	*30 – 60 days*	*60 – 90 days*	*over 90 days*	*Amt. due settled*	*Writedowns*
Other equity investments non-current assets	*5.d.*									
Fair value		953	953	--	--	--	--	--	--	--
Provision for writedown		(953)	(953)	--	--	--	--	--	--	--
Other receivables non-current assets	*5.e.*									
Gross receivable		15	15	--	--	--	--	--	--	--
Provision for writedown		--	--	--	--	--	--	--	--	--
Other receivables current assets	*6.a.*									
Gross receivable		2,568	2,568	--	--	--	--	--	--	--
Provision for writedown		--	--	--	--	--	--	--	--	--
Total		2,583	2,583	--	--	--	--	--	--	--

CREDIT RISK FINANCIAL YEAR 2009

Position at December 31 2009 *(in thousands of euro)*	*Bal. Sheet items*	*Total receivable*	*Not yet due*	*Overdue by >*	*0 - 30 days*	*30 – 60 days*	*60 – 90 days*	*over 90 days*	*Amt. due settled*	*Writedowns*
Other equity investments non-current assets	*5.d.*									
Fair value		953	953	--	--	--	--	--	--	--
Provision for writedown		(953)	(953)	--	--	--	--	--	--	--
Other receivables non-current assets	*5.e.*									
Gross receivable		15	15	--	--	--	--	--	--	--
Provision for writedown		--	--	--	--	--	--	--	--	--
Other receivables current assets	*6.a.*									
Gross receivable		2,681	2,681	--	--	--	--	--	--	--
Provision for writedown		--	--	--	--	--	--	--	--	--
Total		2,696	2,696	--	--	--	--	--	--	--

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							
Non-current liabilities							
Other borrowings	--	--	--	--	--	--	--
Other payables	--	--	--	--	--	35	35
Current liabilities	--	--	--	--	--	--	--
Bank overdrafts	5	--	--	--	--	--	5
Other borrowings	60,570	--	--	--	--	--	60,570
Trade payables	290	--	--	--	--	--	290
TOTAL	60,865	--	--	--	--	35	60,900

The items "other borrowings" include interest calculated at the floating rate applied as of December 31 2010.
No changes in the interest rate applicable can reasonably be expected at present.

LIQUIDITY RISK – FINANCIAL YEAR 2009

(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							
Non-current liabilities							
Other borrowings	--	60,478	--	--	--	--	60,478
Other payables	--	--	--	--	--	35	35
Current liabilities	--	--	--	--	--	--	--
Bank overdrafts	4	--	--	--	--	--	4
Other borrowings	61,497	--	--	--	--	--	61,497
Trade payables	264	--	--	--	--	--	264
TOTAL	61,765	60,478	--	--	--	35	122,278

The items "other borrowings" include interest calculated at the floating rate applied as of December 31 2010.
No changes in the interest rate applicable can reasonably be expected at present.

GUARANTEES AND COMMITMENTS

At year end no guarantees had been issued and no commitments had been entered into by the Company.

MANAGEMENT AND CONTROL ACTIVITY

Cofide is subject to management and coordination by the company Carlo De Benedetti & Figli S.a.p.A.

In compliance with Art. 2497 - *bis* of the Civil Code, Attachment 2 below shows the key figures of the latest financial statements of the company exercising a management and control function.

DIRECTORS' AND STATUTORY AUDITORS' FEES

In accordance with CONSOB resolution no. 11971 of May 14 1999 and subsequent amendments and additions, Attachment 3 below shows the fees and emoluments paid to Directors and Statutory Auditors.

Attachment 1)

SHAREHOLDERS' EQUITY – what can be utilized and distributed

(values in euro)

Type	Amount	Possible use	Amount available
Share capital	359,604,959	=	=
Capital reserves:			
Share premium reserve	5,044,115	A, B	5,044,115
Merger surplus	42,975	A, B, C	42,975
Earnings reserves:			
Legal reserve	22,262,175	B	=
Retained earnings	47,149,397	A, B, C	47,149,397
Recovery historical cost of equity investments	133,069,943	A, B, C	133,069,943
IAS transition reserve	243,375	A, B, C	243,375
Fair value reserve	1,798,690	=	=
TOTAL			185,549,805
Non-distributable part:			
Share premium reserve, the legal reserve not having reached one fifth of share capital - Art. 2431 Civil Code			(5,044,115)
Residual portion distributable			180,505,690

KEY:

Possible uses:

A: for capital increases

B: for covering losses

C: for distributing to shareholders

Attachment 2)

CHART SHOWING THE KEY FIGURES OF THE MOST RECENT FINANCIAL STATEMENTS OF THE COMPANY EXERCISING MANAGEMENT AND COORDINATION

Key figures of the financial statements of Carlo De Benedetti & Figli S.a.p.A. as of December 31 2009 (*in euro*)

BALANCE SHEET

ASSETS		
B)	Fixed assets	243,822,471
C)	Current assets	136,294
Total assets		243,958,765

LIABILITIES AND EQUITY		
A)	EQUITY	
	Share capital	94,770,000
	Reserves	23,523,839
	Net income (loss) for the year	(5,019,712)
D)	PAYABLES	130,684,638
Total liabilities and equity		243,958,765

MEMORANDUM ACCOUNTS	241,182,520

INCOME STATEMENT

B)	Costs of production	(1,259,168)
C)	Financial income and (expense)	(3,760,698)
E)	Extraordinary income and (expense)	154
	Income taxes for the year	0
	Net income (loss) for the year	(5,019,712)

Attachment 3)

EMOLUMENTS PAID TO THE BOARD OF DIRECTORS, THE BOARD OF STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITES

(Values in euro)

Last name and first name	*Position held*	*Dates position held*	*Expiry of mandate*	*Emoluments for position in Cofide*	*Non-monetary benefits*	*Bonuses and other incentives*	*Other fees*	*Notes*
DE BENEDETTI Carlo	Honorary Chairman	01/01-31/12/10	Appr. Fin. State. 2012	133,333	--	--	565,000	*(1) (2)*
GUASTI Francesco Giovanni	Chairman	01/01-31/12/10	Appr. Fin. State. 2012	220,000	--	--	--	*(1) (3)*
DE BENEDETTI Rodolfo	Chief Executive Officer	01/01-31/12/10	Appr. Fin. State. 2012	120,000	2,678	--	1,490,731	*(1) (4)*
ABRAVANEL Roger	Director	01/01-31/12/10	Appr. Fin. State. 2012	30,000	--	--	--	*(1) (5)*
BRUGNOLI Giampaolo	Director	01/01-31/12/10	Appr. Fin. State. 2012	30,000	--	--	--	*(1) (6)*
CORNELLI Francesca	Director	01/05-31/12/10	Appr. Fin. State. 2012	20,000	--	--	--	*(1) (7)*
CREMONA Massimo	Director	01/01-31/12/10	Appr. Fin. State. 2012	30,000	--	--	--	*(1) (8)*
DEBENEDETTI Franco	Director	01/01-31/12/10	Appr. Fin. State. 2012	20,000	--	--	--	
DE BENEDETTI Marco	Director	01/01-31/12/10	Appr. Fin. State. 2012	20,000	--	--	--	*(9)*
FERRERO Pierluigi	Director	01/01-31/12/10	Appr. Fin. State. 2012	20,000	--	--	148,872	*(10)*
GIRARD Franco	Director	01/01-31/12/10	Appr. Fin. State. 2012	20,000	--	--	26,667	*(10)*
OUGHOURLIAN Joseph Marie	Director	01/01-31/12/10	Appr. Fin. State. 2012	20,000	--	--	--	
ROBOTTI Roberto	Director	01/01-31/12/10	Appr. Fin. State. 2012	36,667	--	--	--	*(1) (11)*
ROCCA Paolo Riccardo	Director	01/01-31/12/10	Appr. Fin. State. 2012	30,000	--	--	30,000	*(1) (12)*
SEGRE Massimo	Director	01/01-31/12/10	Appr. Fin. State. 2012	20,000	--	--	480,621	*(13)*
BENNANI Vittorio	Chairman Board of Statutory Auditors	01/01-31/12/10	Appr. Fin. State. 2010	45,000	--	--	229,930	*(14)*
BRACCO Tiziano	Statutory Auditor	01/01-31/12/10	Appr. Fin. State. 2010	30,000	--	--	--	
ZINGALES Riccardo	Statutory Auditor	01/01-31/12/10	Appr. Fin. State. 2010	30,000	--	--	274,589	*(14)*

NOTES

(1) Emoluments for the position include the fees approved by the AGM and by the Board of Directors as per Art. 2389, 3rd paragraph of the Civil Code.

(2) Emoluments for the position include fees of € 20,000 approved by the AGM and € 113,333 approved by the Board of Directors, of which € 100,000 for the position of Honorary Chairman and € 13,333 for being on the Compensation Committee. The other fees include emoluments for the positions of Director in other companies of the Group. All the fees are paid to Romed SpA.

(3) Emoluments for the position include fees of € 20,000 approved by the AGM and € 200,000 approved by the Board of Directors for the position of Chairman. All the fees are paid to Studio Legale Guasti.

(4) Emoluments for the position include fees of € 20,000 approved by the AGM and € 100,000 approved by the Board of Directors for the position of Chief Executive Officer. The other fees include fees for the position of Director in other companies of the Group and employee salary.

(5) Emoluments for the position include fees of € 20,000 approved by the AGM and € 10,000 approved by the Board of Directors for being on the Compensation Committee.

(6) Emoluments for the position include fees of € 20,000 approved by the AGM and € 10,000 approved by the Board of Directors for being on the Internal Control Committee. All the fees are paid to Generali Assicurazioni S.p.A.

(7) Emoluments for the position include fees of € 13,333 approved by the AGM and € 6,667 approved by the Board of Directors for being on the Internal Control Committee.

(8) Emoluments for the position include fees of € 20,000 approved by the AGM and € 10,000 approved by the Board of Directors, of which € 3,333 for being on the Internal Control Committee and € 6,667 for being on the Compensation Committee. All the fees are paid to Studio Pirola, Pennuto, Zei & Associati.

(9) Emoluments for the position are paid to MDB Consulting S.r.l.

(10) The other fees include fees for the position of Director in other companies of the Group.

(11) Emoluments for the position include fees of € 20,000 approved by the AGM and € 16,667 approved by the Board of Directors, of which € 10,000 for being on the Internal Control Committee and € 6,667 for being a member of the Supervisory Body.

(12) Emoluments for the position include fees of € 20,000 approved by the AGM and € 10,000 approved by the Board of Directors for being on the Compensation Committee. The other fees include fees for the position of Director in other companies of the Group.

(13) The other fees include fees for the position of Director in other companies of the Group and professional fees.

(14) The other fees include fees for the position of Statutory Auditor in other companies of the Group.

Statutory Financial Statements of Directly Controlled Subsidiaries

as of December 31 2010

CIR S.p.A.

EUVIS S.p.A.

CIR - COMPAGNIE INDUSTRIALI RIUNITE S.p.A.
Registerd Office: TURIN
Share capital at 31.12.2010: € 396,058,633.50

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS		*%(**)*	*31.12.2010*		*%(**)*	*31.12.2009*
NON-CURRENT ASSETS			**1,040,482,201**			**1,012,090,877**
INTANGIBLE ASSETS			230,753			213,639
TANGIBLE ASSETS			2,865,389			3,018,487
INVESTMENT PROPERTY			17,542,778			18,114,599
EQUITY INVESTMENTS			918,632,223			856,680,271
SUNDRY RECEIVABLES			101,211,058			133,296,990
of which with related parties (*)	*101,188,090*	100.0		*133,272,790*	100.0	
DEFERRED TAXES			--			766,891
CURRENT ASSETS			**250,539,877**			**307,202,505**
SUNDRY RECEIVABLES			18,249,799			31,587,092
of which with related parties (*)	*10,075,867*	55.2		*1,155,601*	3.7	--
FINANCIAL RECEIVABLES			--			1,418,000
SECURITIES			60,674,692			101,584,046
CASH AND CASH EQUIVALENTS			171,615,386			172,613,367
TOTAL ASSETS			**1,291,022,078**			**1,319,293,382**

LIABILITIES AND SHAREHOLDERS' EQUITY		*%(**)*	*31.12.2010*		*%(**)*	*31.12.2009*
SHAREHOLDERS' EQUITY			**968,540,558**			**978,905,531**
ISSUED CAPITAL			396,058,634			396,058,634
less OWN SHARES			(21,537,000)			(21,537,000)
SHARE CAPITAL			374,521,634			374,521,634
RESERVES			348,901,164			352,032,278
RETAINED EARNINGS / (LOSSES)			259,833,508			254,341,399
NET INCOME FOR THE YEAR			(14,715,748)			(1,989,780)
NON-CURRENT LIABILITIES			**298,949,593**			**297,733,880**
BONDS AND NOTES			297,404,251			296,168,462
DEFERRED TAXES			1,545,342			1,565,418
PERSONNEL PROVISIONS						
			23,531,927			**42,653,971**
CURRENT LIABILITIES			68			--
OTHER PAYABLES			9,792,512			28,513,339
of which to related parties *(*)*	*5,002,177*	51.1		*12,961,083*	45.5	
PROVISIONS FOR RISKS AND LOSSES			13,739,347			14,140,632
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**1,291,022,078**			**1,319,293,382**

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

CIR - COMPAGNIE INDUSTRIALI RIUNITE S.p.A.
Registered office: TURIN
Share capital at 31.12.2010: € 396,058,633.50

2. INCOME STATEMENT

(in euro)

		%(**)	2010		%(**)	2009
SUNDRY REVENUES AND INCOME			7,115,840			7,139,502
of which from related parties (*)	*6,135,885*	86.2		*6,047,127*	84.7	
COSTS FOR SERVICES			(11,747,397)			(14,771,383)
of which from related parties (*)	*(1,563,000)*	13.3		*(1,805,000)*	12.2	
PERSONNEL COSTS			(9,312,839)			(9,202,151)
OTHER OPERATING COSTS			(5,692,888)			(2,138,073)
AMORTIZATION, DEPREC. & WRITEDOWNS			(862,179)			(865,553)
OPERATING INCOME (LOSS)			**(20,499,463)**			**(19,837,658)**
FINANCIAL INCOME			12,136,221			10,207,930
of which from related parties (*)	*2,915,301*	24.0		*3,302,156*	32.3	
FINANCIAL EXPENSE			(19,977,508)			(17,533,720)
of which with related parties (*)				--		
DIVIDENDS			5,870,438			11,392,025
of which from related parties (*)	*5,849,122*	99.6		*11,361,610*	99.7	
GAINS FROM TRADING SECURITIES			6,801,249			6,910,176
LOSSES FROM TRADING SECURITIES			(684,176)			(942,498)
ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS			(1,517,902)			2,527,965
INCOME / (LOSS) BEFORE TAXES			**(17,871,141)**			**(7,275,780)**
INCOME TAXES			3,155,393			5,286,000
NET INCOME FOR THE YEAR			**(14,715,748)**			**(1,989,780)**

BASIC EARNINGS PER SHARE (in euro)	(0.0196)	(0.0027)
DILUTED EARNINGS PER SHARE (in euro)	(0.0196)	(0.0027)

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

EUVIS S.p.A.
Registered office: MILAN
Share capital at 31.12.2010: € 4,520,000.00

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
Cash and cash equivalents	7,858	11,570
Receivables	5,040,546	5,952,451
Tangible assets	85,033	73,755
Intangible assets	138,734	--
Tax assets	1,621,068	2,263,043
Other assets	17,241	16,881
TOTAL ASSETS	**6,910,480**	**8,317,700**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
Payables	71,674	--
Tax liabilities	--	44,475
Other liabilities	604,870	460,898
Employee leaving indemnity (TFR)	244,532	178,552
Capital	4,520,000	4,520,000
Share premium	9,158,388	9,158,388
Reserves	(5,570,924)	(6,040,492)
Net income (loss) for the year	(2,118,060)	(4,121)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,910,480**	**8,317,700**

EUVIS S.p.A.
Registered office: MILAN
Share capital at 31.12.2010: € 4,520,000.00

INCOME STATEMENT
(in euro)

	2010	*2009*
Interest income and similar income	32,003	312,365
Interest expense and similar expense	--	(49,093)
Interest margin	**32,003**	**263,272**
Commissions received	2,695,001	2,909,622
Commissions paid	(808,468)	(449,818)
Net commissions	**1,886,533**	**2,459,804**
Brokerage margin	**1,918,536**	**2,723,076**
Income/loss from sale or buyback of :		
a) receivables financial assets	--	513,470
Administrative expense:	(3,362,326)	(3,218,663)
a) personnel costs	(1,911,190)	(1,677,407)
b) other administrative costs	(1,451,136)	(1,541,256)
Adjustments to value of tangible assets	(26,435)	(19,639)
Other operating income and expense	12,842	63,246
Operating income (loss)	**(1,457,383)**	**61,490**
Income taxes for the year	(660,677)	(65,611)
Income (loss) from current operations after tax	**(2,118,060)**	**(4,121)**
Income (loss) from current operations before tax	**(2,118,060)**	**(4,121)**

COFIDE
Gruppo De Benedetti

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 Giuseppe Gianoglio, as Officer responsible for the preparation of the accounting and corporate documents of Cofide 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 2010 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 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 10 2011

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed By
Giuseppe Gianoglio
Officer Responsible

LIST OF EQUITY INVESTMENTS
AT DECEMBER 31 2010

As per the terms of Art. 38.2 of D.Lgs. no. 127/91
and Art. 126 of Consob Resolution 11971 of May 14 1999

SUBSIDIARIES CONSOLIDATED USING THE FULL INTEGRATION METHOD

(in euro or foreign currency)

Name of Company	Registered Office	Share Capital	Currency	Investor Companies	% of ownership
COFIDE GROUP					
CIR S.p.A. (*)	Italy	396,058,633.50	€	COFIDE S.p.A.	45.92
EUVIS S.p.A.	Italy	2,750,000.00	€	COFIDE S.p.A.	54.64
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
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	98.80
JUPITER FINANCE S.p.A.	Italy	2,700,000.00	€	CIR S.p.A.	98.80
JUPITER MARKETPLACE S.p.A.	Italy	1,000,000.00	€	NEXENTI S.r.l..	100.00
JUPITER ASSET MANAGEMENT S.r.l.	Italy	10,000.00	€	NEXENTI S.r.l.	100.00
JUPITER IUSTITIA S.r.l.	Italy	50,000.00	€	NEXENTI S.r.l.	100.00
DEVIL PEAK S.r.l.	Italy	60,687.35	€	NEXENTI S.r.l.	83.07
RESOLUTION S.r.l.	Italy	50,000.00	€	NEXENTI S.r.l.	60.00
FOPPOLO RISORSE S.r.l.	Italy	10,000.00	€	DEVIL PEAK S.r.l.	76.50
SORGENIA GROUP					
SORGENIA HOLDING S.p.A.	Italy	136,176,747.00	€	CIR S.p.A.	65.03
SORGENIA S.p.A.	Italy	9,148,175.00	€	SORGENIA HOLDING S.p.A.	79.87
ENERGIA ITALIANA S.p.A.	Italy	26,050,000.00	€	SORGENIA S.p.A.	78.00
SORGENIA IDRO S.r.l.	Italy	50,000.00	€	SORGENIA S.p.A.	100.00
ENERGIA LUCANA S.p.A.	Italy	750,000.00	€	SORGENIA S.p.A.	80.00
				TECNOPARCO VALBASENTO S.p.A.	20.00
					100.00
SORGENIA POWER S.p.A.	Italy	20,100,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA CASTELNUOVO DI CONZA S.r.l.	Italy	15,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA SAN GREGORIO MAGNO S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA MINERVINO S.p.A.	Italy	1,700,000.00	€	SORGENIA S.p.A.	75.00
SAN MARTINO IN PENSILIS S.r.l.	Italy	120,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA PUGLIA S.p.A.	Italy	11,150,778.00	€	SORGENIA S.p.A.	92.24
SORGENIA BIOENERGY	Italy	2,700,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA ROMANIA S.r.l.	Romania	12,098,759.00	RON	SORGENIA S.p.A.	100.00
SORGENIA VENTO S.p.A.	Italy	1,343,156.00	€	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	5,000,000	€	SORGENIA S.p.A.	100.00
SORGENIA SOLAR S.r.l.	Italy	670,000.00	€	SORGENIA S.p.A.	100.00
SOLUXIA SARDA S.r.l.	Italy	85,200.00	€	SORGENIA SOLAR S.r.l.	90.00
SOLUXIA SARDA II S.r.l.	Italy	60,000.00	€	SORGENIA SOLAR S.r.l.	90.00
SOLUXIA SARDA III S.r.l.	Italy	60,000.00	€	SORGENIA SOLAR S.r.l.	90.00
SORGENIA SOLAR POWER S.r.l.	Italy	340,000.00	€	SORGENIA SOLAR S.r.l.	100.00
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

(*) 48.56% net of own shares held as treasury stock

Name of Company	*Registered Office*	*Share Capital*	*Currency*	*Investor Companies*	*% of ownership*
SORGENIA E&P UK LTD	UK	2,487,761	GBP	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P BULGARIA EOOD	Bulgaria	3,525,400	BGN	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA USA LLC	USA	18,184,968.00	USD	SORGENIA S.p.A.	100.00
NOVENTI VENTURES II LP	USA	26,724,999.00	USD	SORGENIA USA LLC	69.47
MPX ENERGY LTD	UK	364,632.7	GBP	SORGENIA INTERNATIONAL B.V	53.37
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 S.A.	France	10,602,360.00	€	SORGENIA S.p.A.	99.99
SOCIÉTÉ FRANÇAISE DES ALIZÉS SARL	France	580,125.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE SAINT CRÉPIN S.a.s.	France	1,657,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE L'ARGONNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE SUD S.a.s.	France	802,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE BERNAY ST MARTIN S.a.s.	France	2,987,400.00	€	SORGENIA FRANCE S.A.	100.00
HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	France	9,757,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE LONGEVILLE SUR MER S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE L'ORME CHAMPAGNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIENS DU NORD PAS-DE-CALAIS S.a.s.	France	400,000.00	€	SORGENIA FRANCE 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
PARC ÉOLIEN DE BOUILLANCOURT EN SÉRY S.a.s.	France	537,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE LEFFINCOURT S.a.s.	France	4,537,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC D'AULNAY L'AÎTRE S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE BUSSY LE REPOS S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE LA TIERACHE S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE PLAINCHAMP S.a.s.	France	3,037,000.00	€	SORGENIA FRANCE S.A.	100.00
PHOTOVOLTAIQUE DE CHAVANNES S.a.s.	France	5,000.00	€	SORGENIA FRANCE S.A.	100.00
PHOTOVOLTAIQUE DE MARVILLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE S.A.	100.00
SORGENIA GEOTHERMAL S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
TORRE MAGGIORE WIND POWER S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	75.00
AZZURRO S.p.A.	Italy	1,100,000.00	€	SORGENIA S.p.A.	90.00
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
ESPRESSO GROUP					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (**)	Italy	61,463,308.20	€	CIR S.p.A.	53.88
FIN.E.GI.L. EDITORIALE S.p.A.	Italy	128,512,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
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

(**) 54.96% al net of own shares held as treasury stock

Name of Company	*Registered Office*	*Share Capital*	*Currency*	*Investor Companies*	*% of ownership*
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
EDITORIALE FVG S.p.A.	Italy	87,959,976.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	97.53
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	60,397,475.84	€	CIR S.p.A.	56.46
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 B.V.	Netherlands	1,125,000.00	€	FILTRAUTO S.A.	100.00
SOGEFI FILTRATION A.B.	Sweden	100,000	SEK	FILTRAUTO S.A.	100.00
SOGEFI FILTRATION S.A.	Spain	12,953,713.60	€	SOGEFI S.p.A.	86.08
				FILTRAUTO S.A.	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
FILTRAUTO GmbH *(in liquidation)*	Germany	51,130.00	€	SOGEFI FILTRATION B.V.	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	91.90
				FILTRAUTO S.A.	7.28
				SOGEFI REJNA S.p.A.	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
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	6,000,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	83.33

(***) 57.43% net of own shares held as treasury stock

Name of Company	*Registered Office*	*Share Capital*	*Currency*	*Investor Companies*	*% of ownership*
SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd	India	15,893,480	INR	FILTRAUTO S.A.	60.00
EMW ENVIRONMENTAL TECHNOLOGIES Pvt Ltd	India	475,000	INR	FILTRAUTO S.A.	60.00
ALLEVARD IAI SUSPENSIONS PRIVATE Ltd	India	112,000,000	INR	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	51.00
KOS GROUP					
KOS S.p.A.	Italy	7,747,160.00	€	CIR S.p.A.	56.70
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
GIORDANI S.r.l.	Italy	10,400.00	€	MEDIPASS S.p.A.	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.p.A.	100.00
IMAGING S.r.l.	Italy	46,800.00	€	MEDIPASS S.p.A.	100.00
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.	76.93
VILLALBA S.r.l.	Italy	1,598,952.00	€	SANATRIX S.r.l.	98.95
LA PINETA S.r.l.	Italy	5,537,650.00	€	VILLALBA S.r.l.	59.19
				SANATRIX S.r.l.	38.38
					97.57
SANATRIX GESTIONI S.p.A.	Italy	300,000.00	€	VILLALBA S.r.l.	50.00
				LA PINETA S.r.l.	50.00
					100.00
SANITECH SOCIETÀ CONSORTILE S.r.l.	Italy	100,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	84.00
				SANATRIX GESTIONI S.p.A.	3.00
				ABITARE IL TEMPO S.r.l.	7.00
				RESIDENZA ANNI AZZURRI S.r.l.	3.00
				OSPEDALE DI SUZZARA S.p.A.	3.00
					100.00
HEALTH EQUITY S.r.l.	Italy	100,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
JESILAB S.r.l.	Italy	80,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	80.00
FIDIA S.r.l.	Italy	10,200.00	€	HEALTH EQUITY S.r.l.	100.00
VILLA ROSA S.r.l.	Italy	10,400.00		ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
SALFO S.r.l.	Italy	1,467,530.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
HSS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	50,000.00	€	KOS S.p.A	56.00
				RESIDENZA ANNI AZZURRI S.r.l.	15.00
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	13.00
				MEDIPASS S.p.A.	10.00
				OSPEDALE DI SUZZARA S.p.A.	1.00
				CASA ARGENTO S.r.l.	1.00
				SANATRIX GESTIONI S.p.A.	1.00
				ABITARE IL TEMPO S.r.l.	1.00
				SANITECH SOCIETÀ CONSORTILE S.r.l.	1.00
				REDANCIA S.r.l.	1.00
					100.00

Name of Company	*Registered Office*	*Share Capital*	*Currency*	*Investor Companies*	*% of ownership*
DRY PRODUCTS GROUP					
DRY PRODUCTS S.p.A.	Italy	6,375,000.00	€	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	23,530,000.00	USD	CIR INTERNATIONAL S.A.	99.00
CIR INVESTMENT AFFILIATE S.A.	Luxembourg	278,588.00	€	CIR INTERNATIONAL S.A.	96.00
FOOD CONCEPTS HOLDING S.A.	Luxembourg	1,759,527.00	€	CIR INTERNATIONAL S.A.	79.46
FOOD CONCEPTS GERMANY GmbH	Germany	100,000	€	FOOD CONCEPTS HOLDING S.A.	100.00

INVESTMENTS IN JOINTLY CONTROLLED COMPANIES AND ASSOCIATES
CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of Company	Registered Office	Share Capital	Currency	Investor Companies	% of ownership
SORGENIA GROUP					
TIRRENO POWER S.p.A.	Italy	91,130,000.00	€	ENERGIA ITALIANA S.p.A.	50.00
GICA S.A.	Switzerland	7,400,000.00	CHF	SORGENIA S.p.A.	25.00
LNG MED GAS TERMINAL S.r.l.	Italy	22,440,655.00	€	FIN GAS S.r.l	70.00
PARC ÉOLIEN DE LA VOIE SACRÉE S.a.s.	France	2,197,000.00	€	SORGENIA FRANCE S.A.	24.86
PARC ÉOLIEN D'EPENSE S.a.s.	France	802,000.00	€	SORGENIA FRANCE S.A.	25.00
FIN GAS S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
OTA S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	50.00
PARC ÉOLIEN DE HERBISSONNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	50.00
P&F Società agricola S.r.l.	Italy	10,000.00	€	SORGENIA	50.00
SAPONIS INVESTMENTS SP ZOO	Poland	106,500	PLN	SORGENIA E&P S.p.A.	26.76
VOLTERRA A.E.	Greece	1,109,400	€	SORGENIA S.p.A.	50.00
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
CIR INTERNATIONAL GROUP					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	35.86
				CIR INVESTMENT AFFILIATE S.A.	11.68
					47.55

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	***Registered Office***	***Share Capital***	***Currency***	***Investor 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 S.p.A.	20.00
SORGENIA NEXT S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
OWP PARC ÉOLIENNE DU BANC DEL OLIVES SARL	France	10,000.00	€	SORGENIA FRANCE S.A.	20.00
EAL COMPOST S.r.l.	Italy	3,470,261.00	€	SORGENIA BIOENERGY S.p.A.	8.99
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	57,684.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	24.49
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					
DUMENIL LEBLE (SUISSE) S.A. *(in liquidation)*	Switzerland	102,850	CHF	CIR INTERNATIONAL S.A.	100.00
PHA – Participations Hotelieres Astor	France	12,150.00	€	CIR INTERNATIONAL S.A.	99.99
CIR VENTURES MANAGEMENT CO. L.L.C.	USA	7,100	USD	CIR INTERNATIONAL S.A.	20.00
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	34.69
				CIR INVESTMENT AFFLILIATE S.A.	11.31
					46.00

(*) Investments that are non-significant, non-operational or recently acquired, unless specified otherwise

INVESTMENTS IN OTHER COMPANIES
CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	***Registered Office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
ESPRESSO GROUP					
A.G.F. S.r.l.	Italy	30,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	10.00
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.	5.69
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	3.17
				EDITORIALE FVG S.p.A.	3.28
				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.	4.39
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.62
				S.E.T.A. S.p.A.	0.49
				EDITORIALE FVG S.p.A.	0.47
					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	EDITORIALE FVG S.p.A.	19.00
AUDIRADIO S.r.l.	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	3.63
PRESTO TECHNOLOGIES Inc. *(non-operational)*	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
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

INVESTMENTS IN OTHER COMPANIES
MEASURED AT FAIR VALUE (*)

(in euro or foreign currency)

Name of Company	***Registered Office***	***Share Capital***	***Currenc y***	***Investor Companies***	***% of ownership***
COFIDE GROUP					
BANCA INTERMOBILIARE DI INVESTIMENTI E GESTIONI S.p.A.	Italy	156,209,463.00	€	COFIDE S.p.A.	1.76

(*) Investments of less than 20%

INVESTMENTS IN SUBSIDIARIES AND 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***	***Investor Companies***	***% of ownership***
CIR GROUP					
C.B.D.O. - COMPAGNIE BOURGUIGNONNE DES OENOPHILES SARL	France	9,000.00	€	CIGA LUXEMBOURG S.A.r.l.	100.00
SO.GE.LOC. S.a.r.l. *(in liquidation)*	France	7,622.45	€	C.B.D.O. SARL	99.80
FINAL S.A. *(in liquidation)*	France	2,324,847.00	€	C.B.D.O. SARL	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

COFIDE S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS

AS PER THE TERMS OF ARTICLE 153 OF D. LGS. NO. 58/1998

(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

Dear Shareholders of COFIDE S.p.A.,

During financial year ended December 31 2010 we performed the supervisory activities required of us by law, even taking into account the Principles of Conduct for Statutory Auditors recommended by the National Councils of Business Consultants and Accountants to which we refer in this report, as well as the recommendations made by Consob on the subject.

In relation to the way in which the duties contained in our mandate were carried out, we hereby attest that:

- We attended all the Meetings of the Board of Directors that were held during the year under examination and obtained from the Directors timely and exhaustive information on the activity carried out and on the most significant transactions from the economic, financial and equity points of view entered into by the Company and its investee companies, according to the terms of Law and the Company Bylaws. The Board of Statutory Auditors always attended, with one or more of its members, the meetings of the Internal Control Committee and read the minutes of the meeting of the Compensation Committee;
- We obtained sufficient knowledge necessary for us to carry out our duties in relation to compliance with the law and with the Bylaws, on observance of the principles of sound administration and on the degree of adequacy of the organizational structure of the Company. We did this by means of direct investigation, gathering information from the heads of the appropriate departments and by exchanging relevant data and information with the firm of independent auditors;
- We updated the responsibilities of the Board of Statutory, to which Art. 19 of D. Lgs no. 39/2010 assigned the role of "*Committee for internal control and audit of the accounts*", according to the instructions given in the above-cited legislation;

- As per the terms of the above cited decree no. 39/2010 we carried out our supervisory activity in relation to the process of financial disclosure, the effectiveness of the control system, internal audit and risk management, the legal audit of the annual and consolidated accounts and the independence of the firm of legal auditors, by means of direct investigation, gathering information from the heads of the various departments, and analysing the results of the work carried out by the firm of independent auditors;
- In this context, more specifically: 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, 3rd paragraph, of D.Lgs. no. 39/2010; we received from the same auditing firm the "*Annual Confirmation of Independence*" in accordance with Art. 17, parag. 9, letter a) of D.Lgs. no. 39/2010; 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 functionalities of the control systems in relation to the investee companies and verified the adequacy of the instructions given to them, even according to the terms of Article 114, paragraph 2 of D.Lgs. 58/98;
- 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 verified that the changes in the Company Bylaws complied with the rules contained in D.Lgs. no. 27/2010 and D.Lgs. no. 39/2010 on the subject of the exercise of certain rights of shareholders in listed companies and of the legal audit of annual and consolidated accounts respectively;
- We followed the process of introducing the Procedure for transactions with related parties, approved by the Board of Directors to check that the said Procedure complied with the principles given in the Regulation approved by Consob;

- We checked that there were no significant aspects which the control bodies of the subsidiaries of the company needed to communicate;
- We can attest that the Board of Directors and the officers of the Company duly fulfilled all the obligations required by Law and by current regulations;
- We verified that the provisions of the Law were being complied with in relation to the preparation, the organization and the layout of the Statutory Financial Statements for the year and also of the Consolidated Financial Statements and of all the accompanying documents, which among other things provide the information required by the rules issued jointly by Bank of Italy, Consob and Isvap;
- 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 checked that the Report on Operations for the year complied with current rules and regulations on the subject and was consistent with the resolutions adopted by the Board of Directors.

As a result of our control activity, which was carried out as described above, no significant facts emerged requiring notification to the Surveillance Bodies nor do we have any proposals to make regarding the financial statements, their approval or on any other matter within our competence.

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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.

- We obtained sufficient information on the most significant transactions from the economic, financial and equity viewpoint which were entered into by the company 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.

- 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.
- In the Report on Operations the Directors have given adequate information on the main transactions entered into between COFIDE 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; suitable financial and economic details of these deals were given in the documents which accompany the statutory financial statements.
- On March 31 2011 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 2010, which included their opinion regarding the consistency of the same as required by Art. 14, 2nd parag., 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; consequently the Board of Statutory Auditors has no observations or proposals on this subject.
- 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.
- During the financial year ended on December 31 2010, COFIDE 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 4,000. In the same year the subsidiaries gave further mandates to the firm of auditors, in

addition to the legal audit mandate, for the issue of certification for an amount of euro 527,000 and mandates for other services for euro 119,000. The subsidiaries of COFIDE 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 248,000.

- During the year under examination we did not issue any opinions.
- During financial year 2010, the Board of Directors met 6 times, the Internal Control Committee met twice, the Compensation Committee met once. During the year the Board of Statutory Auditors also held 7 meetings.
- 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;
- 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 a member of the Board of Statutory Auditors always attended.
- 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 2010, 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*, paragraph 5 of D.Lgs. 58/1998 and Art. 81-*ter* of Consob Regulation no. 11971 of May 14 1999 and subsequent amendments and additions.
- 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.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the external Auditors, in accordance also with Art. 150, paragraph 3, of D.Lgs. 58/1998, no aspects emerged that needed to be highlighted in this report.

- 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 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 Members of the Board of Directors. 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.
- Our surveillance activity was carried out on a routine basis during 2010 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.

On completion of the surveillance activity we carried out during the year we have no proposals to make as per Art. 153, paragraph 2. of D.Lgs. 58/1998 regarding the statutory financial statements as of December 31 2010, on the approval thereof or on any other matter within our jurisdiction, just as we have no observations to make on the proposed cover of the net loss for the year or on the proposed dividend distribution put forward by the Board of Directors.

April 4 2011

THE BOARD OF STATUTORY AUDITORS

Prof. Vittorio Bennani – Chairman of the Board of Statutory Auditors

Dott. Riccardo Zingales – Statutory Auditor

Dott. Tiziano Bracco – Statutory Auditor

Reports of the Independent Auditors

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
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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
COFIDE - Gruppo De Benedetti S.p.A.**

1. We have audited the consolidated financial statements of COFIDE - Gruppo De Benedetti S.p.A. and subsidiaries (the "COFIDE Group"), which comprise the statement of financial position as of December 31, 2010, 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.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 1, 2010.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the COFIDE Group as of December 31, 2010, 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 COFIDE - Gruppo De Benedetti 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 COFIDE - Gruppo De Benedetti 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 COFIDE Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
March 31, 2011

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

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Fax: +39 02 83322112
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
COFIDE - Gruppo De Benedetti S.p.A.

1. We have audited the financial statements of COFIDE - Gruppo De Benedetti S.p.A., which comprise the statement of financial position as of December 31, 2010, 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 April 1, 2010.

3. In our opinion, the financial statements give a true and fair view of the financial position of COFIDE - Gruppo De Benedetti S.p.A. as of December 31, 2010, 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 COFIDE - Gruppo De Benedetti 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 COFIDE - Gruppo De Benedetti 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 COFIDE - Gruppo De Benedetti S.p.A. as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
March 31, 2011

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