Consolidated Financial Statements,
Statutory Financial Statements and
Report on Operations

2011

COFIDE - Gruppo De Benedetti S.p.A.
Share Capital € 359,604,959
Register of Companies ref. no. and Tax Code 01792930016
A company subject to management and coordination by CARLO DE BENEDETTI & FIGLI S.a.p.A.

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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
PAOLA DUBINI
PIERLUIGI FERRERO
FRANCO GIRARD
JOSEPH OUGHOURLIAN
ROBERTO ROBOTTI (****)
PAOLO RICCARDO ROCCA (***) (*****)
Directors

MASSIMO 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.

Disclosure in accordance with the recommendation contained in Consob Communication no. DAC/RM/97001574 of 20 February 1997.

(*) Legal representative
(**) Powers of ordinary and extraordinary administration with separate signature, except in matters 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

The Shareholders are invited to the Ordinary Annual General Meeting of the Shareholders on April 26 2012 at 3.00 p.m., at the first call, at the Palazzo delle Stelline Congress Centre, Corso Magenta 61, in Milan and, if necessary, at the second call on April 27 2012, same time and place, to discuss and pass resolution on the following

AGENDA

1. Annual Report and Financial Statements for the year ended December 31 2011. Resolutions on the same.
2. Proposal to cancel the resolution of April 29 2011 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
3. Compensation Report.
4. Appointment of a Director as per the terms of Art. 2386 of the Civil Code.

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 € 0.50 and with 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 Tuesday April 17 2012, i.e. the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting. Any persons who have entitlement only after that date will not have the right to attend or vote at the Meeting.

To make it easier to check their entitlement to take part in the proceedings of the Meeting, participants are requested to show their copy of the notice made to the Company which the authorized intermediary, in accordance with current regulations, is required to make available to them.

Any holders of shares that have not yet been dematerialized should present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 17 of Joint Consob / Bank of Italy Measure of December 24 2010, and should request that the notification be sent in as above.

Persons with voting rights can appoint a proxy to represent them at the Shareholders' Meeting in accordance with Art. 2372 of the Civil Code and with any other rules or regulations applicable. The proxy form at the bottom of the notification issued by the authorized intermediary may be used or alternatively there is a proxy form which can be downloaded from the company website www.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 proxy, without incurring any charges, Compagnia Fiduciaria Nazionale S.p.A. as the Representative Designated by the Company as per the terms of Art. 135-*undecies* of D.Lgs no. 58/1998 and subsequent amendments and additions ("TUF"). The proxy is appointed by signing the appropriate form available in the above-mentioned section of the website. The signed document must be sent to the Designated Representative Compagnia Fiduciaria Nazionale S.p.A. – Galleria De Cristoforis, 3 – 20122 Milan by registered post with advice of receipt (A.R.) or sent by e-mail to the certified address cofidnaz_terzi@postemailcertificata.it, by the end of the second trading day before the date fixed for the first call of the Shareholders' Meeting, i.e. by April 24 2012. The proxy is not valid for the motions for which no voting instructions have been given.

The proxy and the voting instructions are revocable until April 24 2012.

The notice sent to the company by the authorized intermediary attesting the Shareholder's entitlement to attend the meeting is needed even when the Designated Representative of the company is appointed as proxy. Therefore, in the absence of the above-cited notification the proxy will not be valid.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

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

The company will give its response during the Shareholders' Meeting at the latest. Questions with the same content will receive a single response.

ADDITIONS TO THE AGENDA

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

APPOINTMENT OF A DIRECTOR

In relation to the appointment of the Director whose mandate has terminated, it should be remembered that, in accordance with the terms of Art. 11 of the Company Bylaws, the list vote system is not applicable and the Shareholders' Meeting called to make up the numbers of the Board of Directors will approve the appointment with a relative majority as per the terms of the law and the Company Bylaws.

DOCUMENTATION

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

Milan, March 16 2012

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

The notice of meeting was published in the newspaper
"la Repubblica" on March 16 2012

Extraordinary and Ordinary General Meeting of the Shareholders

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

C O N T E N T S

This Annual Report and Financial Statements as of December 31 2011 were prepared as per the terms of Art. 154 ter of D.Lgs. 58/98 and were drawn up in accordance with international accounting standards applicable as recognized by the European Union in Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of July 19 2002, as well as with the measures issued in implementation of Art. 9 of D. Lgs. No 38/2005.

This Annual Report has been translated into the English language solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail.

REPORT ON OPERATIONS

Dear Shareholders,

In 2011:

- the *consolidated net income* of the Cofide Group was € 1.2 million, compared to € 22.9 million in 2010:

- the *consolidated equity* of the Cofide group fell from € 747.4 million at 31 December 2010 to € 725.6 million at 31 December 2011.

The result was mainly due to the contribution of the subsidiary Cir which amounted to € 5 million compared to € 27.6 million in 2010.
Cir reported consolidated net income of € 10.1 million in 2011 against the € 56.9 million of 2010. The decrease in the result is largely due to the lower contribution from Sorgenia, which in 2010 had benefited from a high level of tax receivables on investments, and to the impact of the markets crisis on the financial assets in portfolio.

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

After the Milan Court of Appeal pronouncement of 9 July 2011 ordering Fininvest to pay compensation for damages resulting from bribery in the "Lodo Mondadori" case, on 26 July 2011 CIR received € 564.2 million from Fininvest, including legal costs and interest. As envisaged in international accounting standards (IAS 37) this amount has had no effect, nor will, on the income statement of the group up to the highest level of justice.

With a view to providing further information on the financial and economic performance of Cofide in 2011, below are the income statement and statement of financial position showing the contribution of subsidiaries to the net result and equity of Cofide.

The **income statement** is as follows:

(in millions of euro)

	2011	*2010*
Contributions from investments in subsidiaries and associates:		
- Cir S.p.A.	5.0	27.6
- Euvis S.p.A..	(1.2)	(1.1)
TOTAL CONTRIBUTIONS	**3.8**	**26.5**
Net gains and losses from trading and valuing securities	1.5	(0.9)
Net financial income and expense	(1.0)	(0.1)
Net operating costs	(3.1)	(2.6)
INCOME (LOSS) BEFORE TAXES	**1.2**	**22.9**
Income taxes	--	--
NET INCOME	**1.2**	**22.9**

The **statement of financial position** at 31 December 2011 shows equity of € 725.6 million, parent company net debt of € 28.9 million and financial assets of € 752.9 million.

(in millions of euro)

	31.12.2011	*31.12.2010*
Cir S.p.A.	739.1	757.6
Euvis S.p.A.	2.3	3.3
EQUITY INVESTMENTS CLASSIFIED AS FIXED ASSETS	**741.4**	**760.9**
Other financial assets	11.5	16.8
TOTAL FINANCIAL ASSETS	**752.9**	**777.7**
Tangible assets	1.3	1.3
Net receivables and payables for the year	0.3	0.3
NET INVESTED CAPITAL	**754.5**	**779.3**
Financed from:		
Equity	**725.6**	**747.4**
Net financial debt	**(28.9)**	**(31.9)**

"Other investments" at 31 December 2011 relate to the Cofide investment made during 2011 in the real estate investment fund Jargonnant, for which the company has a residual commitment at 31 December 2011 of approximately € 2 million.
At 31 December 2010 this item included the investment in Banca Intermobiliare which was liquidated in the first half of 2011.

1. PERFORMANCE OF THE COFIDE GROUP

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

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

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

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

(in millions of euro)		*2011*	*%*	*2010*	*(*)*	*%*
Revenues		4,522.7	100.0	4,650.8		100.0
Consolidated EBITDA *(1)*		**462.1**	**10.2**	**394.2**		**8.2**
Consolidated EBIT		**249.7**	**5.5**	**209.8**		**4.4**
Financial management result	*(2)*	(131.4)	(2.9)	(78.9)		(1.6)
Income taxes		(59.7)	(1.3)	(13.2)		(0.3)
Net income including minority interests		**58.6**	**1.3**	**117.7**		**2.5**
Net income – minority interests		(57.4)	(1.3)	(94.8)		(2.0)
Net income of the Group		**1.2**	-	**22.9**		**0.5**

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

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

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

Consolidated EBITDA in 2011 stood at € 462.1 million (10.2% of revenues) against the € 394.2 million of 2010 (8.2% of revenues), up € 67.9 million (+17.2%) thanks to the improved profit margins of all the key operating groups, particularly Sorgenia and Sogefi.

Consolidated EBIT for 2011 was € 249.7 million (5.5% of sales revenues), up from € 209.8 million (4.4% of revenues) in 2010, posting a rise of € 39.9 million (+19%).

The net financial management result was a negative figure of € 131.4 million (a negative € 78.9 million in 2010), which was the result of net financial expense of € 117.3 million (€ 109.1 million in 2010), dividends and net gains from trading and valuing securities of € 10.8 million (€ 37 million in 2010) and negative adjustments to the value of financial assets for € 24.9 million (negative for € 6.8 million in 2010).

The **key figures of the consolidated statement of financial position of the Cofide group** at 31 December 2011, compared to 31 December 2010, are as follows:

(in millions of euro)		31.12.2011	31.12.2010(*)
Fixed assets	(1)	4,363.3	4,330.6
Other net non-current assets and liabilities	(2)	219.0	100.3
Net working capital	(3)	281.5	326.3
Net invested capital		**4,863.8**	**4,757.2**
Net financial debt	(4)	**(2,360.3)**	**(2,206.3)**
Total equity		**2,503.5**	**2,550.9**
Group equity		725.6	747.4
Minority interests equity		1,777.9	1,803.5

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

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

(3) This item is the algebraic sum of "inventories", "contract work in progress", "trade receivables" and "other receivables under current assets, and of "trade payables", "other payables" and "provisions for risks and losses" under current liabilities in the consolidated statement of financial position. At 31 December 2010 this item also included € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. recognised to the consolidated financial statements as "available-for-sale assets".

(4) This item is the algebraic sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" under current assets, of "bond loans" and "other borrowings" under non-current liabilities, and of "bank overdrafts", "bond loans" and "other borrowings" under current liabilities in the consolidated statement of financial position. At 31 December 2010 this item did not include the € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. reclassified to item (3) Net working capital.

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

Net invested capital at 31 December 2011 stood at € 4,863.8 million compared to € 4,757.2 million at 31 December 2010, up € 106.6 million mainly due to the consolidation of Systèmes Moteurs into the Sogefi Group.

The **consolidated net financial position** at 31 December 2011 showed net debt of € 2,360.3 million (up € 154 million compared to € 2,206.3 million at 31 December 2010), determined by:

- net debt of € 28.9 million (compared to € 31.9 million at 31 December 2010) for Cofide;

- a financial surplus for CIR and the financial holding companies of € 10.8 million, which compares with € 123.6 million at 31 December 2010;

- total net debt of the operating groups of € 2,342.2 million compared to € 2,298 million at 31 December 2010. The € 44.2 million increase is essentially due to the higher net debt of the Sogefi group following the acquisition of Systèmes Moteurs, partly offset by the decrease in the net financial position of the other operating groups.

The net financial position includes shares of hedge funds, which totalled € 79 million at 31 December 2011. The accounting treatment of these investments involves recognising changes in the fair value of the funds to equity.
The performance of these investments from their origin (April 1994) up to and including all of 2011 recorded a weighted average return in dollars of 6.7%. In 2011 performance was also a negative 7.4%.

Total equity at 31 December 2011 stood at € 2,503.5 million, down € 47.4 million from € 2,550.9 million at 31 December 2010.

Group equity fell from € 747.4 million at 31 December 2010 to € 725.6 million at 31 December 2011, a net decrease of € 21.8 million.

Minority interests equity declined from € 1,803.5 million at 31 December 2010 to € 1,777.9 million at 31 December 2011, a net decrease of € 25.6 million.

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

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

(in millions of euro)	*2011*	*2010*
SOURCES OF FUNDING		
Net income for the period including minority interests	58.6	117.7
Amortisation, depreciation, write-downs and other non-monetary changes	202.8	114.1
Self-financing	**261.4**	**231.8**
Change in working capital	**(61.5)**	**(14.7)**
CASH FLOW GENERATED BY OPERATIONS	**199.9**	**217.1**
Capital increases	34.8	39.1
TOTAL SOURCES	**234.7**	**256.2**
USES OF FUNDING		
Net investments in fixed assets	(133.5)	(656.8)
Price paid for business combinations	(146.5)	--
Net financial position of acquired companies	8.3	--
Buy-back of own shares	(18.3)	(0.1)
Payment of dividends	(38.6)	(6.9)
Other changes in equity	(60.1)	26.0
TOTAL USES OF FUNDING	**(388.7)**	**(637.8)**
FINANCIAL SURPLUS (DEFICIT)	**(154.0)**	**(381.6)**
NET FINANCIAL DEBT - OPENING BALANCE	**(2,206.3)**	**(1,824.7)**
NET FINANCIAL DEBT - CLOSING BALANCE	**(2,360.3)**	**(2,206.3)**

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

During the year the consolidated net financial position increased from an opening balance of € 2,206.3 to € 2,360.3 at 31 December 2011. Cash flow generated by operations was characterised by a considerable increase in self-financing compared to the previous year as a result of the significant increase in amortisation and depreciation, in particular associated with the start-up of operations of the Lodi plant and to Sogefi's acquisition of Systèmes Moteurs.
The higher absorption of cash flow by net working capital and other non-current assets and liabilities is largely due to the Sorgenia Group recognition of the receivable for CO2 rights not collected in 2011 but due for reimbursement from 2013.
The sources of funding for the period were also affected by share capital increases with regard to the portion subscribed by minority interests, particularly in the KOS and Sorgenia groups.
Of the uses of funding, note the major investment by the Sogefi group in Systèmes Moteurs for a net value of € 138.2 million.
During the year Cofide S.p.A. and other group companies distributed dividends for € 38.6 million and group companies bought back own shares for € 18.3 million.

The uses of funding also include changes in net financial position due mainly to the fair value adjustment of cash flow hedges (€ 65 million) and adjustments to available-for-sale securities (€ 13.6 million).

At 31 December 2011 the group had 14,106 employees compared to 12,940 at 31 December 2010, the increase mainly associated with the acquisition of Systèmes Moteurs by the Sogefi group.

2. PERFORMANCE OF THE PARENT COMPANY

The parent company Cofide S.p.A. closed 2011 with net income of € 1.8 million, compared to the € 3.6 million loss of 2010, and equity of € 558.5 million at 31 December 2011 (€ 565.6 million at 31 December 2010).

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

(in millions of euro)		*2011*	*2010*
Net operating costs	*(1)*	(2.4)	(2.1)
Other operating costs and amortisation	*(2)*	(0.7)	(0.5)
Financial management result	*(3)*	4.9	(1.0)
Income (loss) before taxes		**1.8**	**(3.6)**
Income taxes		--	--
Net result		**1.8**	**(3.6)**

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 "amortisation, 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.*

The financial management result includes € 9.1 million dividends of the subsidiary Cir and write-down of the subsidiary Euvis, which again recorded a negative result in 2011 due to the persistent difficulties of its market of operations. Impairment testing, determined in accordance with a prudent business plan, led to a € 4.7 million write-down in this investment. The residual value at 31 December 2011 is therefore € 0.5 million.

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

(in millions of euro)		*31.12.2011*	*31.12.2010*
Fixed assets	*(1)*	575.6	580.4
Other net non-current assets and liabilities	*(2)*	11.1	(0.3)
Net working capital	*(3)*	0.7	17.4
Net invested capital		**587.4**	**597.5**
Net financial position	*(4)*	**(28.9)**	**(31.9)**
Equity		**558.5**	**565.6**

1) *This item is the sum of "intangible assets", "tangible assets", "investment property" and "equity investments in subsidiaries" in the statement of financial position of the Parent Company Cofide S.p.A..*
2) *This item is the algebraic sum of "securities" and "other receivables" under non-current assets and "other payables" and "personnel provisions" in the non-current liabilities of the statement of financial position of the Parent Company Cofide S.p.A..*
3) *This item is the algebraic sum of "other receivables" under current assets and "trade payables" and "other payables" in the current liabilities of the statement of financial position of the Parent Company Cofide S.p.A.. At 31 December 2010 this item included € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. classified under "securities".*
4) *This item is the algebraic sum of "securities" and "cash and cash equivalents" under current assets, of "other borrowings" under non-current liabilities, and of "bank overdrafts" and "other borrowings" under current liabilities in the statement of financial position of the Parent Company Cofide S.p.A.. At 31 December 2010 this item did not include the € 16.8 million relating to the investment in Banca Intermobiliare S.p.A. classified under item (3) Net working capital.*

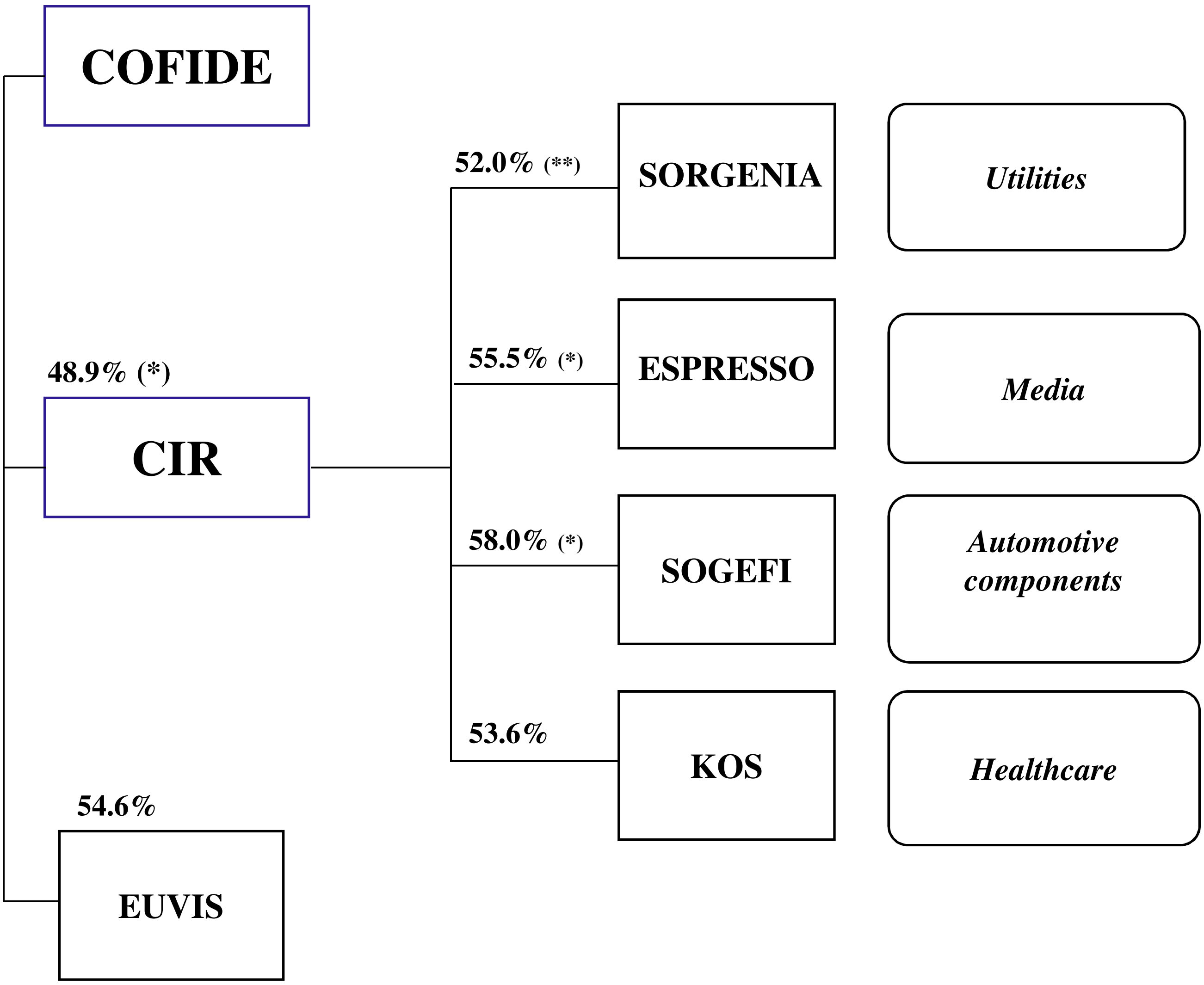
The change in equity from € 565.6 million at 31 December 2010 to € 558.5 million at 31 December 2011 is determined, on the up side, by the result for the year of € 1.8 million, and on the down side by the distribution of dividends for € 7.2 million and the negative adjustment to the fair value reserve for € 1.8 million mainly due to the realization of the investment in Banca Intermobiliare S.p.A..

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

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

(in thousands of euro)	*Equity 31.12.2011*	*Net result 2011*
Figures of the parent company Cofide S.p.A.	558,473	1,826
- Dividends from companies included in consolidation	(9,094)	(9,094)
- Net contribution of consolidated companies	253,967	3,762
- Difference between carrying values of investee companies and the portions of consolidated equity, net of their contributions	(82,437)	-
- Other consolidation adjustments	4,717	4,717
Consolidated figures - Group share	725,626	1,211

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



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

4. PERFORMANCE OF SUBSIDIARIES

EUVIS - Euvis operates on the lifetime mortgages market as service provider, creating and managing portfolios on behalf of JP Morgan, Cofide partner with 39% of the share capital.
Following a review of its European strategies, in July 2011 JP Morgan stated that it no longer intended to pursue business activities after March 2012. Together with the shareholders JP Morgan and Cofide, Euvis actively sought alternative solutions to identify a new strategic partner. At present, negotiations have not been conclusive and do not offer a forecast of a solution in the near future.
Therefore in order to draw up the statutory financial statement of Cofide S.p.A., in the lack of successful negotiations to date with the new partner, a prudential position was adopted in terms of valuation of the investment in order to perform the impairment test which has determined a significant write down of the assets value.

At 31 December 2011 Euvis was managing lifetime mortgages for a total of € 135 million, of which € 46 million granted during the year.

The company had 30 employees at 31 December 2011.

CIR GROUP - As already mentioned, in 2011 the Cir group reported consolidated net income of € 10.1 million, down from € 56.9 million in 2010.

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

(in millions of euro)	*2011*	*2010*
CONTRIBUTIONS TO THE NET RESULT		
Sorgenia Group	8.1	26.0
Espresso Group	32.5	27.5
Sogefi Group	14.4	10.8
KOS Group	4.8	2.3
Total main subsidiaries	**59.8**	**66.6**
Other subsidiaries	(17.4)	(3.3)
CIR and financial holding companies	**(24.7)**	**(0.1)**
Non-recurring items (*)	(7.6)	(6.3)
Net income of the Cir group	**10.1**	**56.9**

(*) During 2011, they refer to legal expenses for Lodo Mondadori

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

The result of CIR and the financial holding companies was negative for € 24.7 million compared to the relative break-even the previous year, which had benefited from significant capital gains on disposal of certain private equity funds. The result for the year was particularly affected by the performance of the financial markets, which led to a negative adjustment to fair value of around € 21.1 million in securities in portfolio.

Group equity fell from € 1,487 million at 31 December 2010 to € 1,438.1 million at 31 December 2011, a net decrease of € 48.9 million.

(in millions of euro)	*31.12.2011*	*31.12.2010*
CONTRIBUTIONS TO EQUITY		
Sorgenia Group	577.5	586.7
Espresso Group	312.7	296.4
Sogefi Group	113.7	113.3
KOS Group	111.2	100.3
Other subsidiaries	13.6	16.6
Total subsidiaries	**1,128.7**	**1,113.3**
CIR and financial holding companies	**309.4**	**373.7**
- invested capital	298.6	250.1
- net financial position	10.8	123.6
Equity of the Cir group	**1,438.1**	**1,487.0**

A more in-depth analysis of the performance of the Cir group operating segments is provided below.

ENERGY SECTOR

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

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

Consolidated revenues can be broken down as follows:

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

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

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

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

At 31 December 2011 the Group had 466 employees, compared to 415 at 31 December 2010.

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

MEDIA SECTOR

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

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

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

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

Despite this context, in 2011 the Espresso group recorded a positive performance in terms of both revenues and operating performance.
Circulation revenues were € 326.9 million (-2.2%) compared to € 334.2 million the previous year.
Based on industry figures, *La Repubblica* confirmed its leadership position among the dailies in terms of both news-stand sales (ADS at November 2011) and the number of daily readers (Audipress).
The circulation figures for local dailies tended to be weaker, reflecting the general market performance that for these newspapers led to a drop greater than that of the national dailies, also in relation to the central nature of economy-related topics in reading choices. Revenues in any event benefited from the price increase applied on 10 out of 18 of the group's local titles.

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

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

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

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

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

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

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

The Board of Directors of the parent company Gruppo Editoriale L'Espresso, which met on 29 February 2012, proposed distributing a dividend for 2011 of € 0.0629 per share (€ 0.074 last year).
Given the deterioration in the general situation and in macroeconomic prospects, the developments seen recently can be expected to persist and probably worsen, particularly with regard to funding from advertising.
The Espresso Group nevertheless faces 2012 challenges with a good profit margin and a significantly reduced net debt, as a result of the reorganisations, cost-cutting initiatives and product developments implemented over the last three years.
Despite the above, the highly critical situation in the economy and its considerable impact on Group business lead to a forecast 2012 result that is particularly positive, but somewhat lower than that of 2011.

AUTOMOTIVE COMPONENTS SECTOR

In 2011 the Sogefi Group recorded a double-figure increase in all its main economic indicators, despite a complex market scenario and the drop in demand towards the end of the year as a result of the slowing economy.
The strongest impact was recorded on the European market, with a 1.7% drop in new vehicle registrations over the year compared to 2010. The South American, Chinese and Indian markets, though continuing their positive trend, recorded growth rates lower than those of the previous three years. The North American market, on the other hand, saw a strong increase as all the leading manufacturers increased their production and sales levels.
In 2011 the Sogefi Group achieved revenues of € 1,158.4 million, up 25.3% on the € 924.7 million recorded in the previous year. This growth was the result of acquisition of Systèmes Moteurs S.A.S. business, consolidated from 1 August 2011, and to the increase in the Group's business workforce. On a like-for-like basis, in fact, revenues would have been € 1,021.2 million with a

10.4% growth. Pro-forma revenues, including Systèmes Moteurs business in the consolidation from 1 January 2011, amounted to € 1,335 million.

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

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

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

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

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

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

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

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

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

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

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

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

HEALTHCARE SECTOR

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

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

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

Consolidated EBITDA stood at € 52.2 million (including a non-recurring item of € 3 million associated with a property sale), up 24% compared to the € 42.1 million of 2010.

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

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

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

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

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

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

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

NON-CORE INVESTMENTS

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

VENTURE CAPITAL AND PRIVATE EQUITY

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

Through the subsidiary CIR International, the CIR Group manages a diversified portfolio of funds and minority investments in private equity, the fair value of which at 31 December 2011 - calculated on the reported NAV of the related funds - was approximately € 87.8 million. Remaining commitments outstanding at 31 December 2011 amounted to € 15.4 million.

OTHER INVESTMENTS

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

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

In 2011 Jupiter Finance, which acts as servicer in the recovery of problem receivables acquired from the securitisation vehicles Zeus and Urania, completed the reorganisation required to remedy critical points discovered by the Supervisory Authority. The result for the year in non-performing loans activities was negative for a total € 13.6 million, of which around € 12 million write-down of receivables. At 31 December 2011 the net value of the CIR group investment in these activities totalled approximately € 64.2 million. Servicing operations not covered by Jupiter France were sold to the Cerved group in November 2011.

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

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

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

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

6. BUSINESS OUTLOOK

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

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

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

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

Risks connected with fluctuations in exchange rates and interest rates
A significant part of 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 group companies.
In order to limit the risk resulting from interest rate fluctuations, the group uses interest rate derivatives to keep rates within a predetermined range.
Some companies of the group, particularly in the Sogefi group, do business in European countries not belonging to the euro area and in countries outside the European market, therefore operating in different currencies which expose them to the risk of fluctuations in foreign exchange rates against the euro. In line with its risk management policies, in order to limit this exchange rate risk the group applies risk hedging as appropriate.
Despite the hedging carried out by the group in the financial markets, sharp fluctuations in exchange rates or interest rates could have a negative impact on the economic and financial results of the group.

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

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

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

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

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

8. OTHER INFORMATION

Own shares

At 31 December 2011 the Parent Company has no own shares or shares in its controlling company, or through trust companies or third parties, nor has it bought or disposed of own shares or shares in the controlling company during the year, either directly or through a trust or third party.

Transactions with group companies and related parties

On 28 October 2010 the company adopted the Regulations on Related Party Transactions envisaged in Consob Resolution no. 17221 of 12 March 2010, as amended by Resolution no. 17389 of 23 June 2010. This procedure can be found in the "Corporate Governance" section on the web site: www.cofide.it.
The procedure aims to establish principles of conduct that the Company is required to adopt in order to guarantee the correct management of related party transaction and it therefore:
1. sets out the criteria and procedures for identifying the Company's related parties
2. dictates the principles for identifying related party transactions
3. regulates the procedures for carrying out related party transactions
4. establishes methods for compliance with the related disclosure obligations.

The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with membership of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

Note that in the year ending 31 December 2011

- relations with subsidiaries mainly refer to:
  - management support and communications services for € 1,110 thousand provided by Cofide S.p.A. to Cir S.p.A.;
  - financial, legal and administrative services for € 457 thousand provided by Cir S.p.A. to Cofide S.p.A.
- no own share transactions were executed during the year.
  As seen in the statement of financial position, no own shares were held at 31 December 2011.

In accordance with law, note that there were no transactions in the year ending 31 December 2011 with the parent company Carlo De Benedetti & Figli S.a.p.A., the company exercising management and coordination activities.

Specifically, the Cofide group did not enter into any related party transactions, according to CONSOB's definition, of an atypical or unusual nature beyond normal business administration or such as to have any significant impact on the economic, financial or equity position of the group.

For further details on related party transactions, please refer to Note 25 “Other information” in the notes to the consolidated financial statements.

Share-based incentive plans

The Cofide group has put in place various share-based incentive plans for the group company management teams, represented by the shares of the Cir group and its major subsidiaries. Reference should be made to the Notes to the Financial Statements for further information on these plans.

Report on Corporate Governance

The Cofide group‘s corporate governance model is based on the guidelines contained in the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana and published in March 2006 with the additions and adjustments made necessary by the nature of the group.
In compliance with regulatory requirements, every year an “Annual Report on Corporate Governance” is prepared, which contains a general description of the corporate governance system adopted by the Group and gives information on the ownership structure and on compliance with the Code of Conduct, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial disclosure process.

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

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

In relation to Italian Legislative Decree 231/01, issued with the aim of bringing regulations on the subject of the administrative liability of entities into line with international agreements signed by Italy, on 7 March 2003 the Board of Directors of the company approved the adoption of a Code of Ethics of the Cofide Group, published as an attachment to the “Annual Report on Corporate Governance”, which defines the values pursued by the Group in the achievement of its objectives and establishes binding principles of conduct for its Directors, employees and Group stakeholders. Moreover, on 29 October 2004, the Board of Directors of the company approved the “Organization Model – the Organizational and Management Model as defined by Legislative Decree 231/01”, in line with the instructions laid down in the decree which aims to ensure correctness and transparency in the conduct of business and corporate activities.
The Organization and Management Model as per Legislative Decree 231/01 is continually updated by the Board of Directors to take into account the broadening of the scope of the rules on the subject.
In relation to the obligations set out in Art. 2.6.2, paragraph 15 of the Rules of Borsa Italiana, taking into account the provisions of Articles 36 and 37 of Consob Resolution 16191, it is hereby confirmed that there are no conditions that could prevent the listing of Cofide shares on the MTA market organised and managed by Borsa Italiana S.p.A. since the non-EU foreign subsidiaries,

which have particular significance for Cofide, publish their own articles of association and the composition and powers of their administrative bodies according to the legislation applicable to them or voluntarily, provide the Company's auditors with the information necessary to carry out the audit activity on the annual and interim accounts of Cofide, and they have an administrative and accounting system suitable for providing Company Management and its auditors with the economic, patrimonial and financial figures necessary for preparation of the consolidated financial statements. Furthermore, in relation to the fact that the company is subject to management and coordination by its controlling company Carlo De Benedetti & Figli S.a.p.A., the company has fulfilled all the disclosure obligations and the others obligations required by Article 2497-*bis* of the Italian Civil Code, has the power to negotiate independent relations with customers and suppliers, has no centralised treasury function in common with 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 judgement has a significant weight in the decision-making process of the Board.

Preparation of the "Security Policy Document (DPS)"
With regard to compliance for personal data processing with Legislative Decree 196/03 - Personal Data Protection Code - Legislative Decree no. 5 of 9 February 2012, known as the "Simplification Decree", has repealed the compulsory preparation of a Security Policy Document. All other current obligations remain valid.
The fact that this document is no longer required does not, however, reduce the level of monitoring of compliance with the aforementioned regulations.
Compliance of corporate processing with the Personal Data Protection Code is verified through the risk analysis document, produced annually, and a separate processing mapping document, updated if there should be any changes.

Research and development

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

pact and to be running cost free, as they are able to use self-produced energy and adjust temperatures to their daily needs, also by means of remote devices. SMART Houses are also able to produce energy not only for home consumption, but also for upload to the power grid.

Regarding the automotive components sector, research and development costs for the year totalled € 26.1 million (€ 20.2 million the previous year), for the industrialisation of components for new vehicle manufacturing platforms and the fine-tuning of innovative products, which include: shock absorbers in a composite material, the new aluminium foam cooling system for filters and the innovative particulate filter for diesel engines.

Other

Cofide S.p.A. has its registered office at Via Ciovassino 1, 20121 Milan (MI), Italy.
Cofide shares, listed on the Milan Stock Exchange since 1985, since 2004 have been traded in the Ordinary Segment – MTA (Reuters code: COFI.MI, Bloomberg code: CDF IM).

This report for the period 1 January – 31 December 2011 was approved by the Board of Directors on 12 March 2012.

PROPOSAL FOR ALLOCATION OF NET INCOME FOR THE YEAR 2011

Dear Shareholders,

The separate financial statements at 31 December 2011, submitted for your approval, closed with net income of € 1,825,807.59 for which we propose allocation as follows:

- € 91,290.38 to the legal reserve;
- € 1,734,517.21 to "*Retained earnings*", which as a result will increase to € 38,105,592.34.

We also propose the payment of a dividend of € 7,192,099.18, in the ratio of € 0.01 for each of the 719,209,918 shares constituting the share capital, to be drawn from "*Retained earnings*", with the specification that, pursuant to Art. 1, Ministerial Decree of 2 April 2008, this is considered fully formed from earnings produced up to the year ending 31 December 2007.

Board of Directors

Milan, 12 March 2012

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOW

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	Notes		31.12.2011		31.12.2010
NON-CURRENT ASSETS			**4,949,822**		**4,830,585**
INTANGIBLE ASSETS	(7.a)		1,529,476		1,426,917
TANGIBLE ASSETS	(7.b)		2,400,219		2,554,399
INVESTMENT PROPERTY	(7.c)		24,403		24,742
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d)		386,253		319,469
OTHER EQUITY INVESTMENTS	(7.e)		22,903		5,041
OTHER RECEIVABLES	(7.f)		247,208		179,259
of which with related parties (*)	(7.f)	*29,481*		*277*	
SECURITIES	(7.g)		118,807		100,772
DEFERRED TAXES	(7.h)		220,553		219,986
CURRENT ASSETS			**2,945,584**		**2,538,184**
INVENTORIES	(8.a)		184,530		151,283
CONTRACT WORK IN PROGRESS			35,330		10,421
TRADE RECEIVABLES	(8.b)		1,215,226		1,137,448
of which with related parties (*)	(8.b)	*9,352*		*7,992*	
OTHER RECEIVABLES	(8.c)		251,725		215,160
of which with related parties (*)	(8.c)	*2,603*		*1,374*	
FINANCIAL RECEIVABLES	(8.d)		11,956		20,976
SECURITIES	(8.e)		613,877		229,259
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f)		126,699		161,315
CASH AND CASH EQUIVALENTS	(8.g)		506,241		612,322
ASSETS HELD FOR DISPOSAL	(8.i)		1,924		722
TOTAL ASSETS			**7,897,330**		**7,369,491**

LIABILITIES AND EQUITY			31.12.2011		31.12.2010
EQUITY			**2,503,496**		**2,550,939**
SHARE CAPITAL	(9.a)		359,605		359,605
RESERVES	(9.b)		78,234		94,080
RETAINED EARNINGS (LOSSES)	(9.c)		286,576		270,902
NET INCOME FOR THE YEAR			1,211		22,866
GROUP EQUITY			**725,626**		**747,453**
MINORITY INTERESTS EQUITY			1,777,870		1,803,486
NON-CURRENT LIABILITIES			**3,129,903**		**3,119,009**
BOND LOANS	(10.a)		525,802		547,455
OTHER BORROWINGS	(10.b)		2,234,914		2,171,116
OTHER PAYABLES			1,890		2,055
DEFERRED TAXES	(7.h)		168,079		193,228
PERSONNEL PROVISIONS	(10.c)		124,529		124,958
PROVISIONS FOR RISKS AND LOSSES	(10.d)		74,689		80,197
CURRENT LIABILITIES			**2,263,634**		**1,699,543**
BANK OVERDRAFTS			142,491		173,676
BOND LOANS	(11.a)		4,243		157,978
OTHER BORROWINGS	(11.b)		711,600		163,118
of which from related parties (*)	(11.b)	*2*		*2*	
TRADE PAYABLES	(11.c)		979,873		863,950
of which to related parties (*)	(11.c)	*36,629*		*35,496*	
OTHER PAYABLES	(11.d)		340,040		258,470
of which to related parties (*)	(11.d)	*251*		*4,561*	
PROVISIONS FOR RISKS AND LOSSES	(10.d)		85,387		82,351
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR DISPOSAL	(8.i)		297		--
TOTAL LIABILITIES AND EQUITY			**7,897,330**		**7,369,491**

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

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	Notes		*2011*		*2010*
SALES REVENUES	(12)		4,522,722		4,650,761
of which from related parties (*)	(12)	*17,551*		*150,680*	
CHANGE IN INVENTORIES			(6,582)		2,886
COSTS FOR THE PURCHASE OF GOODS	(13.a)		(2,543,548)		(2,757,173)
of which from related parties (*)	(13.a)	*(227,860)*		*(282,385)*	
COSTS FOR SERVICES	(13.b)		(847,136)		(785,538)
of which from related parties (*)	(13.b)	*(1,550)*		*(6)*	
PERSONNEL COSTS	(13.c)		(722,935)		(684,344)
OTHER OPERATING INCOME	(13.d)		227,374		103,217
of which from related parties (*)	(13.d)	*1,117*		*1,176*	
OTHER OPERATING COSTS	(13.e)		(189,764)		(173,147)
of which to related parties (*)	(13.e)	*(295)*		*(3)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d.)		21,928		37,517
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(212,402)		(184,366)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)			**249,657**		**209,813**
FINANCIAL INCOME	(14.a)		63,960		58,439
of which with related parties (*)	(14.a)	*8,796*		*10,225*	
FINANCIAL EXPENSE	(14.b)		(181,296)		(167,509)
of which with related parties (*)	(14.b)	*(7,629)*		*(10,200)*	
DIVIDENDS			285		108
of which with related parties (*)		*11*		*16*	
GAINS FROM TRADING SECURITIES	(14.c)		15,980		42,673
LOSSES FROM TRADING SECURITIES	(14.d)		(5,502)		(5,744)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e)		(24,866)		(6,851)
INCOME (LOSS) BEFORE TAXES			**118,218**		**130,929**
INCOME TAXES	(15)		(59,661)		(13,247)
INCOME (LOSS) BEFORE TAXES FROM OPERATING ACTIVITY			**58,557**		**117,682**
INCOME (LOSS) FROM ASSETS HELD FOR DISPOSAL			--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS			**58,557**		**117,682**
- NET INCOME - MINORITY INTERESTS			(57,346)		(94,816)
- **NET INCOME OF THE GROUP**			**1,211**		**22,866**
BASIC EARNINGS PER SHARE (in euro)	(16)		0.0017		0.0318
DILUTED EARNINGS PER SHARE (in euro)	(16)		0.0017		0.0318

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

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2011	*2010*
Net Income for the Year		58,557	117,682
Other items of statement of comprehensive income			
Currency translation differences of foreign operations		50	11,630
Net change in fair value of available-for-sale financial assets		(16,839)	13,524
Net change in cash flow hedge reserve		(88,010)	15,540
Other items of statement of comprehensive income		(2,784)	2,865
Taxes on other items of statement of comprehensive income		24,669	(5,007)
Other items of statement of comprehensive income, net of tax effects		**(82,914)**	**38,552**
TOTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR		**(24,357)**	**156,234**
Total statement of comprehensive income attributable to:			
Shareholders of the parent company		(23,211)	37,229
Minority interests		(1,146)	119,005
BASIC EARNINGS PER SHARE (in euro)	(16)	(0.0323)	0.0518
DILUTED EARNINGS PER SHARE (in euro)	(16)	(0.0323)	0.0518

4. CONSOLIDATED STATEMENT OF CASH FLOW

(in thousands of euro)

	2011	2010
OPERATING ACTIVITY		
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS:	58,557	117,682
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	212,402	184,366
SHARE OF RESULT OF COMPANIES CONSOLIDATED AT EQUITY	(21,928)	(37,517)
ACTUARIAL CHANGE TO STOCK OPTION PLANS	11,518	9,684
CHANGE IN PERSONNEL PROVISIONS, PROV. FOR RISKS & CHARGES	(2,901)	(22,947)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	24,866	11,851
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	(94,735)	12,594
(INCREASE) DECREASE IN NET WORKING CAPITAL	33,291	(53,092)
CASH FLOW FROM OPERATING ACTIVITY	221,070	222,621
of which:		
- interest received (paid)	(103,580)	(101,407)
- income payments	(46,826)	(32,527)
INVESTMENT ACTIVITY		
PRICE PAID FOR BUSINESS COMBINATIONS	(146,501)	--
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	8,311	--
(PURCHASE) SALE OF SECURITIES	(387,945)	64,084
(PURCHASE) SALE OF FIXED ASSETS	(133,530)	(656,672)
CASH FLOW FROM INVESTMENT ACTIVITY	(659,665)	(592,588)
FUNDING ACTIVITY		
INFLOWS FROM CAPITAL INCREASES	34,844	39,116
OTHER CHANGES IN EQUITY	(60,061)	26,007
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS	445,912	231,201
BUY-BACK OF OWN SHARES	(18,349)	(91)
DIVIDENDS PAID OUT	(38,647)	(6,951)
CASH FLOW FROM FUNDING ACTIVITY	363,699	289,282
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	(74,896)	(80,685)
NET CASH & CASH EQUIVALENTS - AT START OF PERIOD	438,646	519,331
NET CASH & CASH EQUIVALENTS - AT END OF PERIOD	363,750	438,646

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)	*Attributable to shareholders of the parent company*					*Minority interests*	*Total*
	Share capital	*Reserves*	*Retained earnings (losses)*	*Net income (losses) for the year*	*Total*		
BALANCE AT 31 DECEMBER 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 changes in equity of 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 recognised to income statement	--	310	--	--	310	(62)	248
Effects of changes in equity of subsidiaries	--	462	--	--	462	2,403	2,865
Currency translation differences	--	2,928	--	--	2,928	8,702	11,630
Result 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 31 DECEMBER 2010	359,605	94,080	270,902	22,866	747,453	1,803,486	2,550,939
Capital increases	--	--	--	--	--	34,844	34,844
Dividends to Shareholders	--	--	(7,192)	--	(7,192)	(31,455)	(38,647)
Retained earnings	--	--	22,866	(22,866)	--	--	--
Effects of changes in equity of subsidiaries	--	8,576	--	--	8,576	(27,859)	(19,283)
Comprehensive result for the year							
Fair value measurement of hedging instruments	--	(16,033)	--	--	(16,033)	(49,027)	(65,060)
Fair value measurement of securities	--	(6,397)	--	--	(6,397)	(7,185)	(13,582)
Securities fair value reserve recognised to income statement	--	(1,908)	--	--	(1,908)	370	(1,538)
Effects of changes in equity of subsidiaries	--	(886)	--	--	(886)	(1,898)	(2,784)
Currency translation differences	--	802	--	--	802	(752)	50
Result for the year	--	--	--	1,211	1,211	57,346	58,557
Total comprehensive result for the year	--	*(24,422)*	--	*1,211*	*(23,211)*	*(1,146)*	*(24,357)*
BALANCE AT 31 DECEMBER 2011	359,605	78,234	286,576	1,211	725,626	1,777,870	2,503,496

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) published by the International Accounting Standards Board ("IASB") and ratified by the European Union, together with all the measures issued in implementation of Art. 9 of Italian Legislative Decree 38/2005, including all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

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

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

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

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

Consolidated statement of financial position

(in thousands of euro)	*31.12.2010*	*31.12.2010 reclassified*	*Total reclassification*
Current assets			
Other receivables (8.c)	181,140	215,160	34,020
Financial receivables (8.d.)	399,064	20,976	(378,088)
Total assets			(344,068)
Current liabilities			
Other payables (11.d)	236,203	258,470	22,267
Other borrowings (11.b.)	529,453	163,118	(366,335)
Total liabilities			(344,068)

Consolidated income statement

(in thousands of euro)	*2010*	*2010 reclassified*	*Total reclassification*
Sales revenues (12)	4,805,467	4,650,761	(154,706)
Costs for the purchase of goods (13.a.)	(2,911,320)	(2,757,173)	154,147
Other operating income (13.d.)	104,615	103,217	(1,398)
Other operating costs (13.e)	(175,104)	(173,147)	1,957

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

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

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

2. CONSOLIDATION PRINCIPLES

2.a. **Consolidation methods**

All companies over which the group exercises control according to the terms of IAS 27, SIC 12 and IFRIC 2 are considered subsidiaries. In particular, companies and investment funds are considered as subsidiaries when the group has the power to make decisions regarding financial and operating policy. Such power is presumed to exist when the group holds the majority of voting rights of a company, including potential voting rights exercisable without restrictions or in any case when it has working control over Shareholders’ Meetings despite not holding a majority of the voting rights.
Subsidiaries are fully consolidated as from the date on which the group takes control and are deconsolidated when such control ceases to exist.
Consolidation is carried out using the full line-by-line method. The main criteria adopted for the application of this method are:

- the carrying value of the equity investment is eliminated against the related portion of equity and the difference between acquisition cost and the equity of investee companies is recognised, where the conditions are met, to assets and liabilities included in the consolidation. Any remaining part is recognised to the income statement when negative or to “Goodwill” under assets when positive. Goodwill is impairment tested to determine its recoverable value;
- significant transactions between consolidated companies are eliminated as are payables, receivables and unrealised income resulting from transactions between group companies, net of any tax effect;
- minority interests’ share of equity and net income for the period are shown in special items of the consolidated statement of financial position and consolidated income statement.

Associates

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

Joint ventures:

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

2.b. **Translation of foreign companies’ financial statements into euro**

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

The main exchange rates used are the following:

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

2.c. **Consolidation Area**

The consolidated financial statements at 31 December 2011 and the group's consolidated financial statements for the previous year derive from the consolidation at those dates of the Parent Company Cofide and all directly and indirectly controlled, jointly controlled or associated companies, except companies being wound up. Assets and liabilities scheduled for disposal are reclassified to the relevant assets and liabilities items.
In particular, discontinued assets and liabilities refer to Sorgenia group property scheduled for disposal in 2012.

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

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

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

Utilities sector
The following companies are new entries to the consolidation area:

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

- RGS B.V.
- Parc Éolien de la Valle Du Don
- Parc Éolien De Blombay L'Echelle S.a.s.

The following companies are no longer in the consolidation area:

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

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

Automotive components sector
The following changes occurred in the consolidation area during the year:
- the subsidiary Allevard Rejna Autosospensions S.A. increased its interest in the subsidiary S.ARA Composite S.a.s. from 81.82% to 86.67% (percentages referring to the capital subscription actually paid in), through capital increases totalling € 2,000 thousand;
- in July 2011 the subsidiary Sogefi Rejna S.p.A. established Sogefi Allevard S.r.L. (Romania). This company, not yet operative at the end of 2011, will operate in the suspension components sector;
- in July 2011 the parent company Sogefi S.p.A. acquired 100% of the capital of the French company Systèmes Moteurs S.A.S., which directly or indirectly holds the following investments:
  - Mark IV Air Intake Systems Corp. (Canada), 100% owned by Systèmes Moteurs S.A.S.;
  - Mark IV Air Intake India Pvt. Ltd. (India), 99.52% owned by Systèmes Moteurs S.A.S and 0.48% owned by Systèmes Moteurs China, S.a.r.l. (Luxembourg);
  - Systèmes Moteurs China, S.a.r.l. (Luxembourg), 100% owned by Systèmes Moteurs S.A.S.;
  - Systèmes Moteurs S.r.l. (Romania), 99% owned by Systèmes Moteurs S.A.S.;
  - Mark IV Systèmes Moteurs U.S.A. Inc. (U.S.A.), 100% owned by Systèmes Moteurs S.A.S;
  - Mark IV Hong Kong Limited (Hong Kong), 100% owned by Systèmes Moteurs China, S.a.r.l. (Luxembourg);
  - Mark IV Asset (Shanghai) Auto Parts Co., Ltd. (China), 50% owned by Mark IV Hong Kong Limited (Hong Kong);
  - Mark IV AIS Mexico, S de R.L. de C.V. (Mexico), 99.97% owned by Mark IV Air Intake Systems Corp. (Canada) and 0.03% owned by Systèmes Moteurs S.A.S. (France);
  - Mark IV (Shanghai) Trading Co. Ltd. (China), 100% owned by Mark IV Hong Kong Limited (Hong Kong).

The newly acquired companies were included in the consolidation area from the time of acquisition/setup using the line-by-line method.
The effects of these changes to the consolidation area, where significant, are commented in the notes to the individual financial statements items.
For further details regarding acquisition of the Systèmes Moteurs Group, please see paragraph 24 "Corporate Acquisitions".

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

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

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

- in the care home (RSA) sector

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

- in the Hospital Management sector

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

Other companies
In the second half of 2011, Jupiter Asset Management S.r.l., Jupiter Justitia S.r.l. and Resolution S.r.l. were sold.

3. ACCOUNTING STANDARDS APPLIED

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

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

Intangible assets are initially recognised at purchase or production cost. Purchase cost is represented by the fair value of the means of payment used to purchase the asset and any additional direct cost incurred to prepare the asset for use. The purchase cost is the equivalent price in cash as at the date of recognition and, where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognised as interest for the whole period of deferment.
Amortisation is calculated on a straight-line basis throughout the expected useful life of the asset and starts when the asset is ready for use.
Intangible assets with an indefinite useful life are not amortised but are constantly monitored for any impairment. It is mainly the newspaper, magazine titles and frequencies of the Espresso group that are considered intangible assets with an indefinite useful life.
The carrying value of intangible assets is maintained to the extent that there is evidence that this value can be recovered through use; to this end at least once a year an impairment test is carried out to check that the intangible asset is able to generate future cash flows.
Development costs are recognised as intangible assets when their cost can be measured reliably, when there is a reasonable assumption that the asset can be made available for use or for sale and that it is able to generate future benefits. Once a year or any time it appears to be justified, capitalised costs are impairment tested.
Research costs are charged to the income statement as and when they are incurred.
Trademarks and licenses, which are initially recognised at cost, are subsequently accounted for net of amortisation and any impairment. The period of amortisation is defined as the lower of the contractual duration for use of the license and the useful life of the asset.
Software licenses, including associated costs, are recognised at cost and are recorded net of accumulated amortisation and any impairment.

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

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

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

The cost includes associated expenses and any direct and indirect costs incurred at the moment of acquisition and necessary to make the asset ready for use. Financial expenses relating to specific loans for long-term investments are capitalised until the date of operational start-up of the assets concerned.
When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where fixed assets are installed, the value recognised includes a discounted estimate of costs that will be incurred for their disposal.
Fixed assets are depreciated on a straight-line basis each year throughout the remaining useful life of the asset.
Land, assets under construction and advance payments are not depreciated.

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

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

3.c. **Public entity grants**

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

3.d. **Leases (IAS 17)**

Lease contracts for assets where the lessee substantially assumes all the risks and benefits of ownership are classified as finance leases. Where such finance leases exist, the asset is recognised at the lower of its fair value and the present value of the minimum lease payments stipulated in the relevant contracts. The total lease payments are allocated between the liability and financial expense so as to achieve a constant rate on the financial balance outstanding. The residual lease payments, net of financial expense, are classified as borrowings. The financial charge is recognised to the income statement over the term of the lease. Assets acquired under finance leases are

depreciated to an extent consistent with the nature of the asset. Lease contracts in which the lessor substantially retains the risks and benefits of ownership, on the other hand, are classified as operating leases and payments made under such leases are charged to the income statement on a straight-line basis over the term of the lease.
In the event of a sale and leaseback agreement, any difference between the price of sale and the carrying value of the asset is not recognised to the income statement unless the asset itself suffers an impairment loss.

3.e. **Investment property (IAS 40)**

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

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

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

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

3.g. **Other equity investments**

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

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

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

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

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

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

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

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

3.m. **Inventories (IAS 2)**

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

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

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

3.o. **Equity**

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

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

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

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

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

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

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

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

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

3.r. **Revenues and income (IAS 18)**

Revenues from the sale of goods are recognised at the moment when ownership and the risks of the goods are transferred, net of returns, discounts and rebates.
Service revenues are recognised at the time the service is provided, with reference to the progress status of the activity as of the reporting date.

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

3.s. **Employee benefits (IAS 19)**

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

Italian Finance Law no. 296/2006 made important changes to employee leaving indemnity (TFR) regulations, introducing the option for workers to transfer their indemnity maturing after 1 January 2007 to selected pension schemes. Therefore employee leaving indemnity accrued as at 31 December 2006 for employees who exercised the above option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial/financial components relating to future changes in salary. Given that this new method of calculation reduces the volatility of actuarial gains/losses the decision was made to abandon the corridor method and recognise all actuarial gains and losses to the Income Statement.
Accounting standard IFRS 2 “Share-based payments” issued in February 2005 with validity as from 1 January 2005 (revised version entering into force on 1 January 2010) requires that application should be retrospective in all cases where stock options were assigned after 7 November 2002 and for which as at the date of entry into force the vesting conditions of the plans had not yet matured.
In accordance with this principle the Cofide Group now measures and recognises the notional cost of stock options and stock grants to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with a balancing entry in the appropriate reserve of equity.

The cost of the option is determined at the assignment date of the plan applying special models and multiplying by the number of options exercisable over the reference period, this number being assessed with the aid of appropriate actuarial variables.
Similarly the cost resulting from the assignment of phantom stock options is determined in relation to the fair value of the options at the assignment date and is recognised to the income statement under personnel costs throughout the vesting period of the benefit; the balancing entry, unlike for stock options, is recorded under liabilities (other personnel provisions) and not in an equity reserve. Until this liability is extinguished its fair value is recalculated at each reporting date and on the date of actual disbursement and all fair value changes are recognised to the income statement.

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

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

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

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

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

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

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

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

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

3.w. **Earnings per share (IAS 33)**

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

3.x. **Business combinations and Goodwill**

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

The assets, potential identifiable liabilities of the acquiree which meet the conditions for recognition are recognised at their fair value as at the acquisition date. Any positive difference between the acquisition cost and the fair value of the share of net assets acquired and attributable to the Group is recognised as goodwill or, if negative, to the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-producing assets, the ability of which to generate income and cash flows is constantly monitored and impairment tested as appropriate.
The accounting treatment of the acquisition of any further investment in companies already controlled are considered transactions with shareholders and therefore any differences between acquisition costs and the carrying value of the minority interests acquired are recognised in Group equity. Likewise, sales of minority interests not involving loss of control do not generate gains/losses but rather changes in Group equity.

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

3.y. **Use of estimates**

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

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

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

Financial instruments at fair value through profit and loss

Instruments are classified as such if they satisfy one of the following conditions:

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

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

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

The initial designation of financial instruments, other than derivatives and those held for trading, as instruments at fair value through profit and loss in adoption of the fair value option is limited to instruments that meet the following conditions:

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

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

Investments held to maturity

This category includes non-derivative instruments with fixed payments or payments that can be determined and that have a fixed maturity, and which it is intended and possible to hold until maturity.

These instruments are measured at amortised cost and constitute an exception to the general principle of measurement at fair value.

Amortised cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts or premiums received or paid at the time of purchase, and recognising them throughout the entire life of the instrument until its maturity.

Amortised cost represents the initial recognition value of a financial instrument, net of any capital repayments and any impairment, plus or minus cumulative differences between its initial value and its value at maturity calculated using the effective interest rate method.

The effective interest rate method is a calculation criterion used to assign financial expense to their related payment period.

The effective interest rate is the rate that gives a correct present value to expected future cash flows until maturity, so as to obtain the net present carrying value of the financial instrument.

If even one instrument in this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the tainting rule is applicable and requires that the entire portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, after which this category cannot be used for the next two years.

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

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

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

5. ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The criteria for making estimates and measurements are reviewed on a regular basis and are based on historical experience and on other factors such as expectations of possible future events that are reasonably likely to take place.
If the initial application of a standard affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for adoption of the new standard, and the amount of any adjustments made for years prior to the reporting period.
If a voluntary change of a standard affects the current or previous year this effect is shown by indicating the nature of the change, the reasons for adoption of the new standard, and the amount of any adjustments made for years prior to the reporting period.
In the event of a new standard/interpretation issued but not yet in force, an indication is given of the fact, of its potential impact, the name of the standard/interpretation, the date on which it will enter into force and the date of its first-time application.

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

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

6. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

<u>Accounting standards, Interpretations and Amendments applied in 2011</u>

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

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

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

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

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

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

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

- IFRS 9 – On 12 November 2009 the IASB issued the standard IFRS 9 – *Financial Instruments*. This standard was later amended. Applicable retrospectively from 1 January 2015, this standard is the first step in a process that aims to fully replace IAS 39 and introduce new criteria for classifying and measuring financial assets and liabilities and for the derecognition of financial assets from the statement of financial position.
  More specifically, the new standard uses a single approach based on how financial instruments are managed and on the characteristics of the contractual cash flows of financial assets to determine how they should be measured, replacing the many different rules in IAS 39. However for financial liabilities, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through profit and loss, when such changes are due to a change in the credit rating of the liability in question. According to the new standard, such changes must be recognised to "Other comprehensive gains and losses" and will no longer affect the income statement;
- IFRS 7 – *Financial Instruments: Disclosures* - the amendment published on 7 October 2010 applies to accounting periods beginning on or after 1 July 2011. The amendments were issued with the intent of improving the understanding of transfers of financial assets, including the understanding of possible effects of any residual risk for the company transferring such assets. The amendments also require further disclosure if a disproportionate amount of such transactions are executed at the end of an accounting period. The adoption of this amendment will have no effect on the measurement of financial statement items.
- IFRS 7 – *Financial Instruments: Disclosures*. This amendment calls for disclosures on the effects or potential effects of netting arrangements for financial assets and liabilities on the financial position. The amendments apply to accounting periods beginning on or after 1 January 2013 and interim periods thereafter. The disclosures must be provided retrospectively;
- IAS 12 – *Income taxes* – the amendment issued on 20 December 2010 requires entities to measure deferred taxes resulting from an operating asset according to the way in which the carrying value of the asset will be recovered (through continuing use or through a sale). As a result of this amendment SIC-21 – *Income taxes – Recoverability of a non-depreciable asset at revaluation* will no longer apply. The amendment will apply retrospectively from 1 January 2012;
- IFRS 10 - *Consolidated Financial Statements*. This new standard replaces SIC 12 *Consolidation - Special Purpose Entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements*, which will be renamed *Separate Financial Statements* and govern the accounting treatment of investments in the separate financial statements. The new standard is based on existing standards, identifying the concept of control as the determining factor for consolidation of a company in the consolidated financial statements of the parent company. It also provides guidance on determining the existence of control where this is difficult to ascertain. Application of the standard will be retrospective from 1 January 2013;
- IFRS 11 – *Joint arrangements*, due to replace IAS 31 – *Interests in joint ventures* and SIC-13 – *Jointly controlled entities – Non-monetary contributions by venturers*. The new standard provides criteria to identify joint arrangements based on rights and obligations deriving from agreements rather than their legal format, and establishes that the only accounting method for jointly controlled ventures in the consolidated financial statements is the equity method. Ap-

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

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

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

7. **NON-CURRENT ASSETS**

7.a. INTANGIBLE ASSETS

2010	*Opening position*			*Changes in the period*							*Closing position*		
(in thousands of euro)	*Original cost*	*Amortisation/depreciation and write-downs*	*Balance 31.12.2009*	*Acquisitions*	*Business combinations/ disposals increases*	*Business combinations/ disposals decreases*	*Exch. rate differences*	*Other changes*	*Net disinvestments cost*	*Amortisation, depreciation and write-downs*	*Original cost*	*Amortisation/depreciation and write-downs*	*Balance 31.12.2010*
Start-up and expansion costs	72	(72)	--		2	--	--		--	(1)	74	(73)	1
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	67,667	(42,468)	25,199	7,334	--	--	802	2,892	(36)	(8,567)	78,773	(51,149)	27,624
Industrial patents and intellectual property rights	11,608	(9,640)	1,968	67	--		2	(39)	--	(447)	9,406	(7,855)	1,551
Concessions, licenses, trademarks and similar rights	86,761	(59,854)	26,907	10,396	453	(22)	2	4,678	(12)	(13,567)	104,562	(75,727)	28,835
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	218,901	--	218,901	--	--	--	--	--	--	--	218,901	--	218,901
Goodwill	1,048,228	(393,097)	655,131	5,272	42,632	--	--	--	--	--	1,096,132	(393,097)	703,035
Assets in progress and advance payments													
- purchased	20,598	(5,312)	15,286	22,228	203	--	16	(4,947)	(3,972)	(9,479)	34,126	(14,791)	19,335
- produced internally	3,321	(7)	3,314	2,682	--	--	114	(2,508)	--	--	3,610	(8)	3,602
Others	13,820	(8,449)	5,371	15,777	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

2011	*Opening position*			*Changes in the period*							*Closing position*		
(in thousands of euro)	*Original cost*	*Amortisation/depreciation and write-downs*	*Balance 31.12.2010*	*Acquisitions*	*Business combinations/ disposals increases*	*Business combinations/ disposals decreases*	*Exch. rate differences*	*Other changes*	*Net disinvestments cost*	*Amortisation, depreciation and write-downs*	*Original cost*	*Amortisation/depreciation and write-downs*	*Balance 31.12.2011*
Start-up and expansion costs	74	(73)	1	107	--	(77)	--		--	(25)	69	(63)	6
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	78,773	(51,149)	27,624	13,246	15,854	--	(106)	1,075	--	(10,095)	105,233	(57,635)	47,598
Industrial patents and intellectual property rights	9,406	(7,855)	1,551	281	1,296	--	--	1,086	--	(1,003)	12,034	(8,823)	3,211
Concessions, licenses, trademarks and similar rights	104,562	(75,727)	28,835	13,927	392	(2,415)	1	949	(28)	(16,825)	111,372	(86,536)	24,836
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	218,901	--	218,901	3,127	--	--	--	--	(17)	--	222,011	--	222,011
Goodwill	1,096,132	(393,097)	703,035	9,604	58,536	(22,408)	--	(942)	--	--	1,140,922	(393,097)	747,825
Assets in progress and advance payments													
- purchased	34,126	(14,791)	19,335	49,140	--	(40)	(38)	(6,802)	(464)	(10,413)	75,922	(25,204)	50,718
- produced internally	3,610	(8)	3,602	2,888	54	--	(128)	(976)	--	(5)	5,471	(36)	5,435
Others	32,572	(8,784)	23,788	13,499		(3,438)	72	(4,329)	(33)	(1,968)	37,326	(9,735)	27,591
Total	1,978,401	(551,484)	1,426,917	105,819	76,132	(28,378)	(199)	(9,939)	(542)	(40,334)	2,110,605	(581,129)	1,529,476

AMORTISATION RATES

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

Intangible assets increased from € 1,426,917 at 31 December 2010 to € 1,529,476 thousand at 31 December 2011.

GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

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

Titles and trademarks:

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

Frequencies:

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

Goodwill:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Utilities sector (Sorgenia Group)	254,159	267,262
Media sector (L'Espresso Group)	140,337	140,038
Healthcare sector (KOS Group)	166,914	164,239
Automotive sector (Sogefi Group)	150,996	96,077
Other (from consolidation of the subsidiary Cir)	35,419	35,419
Total	747,825	703,035

In detail, goodwill was allocated to the cash generating units ("CGUs") identified according to the operating segments of the group. The chart above shows the allocation of goodwill by operating segment of the group.
With regard to goodwill from consolidation of the subsidiary Cir, note that this was allocated to equity investments in companies and in particular investments in the utilities sector.
For the purpose of impairment testing of goodwill and other intangible assets with an indefinite useful life, the estimated recoverable value of each cash generating unit, defined in accordance with the terms of IAS 36, was based on value in use, i.e. fair value less costs to sell.

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

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

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

- financial structure of the sector;
- Beta unlevered for the sector;
- risk free rate (average for the last solar year of the government basis of the referring country);
- risk premium: 5.5%.

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

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

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

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

Below is a description of the tests carried out.

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

sition costs compared to the Group's share of the related assets and liabilities, measured at fair value.

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

- for the national (La Repubblica) and local newspapers (Il Piccolo/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 (2012-2016) and determining terminal value.
  The discount rate used was the average cost of invested capital (pre-tax WACC) of the Espresso Group which was 11.49% (10% in 2010).

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

To determine economic results and operating cash flows of the individual CGUs of the group, reference was made to the business plans for the period 2012-2016 prepared by management on the basis of reasonable hypotheses in line with past evidence, in the absence of a multi-year plan formally approved by the Board of Directors. These plans represent the best estimate of the economic conditions likely to exist in the period under consideration. The first year of the plans corresponds to the budget prepared for 2012, approved by the Board of Directors on 25 January 2012.
As already indicated 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.
With particular regard to advertising revenues, trend analysis over the last decade shows a high correlation between advertising investments and GDP. In the second half of 2011, as the crisis calmed down, the economic indicators recorded a rapid deterioration and consequently there was a significant drop in advertising investments. Based on this trend and given the parallel nature with the events of the last few months of 2008, it is forecast that 2012 will see a decline in the advertising market similar to that recorded during the last crisis in 2009, of -12%. For the individual media the developments forecast are in line with that of the last three years, resulting in a drop in the dailies segment of 15%, for radio and TV a drop in line with that of the global market and essential stability for Internet. In this general context, an advertising funding performance for the Group in 2012 is

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

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

In particular, goodwill specific to the Filters Division totals approximately € 77 million, while that of the Car Suspension Components Division is around € 17 million, and the provisional goodwill of the Engine Systems Division - air filters and cooling is € 54.9 million.
A test was carried out to check for any impairment of goodwill by comparing the carrying value of the individual CGUs with their respective value in use.
The Unlevered Discounted Cash Flow method was used, based on projections made in the budgets/multi-year business plans for the period 2012-2015, approved by management and on a discount rate of 8.8% (8.3% in 2009) based on the after-tax WACC.
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 (2015), adjusted to project a stable situation into perpetuity, using the following main assumptions:
- an overall balance between investments and amortisation (considering a level of investment necessary to “maintain” the business);
- a zero change in working capital (assuming the improvements obtainable from the program of reducing working capital in which the group is engaged as substantially finished in the medium term).

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

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

Energy sector
The goodwill allocated to the utilities sector amounts to € 289.6 million, of which € 153.1 million refers to the “Renewables” CGU, approximately € 94.7 million refers to the Thermal CGU, € 6.4 million refers to E&P CGU while € 35.4 million comes from the consolidation of the subsidiary CIR and allocated to the *energy sector*. This goodwill represents the higher value of acquisition costs compared to the Group’s share of the assets and liabilities acquired, measured at fair value.
The measurement of goodwill allocated to the acquisitions made by the Sorgenia group, for the purpose of the impairment test, is based on the cash flows of the cash generating units. These flows were discounted to present value using the current weighted average cost of capital after tax (after-tax WACC) as the discount rate and analysing in detail existing plants and projecting a time horizon for building new plants based on the state of advancement of the works on projects in progress and, more in general, on the time needed to complete the authorization processes.
The main assumptions used to calculate value in use are the discount rate, the expected useful life of the plants, expectations regarding the performance of investments, revenues and operating costs

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

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

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

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

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

same subgroup (Redancia or IRSS). The recently acquired Sanatrix group constitutes a single first level CGU; although Sanatrix's business relates to several business sectors (the elderly, rehabilitation and acute), because of the way in which operations are controlled, it is classified by management as belonging to the "Rehabilitation " sector and thus follows the second and third level of grouping in the test on "IRSS";
- in the "acute medicine" sector, the only CGU identified is the company Ospedale di Suzzara;
- in the sector "hi-tech services" (brand: Medipass) a first level grouping consists of the individual contracts outstanding (9) and of the Giordani group (also recently acquired) which consists of a single CGU despite being formed of three legal entities; the second level of grouping includes all the contracts outstanding of Medipass and the Giordano group; the third level of grouping includes the whole operating segment.

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

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

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

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

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

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

However, considering that the recoverable value is determined on the basis of estimates, the Group cannot guarantee that goodwill will not be impaired in future periods. Given the continuing critical scenario in the market, the various factors used to make the estimates could be subject to review.

Moreover, in line with the analyses carried out by the KOS sub-holding, the Group also set up sensitivity analyses considering changes in the basic assumptions of the impairment test and particularly in the variables which have most impact on recoverable value (discount rate, growth rate, terminal value).
This analysis, conducted on the test levels shown above (regions and operating segments and thus at *Healthcare* CGU level) did not reveal any problematic situations or instances where the carrying value was significantly higher than the recoverable value, even using a growth rate of zero and a considerably higher WACC than that used in the test.

7.b. TANGIBLE ASSETS

2010	Opening position			Changes in the period								Closing position		
	Original cost	Amortisation/depreciation and write-downs	Balance 31.12.2009	Acquisitions	Business combinations/ disposals		Capitalised financial charges	Exch. rate differences	Other changes	Net disinvestments	Amortisation, depreciation and write-downs	Original cost	Amortisation/depreciation and write-downs	Balance 31.12.2010
(in thousands of euro)					increases	decreases				cost				
Land	56,898	--	56,898	1,062	7,642	(770)	--	215	7,314	(115)	--	72,246	--	72,246
Operating properties	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 in progress and advance payments	516,985	(5,012)	511,973	201,581	--	(10)	(1,096)	1,266	(344,393)	--	(3,498)	374,333	(8,510)	365,823
Total	3,380,086	(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

2011	Opening position			Changes in the period								Closing position		
	Original cost	Amortisation/depreciation and write-downs	Balance 31.12.2010	Acquisitions	Business combinations/ disposals		Capitalised financial charges	Exch. rate differences	Other changes	Net disinvestments	Amortisation, depreciation and write-downs	Original cost	Amortisation/depreciation and write-downs	Balance 31.12.2011
(in thousands of euro)					increases	decreases				cost				
Land	72,246	--	72,246	4,065	1,303	(3,086)	--	(216)	3,440	(4,530)	(320)	73,222	(320)	72,902
Operating properties	453,030	(134,816)	318,214	5,883	14,433	(2,288)	--	(307)	10,850	(36,328)	(15,685)	432,859	(138,087)	294,772
Plant and machinery	2,517,064	(816,156)	1,700,908	48,832	23,852	(94)		(896)	50,488	(234,304)	(129,537)	2,312,200	(852,951)	1,459,249
Industrial and commercial equipment	134,317	(102,258)	32,059	6,186	1,291	(2,201)	--	(51)	374	(64)	(8,465)	137,081	(107,952)	29,129
Other assets	251,096	(185,947)	65,149	19,642	959	(208)	--	(76)	2,528	(5,384)	(16,226)	253,670	(187,286)	66,384
Assets in progress and advance payments	374,333	(8,510)	365,823	210,870	1,913		8,233	(480)	(74,796)	(32,734)	(1,046)	479,523	(1,740)	477,783
Total	3,802,086	(1,247,687)	2,554,399	295,478	43,751	(7,877)	8,233	(2,026)	(7,116)	(313,344)	(171,279)	3,688,555	(1,288,336)	2,400,219

AMORTISATION RATES

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

7.c. INVESTMENT PROPERTY

2010	Opening position			Changes in the period								Closing position		
	Original cost	Amortisation/depreciation and write-downs	Net balance 31.12.2009	Acquisitions	Business combinations/ disposals		Capitalised financial charges	Exch. rate differences	Other changes	Net disinvestments	Amortisation, depreciation and write-downs	Original cost	Amortisation/depreciation and write-downs	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

2011	Opening position			Changes in the period								Closing position		
	Original cost	Amortisation/depreciation and write-downs	Net balance 31.12.2010	Acquisitions	Business combinations/ disposals		Capitalised financial charges	Exch. rate differences	Other changes	Net disinvestments	Amortisation, depreciation and write-downs	Original cost	Amortisation/depreciation and write-downs	Balance 31.12.2011
(in thousands of euro)					increases	decreases				cost				
Properties	29,065	(4,323)	24,742	551	--	--	--	--	1	(102)	(789)	29,515	(5,112)	24,403
Total	29,065	(4,323)	24,742	551	--	--	--	--	1	(102)	(789)	29,515	(5,112)	24,403

Investment property fell from € 24,742 thousand at 31 December 2010 to € 24,403 thousand at 31 December 2011.
The market value is significantly higher than the carrying values.

AMORTISATION RATES

Description	*%*
Building	3.00%

LEASING

The position in leased assets and guarantee and commitment restrictions on all tangible assets as at 31 December 2011 and 2010 is as follows:

(in thousands of euro)	*Gross leasing*		*Accumulated depreciation*		*Guarantee and commitment restrictions*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*
Land	1,487	1,287	--	--	5,718	3,139
Building	43,592	60,280	7,599	9,599	211,974	122,156
Plant and machinery	105,500	19,933	13,450	2,362	1,240,050	541,397
Other assets	10,445	2,564	2,170	2,094	9,420	1,656
Assets in progress and advance payments	--	--	--	--	400,710	--

7.d. INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY

(in thousands of euro)

2010	*%*	*Balance 31.12.2009*	*Increases*	*Decreases*	*Dividends*	*Share of result Loss*	*Profit*	*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

(in thousands of euro)

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

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

7.e. OTHER EQUITY INVESTMENTS

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

The carrying values correspond to the cost, reduced where necessary due to impairment, and are considered to essentially match their fair value.

7.f. OTHER RECEIVABLES

Other receivables at 31 December 2011 totalled € 247,208 thousand, compared to € 179,259 thousand at 31 December 2010.
At 31 December 2011 this item includes € 93,008 thousand (€ 111,455 thousand at 31 December 2010) in unsecured and mortgage loans of the securitisation companies Zeus Finance S.r.l. and Urania Finance S.A., € 60,717 thousand (€ 20,211 thousand at 31 December 2010) in tax receivables relating to CO2 rights that should have been assigned to the Sorgenia group. As the national rights assignment plan for this year was insufficient, for new plants starting up in 2010 the rights relating to owned accounts could not be credited. However, in order not to create discriminatory treatment between the various market operators, regulatory measures were issued that recognised a credit to these operators equal to the value of CO2 rights not assigned. The item also includes € 8,743 thousand (€ 16,345 thousand at 31 December 2010) in guarantee deposits paid to wind energy plant suppliers and for deposits paid to the GSE and electricity and natural gas distributors. The item includes the loan granted during the year to CIR International S.A. in favour of the Swiss Education Group AG for € 14,035 thousand. Also included in the item is the receivable of € 24,245 thousand due to Sorgenia S.p.A. from Sorgenia France Production S.A..

7.g. SECURITIES

Securities at 31 December 2011 amounted to € 118,807 thousand against the € 100,772 thousand of 31 December 2010 and refer mainly to investments in private equity funds. These funds were measured at fair value with the Cofide share recognised net of tax effects of € 4,945 thousand (€ 7,524 thousand at 31 December 2010), as a balancing entry to the fair value reserve. At 31 December 2011 the residual commitment for investments in private equity funds was € 15.4 million.

7.h. DEFERRED TAXES

The tax amounts resulting from deductible temporary differences and retained losses are deemed recoverable.

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

(in thousands of euro)	*2011*		*2010*	
	Total temporary differences	*Tax effect*	*Total temporary differences*	*Tax effect*
Temporary differences - liabilities from:				
- write-down of current assets	166,936	53,847	152,193	48,907
- write-down of fixed assets	43,808	14,744	67,982	21,640
- revaluation of current liabilities	16,929	5,472	40,268	12,441
- revaluation of personnel provisions	47,694	14,549	39,327	11,926
revaluation of provisions for risks and losses	58,498	18,168	51,446	15,896
- revaluation of medium/long-term payables	33,892	8,267	40	13
- write-down of financial instruments	96,083	30,330	50,162	16,837
- previous years’ tax losses	351,998	75,176	299,511	92,326
Total deferred tax assets	**815,838**	**220,553**	**700,929**	**219,986**

Temporary differences - assets from:				
- revaluation of current assets	982	334	3,265	886
- revaluation of fixed assets	513,073	158,718	532,349	170,147
- write-down of current liabilities	1,070	328	16,571	5,163
- measurement of personnel provisions	22,614	5,984	22,454	6,321
- write-down of provisions for risks and losses	725	217	1,226	357
- revaluation of financial instruments	7,736	2,498	30,983	10,354
Total deferred tax liabilities	**546,200**	**168,079**	**606,848**	**193,228**
Net deferred taxes		**52,474**		**26,758**

Previous years’ losses not used in the deferred tax calculation refer to Cir International for around € 431 million that can be carried forward indefinitely, and to the Sogefi group for € 22.1 million. Note that deferred tax assets were not recognised on these losses as at present there are no grounds to consider their recoverability as certain.

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

2011 *(in thousands of euro)*		*Use of deferred taxes from prior periods*	*Deferred taxes arising during the year*	*Exch. Rate differences and other changes*	*Balance at 31.12.2010*
Deferred tax assets:					
- income statement	213,668	(29,861)	35,851	(16,281)	203,377
- equity	6,318	(1,174)	23,152	(11,120)	17,176
Deferred tax liabilities:					
- income statement	(180,973)	9,012	(4,685)	22,046	(154,600)
- equity	(12,255)	(1,971)	(237)	984	(13,479)
Net deferred taxes	26,758				52,474

2010 *(in thousands of euro)*		*Use of deferred taxes from prior periods*	*Deferred taxes arising during the year*	*Exch. Rate differences and other changes*	*Balance at 31.12.2010*
Deferred tax assets:					
- income statement	186,276	(26,682)	54,582	(508)	213,668
- equity	4,927	(588)	508	1,471	6,318
Deferred tax liabilities:					
- income statement	(180,882)	5,704	(7,056)	1,261	(180,973)
- equity	(607)	298	(5,065)	(6,881)	(12,255)
Net deferred taxes	9,714				26,758

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

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8. <u>CURRENT ASSETS</u>

8.a. INVENTORIES

Inventories can be broken down as follows:

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

Inventories are recognised net of previous years' and current year write-downs which take into account the obsolescence of finished goods, goods for resale and consumables.
The increase is essentially due to the Systèmes Moteurs group becoming a member of the Sogefi group.

8.b. TRADE RECEIVABLES

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

"Receivables from customers" are interest-free and their average due date is at arm's length.

Trade receivables are measured net of write-downs that take into account credit risk. In 2011 provisions for write-downs were allocated for a total of € 21,516 thousand compared to € 45,129 thousand in 2010.
Receivables from subsidiaries and joint ventures represent intercompany receivables not eliminated as they refer to companies not consolidated line-by-line. The balance at 31 December 2011 mainly refers to receivables due from Tirreno Power S.p.A..

8.c. OTHER RECEIVABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Receivables - subsidiaries and joint ventures	2,565	1,374
Receivables - associates	38	--
Tax receivables	121,903	114,219
Receivables - others	127,219	99,567
Total	251,725	215,160

8.d. FINANCIAL RECEIVABLES

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

8.e. SECURITIES

This item contains the following classes of securities:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Italian government securities or similar	5,911	10,233
Investment funds and similar	193,143	33,364
Bonds	348,097	73,049
Certificates of Deposit and other securities	66,726	112,613
Total	613,877	229,259

The increase in this item is attributable to investment of the cash and cash equivalents resulting from the amount collected from Fininvest by Cir S.p.A. following the Milan Court of Appeal ruling pronounced in the Lodo Mondadori case.

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

8.f. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item amounts to € 126,699 thousand and includes € 79,030 thousand in hedge fund units and redeemable shares in investment companies held by Cir International S.A.. The investment liquidity is based on the funds' redemption timing, normally between one and three months.
The fair value measurement of these funds led to a value adjustment of € 7,291 thousand (€ 15,049 thousand at 31 December 2010). The effects on equity of Cofide's share of this measurement totalled € 3,568 thousand. The item includes € 47,465 thousand in bonds held by the Espresso group. The negative effect on equity of the change in Cofide's share of these securities, net of tax effects, amounted to a negative € 451 thousand.
"Available-for-sale financial assets" at 31 December 2010 included the investment in Banca Intermobiliare d'Investimento e Gestioni S.p.A. for € 16,835 thousand entirely sold during 2011.

8.g. CASH & CASH EQUIVALENTS

This item decreased from € 612,322 at 31 December 2010 to € 506,241 thousand at 31 December 2011.
The breakdown of any changes is indicated in the statement of cash flow.

8.h. ASSETS AND LIABILITIES HELD FOR DISPOSAL

This item refers to assets held for disposal, particularly € 1,180 thousand of Kos group assets and € 744 thousand of Sogefi group assets, and to liabilities associated with Kos group assets held for disposal for € 297 thousand.
The amounts relating to the Kos group refer to the business unit disposals regarding the Alessandria and Castelferro (AL) care homes.
With regard to the Sogefi group, the amount refers to the property of the UK subsidiary United Springs Ltd due for disposal in 2012.

9. **EQUITY**

9.a. SHARE CAPITAL

The share capital at 31 December 2011 totalled € 359,604,959, unchanged since 31 December 2010, and comprises 719,209,918 ordinary shares of a nominal € 0.50 each.

The share capital is fully subscribed and paid up.

9.b. RESERVES

The breakdown of the item "Reserves" is as follows:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Other reserves*	*Total reserves*
Balance at 31 December 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 recognised to income statement	--	--	310	--	--	310
Effects of changes in equity of subsidiaries	--	--	(47)	(4)	6,574	6,523
Currency translation differences	--	--	43	2,885	--	2,928
Balance at 31 December 2010	5,044	22,262	16,245	504	50,025	94,080
Retained earnings	--	--	--	--	--	--
Fair value measurement of hedging instruments	--	--	(16,033)	--	--	(16,033)
Fair value measurement of securities	--	--	(6,397)	--	--	(6,397)
Securities fair value reserve recognised to income statement	--	--	(1,908)	--	--	(1,908)
Effects of changes in equity of subsidiaries	--	--	150	28	7,512	7,690
Currency translation differences	--	--	105	697	--	802
Balance at 31 December 2011	5,044	22,262	(7,838)	1,229	57,537	78,234

The "fair value reserve" net of tax effects was negative for € 7,838 thousand and refers on the up side to the € 4,945 thousand measurement of "Securities" under item 7.g. and € 3,126 thousand to the measurement of "Available-for-sale financial assets" under item 8.f. and, on the down side, € 15,909 thousand to the measurement of hedges.

At 31 December 2011 the "Translation reserve" amounted to € 1,229 thousand and can be broken down as follows:

(in thousands of euro)

	31.12.2010	*Increases*	*Decreases*	*31.12.2011*
Sogefi Group	2,267	--	(1,211)	1,056
CIR Ventures	(1,145)	174	--	(971)
CIR International	(662)	1,261	--	599
Sorgenia	(1)	501	--	500
Other	45	--	--	45
Total	504	1,936	(1,211)	1,229

"Other reserves" at 31 December 2011 can be broken down as follows:

(in thousands of euro)

Merger surplus	43
Reserve for the difference between carrying values of investees and the related portions of consolidated equity	57,494
Total	57,537

9.c. RETAINED EARNINGS (LOSSES)

The changes in retained earnings (losses) can be found in the "Statement of changes in equity".

10. **NON-CURRENT LIABILITIES**

10.a. BOND LOANS

The breakdown of "Bond loans" after intercompany netting is as follows:

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

In application of IAS 32 and IAS 39, at 1 January 2005 the original values of the bond loans were reduced to take into account costs incurred and issuance markdowns.
At 31 December 2011 CIR International held a nominal € 30,000 thousand (unchanged since 31 December 2010) of the CIR 5.75% 2004/2024 bond loan.

10.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Collateralised bank loans	117,414	138,154
Other bank loans	1,904,969	1,856,814
Leasing	123,279	85,868
Other payables	89,252	90,280
Total	2,234,914	2,171,116

"Other bank loans" refer mainly to Sorgenia group loans for € 1,525,641 thousand, Sogefi group loans for € 330,230 thousand, Kos group loans for € 10,898 thousand and to a loan granted by the parent company Cofide S.p.A. for € 37,059 thousand.

10.c. PERSONNEL PROVISIONS

The breakdown of these provisions is as follows:

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Employee leaving indemnity	89,377	92,685
Pension funds and similar obligations	35,152	32,273
Total	124,529	124,958

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Opening balance	124,958	137,856
Allocation for employee service for the period	24,713	23,608
Increases for financial interest	5,540	6,153
Actuarial expense or revenue	(17)	39
Benefits paid	(15,116)	(24,386)
Increases or decreases due to changes in the consolidation area	102	(1,267)
Other changes	(15,651)	(17,045)
Closing balance	124,529	124,958

Employee leaving indemnity and fixed indemnity provision

Annual discounting rate	4.0% - 4.75%
Annual inflation rate	2%
Annual pay increase rate	0.5% - 3%
Annual employee leaving indemnity increase rate	3%
Annual probability of advances	2% - 3%
Voluntary resignation rate	2% - 10% of the workforce

Pension Funds

Annual discounting rate	4.5 – 5.5%
Annual inflation rate	2% - 3.4%
Annual pay increase rate	2% - 4.5%
Return on plan servicing assets	2% - 7.5%
Pension age	62-65

10.d. PROVISIONS FOR RISKS AND LOSSES

The breakdown and changes in the non-current portion of these provisions is as follows:

(in thousands of euro)	*Provision for disputes pending*	*Provision for restructuring expense*	*Provision for other risks*	*Total*
Balance at 31 December 2010	12,632	8,060	59,505	80,197
Allocations for the period	3,734	619	6,214	10,567
Used	(1,023)	(6,023)	(10,982)	(18,028)
Exchange rate differences	--	23	14	37
Other changes	(3,859)	(195)	5,970	1,916
Balance at 31 December 2011	11,484	2,484	60,721	74,689

The breakdown and changes in the current portion of these provisions is as follows:

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

In addition to libel claims regarding the Espresso group common in all publishing companies, the provision for disputes pending include risks associated to disputes of a commercial nature and to labour disputes.
The provision for restructuring expense includes amounts allocated for restructuring action announced and disclosed to interested counterparties and in particular refers to production reorganisation projects affecting the Sogefi and Espresso groups.
The Provision for other risks is mainly to cover tax disputes pending with local tax authorities.

11. **CURRENT LIABILITIES**

11.a. BOND LOANS

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

11.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Collateralised bank loans	27,684	25,850
Other bank loans	46,304	45,058
Leasing	11,927	11,173
Other borrowings	625,685	81,037
Total	711,600	163,118

In relation to "Other borrowings", on 9 July 2011 the Milan Court of Appeal pronounced on the civil case brought by Cir against Fininvest for compensation for damages resulting from bribery in the "Lodo Mondadori" case. The ruling sentenced Fininvest to pay Cir approximately € 540.1 million, plus interest at the legal rate and costs, as compensation for the immediate and direct damage suffered. As a result of this sentence, on 26 July 2011 Cir received a total of around € 564.2 million from Fininvest. As envisaged in international accounting standards (IAS 37) this amount has no effect on the income statement of the company up to the highest legal authority level and was therefore recognised under this item.

11.c. TRADE PAYABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Payables - subsidiaries and joint ventures	34,626	33,525
Payables - associates	2,003	1,971
Payables - suppliers	936,598	820,952
Advances	6,642	7,502
Payables in the form of notes	4	--
Total	979,873	863,950

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

11.d. OTHER PAYABLES

(in thousands of euro)	*31.12.2011*	*31.12.2010*
Due to employees	80,765	72,621
Tax payables	59,036	51,512
Social security payables	53,906	50,128
Other payables	146,333	84,209
Total	340,040	258,470

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

NOTES TO THE INCOME STATEMENT

12. **REVENUES**

BREAKDOWN BY BUSINESS SEGMENT

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

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

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

(in millions of euro)

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

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

13. **OPERATING COSTS AND INCOME**

13.a. COSTS FOR THE PURCHASE OF GOODS

This item decreased from € 2,757,173 thousand in 2010 to € 2,543,548 thousand in 2011. The costs include € 227.9 million paid to related parties, of which € 227.7 million attributable to relations with the associate Tirreno Power.

13.b. COSTS FOR SERVICES

This item rose from € 785,538 thousand at 31 December 2010 to € 847,136 thousand at 31 December 2011, as seen from the following breakdown:

(in thousands of euro)	*2011*	*2010*
Technical and professional consulting	121,669	149,188
Distribution and transport costs	42,758	42,491
Outsourcing	68,965	65,884
Other expenses	613,744	527,975
Total	847,136	785,538

13.c. PERSONNEL COSTS

Personnel costs totalled € 722,935 thousand at 31 December 2011 (€ 684,344 thousand at 31 December 2010).
The group had an average of 13,529 employees in 2011.

(in thousands of euro)	*2011*	*2010*
Salaries and wages	487,228	462,659
Social security contributions	158,151	149,952
Employee leaving indemnity	22,216	22,488
Pensions and similar benefits	2,521	1,136
Valuation of stock option plans	11,518	9,684
Other costs	41,301	38,425
Total	722,935	684,344

The increase is essentially due to the Systèmes Moteurs group becoming a member of the Sogefi group.

13.d. OTHER OPERATING INCOME

This item can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
State grants	3,041	2,907
Capital gains on asset disposals	14,070	3,693
Contingent assets and other income	210,263	96,617
Total	227,374	103,217

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

13.e. OTHER OPERATING COSTS

This item can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
Write-downs and losses on receivables	46,004	61,281
Allocation to provisions for risks and losses	16,535	17,070
Indirect taxes	29,381	27,620
Restructuring costs	8,426	12,022
Capital losses on asset disposals	2,031	1,115
Contingent liabilities and other costs	87,387	54,039
Total	189,764	173,147

14. **FINANCIAL INCOME AND CHARGES**

14.a. FINANCIAL INCOME

"Other income" can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
Interest income on bank accounts	6,951	3,761
Interest on securities	13,269	9,442
Other interest income	21,512	21,501
Interest rate derivatives	7,042	9,362
Exchange gains	10,669	11,261
Other financial income	4,517	3,112
Total	63,960	58,439

14.b. FINANCIAL EXPENSE

This item includes the following:

(in thousands of euro)	*2011*	*2010*
Interest expense on bank accounts	78,192	56,178
Interest expense on bond loans	28,947	38,746
Other interest	25,127	26,257
Interest rate derivatives	22,872	15,414
Exchange losses	8,941	13,654
Other financial expense	17,217	17,260
Total	181,296	167,509

14.c. GAINS FROM TRADING SECURITIES

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

(in thousands of euro)	*2011*	*2010*
Securities - subsidiaries	1,950	4,117
Securities - associates	--	146
Securities - other companies	4,523	1,776
Other securities and other income	9,507	36,634
Total	15,980	42,673

"Securities - subsidiaries" refers to the capital gains from disposal of the subsidiaries Jupiter Asset Management, Jupiter Justitia and Resolution. The amount for the previous year referred mainly to the capital gain of the Espresso Group from disposal of the subsidiary Rotosud.

14.d. LOSSES FROM TRADING SECURITIES

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

(in thousands of euro)	*2011*	*2010*
Securities - subsidiaries	--	365
Securities - other companies	2,871	1,135
Other securities and other charges	2,631	4,244
Total	5,502	5,744

14.e. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

This item, amounting to € 24,866 thousand, mainly includes € 21,108 thousand from the fair value measurement of "Securities" recognised to current assets.

15. **INCOME TAXES**

Income taxes can be broken down as follows:

(in thousands of euro)	*2011*	*2010*
Current taxes	68,730	35,983
Deferred taxes	(10,934)	(25,776)
Tax charges from prior periods	1,865	3,040
Total	59,661	13,247

The item "Tax charges from prior periods" refers to extraordinary tax provisions allocated by the Espresso Group against the probable risk from litigations pending on options on beneficial interest in shares.

The following chart shows the reconciliation of the ordinary and effective tax rates for 2011:

(in thousands of euro)	*2011*
Income before taxes as recorded in the financial statements	118,218
Theoretical income taxes	32,510
Tax effect relating on non-deductible costs	11,667
Tax effect associated with prior years' losses that generate deferred tax assets during the year	(8,540)
Tax effect associated with prior years' losses that did not generate deferred tax assets	141
Tax effect on interest rate spreads of foreign companies	3,657
Non-taxable grants	--
Other	4,648
Income taxes	44,083
Average effective tax rate	37.3
Theoretical tax rate	27.5
IRAP and other taxes	13,713
Tax charges from prior periods	1,865
Total taxes from financial statements	59,661

16. EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of shares in circulation. The diluted earnings per share are calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilution effects of any options outstanding. Any own shares held are not included in the calculation.
The company has no options outstanding or own shares, and therefore the diluted and basic earnings per share are equal.

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

	2011	*2010*
Net income attributable to the Shareholders (in thousands of euro)	1,211	22,866
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings per share (euro)	**0.0017**	**0.0318**

	2011	*2010*
Net income from the statement of comprehensive income attributable to the Shareholders (in thousands of euro)	(23,211)	37,229
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings per share (euro)	**(0.0323)**	**0.0518**

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

The Cofide group operates in different sectors of industry and services both at national and international level and thus its business is exposed to various kinds of financial risk, including market risk (exchange rate risk and price risk), credit risk, liquidity risk and interest rate risk.
To minimise these risks the group uses hedging derivatives.
Risk management is carried out by the central finance and treasury function on the basis of policies approved by Management and transmitted to the subsidiaries on 25 July 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 foreign currency risk especially in relation to the GB pound, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Indian rupee.
The group uses forward contracts to reduce the risk of fluctuations in the EUR/USD exchange rate. As described in the Note on price risk, in certain cases it hedges its purchase and sales formulae directly and the price of this hedging depends on the EUR/USD exchange rate. By fixing its formulae in euro, exchange rate risk is also indirectly hedged.
Regarding the foreign currency risk of translating the financial statements of international subsidiaries, the operating companies generally have a degree of convergence between their sourcing costs and their sales revenues and this kind of risk is also limited by the fact that the companies operate in their local currencies, are active in their own domestic markets and abroad and, if necessary, can arrange funding locally.
In order to show the potential effect in the financial statements of the exposure to exchange rate risk, sensitivity analysis was carried out. The analyses were conducted on the assumption of shifts in the exchange rate.

For the purposes of comparison, the results of the analysis at 31 December 2010 are also shown.

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

Price risk

Through the activity in the energy sector of the Sorgenia group, the group is exposed to the risk of fluctuations in energy commodity prices on the purchase of fuels for its power production plants and on its purchases and sales of gas and electricity (where contracts stipulate specific indexing to baskets of fuels). Moreover since almost all of the commodities in question are priced in USD, the Group is also exposed to fluctuations in the EUR/USD exchange rate.
Sorgenia continually monitors this exposure by breaking its contractual formulae down into the underlying risk factors and managing the exposure using a two-step procedure.
The first step involves the negotiation of gas and electricity purchase agreements and the definition of pricing policies. On both purchase and sales sides, price control enables the group to guarantee a high level of natural hedging, minimising the impact on margins of the factors of uncertainty mentioned above not only at business line level but also at consolidated portfolio level.
The second step involves monitoring net remaining exposure after the action described above.

Sorgenia trades derivatives with leading banks in order to minimise counterparty risk. The derivatives in question are traded over the counter (OTC) directly with the counterparties and are mainly fixed vs. floating swaps or vice versa for commodity price hedges, and outright forwards for foreign currency risk hedges.
Since 2008, given the greater liquidity achieved by derivatives markets, in order to reduce basis risk on the hedges as far as possible, the group has been negotiating contracts with its financial counterparties where the underlying is the whole formula for the purchase or sale of natural gas or electricity. These hedges make it possible to eliminate changes in costs and revenues caused by the commodity risk factor and the foreign currency risk factor through a single contract.
As from 2010 these commodity derivative contracts, being entered into exclusively for hedging purposes, are managed according to the IAS 39 rules on hedge accounting. Therefore the effects in terms of profit and loss of changes in their fair value are recognised directly to a special equity reserve (Cash flow hedge reserve). Should the effectiveness test show that the hedges ineffective to some degree, the ineffective part is recognised immediately to the income statement.
The fair value of derivative contracts is calculated using market forward prices as at the reporting date, when the underlying commodities are traded on markets with a forward price structure. Otherwise, fair value is calculated using internal models based on data and information available on the market, supplied by recognised and reliable third party sources.
Regarding the hierarchical form of classification 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 in the previous year.
For commodities the maturity of the related swaps is generally less than 18 months. However, in certain exceptional cases hedges with longer maturities have been entered into with end customers for fixed price contracts or contracts with particular kinds of options involved. At 31 December there were open positions in liquid fuel derivatives with maturities in 2012.

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

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

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

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

As in previous years, the Sorgenia group minimised its exposure to changes in commodity price risk hedges through increased opportunities for defining sales formulae consistent with its sourcing formulae, through hedging strategies using financial instruments trading and also through the new use of more structured instruments with a short-term horizon.
Commodity derivative contracts, in fact, are entered into only for hedging purposes, therefore changes in the results of the commodity derivative positions are offset by changes in the results of the underlying physical positions with an impact on the income statement essentially limited to the basis risk in all cases where there is a discrepancy between the commodities of the underlying physical contracts and the liquid commodities traded on the markets, both regulated and OTC, on which the derivatives are based. With effect from 2010 the Sorgenia group performs speculative trading. This activity is segregated to a special portfolio with transactions completed on the power, commodities and foreign exchange markets. This portfolio is monitored on a daily basis by a special company department, has strict limits on risk levels (calculated through VaR) and profit and loss (calculated as a stop-loss limit through P&L).
In 2010 operations in this area began with a daily VaR of 95%. The average percentage of use of the VAR limit has been 50%, closing at 31 December with a value of approximately € 250,000, while the stop loss limit has so far never been activated.
In order to reliably calculate VaR, the Risk Management Department of Sorgenia S.p.A. developed a mixed benchmark-simulation approach based on which the price scenarios generated are consistent with benchmarks describing time series observations. The Value at Risk is daily and has a confidence level of 95%. The VaR value is a function of statistical price distribution and market returns, and also of time series correlations of different products and markets.

Credit risk

Credit risk can be valued both in commercial terms relating to customer type, contractual terms and sales concentration, and in financial terms in connection with the type of counterparty involved in financial transactions. Within the Group there is no significant concentration of credit risk.
Some time ago adequate policies were put in place to ensure that sales are made to customers of good standing. The counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The Group has policies that limit credit exposure to individual financial institutions.
Credit risk is different depending on the business segment concerned. In the utilities sector, for example, the assessment of credit risk exposure is made using internal processes and aided by companies with sector expertise in both credit facility assessment and allocation and in credit collection management. The customer base and its diversification make exposure to a concentration of credit risk immaterial.
In the "Automotive components" sector there is no excessive concentration of risk since the "Original Equipment" and "After-market" distribution channels of operation are car manufacturers or large Purchasing groups.
The "Media" sector has no areas of risk for trade receivables of a significant entity and in any event the Group adopts operating procedures that prevent the sale of products or services to customers without an adequate credit profile or collateral.
The healthcare sector does not present any concentration of credit risk because credit exposure is spread over a large number of customers and counterparties especially in the residential care homes sector. The hospital sector, however, has a higher concentration of risk because most counterparties are local health authorities.
Since 2006 the CIR Group has been acquiring and managing non-performing loans and has put in place procedures for measuring and establishing the fair value of its portfolios.

The following pages include a chart showing the breakdown of credit risk and changes in the provision for write-down of receivables.

<u>Liquidity risk</u>

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

<u>Interest rate risk (fair value and cash flow)</u>

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

Sensitivity analysis

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

(amounts in thousands of euro)	*31.12.2011*		*31.12.2010*	
Change	-1%	+1%	-1%	+1%
Change in Income Statement	6,171	(4,729)	(9,791)	7,947
Change in Equity	(48,649)	47,890	(34,070)	35,541

<u>Derivatives</u>

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

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

For derivatives classified as cash flow hedges (e.g. interest rate swaps) gains and losses on their mark-to-market are recognised directly to equity for the part “effectively” hedging the risk concerned, while any “ineffective” part is recognised to the income statement.
For hedges of net investments in foreign operations, gains and losses on their mark-to-market are recognised directly to equity for the part “effectively” hedging the risk in questions, while any “ineffective” part is recognised in the income statement.
On initial hedge accounting recognition, derivatives are accompanied by a hedging relationship which designates the individual derivative as a hedge and specifies the hedge effectiveness parameters in relation to the financial instrument hedged.
Hedge effectiveness is tested at regular intervals, the effective part of the relationship recognised to equity and any ineffective part recognised to the income statement. More specifically, the hedge is considered effective when the change in fair value or in the financial flows of the instrument hedged is “almost entirely” offset by the change in fair value or cash flows of the hedging instrument and when the results achieved are in a range of 80%-125%.

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

(a) interest rate hedges:
    interest rate hedge on the Gruppo Editoriale L’Espresso fixed to floating bond loan (notional value € 50 million);
    hedging of Sogefi bank borrowings, notional value € 221.1 million maturing in 2013 (€ 100 million), maturing in 2016 (€ 31.1 million) and maturing in 2018 (€ 90 million);
    hedging of Sorgenia group bank borrowings, notional value € 1,446.7 million;
    hedging of Kos group bank borrowings, notional value € 46.4 million;
(b) foreign currency hedges:
    forward sales for a total of USD 110 million to hedge investments in hedge funds, maturing in March 2012;
    forward sale of USD 7.2 million against EUR maturing in 2012;
    forward purchase of € 2.5 million against GBP maturing in 2012;
    forward sales for a total of USD 5 million to hedge loans receivable maturing in April 2012;
    forward sales for a total of CHF 23.2 million to hedge investments in bonds maturing in 2013;
    forward sales for a total of USD 5.9 million to hedge investments in securities maturing in January 2012.

<u>Capital ratios</u>

Management regulates the use of leverage to guarantee solidity and flexibility in the asset and liability structure of CIR and its financial holding companies, measuring the ratio of funding sources to investment activity.
Leverage is calculated as the ratio between net debt (represented by bond loans issued net of cash and cash equivalents and investments in liquid financial instruments, according to parameters agreed with the rating agency) and the total investments measured at fair value (including equity investments and remaining investments in financial instruments).
Management’s objective is to maintain a solid and flexible financial structure to keep this ratio, now at 12%, on low levels.

<u>Contractual clauses of borrowings</u>

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

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

During the year the parent company Cofide:

- signed a new pool financing agreement with leading banks, with a 36 months duration maturing on 10 March 2014, consisting in a credit facility for a maximum € 75,000,000 for use in tranches of € 7,500,000 or multiples thereof with a duration of three or six months unless renewed by the company, regulated at the 3M Euribor or 6M Euribor rate depending on use, plus an annual 150 basis point spread. At year end the interest rate applied was 2.918%;

- signed an Interest Rate Swap (IRS) to hedge operations, with a 36 months duration maturing on 10 March 2014, on a notional capital of € 25,000,000 and at the fixed rate of 1.97%, to reduce the risk of increases in the interest rate associated with the aforementioned loan. The IRS envisages interest payments calculated at a floating rate against collections of interest based on a 1.97% fixed rate.

The covenants for the credit facility, by which the company is obliged to hold not less than 40% of ordinary Cir shares until repayment of the loan, are fully complied with.
During the year there was no failure to comply with or any infringement of the contractual clauses.

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

<u>Sogefi Group</u>
Sogefi S.p.A., the parent company of the group's sub-holding operating in the automotive sector, has undertaken to comply with a series of covenants as summarised below:
- syndicated loan of € 160 million: ratio of consolidated net financial position to consolidated EBITDA of 3.5 or lower; ratio of EBITDA to net financial charges no lower than 4;
- loan of € 100 million: ratio of consolidated net financial position to consolidated EBITDA lower than 4;
- loan of € 60 million: ratio of consolidated net financial position to consolidated EBITDA lower than 3.5;
- loan of € 100 million: ratio of consolidated net financial position to consolidated EBITDA of 3.5 or lower; ratio of consolidated EBITDA to net financial charges no lower than 4.

<u>Sorgenia Group</u>
For borrowings regarding power plant construction, through a number of its subsidiaries the Sorgenia group has undertaken to comply with covenants requiring that the ratio of consolidated net debt to the sum of debt plus equity (gearing ratio) remains between 64% and 80%, depending on the loan, and that the operating cash flow net of tax during construction of the power plants is higher than 1.05 times the debt service coverage ratio.
Below is the covenant position of the Kos group in relation to loans outstanding at year end:

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

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

Measurement of financial assets and liabilities and fair value hierarchy

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

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

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

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

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

Financial statement items *(in thousands of euro)*	*Level 1*	*Level 2*	*Level 3*	*Total recognised*
NON-CURRENT ASSETS				
Financial assets				
(measured at fair value with balancing entry in equity)				
- Other receivables (item 7.f.)				
- derivatives	--	4,075	--	4,075
- Securities classed as non-current assets (item 7.g.)	--	95,195	23,462	118,657
Financial assets				
(measured at fair value through profit and loss)				
Other receivables (item 7.f.)				
- derivatives	--	--	--	--
- Securities classed as non-current assets (item 7.g.)	150	--	--	150
CURRENT ASSETS				
Financial assets				
(measured at fair value through profit and loss)				
Other receivables (item 8.c.)				
- derivatives	--	923	--	923
Financial receivables (item 8.d.)				
- derivatives	--	110	--	110
Securities classed as current assets (item 8.e.)				
- Equity investments	13,142	--	--	13,142
- Italian government securities or similar	5,911	--	--	5,911
- Investment funds and similar	184,316	8,827	--	193,143
- Bonds	348,097	--	--	348,097
- Certificates of Deposit and other securities	11	51,680	--	51,691
Total securities classed as current assets (item 8.e.)	551,477	60,507	--	611,984
Financial assets				
(measured at fair value with balancing entry in equity)				
Other receivables (item 8.c.)				
- derivatives	--	73,745	--	73,745
Financial receivables (item 8.d.)				
- derivatives	--	1,671	--	1,671
Available-for-sale financial assets (item 8.f.)				
- Equity investments	--	--	--	--
- Italian government securities or similar	47,465	--	--	47,465
- Investment funds and similar	--	79,234	--	79,234
- Bonds	--	--	--	--
- Certificates of Deposit and other securities	--	--	--	--
Total available-for-sale financial assets (item 8.f.)	47,465	79,234	--	126,699
NON-CURRENT LIABILITIES				
Financial liabilities				
(measured at fair value with balancing entry in equity)				
Other borrowings (item 10.b.)				
- derivatives	--	(49,223)	--	(49)
Financial liabilities				
(measured at fair value through profit and loss)				
Other borrowings (item 10.b.)				
- derivatives	--	--	--	--
CURRENT LIABILITIES				
Financial liabilities				
(measured at fair value with balancing entry in equity)				
Other borrowings (item 11.b.)				
- derivatives	--	(25,353)	--	(25,353)
Other payables (item 11.d.)				
- derivatives	--	(91,513)	--	(91,513)
Financial liabilities				
(measured at fair value through profit and loss)				
Other borrowings (item 11.b.)				
- derivatives	--	(1,811)	--	(1,811)
Other payables (item 11.d.)				
- derivatives	--	(1,621)	--	(1,621)

During 2011 no transfers were made between the different levels of the fair value hierarchy. With regard to Level 3 financial assets, these are investments in venture capital which are measured also on the basis of market data that is not observable, held by the group or through Cir Ventures in relation to investments in companies operating in the ITC sector (for a total of approximately € 12.2 million), and Noventi Ventures in relation to investments in companies operating in the field of new technology for energy generation and efficiency (for a total of around € 11.3 million).

Financial assets at fair value (Level 3)

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

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS
2011

(in thousands of euro)

	F.S. items	Carrying value	FVTPL assets designated as such on initial recognition	FVTPL assets classified as held for trading	Loans and receivables	Investments held to maturity	Available-for-sale assets	FVTPL liabilities designated as such on initial recognition	FVTPL liabilities classified as held for trading	Liabilities at amortised cost	Fair value	Effect on the income statement	Effect on equity
NON-CURRENT ASSETS													
Other equity investments	7.e	22,903	--	--	18,087	--	4,816	--	--	--	22,903	(781)	--
Other receivables (*)	7.f	184,780	--	4,075	180,705	--	--	--	--	--	184,780	20,793	5,615
Securities	7.g	118,807	--	--	--	150	118,657	--	--	--	118,807	2,949	(5,364)
CURRENT ASSETS													
Trade receivables	8.b	1,215,226	--	--	1,215,226	--	--	--	--	--	1,215,226	(32,185)	--
Other receivables (**)	8.c	129,822	--	75,281	54,541	--	--	--	--	--	129,822	75,166	128
Financial receivables	8.d	11,956	1,278	274	10,404	--	--	--	--	--	11,956	1,580	--
Securities	8.e	613,877	611,984	--	--	1,893	--	--	--	--	613,877	(9,973)	--
Available-for-sale financial assets	8.f	126,699	--	--	--	126,699	--	--	--	--	126,699	6,312	(11,236)
Cash & cash equivalents	8.g	506,241	--	--	506,241		--	--	--	--	506,241	6,955	--
NON-CURRENT LIABILITIES													
Bond loans	10.a	(525,802)	--	--	--	--	--	--	--	(525,802)	(440,089)	(15,662)	--
Other borrowings	10.b	(2,234,914)	--	--	--	--	--	--	(40,799)	(2,194,115)	(2,237,619)	(104,294)	(47,948)
Trade payables		(1,430)	--	--	--	--	--	--	--	(1,430)	(1,430)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(142,491)	--	--	--	--	--	--	--	(142,491)	(142,491)	(3,383)	--
Bond loans	11.a	(4,243)	--	--	--	--	--	--	--	(4,243)	(4,243)	(14,107)	--
Other borrowings	11.b	(711,600)	--	--	--	--	--	(1,947)	(21,813)	(687,840)	(712,504)	(16,698)	(14,688)
Trade payables	11.c	(979,873)	--	--	--	--	--	--	--	(979,873)	(979,873)	(22)	--
Other payables	11.d	(93,134)	--	--	--	--	--	--	(93,134)	--	(93,134)	(74,664)	(18,470)

(*) Excluding €62,428 thousand in tax receivables
(**) Excluding € 121,903 thousand in tax receivables

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS
2010

(in thousands of euro)

	F.S. items	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value*	*Effect on the income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other 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	100,941	--	--	100,941	--	--	--	--	--	100,941	--	--
Financial receivables	8.d	20,976	19,159	--	1,817	--	--	--	--	--	20,976	4,422	
Securities	8.e	229,259	229,242	--	--	--	17	--	--	--	229,259	9,236	--
Available-for-sale financial assets	8.f	161,315	--	--	--	--	161,315	--	--	--	161,315	3,551	4,725
Cash & cash equivalents	8.g	612,322	--	--	612,322	--	--	--	--	--	612,322	4,191	--
NON-CURRENT LIABILITIES													
Bond loans	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)	--
Bond loans	11.a	(157,978)	--	--	--	--	--	--	--	(157,978)	(157,978)	(9,692)	--
Other borrowings	11.b	(163,118)	--	--	--	--	--	(6,980)	--	(156,138)	(163,118)	(5,988)	218
Trade payables	11.c	(863,950)	--	--	--	--	--	--	--	(863,950)	(863,950)	(32)	--

(*) Excluding €21,703 thousand in tax receivables
(**) Excluding € 114,219 thousand in tax receivables

RISK CATEGORIES - 2011

(in thousands of euro)

	F.S. items	Carrying value	Liquidity risk	Interest rate risk	Exchange rate risk	Credit risk
NON-CURRENT ASSETS						
Other equity investments	7.e	22,903	--	--	--	22,903
Other receivables (*)	7.f	184,780	--	--	--	184,780
Securities	7.g	118,807	--	--	--	118,807
CURRENT ASSETS						
Trade receivables	8.b	1,215,226	--	--	--	1,215,226
Other receivables (**)	8.c	129,822	--	--	--	129,822
Financial receivables	8.d	11,956	--	--	--	11,956
Securities	8.e	613,877	--	--	--	613,877
Available-for-sale financial assets	8.f	126,699	--	--	--	126,699
Cash & cash equivalents	8.g	506,241	--	506,241	--	--
NON-CURRENT LIABILITIES						
Bond loans	10.a	(525,802)	(525,802)	--	--	--
Other borrowings	10.b	(2,234,914)	(2,234,914)	--	--	--
Trade payables		(1,430)	(1,430)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(142,491)	(142,491)	--	--	--
Bond loans	11.a	(4,243)	(4,243)	--	--	--
Other borrowings	11.b	(711,600)	(711,600)	--	--	--
Trade payables	11.c	(979,973)	(979,973)	--	--	--

(*) Excluding € 62,428 thousand in tax receivables
(**) Excluding € 121,903 thousand in tax receivables

RISK CATEGORIES - 2010

(in thousands of euro)

	F.S. items	Carrying value	Liquidity risk	Interest rate risk	Exchange rate risk	Credit risk
NON-CURRENT ASSETS						
Other 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	100,941	--	--	--	100,941
Financial receivables	8.d	20,976	--	--	--	20,976
Securities	8.e	229,259	--	--	--	229,259
Available-for-sale financial assets	8.f	161,315	--	--	--	161,315
Cash & cash equivalents	8.g	612,322	--	612,322	--	--
NON-CURRENT LIABILITIES						
Bond loans	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)	--	--	--
Bond loans	11.a	(157,978)	(157,978)	--	--	--
Other borrowings	11.b	(163,118)	(163,118)	--	--	--
Trade payables	11.c	(863,950)	(863,950)	--	--	--

(*) Excluding € 21,703 thousand in tax receivables
(**) Excluding € 114,219 thousand in tax receivables

CREDIT RISK

(in thousands of euro)

Position at 31 December 2011	F.S. items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Re-negotiated	Write-downs
Other receivables (non-current assets) (*)	7.f	184,780	40,303	144,477	--	--	--	144,477	--	
Gross receivable		368,781	214,553	154,228	--	--	--	154,228	--	
Provision for write-downs		(184,001)	(174,250)	(9,751)	--	--	--	(9,751)	--	(17,380)
Trade receivables	8.b	1,215,226	769,711	445,515	91,322	32,061	18,886	303,246	--	
Gross receivable		1,362,764	779,303	583,461	94,250	33,799	20,065	435,347	--	
Provision for write-downs		(147,538)	(9,592)	(137,946)	(2,928)	(1,738)	(1,179)	(132,101)	--	(21,516)
Other receivables (current assets) (**)	8.c	129,822	129,822	--	--	--	--	--	--	
Gross receivable		130,189	129,896	293		--	--	293	--	
Provision for write-downs		(367)	(74)	(293)	--	--	--	(293)	--	--
Total		1,529,828	939,836	589,992	91,322	32,061	18,886	447,723	--	(38,896)

(*) Excluding €62,428 thousand in tax receivables
(**) Excluding €121,903 thousand in tax receivables

(in thousands of euro)

Position at 31 December 2010	F.S. items	Total receivables	Not yet due	Past due by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Re-negotiated	Write-downs
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 write-downs		(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 write-downs		(132,174)	(12,322)	(119,852)	(17,969)	(6,210)	(5,149)	(90,524)	--	(45,129)
Other receivables (current assets) (**)	8.c	100,941	77,299	23,642	16	--	--	23,626	--	
Gross receivable		101,358	77,716	23,642	16	--	--	23,626	--	
Provision for write-downs		(417)	(417)	--	--		--	--	--	--
Total		1,395,945	749,548	646,397	93,316	30,429	21,975	487,642	13,035	(59,329)

(*) Excluding €21,703 thousand in tax receivables
(**) Excluding €114,219 thousand in tax receivables

PROVISION FOR WRITE-DOWNS

(in thousands of euro)

Position at 31 December 2011	*Opening balance*	*Write-downs*	*Used*	*Exch. rate differences - +/-*	*Business combinations +/-*	*Closing balance*
Provision for write-downs	(299,330)	(38,896)	6,427	31	(138)	(331,906)

(in thousands of euro)

Position at 31 December 2010	*Opening balance*	*Write-downs*	*Used*	*Exch. rate differences - +/-*	*Business combinations +/-*	*Closing balance*
Provision for write-downs	(252,160)	(59,329)	12,385	(78)	(148)	(299,330)

LIQUIDITY RISK - 2011

(in thousands of euro)

	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total
Non-derivative financial liabilities							
Bond loans	28,655	28,655	282,491	15,525	15,525	394,200	765,051
Other borrowings:							
- *Payables to banks*	152,534	469,744	348,794	830,917	134,094	464,094	2,400,177
- *Payables to leasing companies*	13,938	11,597	10,713	9,375	9,539	91,593	146,755
- *Payables to other lenders*	582,206	30,733	785	657	592	1,673	616,646
Bank overdrafts	142,491	--	--	--	--	--	142,491
Trade payables	979,873	--	--	--	--	--	979,873
Derivative financial liabilities							
Hedging derivatives	25,679	20,335	3,297	25,869	2,284	2,728	80,192
Non-hedging derivatives	1,887	--	--	--	--	--	1,887
TOTAL	1,927,263	561,064	646,080	882,343	162,034	954,288	5,133,072

LIQUIDITY RISK - 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							
Bond loans	187,845	30,403	29,820	299,752	15,557	409,725	973,102
Other borrowings:							
- *Payables to banks*	169,079	181,194	836,245	190,810	269,048	542,128	2,188,504
- *Payables to leasing companies*	13,608	14,423	12,780	11,680	10,256	62,576	125,323
- *Payables to 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	10,107	--	--	--	--	--	10,107
TOTAL	1,441,153	238,012	888,767	504,783	295,496	1,107,369	4,475,580

18. GUARANTEES AND COMMITMENTS

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

CIR and financial holding companies

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

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

Sorgenia Group

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

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

3. Commitments
   The commitments outstanding at the reporting date refer mainly to guarantees issued by Sorgenia S.p.A. in favour of the banks financing Sorgenia Power S.p.A. for € 195,800 thousand for the Termoli power plant and € 660,000 thousand for the Aprilia and Bertonico - Turano Lodigiano plants. Sorgenia S.p.A. signed a commitment to capitalise Sorgenia Power by up to € 47,537 thousand and to fund the company by up to € 50,000 thousand. There is also a commitment to contribute a maximum of USD 30,000 thousand to the subsidiary Sorgenia USA, of which USD 22,197 thousand already paid in leaving a residual commitment outstanding of € 6,031 thousand.
   Sorgenia and other shareholders with equal investments in Gica S.A., following an agreement signed on 8 April 2008, are committed to pay up to a maximum € 7.5 million each as a financial commitment. In July 2011 the agreement was amended and the commitment of each shareholder reduced to € 3.25 million. During the year the shareholders were not asked to make a payment and therefore the outstanding Sorgenia commitment is € 2,448 thousand.
   Sorgenia is also committed to guaranteeing suitable financial support to Sorgenia France for twelve months from the date of approval of the 2010 financial statements to guarantee operations of the subsidiary.
   For natural gas purchases and sales only, the supply contract includes the standard take or pay clause which makes it compulsory for the buyer to pay for any shortfall in the amount withdrawn compared to the annual minimum envisaged in the contract for which Cir has issued a guarantee.
   As a result of leasing operations involving the Minervino and San Gregorio Magno plants, Sorgenia is committed to not disposing of the investment in Sorgenia Green (in turn holder of

investments in the two companies) if the transaction leads to loss of control. Sorgenia S.p.A. is also committed to guaranteeing a Debt Service Cover Ratio defined by the company with which the lease contract was signed by Sorgenia San Gregorio Magno, below which the company must refinance or recapitalise the subsidiary.

Espresso Group

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

Sogefi Group

Operating leases

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

The rental payments for operating leases are recognized to the income statement in line with the underlying contracts.
The main operating leases outstanding at 31 December 2011 refer to the following subsidiaries:
- Allevard Federn GmbH for lease of the Volklingen production site. In May 2010 the company renewed the lease of its production site until May 2020. The remaining instalments at 31 December 2011 totalled € 3,206 thousand, of which € 366 thousand due within one year. The Group has not given any form of guarantee on this contract.
- Filtrauto S.A. for lease of the Guyancourt production site. The contract terminates in December 2016 and at 31 December 2011 the remaining instalments amounted to € 2,611 thousand, of which € 870 thousand within one year. The Group has not given any form of guarantee on this contract.
- Mark IV Air Intake Systems Corp. for lease of the Montreal production site. The contract terminates in December 2015 and at 31 December 2011 the remaining instalments amounted to CAD 4,057 thousand, of which CAD 970 thousand within one year. The group has not given any form of guarantee on this contract.
- Shanghai Sogefi Auto Parts Co., Ltd. for lease of a production site, purchasing office and a laboratory, all located in the Pudong district of Shanghai. The contracts on each, respectively, terminate in August 2023, March 2013 and June 2014. At 31 December 2011 the remaining instalments amount to CNY 21,089 thousand, of which CNY 2,481 thousand within one year. The Group has not given any form of guarantee on these contracts.
- Allevard Sogefi U.S.A. Inc. for the lease on the production site in Prichard (West Virginia). The contract terminates in May 2019 and the remaining instalments at 31 December 2011 total

USD 2,942 thousand, of which USD 397 thousand within one year. Against this contract Sogefi S.p.A. has issued a guarantee for approximately 58% of remaining lease instalments. The guarantee is renewed at the end of each year based on the residual amount outstanding. There are no restrictions of any kind connected with this kind of leasing and at the end of the contract the US company will have the right to buy the property at market price.

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

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

Investment commitments

At 31 December 2011 there were commitments for investments for a total of € 2,460 thousand.

Guarantees issued

The details of these guarantees are as follows:

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

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

Other risks

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

Below is a breakdown of the bank guarantees and other guarantees issued by Kos S.p.A. for a total of approximately € 2,421 thousand:
- a guarantee in favour of the Sanremo Town Council as a security deposit for urbanisation works, for € 226 thousand;

- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of Santegidio S.r.l. (Scarnafigi), for € 100 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo property lease, for € 75 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo business unit lease, for € 35 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the care home due to be built in Montanaro to guarantee signing of the future lease agreement for € 550 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Peveragno property lease, for € 235 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dorzano property lease, for € 121 thousand;
- a surety on behalf of Residenze Anni Azzurri S.r.l. for the Dormelletto property lease, for € 200 thousand;
- a surety on behalf of Residenze Anni Azzurri S.r.l. for a property lease, for € 180 thousand;
- an omnibus guarantee on behalf of Medipass S.p.A. in its relations with the Venice Health Authority, for € 700 thousand.

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

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

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

- assets on free loan for € 2,238 thousand
- commitments relating to the refurbishment of the Suzzara hospital, for contracts already signed at 31 December 2011, for € 228 thousand;
- contractual commitments for technology upgrades to equipment, where this proves necessary, for approximately € 692 thousand. Given the current status of the contracts, there is no reason to assume that such commitments will arise;
- third party commitments to sell for approximately € 130 thousand;
- counter-guarantee commitments for the successful completion of structural works for around € 2,891 thousand.

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

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

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

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

19. SEGMENT REPORTING

The operating segments 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.

In geographic terms, with the exception of the Sogefi group, business is conducted almost exclusively in Italy.
A breakdown of the asset and liability structure for the main segment is provided on the next two pages, while details by geographic area (secondary segment) can be found in Note 12 "Revenues".

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

(in thousands of euro)	*Assets*	*Investments*	*Amort./Depr. & Write-downs*
Italy	9,721,572	254,071	153,018
Other European countries	1,146,588	63,559	44,156
North America	78,564	3,041	2,303
South America	148,052	28,602	14,398
Asia	52,801	8,775	1,974
Consolidation adjustments	(3,250,247)	(1,119)	(3,447)
Total assets	7,897,330	356,929	212,402

INCOME STATEMENT BY BUSINESS SEGMENT AND CONTRIBUTIONS TO GROUP RESULTS

(in millions of euro)

CONSOLIDATED / AGGREGATE	2011 Revenues	2011 Cost of production (1)	2011 Other income and operating costs (2)	2011 Adjustments to the value of investments consolidated at equity	2011 Amortisation, depreciation & write-downs	2011 Net financial income and charges (3)	2011 Dividends, gains and losses from trading and valuing securities (4)	2011 Income taxes	2011 Net income - minority interests	2011 Net income - Group	2010 Net income - Group
Sorgenia Group	2,120.3	(2,019.5)	70.3	20.9	(102.3)	(75.4)	(5.9)	10.2	(14.6)	4.0	12.6
Espresso Group	890.1	(733.0)	(1.1)	1.0	(37.2)	(14.2)	(0.9)	(46.4)	(42.4)	15.9	13.4
Sogefi Group	1,158.4	(1,023.1)	(22.6)	--	(52.3)	(13.6)	--	(18.9)	(20.9)	7.0	5.2
Kos Group	349.6	(288.9)	(12.4)	--	(18.0)	(9.0)	--	(12.1)	(6.9)	2.3	1.1
Total main subsidiaries	**4,518.4**	**(4,064.5)**	**34.2**	**21.9**	**(209.8)**	**(112.2)**	**(6.8)**	**(67.2)**	**(84.8)**	**29.2**	**32.3**
Other subsidiaries	4.3	(35.9)	12.1	--	(1.6)	0.1	1.9	(1.4)	11.0	(9.5)	(2.7)
Total subsidiaries	**4,522.7**	**(4,100.4)**	**46.3**	**21.9**	**(211.4)**	**(112.1)**	**(4.9)**	**(68.6)**	**(73.8)**	**19.7**	**29.6**
CIR and financial holding companies before non-recurring items	--	(18.2)	3.2	--	(0.9)	(4.2)	(10.7)	6.1	12.6	(12.1)	(0.1)
Non-recurring items	--	(10.4)	--	--	--	--	--	2.8	3.8	(3.8)	(3.0)
Cofide											
Revenues	--									--	--
Operating costs		(3.5)								(3.5)	(3.3)
Other income and operating costs			0.5							0.5	0.8
Adjustments to the value of investments measured at equity				--						--	--
Amortisation, depreciation & write-downs					(0.1)					(0.1)	(0.1)
Net financial income and charges						(1.0)				(1.0)	(0.1)
Dividends, gains and losses from trading securities							1.5			1.5	(0.9)
Income taxes								--		--	--
Consolidated Group total	**4,522.7**	**(4,132.5)**	**50.0**	**21.9**	**(212.4)**	**(117.3)**	**(14.1)**	**(59.7)**	**(57.4)**	**1.2**	**22.9**

(1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement.
This item does not consider the € (12.3) million effect of intercompany netting.
2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not consider the € 12.3 million effect of intercompany netting.
(3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.
(4) This item is the sum of "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to financial assets" in the consolidated income statement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

(in millions of euro)

CONSOLIDATED / AGGREGATE	*Fixed assets (1)*	*Other net non-current assets and liabilities (2)*	*Net working capital (3)*	*Net financial position (4)*	*31.12.2011* Total equity	*of which:*	*Minority interests equity*	*Group equity*	*31.12.2010* Group equity
Sorgenia Group	2,453.9	241.5	198.7	(1,730.5) (*)	1,163.6		881.0	282.6	284.9
Espresso Group	855.9	(196.2)	15.5	(110.2)	565.0		412.0	153.0	144.0
Sogefi Group	474.2	(23.7)	64.2	(299.8)	214.9		159.3	55.6	55.0
Kos Group	382.9	(22.2)	15.4	(165.1)	211.0		156.6	54.4	48.7
Other subsidiaries	15.2	34.8	6.6	(36.6)	20.0		11.0	9.0	11.3
Total subsidiaries	**4,182.1**	**34.2**	**300.4**	**(2,342.2)**	**2,174.5**		**1,619.9**	**554.6**	**543.9**
CIR and financial holding companies	144.5	173.7	(19.6)	10.8	309.4		158.0	151.4	181.5
Cofide									
Fixed assets	36.7				36.7			36.7	36.7
Other net non-current assets and liabilities		11.1			11.1			11.1	(0.2)
Net working capital			0.7		0.7			0.7	17.5
Net financial position				(28.9)	(28.9)			(28.9)	(31.9)
Consolidated Group total	**4,363.3**	**219.0**	**281.5**	**(2,360.3)**	**2,503.5**		**1,777.9**	**725.6**	**747.5**

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

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

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

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

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

20. **JOINT VENTURES**

The only joint venture at 31 December 2011 was Tirreno Power.

International accounting standards envisage two methods for consolidating investments in joint ventures:
. the standard method, which involves proportional consolidation;
. the alternative method which involves use of the equity method.
The group has adopted the equity method for the sake of consistency with accounts presented to date.

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

Tirreno Power

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

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

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

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

Sorgenia France Production

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

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

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

In accordance with IAS/IFRS, the values of the investments in Tirreno Power were tested for impairment at 31 December 2011.

21. NET FINANCIAL POSITION

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

(in thousands of euro)			*31.12.2011*	*31.12.2010*
A.	Cash and bank deposits		506,241	612,322
B.	Other cash equivalents		126,699	144,480
C.	Securities held for trading		613,877	229,259
D.	**Cash and cash equivalents (A) + (B) + (C)**		1,246,817	986,061
E.	**Current financial receivables**		11,956	20,976
F.	Current bank payables	(*)	(216,479)	(244,584)
G.	Bonds issued		(4,243)	(157,978)
H.	Current portion of non-current debt		(637,610)	(92,208)
I.	Other current financial payables		(2)	(2)
J.	**Current financial debt (F) + (G) + (H) + (I)**		(858,334)	(494,772)
K.	**Current net financial position (J) + (E) + (D)**		400,439	512,265
L.	Non-current bank payables	(**)	(2,022,383)	(1,994,968)
M.	Bonds issued		(525,802)	(547,455)
N.	Other non-current payables	(**)	(212,531)	(176,148)
O.	**Non-current financial debt (L) + (M) + (N)**		(2,760,716)	(2,718,571)
P.	**Net financial position (K) + (O)**		(2,360,277)	(2,206,306)

(*) € 73,988 thousand (€ 216,479 - € 142,491) is classified in the Statement of Financial Position under "Other borrowings".
(**) Classified under "Other borrowings" – Non-current liabilities

Note that the "Net financial position" at 31 December 2010 did not include € 16,835 thousand relating to the Banca Intermobiliare S.p.A. equity investment and convertible bonds, instead 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 31 DECEMBER 2011

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

STOCK GRANT PLANS AT 31 DECEMBER 2011

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

Stock Grant Plans

The 2011 Stock Grant Plan involves the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment of one CIR S.p.A. share. The Plan envisages two rights classes: time-based units, the maturity of which is subject to the start date of fixed terms, and performance units, the maturity of which is subject to the start date of the terms and to the achievement of objectives of the arm's length value of the share (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) established in the regulation.

The regulation envisages a minimum holding of the shares covered by the Plan.

Shares assigned in implementation of the 2011 Plan will be made available exclusively from own shares held by CIR S.p.A. The regulation states that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the rights vesting period and as at their date of exercise.

On 29 April 2011 the Board of Directors, at the end of the Shareholders' Meeting that approved the 2011 Stock Grant Plan for a maximum 4,500,000 units, implemented the 2011 Stock Grant Plan reserved for executives and/or directors of the company, the parent company and subsidiaries by assigning a total of 3,299,400 units (of which 1,377,800 time-based units and 1,921,600 performance units).

The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 30 April 2013 to 31 January 2015.

The performance units will mature on the same maturity dates envisaged for the time-based units, but only provided that the arm's length value of the shares on each maturity date is at least equal to the percentage of the initial value indicated in the regulation.

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

SORGENIA

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

STOCK OPTION PLANS OUTSTANDING AT 31 DECEMBER 2011

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

STOCK GRANT PLANS AT 31 DECEMBER 2011

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

Espresso

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

STOCK OPTION PLANS FOR EMPLOYEES AT DECEMBER 31 2011

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

STOCK GRANT PLAN FOR EMPLOYEES AT DECEMBER 31 2011

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

Sogefi

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

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

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

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

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

The fair value of rights assigned in 2011, calculated at the time of assignment in accordance with the Cox Ross Rubinstein binomial option pricing model for American options, totalled € 1,765 thousand.
The input data used for measurement of the stock grants can be summarised as follows:
- riskless EUR interest rate curve at 19 April 2011;

- underlying price equal to the price of the Sogefi S.p.A. share at 19 April 2011 and equal to € 2.7892;
- average price of the Sogefi S.p.A. share from 21 March 2011 to 19 April 2011 and equal to € 2.8159, to determine the barrier for the performance units of the stock grant;
- historic volatility rate at 260 days for the Sogefi S.p.A. share, read at 19 April 2011 and equal to 37.49%;
- zero dividend yield for measurement of the stock grant.

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

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

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

• Stock Option Plan 2004 reserved for employees of the Company and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.61% of the share capital at 31 December 2011) at € 2.64 each exercisable every four months from 30 September 2004 to 30 September 2014;
• Stock Option 2005 reserved for employees of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.65% of share capital at 31 December 2011) with a strike price of € 3.87, exercisable from 30 September 2005 to 30 September 2015;
• Stock Option 2006 reserved for employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of share capital at 31 December 2011) with a strike price of € 5.87, exercisable from 30 September 2006 to 30 September 2016;
• Stock Option Plan 2007 reserved for employees of the foreign subsidiaries for a maximum of 715,000 shares (0.61% of share capital at 31 December 2011) with a strike price of € 6.96, exercisable from 30 September 2007 to 30 September 2017. On 22 April 2008, on the strength of powers assigned by the Shareholders' Meeting, the Board of Directors amended the strike price from € 6.96 to € 5.78 to take into account the extraordinary part of the dividend distributed by the Shareholders' Meeting held on that same date;
• Stock Option Plan 2008 reserved for employees of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of share capital at 31 December 2011) with a strike price of € 2.1045, exercisable from 30 September 2008 to 30 September 2018;
• Stock Option 2009 reserved for employees of the company and its subsidiaries for a maximum of 2,335,000 shares (2% of share capital at 31 December 2011) with a strike price of € 1.0371, exercisable from 30 September 2009 to 30 September 2019;
• Extraordinary Stock Option Plan 2009 reserved for individuals who were already beneficiaries of Phantom Stock Option Plans 2007 and 2008, who are still employees of 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 31 December 2011), of which 475,000 (Tranche I options) with a strike price of € 5.9054, exercisable from 30 June 2009 to 30 September 2017 and 540,000 (Tranche II options) with a strike price of € 2.1045, exercisable from 30 June 2009 to 30 September 2018;
• Stock Option Plan 2010 reserved for the Chief Executive Officer of the Company and executives of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.09% of the share capi-

tal at 31 December 2011) with a strike price of € 2.3012, exercisable between 30 September 2010 and 30 September 2020.

The notional cost for 2011 of outstanding plans is € 163 thousand, recognised to the income statement under "Other non-operating costs (revenues)".

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

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

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

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

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

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

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

Below are the main features of the plans outstanding:
• Phantom Stock Option Plan 2007 reserved for the Chief Executive Officer, executives and staff of the Parent Company, as well as executives of the Italian subsidiaries, for a maximum of 1,760,000 options with an initial assignment value of € 7.0854 adjusted in 2008 to € 5.9054, exer-

cisable from 30 September 2007 to 30 September 2017. Following subscription to the extraordinary stock option plan 2009, 475,000 options were given up;

• Phantom Stock Option Plan 2008 reserved for the Chief Executive Officer, executives and staff of the Parent Company, as well as executives of the Italian subsidiaries, for a maximum of 1,700,000 options with an assignment value of € 2.1045 exercisable from 30 September 2008 to 30 September 2018. Following subscription to the extraordinary stock option plan 2009, 540,000 options were given up.

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

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

<u>KOS</u>

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

STOCK OPTION PLANS AT DECEMBER 31 2011

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

Other stock option plans
Regarding other group companies, note that the subsidiary Euvis S.p.A. has stock option plans based on shares of the company reserved for employers and directors.

At 31 December 2011 the Company had four share-based payment agreements outstanding as described below:

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

23. LEGAL DISPUTES

It should be remembered that certain group companies have disputes pending, 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 regard to the listed group companies Espresso and Sogefi, please refer to the respective explanatory notes.
On 9 July 2011 the ruling of the Milan Court of Appeal was filed in the civil proceedings brought by CIR, against Fininvest for damages caused by the corruption of judges in the Lodo Mondadori case. The ruling sentences Fininvest to pay CIR approximately € 540.1 million, plus interest at the legal rate since 3 October 2009 and costs, as compensation for the immediate and direct damage suffered by the latter. As an effect of this ruling, on 26 July 2011 CIR received a total of approximately € 564.2 million from Fininvest, inclusive of legal costs and interest. As per the terms of international accounting standards (IAS 37), this sum will not affect the income statement of the group until the last level of justice.

24. CORPORATE ACQUISITIONS

As already mentioned in paragraph 2.d. "Changes in the consolidation area", on 29 July 2011 the Sogefi Group completed acquisition of the French components group Systèmes Moteurs (through

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

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

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

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

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

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

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

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

25. **OTHER INFORMATION**

STATEMENT OF REMUNERATION FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS AND THEIR NETWORK PARTNERS
(Consob Resolution no. 11971/99)

Pursuant to Consob Resolution no. 11971/99, the chart below shows the remuneration payable for services provided by the independent auditors Deloitte & Touche S.p.A. and other partners in their network:

(in thousands of euro)	*2011*
Charged to the Parent Company:	
a) by the independent auditors for auditing services	61
b) by the independent auditors:	
- for auditing services for the purpose of certification	3
- for other services	--
c) by network partners of the independent auditors, for the provision of other services	--
Charged to the subsidiaries:	
a) by the independent auditors for auditing services	2,856
b) by the independent auditors:	
- for auditing services for the purpose of certification	359
- for other services	91
c) by network partners of the independent auditors, for the provision of other services	12
of which for tax consulting	12

KEY FIGURES OF THE PARENT COMPANY CARLO DE BENEDETTI & FIGLI S.a.p.a.

Cofide S.p.A. is subject to management and coordination by its parent company Carlo De Benedetti & Figli S.a.p.A. (Art. 2497-*bis* of the Italian Civil Code); Attachment 2 to the Statutory Financial Statements gives the key figures of the parent company as shown in its statutory financial statements at 31 December 2010.

RELATED PARTY TRANSACTIONS

For details of the nature of related party transactions, please refer to Note 8 in the report on operations.

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	*Sales revenues*	*Costs for the purchase of goods*	*Costs for services*	*Other operating costs*	*Other operating income*	*Financial income*	*Financial charges*	*Dividends*
Parent companies	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	13	--	--
Associates	1,792	(66)	--	--	39	729	--	11
Joint ventures	7,976	(227,794)	(1,516)	(295)	753	8,054	(7,629)	--
Other (*)	7,783	--	(34)	--	21	--	--	--
Other related parties	--	--	--	--	304	--	--	--
Total	17,551	(227,860)	(1,550)	(295)	1,117	8,796	(7,629)	11

(*) These are subsidiary relations with minority shareholders

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(*) These are subsidiary relations with minority shareholders

COFIDE Group

Consolidated Financial Statements of the Directly Controlled Subsidiary as of 31 December 2011

CIR GROUP

CIR GROUP

1. STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

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

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

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

CIR GROUP

2. INCOME STATEMENT

(in thousands of euro)

		2011		2010
SALES REVENUES		4,522,722		4,650,761
of which with related parties (*)	*17,551*		*150,680*	
CHANGE IN INVENTORIES		(6,582)		2,886
COSTS FOR PURCHASE OF GOODS		(2,543,498)		(2,757,125)
of which from related parties (*)	*(227,860)*		*(282,385)*	
COSTS FOR SERVICES		(844,936)		(783,580)
of which from related parties (*)	*(2,660)*		*(1,244)*	
PERSONNEL COSTS		(720,032)		(681,680)
OTHER OPERATING INCOME		227,706		103,589
of which from related parties (*)	*1,515*		*1,622*	
OTHER OPERATING COSTS		(188,841)		(172,311)
of which with related parties (*)	*(295)*		*(3)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY		21,928		37,517
AMORTIZATION, DEPRECIATION AND WRITEDOWNS		(212,267)		(184,252)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)		**256,200**		**215,805**
FINANCIAL INCOME		59,514		54,118
of which from related parties (*)	*8,796*		*10,225*	
FINANCIAL EXPENSE		(178,770)		(165,021)
of which with related parties (*)	*(7,629)*		*(10,200)*	
DIVIDENDS		285		108
of which from related parties (*)	*11*		*16*	
GAINS FROM TRADING SECURITIES		13,806		42,170
LOSSES FROM TRADING SECURITIES		(4,865)		(5,271)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		(24,866)		(5,937)
INCOME BEFORE TAXES		**121,304**		**135,972**
INCOME TAXES		(57,997)		(12,586)
RESULT AFTER TAXES FROM OPERATING ACTIVITY		**63,307**		**123,386**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL		--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY SHAREHOLDERS		**63,307**		**123,386**
- NET INCOME OF MINORITY SHAREHOLDERS		(53,163)		(66,536)
- **NET INCOME OF THE GROUP**		**10,144**		**56,850**
BASIC EARNINGS PER SHARE (in euro)		1.1360		0.0759
DILUTED EARNINGS PER SHARE (in euro)		0.0136		0.0758

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

COFIDE
Gruppo De Benedetti

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 2011 were adequate in relation to the size and nature of the business and
- that they were effectively applied.

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

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

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

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

Milan, March 12 2012

Signed by	*Signed By*
Rodolfo De Benedetti	Giuseppe Gianoglio
Chief Executive Officer	Officer Responsible

FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	***Notes***	**31.12.2011**	**31.12.2010**
NON-CURRENT ASSETS		**587,176,989**	**580,457,959**
TANGIBLE ASSETS	5.a.	427,707	479,494
INVESTMENT PROPERTY	5.b.	851,763	851,763
INVESTMENTS IN SUBSIDIARIES	5.c.	574,321,503	579,038,003
OTHER EQUITY INVESTMENTS	5.d.	0	0
OTHER RECEIVABLES	5.e.	89,756	88,699
SECURITIES	5.f.	11,486,260	0
CURRENT ASSETS		**11,357,964**	**47,503,133**
OTHER RECEIVABLES	6.a.	2,694,724	2,613,378
SECURITIES	6.b.	204,235	29,778,439
CASH & CASH EQUIVALENTS	6.c.	8,459,005	15,111,316
TOTAL ASSETS		**598,534,953**	**627,961,092**

LIABILITIES AND EQUITY		**31.12.2011**	**31.12.2010**
EQUITY		**558,473,088**	**565,629,407**
SHARE CAPITAL	7.a.	359,604,959	359,604,959
RESERVES	7.b.	160,671,245	162,461,273
RETAINED EARNINGS	7.c.	36,371,076	47,149,397
NET INCOME (LOSS) FOR THE YEAR		1,825,808	(3,586,222)
NON-CURRENT LIABILITIES		**38,045,069**	**404,088**
OTHER BORROWINGS	8.a.	37,576,830	0
OTHER PAYABLES	8.b.	34,582	34,582
PERSONNEL PROVISIONS	8.c.	433,657	369,506
CURRENT LIABILITIES		**2,016,796**	**61,927,597**
BANK OVERDRAFTS	9.a.	6,526	4,928
OTHER BORROWINGS	9.b.	0	59,958,996
TRADE PAYABLES	9.c.	386,389	289,545
OTHER PAYABLES	9.d.	1,623,881	1,674,128
TOTAL LIABILITIES AND EQUITY		**598,534,953**	**627,961,092**

2. INCOME STATEMENT

(in euro)

	Notes		% (**)	2011		% (**)	2010
SUNDRY REVENUES AND INCOME	10			1,154,757			1,295,049
of which from related parties (*)		*1,110,000*	*96.1%*		*1,238,000*	*95.6%*	
COSTS FOR THE PURCHASE OF GOODS	11			(50,569)			(47,606)
COSTS FOR SERVICES	12			(2,660,168)			(2,603,155)
of which to related parties (*)		*(457,380)*	*17.2%*		*(511,200)*	*19.6%*	
PERSONNEL COSTS	13			(940,977)			(753,448)
OTHER OPERATING COSTS	14			(483,731)			(419,859)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	15			(110,733)			(88,066)
OPERATING RESULT				(3,091,421)			(2,617,085)
FINANCIAL INCOME	16			467,474			1,594,354
FINANCIAL EXPENSE	17			(1,465,394)			(1,678,898)
DIVIDENDS	18			9,094,279			0
of which from related parties (*)		*9,094,279*	*100.0%*		*0*	*0.0%*	
GAINS FROM TRADING SECURITIES	19			2,174,083			502,646
LOSSES FROM TRADING SECURITIES	20			(636,713)			(473,230)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	21			(4,716,500)			(914,009)
INCOME / LOSS BEFORE TAXES				1,825,808			(3,586,222)
INCOME TAXES	22			0			0
NET INCOME (LOSS) FOR THE YEAR				**1,825,808**			**(3,586,222)**
BASIC EARNINGS (LOSS) PER SHARE	23			0.0025			(0.0050)
DILUTED EARNINGS (LOSS) PER SHARE	23			0.0025			(0.0050)

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

(**) Percentage impact

3. STATEMENT OF COMPREHENSIVE INCOME

(in euro)

	2011	2010
RESULT FOR THE YEAR	**1,825,808**	**(3,586,222)**
OTHER ITEMS OF STATEMENT OF COMPREHENSIVE INCOME		
Net change in fair value of available-for-sale financial assets	(1,790,028)	3,513,825
Taxes on items of statement of comprehensive income	-	-
OTHER ITEMS OF STATEMENT OF COMPREHENSIVE INCOME NET OF TAX EFFECTS	(1,790,028)	3,513,825
TOTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR	**35,780**	**(72,397)**
BASIC EARNINGS (LOSS) PER SHARE	**0.0001**	(0.0001)
DILUTED EARNINGS (LOSS) PER SHARE	**0.0001**	(0.0001)

4. STATEMENT OF CASH FLOW

(in euro)

	2011	2010
OPERATING ACTIVITY		
INCOME / (LOSS) FOR THE YEAR	1,825,808	(3,586,222)
ADJUSTMENTS:		
AMORTISATION/DEPRECIATION	110,733	88,066
ALLOCATION TO PERSONNEL PROVISIONS, NET OF USE	64,151	38,301
LOSSES / (GAINS) ON SALE OF INVESTMENTS IN SUBSIDIARIES	0	(248,694)
LOSSES / (GAINS) ON SALE OF CURRENT SECURITIES	(1,824,920)	219,278
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	4,716,500	914,009
(INCREASE) DECREASE IN NET WORKING CAPITAL	(34,749)	60,715
of which with related parties	*0*	*0*
CASH FLOW FROM OPERATING ACTIVITY	4,857,523	(2,514,547)
INVESTING ACTIVITY		
CHANGE IN INVESTMENTS IN SUBSIDIARIES	0	(716,173)
CHANGE IN TANGIBLE AND INTANGIBLE ASSETS	(58,946)	(119,544)
CHANGE IN OTHER CAPITALISED RECEIVABLES	(1,057)	51,699
NET CHANGE IN NON-CURRENT SECURITIES	(11,486,260)	0
CASH FLOW FROM INVESTING ACTIVITY	(11,546,263)	(784,018)
FUNDING ACTIVITY		
CHANGE IN OTHER BORROWINGS	(22,382,166)	(59,909,899)
NET CHANGE IN CURRENT SECURITIES	29,609,096	46,878,045
DIVIDENDS PAID	(7,192,099)	0
CASH FLOW FROM FUNDING ACTIVITY	34,831	(13,031,854)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	(6,653,909)	(16,330,419)
NET CASH & CASH EQUIVALENTS - OPENING BALANCE *(*)*	15,106,388	31,436,807
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE *(*)*	**8,452,479**	**15,106,388**

(*) Corresponds to cash & cash equivalents net of bank overdrafts.

5. STATEMENT OF CHANGES IN EQUITY

(in euro)

	Share capital	*Reserves*	*Retained earnings*	*Income (loss) for the year*	*Total*
BALANCE AT 1 JANUARY 2010	**359,604,959**	**158,878,584**	**45,840,973**	**1,377,288**	**565,701,804**
Allocation of 2009 results to reserves	0	68,864	1,308,424	(1,377,288)	0
Adjustment to fair value of securities:					
- Change in reserve	0	3,513,825	0	0	3,513,825
2010 result	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 31 DECEMBER 2010	**359,604,959**	**162,461,273**	**47,149,397**	**(3,586,222)**	**565,629,407**
Allocation of 2010 results to reserves	0	0	(3,586,222)	3,586,222	0
Distribution to Shareholders	0	0	(7,192,099)	0	(7,192,099)
Adjustment to fair value of securities:					
- Change in reserve	0	(1,790,028)	0	0	(1,790,028)
2011 result	0	0	0	1,825,808	1,825,808
Total comprehensive result for 2011	*0*	*(1,790,028)*	*0*	*1,825,808*	*35,780*
BALANCE AT 31 DECEMBER 2011	**359,604,959**	**160,671,245**	**36,371,076**	**1,825,808**	**558,473,088**

EXPLANATORY NOTES

1. INTRODUCTION

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

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

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

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

Events which occurred after the reporting date

After the close of the year no important events took place which could have had a significant effect on the financial, equity and economic situation of the Company. See point 5 of the Report on Operations for a description of material events which have taken place since the close of the year.

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

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

2. ACCOUNTING STANDARDS APPLIED

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

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

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

Fixed assets are depreciated on a straight-line basis each year throughout the remaining useful life of the asset.
Given the standard nature of assets included in the individual asset categories, it is considered that their useful life is represented by the following rates:

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

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

Should there be any event from which impairment of an asset can be assumed, its carrying value is checked against its recoverable value, which is the higher of fair value and value in use.
Fair value is defined on the basis of values expressed by the active market, by recent transactions or from the best information available to determine the potential amount obtainable from sale of the asset.

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

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

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, also through a finance lease agreement, for the purpose of receiving lease payments or to achieve a gain on the capital invested or both, rather than for the purpose of directly using it for the production or supply of goods or services or for administration of the company or for sales as part of ordinary business activities.

The cost of an investment property is represented by its purchase price, improvements made, replacements and extraordinary maintenance. The company has opted for the cost method to be applied to all investment property held after initial recognition. According to the cost method, the estimation is made net of depreciation and any impairment losses.
If there should be any change in allocation from investment to proprietary/asset use, the fair value as at the date of change is replaced by the cost. Vice versa, IAS 16 applies until there is any change. Any difference between the carrying value and fair value must be treated as a revaluation in accordance with IAS 16.

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

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

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

Investments in subsidiaries and associates are recognised at cost adjusted for any impairment.
Any positive difference, arising on acquisition, between the acquisition cost and the acquirer's share of equity of the investee company at current values is therefore included in the carrying value of the investment.
Investments in subsidiaries and associates are tested for impairment every year, or more frequently if necessary. Where there is evidence of impairment of the investments, the impairment loss is recognised in the income statement as a write-down.
In the event of the company's share of investee company losses exceeding the carrying value of the investment, and when the company is liable or accepts liability, then the value of the investment is reduced to zero and the company's share of any further losses is recognised as a provision under liabilities. Should the impairment subsequently cease to exist or reduce, the value is reversed to the income statement up to the limit of its cost.

2.e. **Other equity investments**

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

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

Receivables are recognised at amortised cost and measured at their presumed realization value, while payables are recognised at amortised cost. Payables are recognised at amortised cost.

Receivables and payables in foreign currencies, which are originally recognised at the spot rates at the transaction date, are adjusted to the year-end spot exchange rates and any exchange gains and losses are recognised to the income statement. Any net gains are allocated to a special non-distributable reserve until realisation.

No receivables or payables in foreign currency were recognised to the financial statements at 31 December 2011.

2.g. **Securities (IAS 32 and IAS 39)**

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

Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. When there are impairment losses or when the assets are due to be sold, the gains and losses recognised previously to equity are transferred to the income statement.

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

For a more complete description of the treatment of financial instruments we would refer readers to the specific section of the Explanatory Notes.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary difference can be utilised.

The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent to which it is no longer probable that there will be sufficient taxable income to allow the benefit of this deferred asset to be utilised.

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

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

2.l. Equity

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

Unrealised gains and losses, net of tax, on financial assets classified as "available for sale" are recorded under equity in the fair value reserve. The reserve is reversed to the income statement when the financial asset is realised or when impairment is recognised.

The item "Retained earnings (losses)" includes accumulated earnings and balances transferred from other reserves when these are released from any prior limitations. This item also shows the cumulative effect of changes in accounting standards and/or the correction of errors accounted for in accordance with IAS 8.

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

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

2.n. Revenues and income (IAS 18)

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

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

2.o. Employee benefits (IAS 19)

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

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

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 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 assumptions.

Actuarial gains and losses for the defined benefit plans are recognised 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 "corridor method".

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

2.p. **Derivatives (IAS 32 and IAS 39)**

Derivatives are measured at fair value.

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

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

For accounting purposes hedging transactions can be classified as:

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

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

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

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

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

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction.
Non-monetary items measured at fair value are translated using the exchange rate at the date on which the carrying values were measured.

2.r. **Use of estimates**

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

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

Basic earnings or loss per share are determined by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in circulation during the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account 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 the financial issues involved, it was considered useful to devote a special section to accounting standards IAS 32 and IAS 39.

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

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

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

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

- they are held for trading;

- they are a financial asset subject to the application of IAS 39 designated and are other than investments in equity instruments, the fair value of which can be reliably determined.

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

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

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

Amortised cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts or premiums received or paid at the time of purchase, and recognising them throughout the entire life of the instrument until its maturity.
Amortised cost represents the initial recognition value of a financial instrument, net of any capital repayments and any impairment, plus or minus cumulative differences between its initial value and its value at maturity calculated using the effective interest rate method.

The effective interest rate method is a calculation criterion used to assign financial expense to their related payment period.

The effective interest rate is the rate that gives a correct present value to expected future cash flows until maturity, so as to obtain the net present carrying value of the financial instrument.

If even one 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 category refers to financial instruments which are not derivatives, have payments that are either fixed or can be determined, which are not listed on an active market and which are not intended to be traded.

The category includes trade receivables and payables.

Measurement of these instruments, with the exception of those classified as current assets or liabilities (within 12 months), is made by applying the amortised cost method, using the effective interest rate and taking into account any discounts or premiums obtained or paid at the time of acquisition and recognising these throughout the entire life of the instrument until its maturity.

Available-for-sale financial assets
This is a "residual" category which includes non-derivative financial instruments that are designated as available for sale and are not included in any of the previous categories.
Financial instruments held for trading are recognised at their fair value plus any transaction costs.

Gains and losses are recognised to a separate item of equity until the financial instruments are sold or suffer impairment. In such cases gains and losses accrued under equity are released to the income statement.

Fair value is the price at which an asset can be traded or a liability settled in a free transaction between independent parties at arm's length.

In the case of securities listed on regulated markets, the fair value is the bid price at the close of trading on the last day of the reporting period.
Where no market prices are available, fair value is determined either on the basis of the fair value of a substantially similar financial instrument or by using appropriate financial techniques (e.g. discounted cash flow).

Investments in financial assets can be derecognised from the financial statements only when the contractual rights to receive their respective cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

4. ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

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

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

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

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

A change in accounting estimates involves an indication of the nature and the impact of the change. Estimates are used mainly to recognise impairment of assets recorded, provisions for risks, employee benefits, taxes and other provisions and reserves. Estimates and assumptions are reviewed regularly and the effects of any changes are reflected in the income statement.
Lastly, the treatment of accounting errors involves an indication of the nature of the error, the amount of the adjustments to be made at the beginning of the first reporting period after their discovery.

STATEMENT OF FINANCIAL POSITION

5. **NON-CURRENT ASSETS**

5.a. TANGIBLE ASSETS

The changes in this item were as follows:

2010	*Opening position*			*Changes in the year*				*Closing position*		
	Original	*Accumulated*	*Balance*	*Acquisitions*	*Disinvestments and adjustments*		*Amortisation/Depreciation*	*Original*	*Accumulated*	*Balance*
(in euro)	*cost*	*amort./depr.*	*01.01.2010*		*cost*	*provision*		*cost*	*amort./depr.*	*31.12.2010*
Building										
- 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 during 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

2011	*Opening position*			*Changes in the year*				*Closing position*		
	Original	*Accumulated*	*Balance*	*Acquisitions*	*Disinvestments and adjustments*		*Amortisation/Depreciation*	*Original*	*Accumulated*	*Balance*
(in euro)	*cost*	*amort./depr.*	*01.01.2011*		*cost*	*provision*		*cost*	*amort./depr.*	*31.12.2011*
Building										
- Property in Rome used for business	1,154,172	(764,873)	389,299	0	0	0	(34,625)	1,154,172	(799,498)	354,674
Total	1,154,172	(764,873)	389,299	0	0	0	(34,625)	1,154,172	(799,498)	354,674
Industrial and commercial equipment										
- Motor vehicles	196,321	(109,096)	87,225	0	0	0	(59,350)	196,321	(168,446)	27,875
- Electronic office equipment	48,171	(46,321)	1,850	8,060	0	0	(3,462)	56,231	(49,783)	6,448
- Furniture and fittings	391,379	(390,259)	1,120	0	0	0	(668)	391,379	(390,927)	452
- Alarm systems	20,192	(20,192)	0	27,697	0	0	(8,309)	47,889	(28,501)	19,388
- Telephone systems	10,771	(10,771)	0	0	0	0	0	10,771	(10,771)	0
- Miscellaneous machinery and equipment	0	0	0	22,200	0	0	(3,330)	22,200	(3,330)	18,870
- Assets expensed during the year	14,237	(14,237)	0	989	0	0	(989)	15,226	(15,226)	0
Total	681,071	(590,876)	90,195	58,946	0	0	(76,108)	740,017	(666,984)	73,033
Total tangible assets	1,835,243	(1,355,749)	479,494	58,946	0	0	(110,733)	1,894,189	(1,466,482)	427,707

5.b. INVESTMENT PROPERTY

The changes in this item were as follows:

2010	Opening position			Changes in the year				Closing position		
				Acquisitions	Disinvestments		Amortisation/Depreciation			
(in euro)	Original cost	Accumulated amort./depr.	Balance 01.01.2010		cost	provision		Original cost	Accumulated amort./depr.	Balance 31.12.2010
Building										
- Property 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

2011	Opening position			Changes in the year				Closing position		
				Acquisitions	Disinvestments		Amortisation/Depreciation			
(in euro)	Original cost	Accumulated amort./depr.	Balance 01.01.2011		cost	provision		Original cost	Accumulated amort./depr.	Balance 31.12.2011
Building										
- Property in Milan not used for business	853,714	(1,951)	851,763	0	0	0	0	853,714	(1,951)	851,763
Total	853,714	(1,951)	851,763	0	0	0	0	853,714	(1,951)	851,763

This is a property in central Milan, the market value of which is considerably higher than its carrying value.

5.c. INVESTMENTS IN SUBSIDIARIES

The changes in this item were as follows:

2010	*Opening position*		*Changes in the year*					*Closing position*	
	01.01.2010		*Increases*		*Decreases*		*Write-downs*	*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

2011	*Opening position*		*Changes in the year*					*Closing position*	
	01.01.2011		*Increases*		*Decreases*		*Write-downs*	*31.12.2011*	
(in euro)	*no. shares*	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*amount*	*no. shares*	*amount*
CIR S.P.A.	363,771,164	573,821,503	0	0	0	0	0	363,771,164	573,821,503
EUVIS S.P.A.	2,469,500	5,216,500	0	0	0	0	(4,716,500)	2,469,500	500,000
Total		579,038,003		0		0	(4,716,500)		574,321,503

Key figures are provided below on the investments in subsidiaries taken from the draft financial statements approved by the Boards of Directors of the investees (*values in Euro):*

Name		Registered office	Share capital 31.12.11	Equity 31.12.11	Income (loss) 2011	Percentage of direct control	Percentage of indirect control
CIR S.P.A.	(*)	Milan - Via Ciovassino 1	396,665,734	946,037,379	269,144	45.85%	48.94%
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.
(**) Latest available equity and result at 31 December 2010.

As required by IFRS the investments held at year end were subjected to an impairment test to see whether there was objective evidence that their carrying value could not be fully recovered.

The main equity investment held by Cofide is its controlling interest in Cir S.p.A. For the purpose of the impairment test for the separate financial statements, this investment was not considered significant individually but given the nature of the investee's holding it was included in the impairment test of CGUs carried out at consolidated level. The impairment tests carried out at consolidated level did not reveal the need to make any value adjustments.

For the impairment testing of the investee Euvis, the current operating position, financial position and uncertainties on the business outlook of the company were taken into account, along with the current market situation. The impairment test revealed a need for a write-down of € 4,716,500 in value.

5.d. OTHER EQUITY INVESTMENTS

The changes in this item were as follows:

2010	Opening position		Changes in the year					Closing position	
	01.01.2010		Increases		Decreases		Write-downs	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

2011	Opening position		Changes in the year					Closing position	
	01.01.2011		Increases		Decreases		Write-downs	31.12.2011	
(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 down in prior periods.

Pursuant to Art. 87 of the Consolidated Income Tax Act, note that the above investments were recognised under financial assets in previous financial statements prepared in accordance with Italian accounting principles.

5.e. OTHER RECEIVABLES

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Receivables - Inland Revenue	74,615	73,558
Receivables - others	15,141	15,141
Total	89,756	88,699

5.f. SECURITIES

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Available-for-sale securities		
Investment funds	11,486,260	0
Total	11,486,260	0

6. CURRENT ASSETS

6.a. OTHER RECEIVABLES

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Receivables - Inland Revenue	37,126	45,507
Receivables - others	2,657,598	2,567,871
Total	2,694,724	2,613,378

6.b. SECURITIES

This item contains the following classes of securities:

(in euro)	*31.12.2011*	*31.12.2010*
Available-for-sale securities		
Investments in other companies:		
- Banca Intermobiliare S.p.A.	0	11,463,650
Convertible bonds:		
- Banca Intermobiliare S.p.A.	0	5,282,094
Investment funds	204,235	236,018
Interest on securities	0	89,750
	204,235	*17,071,512*
Securities held for trading		
Non-convertible bonds	0	12,373,976
Interest on securities	0	332,951
	0	*12,706,927*
Total	204,235	29,778,439

The fair value measurement at year end of securities held for trading led to a negative adjustment of € 31,783 recognised directly to equity.

6.c. CASH & CASH EQUIVALENTS

Cash and cash equivalents fell by € 6,652,311 from € 15,111,316 to € 8,459,005.
The breakdown of any changes is indicated in the statement of cash flow together with changes in current bank overdrafts.

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 to the distribution of dividends.

7.b. RESERVES

The changes in 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 measurement of securities recognised as current assets and classified as available for sale.

7.c. RETAINED EARNINGS

In application of international accounting standards, this item initially contained the restatement of the reserve for revaluation of equity investments which until 31 December 2004 was used to measure investments in subsidiaries using the equity method.

Compared to 31 December 2010 this item has decreased by € 3,586,222 as a result of coverage of the previous year’s loss and the € 7,192,099 distribution to shareholders.

Information on the utilisation and distribution options of equity items is provided in Attachment 1.

CHANGES IN EQUITY RESERVES

(in euro)	Share premium reserve	Legal reserve	Merger surplus	Reversal of equity investments to historical cost	IAS FTA reserve	Fair value reserve	TOTAL
BALANCE AT 1 JANUARY 2010	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:							
. *Disposal 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 on available-for-sale securities*	0	0	0	0	0	717,906	717,906
BALANCE AT 31 DECEMBER 2010	5,044,115	22,262,175	42,975	133,069,943	243,375	1,798,690	162,461,273
Changes in fair value reserve:							
. *Disposal of available-for-sale securities*	0	0	0	0	0	(1,758,245)	(1,758,245)
. *Fair value measurement at year end of available-for-sale securities*	0	0	0	0	0	(31,783)	(31,783)
BALANCE AT 31 DECEMBER 2011	5,044,115	22,262,175	42,975	133,069,943	243,375	8,662	160,671,245

8. NON-CURRENT LIABILITIES

8.a. OTHER BORROWINGS

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Bank loan	37,058,820	0
Other borrowings	518,010	0
Total	37,576,830	0

During the year the company:

- signed a new pool financing agreement with leading banks, with a 36 months duration maturing on 10 March 2014, consisting in a credit facility for a maximum € 75,000,000 for use in tranches of € 7,500,000 or multiples thereof with a duration of three or six months unless renewed by the company, regulated at the 3M or 6M Euribor rate depending on use, plus an annual 150 basis point spread. At year end the interest rate applied was 2.918%;

- signed an Interest Rate Swap (IRS) to hedge operations, with a 36 months duration maturing on 10 March 2014, on a notional capital of € 25,000,000 and at the fixed rate of 1.97%, to reduce the risk of increases in the interest rate associated with the aforementioned loan. The Interest Rate Swap envisages interest payments calculated at a floating rate against collections of interest based on a 1.97% fixed rate.

Other borrowings include adjustment of the IRS to fair value at 31 December 2011 for € 511,412, recognised under losses from trading securities in the income statement.

The covenants for the credit facility, by which the company is obliged to hold not less than 40% of ordinary CIR shares until repayment of the loan, are fully complied with.

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

8.b. OTHER PAYABLES

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Sundry payables due beyond twelve months	34,582	34,582
Total	34,582	34,582

8.c. PERSONNEL PROVISIONS

Details and changes in this item are shown below:

(in euro)	*31.12.2011*	*31.12.2010*
Employee leaving indemnity	433,657	369,506
Total	433,657	369,506

Balance at 1 January 2011	369,506
Net change for the year	65,728
Income tax	(1,577)
Balance at 31 December 2011	433,657

9. **CURRENT LIABILITIES**

9.a. BANK OVERDRAFTS

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

9.b. OTHER BORROWINGS

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Bank loan	0	59,958,464
Other borrowings	0	532
Total	0	59,958,996

During the year the company repaid the 5-year floating rate pool financing arranged with leading banks in 2006.

9.c. TRADE PAYABLES

These are payables to suppliers, which rose from € 289,545 to € 386,389.

9.d. OTHER PAYABLES

This item includes the following:

(in euro)	*31.12.2011*	*31.12.2010*
Inland Revenue payables	1,486,202	1,424,726
Social security payables	36,966	33,481
Other payables	100,713	215,921
Total	1,623,881	1,674,128

INCOME STATEMENT

10. **SUNDRY REVENUES AND INCOME**

This item includes the following:

(in euro)	*2011*	*2010*
Services to subsidiaries	1,110,000	1,238,000
Real estate income	26,589	26,213
Other income and recovery of costs from third parties	18,168	30,836
Total	1,154,757	1,295,049

The services to subsidiaries refer to management support and communications services provided at arm's length conditions to Cir S.p.A.

11. **COSTS FOR THE PURCHASE OF GOODS**

This item shows the value of consumer goods purchases made by the company.
The total increased from € 47,606 to € 50,569.

12. **COSTS FOR SERVICES**

This item includes the following:

(in euro)	*2011*	*2010*
Services provided by subsidiaries	457,380	511,200
Administrative, tax, legal and corporate consulting	859,577	796,258
Fees to administrative bodies	1,012,289	982,132
Other operating costs	330,922	313,565
Total	2,660,168	2,603,155

The services provided by subsidiaries refer to financial, legal and administrative support provided at arm's length conditions by Cir S.p.A.

13. PERSONNEL COSTS

Personnel costs increased from € 753,448 to € 940,977.
The chart below shows the changes in the number of employees in the different categories during the year:

	31.12.2010	*Recruitments*	*Resignations*	*31.12.2011*	*Average for the year*
Executives	1			1	1
Office staff	3			3	3
Total	4			4	4

14. OTHER OPERATING COSTS

This item includes the following:

(in euro)	*2011*	*2010*
Income tax, duties and rights	74,900	68,858
Compulsory contributions and membership fees	104,185	102,297
Donations to charity	286,919	232,500
Other charges and expenses	17,727	16,204
Total	483,731	419,859

15 AMORTISATION, DEPRECIATION & WRITE-DOWNS

This item contains only the depreciation of tangible assets, which rose from € 88,066 to € 110,733.

16. FINANCIAL INCOME

This item includes the following:

(in euro)	*2011*	*2010*
Interest income on other fixed income securities	320,173	1,264,680
Interest income on deposits	146,243	181,050
Other financial income	1,058	148,624
Total	467,474	1,594,354

17. FINANCIAL EXPENSE

This item includes the following:

(in euro)	*2011*	*2010*
Interest expense and charges on bank loan	1,407,721	1,651,191
Interest expense and commissions on bank accounts	9,366	16,968
Commissions on stock exchange transactions	48,307	10,739
Total	1,465,394	1,678,898

18. DIVIDENDS

This item includes the following:

(in euro)	*2011*	*2010*
Dividends from subsidiaries:		
- CIR S.p.A.	9,094,279	0
Total dividends	9,094,279	0

19. GAINS FROM TRADING SECURITIES

This item includes the following:

(in euro)	*2011*	*2010*
Gains from trading investments in subsidiaries	0	248,694
Gains from trading other equity investments	1,950,221	0
Gains from trading fixed income securities	0	6,660
Gains from investment funds	223,862	247,292
Total	2,174,083	502,646

Income from trading other equity investments refers entirely to disposal of the minority interest in Banca Intermobiliare S.p.A.

20. LOSSES FROM TRADING SECURITIES

This item includes the following:

(in euro)	*2011*	*2010*
Losses from trading equity investments in other companies	0	18,606
Losses from trading fixed income securities	125,301	454,624
Losses from fair value measurement of derivatives at year end	511,412	0
Total	636,713	473,230

The losses from fair value measurement of derivatives at year end refer to measurement of the Interest Rate Swaps (IRS) used as hedges arranged to reduce the risk of increases in the interest rate applied to the pool financing granted by leading banks in 2011, consisting in a credit facility for a maximum € 75,000,000 as specified under "other borrowings".

21. ADJUSTMENTS TO FINANCIAL ASSETS

This item includes the following:

(in euro)	*2011*	*2010*
Impairment losses on equity investments in subsidiaries	(4,716,500)	0
Write-down of fixed income securities	0	(196,103)
Impairment losses on available-for-sale securities	0	(717,906)
Total	(4,716,500)	(914,009)

The impairment test on the equity investment in Euvis revealed the need for a € 4,716,500 write-down in value.

22. INCOME TAXES

Given the positive result no provision was made for current taxes, essentially as a result of the detaxation of the 95% of dividends collected on equity investments in subsidiaries.
Based on the aforementioned tax position, no reconciliation was made between the theoretical and effective tax payables as this was deemed immaterial.
No deferred taxes were set aside for tax losses as they are not presumed to be recoverable.

23. EARNINGS (LOSS) PER SHARE

The basic earnings or loss per share are calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of shares in circulation. The diluted earnings or loss per share are calculated by dividing the net result for the period attributable to ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effects of outstanding options. Any own shares held are not included in the calculation.
The company has no options outstanding or own shares, and therefore the diluted and basic earnings per share are equal.
The following chart provides information on the shares used to calculate the basic and diluted earnings per share (*values in Euro*):

	2011	*2010*
Net income attributable to the Shareholders	1,825,808	(3,586,222)
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**0.0025**	**(0.0050)**

	2011	*2010*
Result of the statement of comprehensive income attributable to the Shareholders	35,780	(72,397)
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**0.0001**	**(0.0001)**

24. RELATED PARTY TRANSACTIONS

Information regarding the impact that related party transactions have on the financial and equity situation and on the result for the year is given in the comment on the individual items of the financial statements.

The paragraph "Other information" in the Report on Operations provides a summary charge of the effects of these transactions.

25. NET FINANCIAL POSITION

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

	(in euro)	31.12.2011	31.12.2010
A.	Cash and bank deposits	8,459,005	15,111,316
B.	Other cash and cash equivalents	204,235	0
C.	Securities held for trading	0	12,942,945
D.	**Cash and cash equivalents**	8,663,240	28,054,261
E.	Current financial receivables	0	0
F.	Current bank payables	6,526	4,928
G.	Current portion of non-current debt	0	59,958,464
H.	Other current financial payables	0	0
I.	**Current financial debt (F) + (G) + (H)**	6,526	59,963,392
J.	**Net current financial debt (surplus) (I) – (E) – (D)**	(8,656,714)	31,909,131
K.	Non-current bank payables	37,576,830	0
L.	**Non-current financial debt**	37,576,830	0
M.	**Net financial debt (surplus) (J) + (L)**	28,920,116	31,909,131

26. <u>OTHER INFORMATION</u>

FINANCIAL RISK MANAGEMENT: ADDITIONAL DISCLOSURES (IFRS 7)

With regard to business risks, the main financial risks identified, monitored and actively managed by the company are the following:

a) interest rate risk resulting from exposure to fluctuations in interest rates;
b) credit risk resulting from the potential default of a counterparty;
c) liquidity risk resulting from the lack of financial resources to meet short term commitments.

<u>Interest rate risk</u>
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 long-term funding through the floating rate pool financing maturing in 2014.

Sensitivity analysis
No sensitivity analysis was performed on changes in interest rates as the company is not exposed to such risk given that its financial debt is hedged.

<u>Credit risk</u>
Credit risk represents the exposure of the company to potential losses resulting from the failure of counterparties to meet their obligations. In relation in particular to financial counterparty risk resulting from the investment of liquidity and from derivative positions, counterparties are selected according to guidelines which set out the characteristics of entities suitable as counterparties for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.
The company has not encountered any cases of default by counterparties.
At 31 December 2011 there was no significant concentration of credit risk.

<u>Liquidity risk</u>
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, based on its cash and cash equivalents and expected future cash flows, the company believes that it will be able to meets its foreseeable financial needs.

<u>Measurement of financial assets and liabilities and fair value hierarchy</u>
In accordance with IFRS 7, a statement is required indicating whether all or part of the fair value of securities is measured in direct reference to prices listed on an active market (“Level 1”) or whether it is estimated using prices that can be inferred from market prices for similar assets or through valuation techniques for which all significant factors are inferred from data observable on the market (“Level 2”), or is defined using valuation techniques based mostly on input not observable on the market which therefore involve estimates and assumptions being made by management (“Level 3”).

The following chart shows the classification of securities according to their fair value measurement method for 2011 and 2010 *(values in Euro)*:

2011	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
Financial assets measured at fair value with balancing entry in equity				
Available-for-sale securities:				
- Investment funds	--	11,486,260	--	11,486,260
Total	*--*	*11,486,260*	*--*	*11,486,260*
Financial assets measured at fair value through profit or loss	--	--	--	--
Total securities	--	11,486,260	--	11,486,260
CURRENT ASSETS				
Financial assets measured at fair value with balancing entry in equity				
Available-for-sale securities:				
- Investment funds	--	204,235	--	204,235
Total	*--*	*204,235*	*--*	*204,235*
Financial assets measured at fair value through profit or loss	--	--	--	--
Total securities	--	204,235	--	204,235

2010	Level 1	Level 2	Level 3	Total
CURRENT ASSETS				
Financial assets measured at fair value with balancing entry 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	--	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

In compliance with the requirements of accounting standard IFRS 7, the following charts give additional information regarding the various categories of financial assets and liabilities and the risk categories of financial instruments.

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS 2011

(in thousands of euro)	*F.S. items*	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value at year end*	*Effect on the income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other receivables	*5.e.*	15	--	--	15	--	--	--	--	--	15	--	--
Securities	*5.f.*	11,486	--	--	--	--	11,486	--	--	--	11,486	--	--
CURRENT ASSETS													
Other receivables	*6.a.*	2,658	--	--	2,658	--	--	--	--	--	2,658	--	--
Securities	*6.b.*	204	--	--	--	--	204	--	--	--	204	2,369	(1,790)
Cash & cash equivalents	*6.c.*	8,459	--	--	8,459	--	--	--	--	--	8,459	146	--
NON-CURRENT LIABILITIES													
Other borrowings	*8.a.*	37,577	--	--	--	--	--	--	511	37,066	37,577	(1,059)	--
Other payables	*8.b.*	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Bank overdrafts	*9.a.*	6	--	--	--	--	--	--	--	6	6	(9)	--
Other borrowings	*9.b.*	--	--	--	--	--	--	--	--	--	--	(349)	--
Trade payables	*9.c.*	386	--	--	--	--	--	--	--	386	386	--	--

ADDITIONAL INFORMATION

"Other borrowings" under non-current liabilities refer to a floating rate bank loan signed during the year. It is deemed that the carrying value is reasonably close to its fair value.

"Other borrowings" under current liabilities refer to a bank loan repaid in full during the year.

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS 2010

(in thousands of euro)	*F.S. items*	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value at year end*	*Effect on the 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 payables	*8.a.*	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” refers to a floating rate bank loan. It is deemed that the carrying value is reasonably close to its fair value.

RISK CATEGORIES - 2011

(in thousands of euro)	*F.S. items*	*Carrying value*	*Liquidity risk*	*Interest rate risk*	*Exchange rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other equity investments	*5.d.*	--	--	--	--	--
Other receivables	*5.e.*	15	--	--	--	15
Securities	*5.f.*	11,486	--	--	--	11,486
CURRENT ASSETS						
Other receivables	*6.a.*	2,658	--	--	--	2,658
Securities	*6.b.*	204	--	--	--	204
Cash & cash equivalents	*6.c.*	8,459	--	8,459	--	--
NON-CURRENT LIABILITIES						
Other borrowings	*8.a.*	37,577	37,066	511	--	--
Other payables	*8.b.*	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	*9.a.*	7	7	--	--	--
Trade payables	*9.c.*	386	386	--	--	--

RISK CATEGORIES - 2010

(in thousands of euro)	*F.S. items*	*Carrying value*	*Liquidity risk*	*Interest rate risk*	*Exchange rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other 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 payables	*8.a.*	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	*9.a.*	5	5	--	--	--
Other borrowings	*9.b.*	59,959	59,959	--	--	--
Trade payables	*9.c.*	290	290	--	--	--

CREDIT RISK - 2011

Position at 31 December 2011 *(in thousands of euro)*	*F.S. items*	*Total receivables*	*Not yet due*	*Past due by>*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Re-negotiated*	*Write-downs*
Other non-current equity investments	*5.d.*									
Fair value		953	953	--	--	--	--	--	--	--
Provision for write-downs		(953)	(953)	--	--	--	--	--	--	--
Other non-current receivables	*5.e.*									
Gross receivable		15	15	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Other current receivables	*6.a.*									
Gross receivable		2,658	2,658	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		2,673	2,673	--	--	--	--	--	--	--

CREDIT RISK - 2010

Position at 31 December 2010 *(in thousands of euro)*	*F.S. items*	*Total receivables*	*Not yet due*	*Past due by>*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Re-negotiated*	*Write-downs*
Other non-current equity investments	*5.d.*									
Fair value		953	953	--	--	--	--	--	--	--
Provision for write-downs		(953)	(953)	--	--	--	--	--	--	--
Other non-current receivables	*5.e.*									
Gross receivable		15	15	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Other current receivables	*6.a.*									
Gross receivable		2,568	2,568	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		2,583	2,583	--	--	--	--	--	--	--

LIQUIDITY RISK - 2011

(in thousands of euro)	*<1* year	*>1 <2* years	*>2 <3* years	*>3 <4* years	*>4 <5* years	*>5* years	*Total*
Derivative financial liabilities	--	--	511	--	--	--	511
Non-derivative financial liabilities ***Non-current liabilities*** Other borrowings	--	--	37.066	--	--	--	37.066
Other payables	--	--	--	--	--	35	35
Current liabilities Bank overdrafts	6	--	--	--	--	--	6
Trade payables	386	--	--	--	--	--	386
TOTAL	392	--	37.577	--	--	35	38.004

Given the special nature of the credit facility, "other borrowings" includes the carrying amount as representing liquidity risk.
At present no reasonable forecast can be made of significant changes in the interest rate applied.

LIQUIDITY RISK - 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 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 item "other borrowings" includes interest calculated on the floating rate applicable at 31 December 2010.
At present no reasonable forecast can be made of significant changes in the interest rate applied.

GUARANTEES AND COMMITMENTS

At year end no guarantees had been issued and no commitments had been entered into by the Company in addition to what has been exposed in the note 8.a..

MANAGEMENT AND COORDINATION ACTIVITY

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

Pursuant to Art. 2497-*bis* of the Italian Civil Code, Attachment 2 provides the key figures from the latest approved financial statements of the company exercising management and coordination.

Attachment 1)

EQUITY - Possible utilisation and distribution

(values in Euro)

Type	Amount	*Possible utilisation*	Available amount
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	36,371,076	A, B, C	36,371,076
Reversal of equity investments to historical cost	133,069,943	A, B, C	133,069,943
IAS FTA reserve	243,375	A, B, C	243,375
Fair value reserve	8,662	=	=
TOTAL			174,771,484
Non distributable portion			
Share premium reserve, the legal reserve not having reached one fifth of the share capital - Art. 2431, Civil Code			(5,044,115)
Distributable portion remaining			169,727,369

KEY:

Possible utilisation:

A: for capital increases

B: as loss cover

C: for distribution 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. at 31 December 2010 are provided below

(values in Euro)

STATEMENT OF FINANCIAL POSITION

ASSETS		
B)	Fixed assets	243,819,709
C)	Current assets	690,023
Total assets		244,509,732

LIABILITIES		
A)	EQUITY	
	Share Capital	170,820,000
	Reserves	18,504,127
	Net income (loss) for the year	(3,707,263)
D)	PAYABLES	58,892,868
Total liabilities		244,509,732

MEMORANDUM ACCOUNTS	241,182,520

INCOME STATEMENT

B)	Cost of production	(1,329,283)
C)	Financial income and (expense)	(2,377,980)
	Income taxes for the year	0
	Net income (loss) for the year	(3,707,263)

Statutory Financial Statements of Directly Controlled Subsidiaries

as of 31 December 2011

CIR S.p.A.

EUVIS S.p.A.

CIR - COMPAGNIE INDUSTRIALI RIUNITE S.p.A.
Registerd Office: MILAN
Share capital at 31.12.2011: € 396,665,733.50

1. STATEMENT OF FINANCIAL POSITION

(in euro)

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

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

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

CIR - COMPAGNIE INDUSTRIALI RIUNITE S.p.A.
Registerd Office: MILAN
Share capital at 31.12.2011: € 396,665,733.50

2. INCOME STATEMENT

(in euro)

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

BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0004	(0.0196)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0004	(0.0196)

(*) 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)**

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 12 2012

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed By
Giuseppe Gianoglio
Officer Responsible

LIST OF EQUITY INVESTMENTS
AT 31 DECEMBER 2011

pursuant to Art. 38.2, Italian Legislative Decree 127/91
and art. 126, Consob Resolution no. 11971 of 14 May 1999

SUBSIDIARIES CONSOLIDATED USING THE FULL LINE-BY-LINE METHOD

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
COFIDE GROUP					
CIR S.p.A. (*)	Italy	396,614,134	€	COFIDE S.p.A.	45.85
EUVIS S.p.A.	Italy	4,520,000.00	€	COFIDE S.p.A.	54.63
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	10,000,000.00	€	CIR S.p.A.	100.00
CIRINVEST S.r.l.	Italy	119,764.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
JUPITER FINANCE S.p.A.	Italy	2,700,000.00	€	CIR S.p.A.	98.80
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	98.80
JUPITER MARKETPLACE S.p.A.	Italy	1,000,000.00	€	NEXENTI S.r.l..	100.00
DEVIL PEAK S.r.l.	Italy	65,000.00	€	NEXENTI S.r.l.	77.50
FOPPOLO RISORSE S.r.l.	Italy	10,000.00	€	DEVIL PEAK S.r.l.	76.50
SORGENIA GROUP					
SORGENIA HOLDING S.p.A.	Italy	137,282,214.00	€	CIR S.p.A.	65.03
SORGENIA S.p.A.	Italy	9,203,327.00	€	SORGENIA HOLDING S.p.A.	79.98
ENERGIA ITALIANA S.p.A.	Italy	26,050,000.00	€	SORGENIA S.p.A.	78.00
SORGENIA POWER S.p.A.	Italy	20,100,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA NEXT S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA PUGLIA S.p.A.	Italy	11,150,778.00	€	SORGENIA S.p.A.	100.00
SORGENIA BIOENERGY	Italy	2,700,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA MENOWATT S.r.l.	Italy	136,050.00	€	SORGENIA S.p.A.	70.00
RACOON S.r.l.	Italy	20,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA TRADING S.p.A.	Italy	10,000,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA USA LLC	USA	21,514,969.00	USD	SORGENIA S.p.A.	100.00
NOVENTI VENTURES II LP	USA	31,734,090.00	USD	SORGENIA USA LLC	69.47
SORGENIA E&P S.p.A.	Italy	32,000,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA INTERNATIONAL B.V.	Netherlands	2,004,000.00	€	SORGENIA E&P S.p.A.	100.00
SORGENIA E&P COLOMBIA B.V.	Netherlands	6,518,000.00	€	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P UK LTD	UK	2,487,761	GBP	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P BULGARIA EOOD	Bulgaria	11,153,100	BGN	SORGENIA INTERNATIONAL B.V.	100.00
AZZURRO S.p.A.	Italy	1,100,000.00	€	SORGENIA S.p.A.	90.00
SORGENIA GREEN S.r.l.	Italy	2,000,000.00	€	SORGENIA S.p.A.	100.00
ENERGIA LUCANA S.p.A.	Italy	50,000.00	€	SORGENIA GREEN S.r.l.	80.00
				TECNOPARCO VALBASENTO S.p.A.	20.00
					100.00
SORGENIA CASTELNUOVO DI CONZA S.r.l.	Italy	115,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA SAN GREGORIO MAGNO S.r.l.	Italy	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA MINERVINO S.p.A.	Italy	1,700,000.00	€	SORGENIA GREEN S.r.l.	75.00
SORGENIA SAN MARTINO IN PENSILIS S.r.l.	Italy	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA VENTO S.p.A.	Italy	50,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA GEOTHERMAL S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA BONEFRO S.r.l.	Italy	110,000	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CAGGIANO S.r.l.	Italy	10,000	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CAMPAGNA S.r.l.	Italy	110,000	€	SORGENIA GREEN S.r.l.	100.00

(*) 48.94% net of own shares held as treasury stock

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
TORRE MAGGIORE WIND POWER S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	75.00
SORGENIA ROMANIA S.r.l.	Romania	16,377,719.00	RON	SORGENIA GREEN S.r.l.	74.98
				SORGENIA S.p.A.	25.02
					100.00
SORGENIA SOLAR S.r.l.	Italy	670,000.00	€	SORGENIA GREEN S.r.l.	100.00
SOLUXIA SARDA S.r.l.	Italy	85,200.00	€	SORGENIA SOLAR S.r.l.	85.00
SOLUXIA SARDA III S.r.l.	Italy	60,000.00	€	SORGENIA SOLAR S.r.l.	90.00
MPX ENERGY LTD	UK	533,809	GBP	SORGENIA INTERNATIONAL B.V.	67.63
MPX (Oil & Gas) Limited	UK	100	GBP	MPX ENERGY LTD	100.00
MPX RESOURCES Limited	UK	10	GBP	MPX ENERGY LTD	100.00
MPX NORTH SEA Limited	UK	10	GBP	MPX ENERGY LTD	100.00
HANNU NORTH SEA Limited	UK	10	GBP	MPX ENERGY LTD	100.00
HANNU EXPLORATION Limited	UK	10	GBP	MPX ENERGY LTD	100.00
SORGENIA FRANCE DEVELOPPEMENT S.A.	France	805,000.00	€	SORGENIA GREEN S.r.l.	100.00
ESPRESSO GROUP					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (**)	Italy	61,534,498.20	€	CIR S.p.A.	53.82
FIN.E.GI.L. EDITORIALE S.p.A.	Italy	128,798,515.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	99.78
EDITORIALE LA NUOVA SARDEGNA S.p.A.	Italy	775,500.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	100.00
S.E.T.A. S.p.A.	Italy	774,750.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	71.00
A. MANZONI & C. S.p.A.	Italy	15,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ROTOCOLOR S.p.A.	Italy	23,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
SOMEDIA S.p.A.	Italy	500,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
RETE A S.p.A.	Italy	13,198,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ALL MUSIC S.p.A.	Italy	6,500,000.00	€	RETE A S.p.A.	100.00
SOGEFI GROUP					
SOGEFI S.p.A. (***)	Italy	60,638,443.84	€	CIR S.p.A.	56.40
SOGEFI REJINA S.p.A.	Italy	21,978,316.00	€	SOGEFI S.p.A.	99.88
FILTRAUTO S.A.	France	5,750,000.00	€	SOGEFI S.p.A.	99.99
SOGEFI FILTRATION Ltd	UK	5,126,737	GBP	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION S.A.	Spain	12,953,713.60	€	SOGEFI S.p.A.	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
SYSTÈMES MOTEURS S.A-S-	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	29,857,374	BRL	SOGEFI FILTRATION S.A.	99.99
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	10,691,607	ARS	SOGEFI FILTRATION DO BRASIL Ltda	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

(**) 55.51% net of own shares held as treasury stock
(***) 58.02% net of own shares held as treasury stock

Name of Company	Registered office	Share Capital	Currency	Investor Companies	% of ownership
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	9,000,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	88.89
SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd	India	15,940,980	INR	FILTRAUTO S.A.	60.00
ALLEVARD IAI SUSPENSIONS PRIVATE Ltd	India	112,000,000	INR	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	51.00
SOGEFI ALLEVARD S.r.l.	Romania	210,000.00	RON	SOGEFI REJNA S.p.A.	100.00
MARK IV AIR INTAKE SYSTEMS CORP.	Canada	39,393,000	Cad	SYSTÈMES MOTEURS S.A-S	100.00
MARK IV SYSTÈMES MOTEURS USA Inc.	USA	100.00	USD	SYSTÈMES MOTEURS S.A-S	100.00
SYSTÈMES MOTEURS CHINA S.à.r.l.	Luxembourg	12,500	€	SYSTÈMES MOTEURS S.A-S	100.00
MARK IV AIR INTAKE INDIA Pvt. Ltd.	India	20,684,570	INR	SYSTÈMES MOTEURS S.A-S	99.52
				SYSTÈMES MOTEURS CHINA S.à.r.l.	0.48
					100.00
SYSTÈMES MOTEURS S.r.l.	Romania	1,000.00	RON	SYSTÈMES MOTEURS S.A-S	99.00
MARK IV AIS MEXICO, S de R:L: de C:V:	Mexico	3,000.00	Mxn	SYSTÈMES MOTEURS S.A-S	0.03
				MARK IV AIR INTAKE SYSTEMS CORP.	99.97
					100.00
MARK IV HONG KONG Limited	Hong Kong	1,000.00	Hkd	SYSTÈMES MOTEURS CHINA S.à.r.l.	100.00
MARK IV (Shanghai) TRADING Co. Ltd	China	5,000,000	Rmb	MARK IV HONG KONG Limited	100.00

KOS GROUP

KOS S.p.A.	Italy	8,182,944.60	€	CIR S.p.A.	53.65
REDANCIA S.r.l.	Italy	100,000.00	€	KOS S.p.A.	100.00
OSPEDALE DI SUZZARA S.p.A.	Italy	120,000.00	€	KOS S.p.A	99.90
MEDIPASS S.p.A.	Italy	700,000.00	€	KOS S.p.A	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.p.A.	100.00
MEDIPASS HEALTHCARE LTD	UK	1,000.00	GBP	MEDIPASS S.p.A.	65.00
CLEARMEDI HEALTHCARE LTD	India	579,100.00	INR	MEDIPASS HEALTHCARE LTD	51.00
RESIDENZA ANNI AZZURRI S.r.l.	Italy	27,079,034.00	€	KOS S.p.A	100.00
HSS REAL ESTATE S.p.A.	Italy	2,064,000.00	€	KOS S.p.A	100.00
PARCO IMMOBILIARE S.r.l.	Italy	100,000.00	€	KOS S.p.A	100.00
ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	Italy	2,550,000.00	€	KOS S.p.A	100.00
ABITARE IL TEMPO S.r.l.	Italy	99,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	55.00
CASA ARGENTO S.r.l.	Italy	1,096,500.00	€	ABITARE IL TEMPO S.r.l.	51.00
ARIEL TECHNOMEDICAL S.r.l.	Italy	10,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	51.00
SANATRIX S.r.l.	Italy	843,700.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	76.97
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.r.l.	Italy	96,564.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
VILLA ROSA S.r.l.	Italy	10,400.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Investor Companies*	*% of ownership*
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	100,000.00	€	KOS S.p.A	4.23
				RESIDENZA ANNI AZZURRI S.r.l.	41.76
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	38.00
				MEDIPASS S.p.A.	2.38
				OSPEDALE DI SUZZARA S.p.A.	2.47
				CASA ARGENTO S.r.l.	0.27
				SANATRIX GESTIONI S.p.A.	2.47
				ABITARE IL TEMPO S.r.l.	5.41
				REDANCIA S.r.l.	0.27
				ELSIDA S.r.l.	0.27
				VILLA ROSA	2.47
					100.00
DRY PRODUCTS GROUP					
DRY PRODUCTS S.p.A.	Italy	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	23,580,000.00	USD	CIR INTERNATIONAL S.A.	99.00
FOOD CONCEPTS HOLDING S.A.	Luxembourg	5,230,955.00	€	CIR INTERNATIONAL S.A.	80.16
FOOD CONCEPTS GERMANY GmbH	Germany	100,000	€	FOOD CONCEPTS HOLDING S.A.	100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES
CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
CIR GROUP					
LAKE LEMAN INTERNATIONAL SCHOOL S.A.	Switzerland	395,000.00	CHF	CIR S.p.A.	49.36
SORGENIA GROUP					
TIRRENO POWER S.p.A.	Italy	91,130,000.00	€	ENERGIA ITALIANA S.p.A.	50.00
GICA S.A.	Switzerland	4,000,000.00	CHF	SORGENIA S.p.A.	25.00
P&F Società agricola S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
FIN GAS S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
LNG MED GAS TERMINAL S.r.l.	Italy	22,440,655.00	€	FIN GAS S.r.l	70.00
SORGENIA FRANCE PRODUCTION S.A.	France	10,620,360.00	€	SORGENIA FRANCE DEVELOPPEMENT S.A.	50.00
PARC ÉOLIEN DE LA VOIE SACRÉE S.a.s.	France	2,197,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	24.86
PARC ÉOLIEN D'EPENSE S.a.s.	France	802,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	25.00
PARC ÉOLIEN DE HERBISSONNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	50.00
SAPONIS INVESTMENTS SP ZOO	Poland	532,500	PLN	SORGENIA INTERNATIONAL B.V.	26.76
VOLTERRA A.E.	Greece	3,609,402.00	€	SORGENIA GREEN S.r.l.	50.00
SOCIÉTÉ FRANÇAISE DES ALIZÉS SARL	France	580,125.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SAINT CRÉPIN S.a.s.	France	1,657,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE L'ARGONNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE SUD S.a.s.	France	802,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BERNAY ST MARTIN S.a.s.	France	2,987,400.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	France	9,757,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LONGEVILLE SUR MER S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE L'ORME CHAMPAGNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIENS DU NORD PAS-DE-CALAIS S.a.s.	France	400,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BOUILLANCOURT EN SÉRY S.a.s.	France	537,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LEFFINCOURT S.a.s.	France	4,537,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC D'AULNAY L'AÎTRE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A..	100.00
PARC ÉOLIEN DE BUSSY LE REPOS S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LA TIERACHE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A..	100.00
PARC ÉOLIEN DE PLAINCHAMP S.a.s.	France	3,037,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BLOMBAY L'ECHELLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LA VALLE DU DONE S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SOURCE DE L'HERBISSONNE S..a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SEUIL MONT LAURENT S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE MAURECHAMPS S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE RAIVAL S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE LA VALETTE S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE VILLER S.a.s.	France	577,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
TIRRENO SOLAR S.r.l.	Italy	100,000.00	€	TIRRENO POWER S.p.A.	100.00
ILIOFANIA A.E.	Greece	300,000.00	€	VOLTERRA A.E.	100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES
CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
ESPRESSO GROUP					
LE SCIENZE S.p.A.	Italy	103,400.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	50.00
EDITORIALE CORRIERE ROMAGNA S.r.l.	Italy	2,856,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
SOGEFI GROUP					
MARK IV ASSET (Shanghai) AUTO PARTS Co. Ltd	China	10,000,000	Rmb	MARK IV HONG KONG Limited	50.00
CIR INTERNATIONAL GROUP					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.56

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	Registered office	Share Capital	Currency	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 GREEN S.r.l.	20.00
SORGENIA CASTELVETERE S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA RICIGLIANO S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
OWP PARC ÉOLIEN DU BANC DEL OLIVES SARL	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	20.00
SORGENIA TRINIDAD & TOBAGO HOLDING LTD	Trinidad & Tobago	1,000	USD	SORGENIA INTERNATIONAL B.V.	100.00
RSG B.V.	Netherlands	18,000.00	€	SORGENIA INTERNATIONAL B.V.	33.33
SORGENIA POLAND B.V.	Netherlands	18,000.00	€	SORGENIA INTERNATIONAL B.V.	100.00
PHOTOVOLTAIQUE DE MARVILLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE DEVELOPPEMENT S.A.	100.00
PVP1 S.r.l.	Italy	10,000.00	€	SORGENIA SOLAR S.r.l.	100.00
PVP2 S.r.l.	Italy	10,000.00	€	SORGENIA SOLAR S.r.l.	100.00
PVP3 S.r.l.	Italy	10,000.00	€	SORGENIA SOLAR S.r.l.	100.00
ESPRESSO GROUP					
ENOTRYA S.r.l. *(in liquidation)*	Italy	78,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. *(in liquidation)*	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.p.A. *(in liquidation)*	Italy	1,000,000.00	€	ELEMEDIA S.p.A.	100.00
BENEDETTINE S.r.l. (*in liquidation*)	Italy	255,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
PREMIUN PUBLISHER NETWORK CONSORZIO	Italy	53,377.94	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	20.51
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	120,000.00	€	ELEMEDIA S.p.A.	27.50
KOS GROUP					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
CONSORZIO OSPEDALE DI OSIMO	Italy	20,000.00	€	ABITARE IL TEMPO S.r.l.	24.70
CIR INTERNATIONAL GROUP					
PHA – Participations Hotelieres Astor	France	12,150.00	€	CIR INTERNATIONAL S.A.	99.99
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) Investments which are non-significant, non-operational or that have been recently acquired, unless stated otherwise

INVESTMENTS IN OTHER COMPANIES
CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
SORGENIA GROUP					
EAL COMPOST S.r.l.	Italy	4,199,981.00	€	SORGENIA BIOENERGY S.p.A.	5.80
ESPRESSO GROUP					
AGENZIA A.N.S.A. S. COOP. A.r.l.	Italy	11,921,162.64	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	3.81
				FIN.E.GI.L. EDITORIALE S.p.A.	8.97
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	3.17
				S.E.T.A. S.p.A.	2.53
					18.48
CONSULEDIT S. CONSORTILE a.r.l.	Italy	20,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	6.64
				FIN.E.GI.L. EDITORIALE S.p.A.	4.86
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.62
				S.E.T.A. S.p.A.	0.49
					12.61
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	S.E.T.A. S.p.A.	0.17
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.12
					0.29
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	S.E.T.A. S.p.A.	14.40
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,767.75	SIT	FIN.E.GI.L. EDITORIALE S.p.A.	19.00
AUDIRADIO S.r.l. *(in liquidation)*	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. (*inactive*)	USA	7,663,998.4	USD	ELEMEDIA S.p.A.	7.83
CERT – CONSORZIO EMITTENTI RADIO TELEVISIVE	Italy	177,531.00	€	RETE A S.p.A.	6.67
CONSORZIO COLLE MADDALENA	Italy	62,224.08	€	RETE A S.p.A.	4.17
CONSORZIO ANTENNA COLBUCCARO	Italy	180,000.00	€	RETE A S.p.A.	8.89
TELELIBERTÀ S.p.A.	Italy	500,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	19.00
SOGEFI GROUP					
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd	Sudan	900,000	SDG	SOGEFI REJNA S.p.A.	25.00
AFICO FILTERS S.A.E.	Egypt	11,000,000	EGP	SOGEFI REJNA S.p.A.	22.62
KOS GROUP					
SPAZIO SANITÀ PROVISION	Italy	18,000,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	5.00
SPAZIO SANITÀ PROVISION	Italy	18,000,000.00	€	VILLA ROSA S.r.l.	5.00
SPAZIO SANITÀ PROVISION	Italy	18,000,000.00	€	RESIDENZE ANNI AZZURRI S.r.l.	5.00
CIR INTERNATIONAL GROUP					
SWISS EDUCATION GROUP AG	Switzerland	81,886,000	CHF	CIR INTERNATIONAL S.A.	19.54

(*) Investments of less than 20%

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES
NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Investor Companies***	***% of ownership***
CIR GROUP					
FINAL S.A. *(in liquidation)*	France	2,324,847.00	€	CIGA LUXEMBOURG S.A.r.l.	47.73
SOGEFI GROUP					
INTEGRAL S.A. *(in liquidation)*	Argentina	2,515,600	ARS	FILTRAUTO S.A.	93.50
				SOGEFI FILTRATION ARGENTINA S.A.	6.50
					100.00

Report of the Board of Statutory Auditors

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 ITALIAN)

Dear Shareholders of COFIDE S.p.A.,

During financial year ended December 31 2011 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 performed 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*";
- 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 Art. 114, paragraph 2 of D.Lgs. 58/1998;
- We checked that the rules of corporate governance as set out in the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A. had been adopted by the Company and were being put into practice;
- We monitored observance of the Procedure for transactions with related parties;
- We checked that there were no significant aspects which the control bodies of the subsidiaries of the company needed to communicate;
- 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 transac-

tions 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 April 4 2012 the firm of auditors appointed to carry out the legal audit of the accounts, Deloitte & Touche S.p.A., issued the audit reports for the Statutory Financial Statements and the Consolidated Financial Statements for the year ended December 31 2011, which included their opinion regarding the consistency of the same as required by Art. 14, parag. 2, letter e) of D.Lgs. no. 39/2010, 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 Art. 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 2011, 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 3,000. 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 359,000 and mandates for other services for euro 91,000. 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 12,000. These considerations appear appropriate to the size and complexity of the assignments performed and in any case do not appear sufficient to affect the independence and autonomy of the auditors when performing their legal audit functions;
- During the year under examination we did not issue any opinions pursuant to Art. 2389 of the Civil Code.
- During financial year 2011, the Board of Directors met 7 times, the Internal Control Committee met 5 times, the Compensation Committee met once. During the year the Board of Statutory Auditors also held 10 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 2011, these were certified by the Chief Executive Officer and by the Executive responsible for the preparation of the company's financial statements in accordance with Art. 154-*bis*, 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 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 2011 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 2011, on the approval thereof or on any other matter within our jurisdiction, just as we have no observations to make on the proposed allocation of profit for the year or on the proposed dividend distribution put forward by the Board of Directors.

April 4 2012

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

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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, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have reclassified certain comparative data related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued auditors' reports dated March 31, 2011. These revisions to reclassifications of comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the COFIDE Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of 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 "corporate 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, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
April 4, 2012

This report has been translated into the English language solely for the convenience of international readers.

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
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, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 31, 2011.

3. In our opinion, the financial statements give a true and fair view of the financial position of COFIDE – Gruppo De Benedetti S.p.A. as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of 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 "corporate 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, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
April 4, 2012

This report has been translated into the English language solely for the convenience of international readers.