COFIDE
Gruppo De Benedetti

CONSOLIDATED FINANCIAL STATEMENTS, SEPARATE FINANCIAL STATEMENTS AND REPORT ON OPERATIONS

2012

CONTENTS

This Annual Report and Financial Statements as of 31 December 2012 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.

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.

Registered office and operations centre
20121 Milan, Via Ciovassino 1
Tel. (02) 72270.1 Fax (02) 72270.270

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

Board of Directors

CARLO DE BENEDETTI
Honorary Chairman
and Director

FRANCESCO GUASTI (*)
Chairman

RODOLFO DE BENEDETTI (**)
Chief Executive Officer

ROGER ABRAVANEL (***)
GIAMPAOLO BRUGNOLI (****)
FRANCESCA CORNELLI (****)
MASSIMO CREMONA (***) (****)
FRANCO DEBENEDETTI
MARCO DE BENEDETTI
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

LUIGI NANI
LUIGI MACCHIORLATTI VIGNAT
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 Appointments and Compensation Committee
(****) Member of the Internal Control and Risks Committee
(*****) Lead Independent Director

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders are invited to the Ordinary and Extraordinary Annual General Meeting of the Shareholders on 26 April 2013 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 29 April 2013, same time and place, to discuss and pass resolution on the following

AGENDA

Ordinary Part

1. Annual Report and Financial Statements for the year ended 31 December 2012. Resolutions on the same.
2. Determination of the number of Directors, appointment of the Board of Directors for financial years 2013-2015 and decisions as to their fees.
3. Appointment of an Alternate Auditor.
4. Proposal to cancel the resolution of 27 April 2012 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
5. Compensation Report.

Extraordinary Part

6. Assignment of powers to the Board of Directors according to the terms of Art. 2420-*ter* and 2443 of the Civil Code; consequent amendment of Art. 17 of the Company Bylaws. Resolutions on the same.

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 IN PERSON AND IN PROXY

Entitlement to take part in the Meeting and exercise a vote is attested by a notification – made by an authorized intermediary according to the terms of Art. 22 of Joint Consob-Bank of Italy Measure of 24 December 2010 – in favour of the individual who has the right to vote based on evidence available at the close of business Wednesday 17 April 2013, i.e. the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting. Any person who has 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 first 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 24 December 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 Registered Office of the Company 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, Studio Segre S.r.l. as the Representative Designated by the Company according to 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 Studio Segre S.r.l. – Via Valeggio, 41 – 10129 Turin by registered post with advice of receipt (A.R.) or sent by e-mail to the certified address segre@legalmail.it, by the end of the second trading day before the date fixed for the first call of the Shareholders' Meeting, valid even for the second call (i.e. by Wednesday 24 April 2013 or by Thursday 25 April 2013 for the second call). 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 the deadlines as above.
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's Registered Office or by certified e-mail to the address segre@legalmail.it attaching the certification notice issued by an authorized intermediary proving that they are entitled to exercise this right. Questions must reach the company by the closing of the third trading day preceding the date fixed for the first call of the meeting, i.e. by the closing of 23 April 2013.
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
AND PRESENTATION OF NEW RESOLUTION PROPOSALS

According to the terms of Art. 126-*bi*s of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may request, within ten days of the publication of this notice, an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or else they can present resolution proposals on subjects already on the Agenda. It should be remembered, however, that any such addition is not allowed for the items on which the Shareholders, according to 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.
Requests 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 THE BOARD OF DIRECTORS

In relation to the second item on the Agenda, notice is given that with the next Shareholders' Meeting the mandate of the Board of Directors will come to an end; at the said Meeting, therefore, new directors will have to be appointed for the years 2013-2015 according to the terms of Art. 147-*ter* of the TUF and Art. 11 of the Company Bylaws to which reference should be made. The Directors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders which list the candidates in numerical order.
Only Shareholders who alone or together with other Shareholders represent at least 2.5% (two point five per cent) of the share capital can present lists. The lists, signed by the Shareholder or Shareholders who have presented them, even by one of them delegated to do so by the other, accompanied by the required documentation, must be filed by the presenting Shareholders with the Registered Office of the Company or sent to the following certified email address segre@legalmail.it by 1 April 2013 and will be published in accordance with current regulations. Since this date is a public holiday, lists will be accepted by fax to the number 02 72270326 provided that they are then delivered to the Company Headquarters by 2 April 2013.

A Shareholder cannot present or vote for more than one list, even through an intermediary or a fiduciary company. Nobody can be a candidate in more than one list and acceptance of candidature in more than one list means that that person cannot be elected. Lists which include a number of candidates equal to or higher than three must include candidates belonging to both genders, in at least the proportion specified in current legislation on the subject of gender balancing.

Candidates who intend to present lists are invited to consult the recommendations contained in Consob Communiqué DEM/9017893 of 26 February 2009.

The lists must be accompanied by:

- The information relating to the identity of the Shareholders who have presented them, with an indication of the percentage of their total shareholding interest and with one (or more) certificate(s) to be filed at the Registered Office at the same time or, in any case, by 5 April 2013 at the latest; this information should show the entitlement of the Shareholder(s) as of the date on which the lists were presented;
- A declaration by Shareholders other than those holding, even jointly, a controlling interest or a relative majority, that they have no connection with them as indicated by current legislation and regulations on this subject;
- An exhaustive description of the personal and professional characteristics of the candidates together with a declaration made by the same candidates that attests that they possess the requisites required by current regulations and by the Company Bylaws and in which they give any activities that they carry out in competition with the Company and accept their candidature.

Candidates for the position of Director must possess the requisites required mandatorily by current regulations.

When only one list is presented or accepted for the vote, all the Directors are taken from that list.

In the event that no lists are presented or that fewer Directors are elected than the number determined by the Shareholders' Meeting, then the same Shareholders must be reconvened in order to appoint the full Board of Directors.

Any lists presented that do not comply with the instructions as above are considered as not having been presented.

APPOINTMENT OF AN ALTERNATE AUDITOR

With reference to the third item on the Agenda, which has the aim of making up the full number of the Board of Statutory Auditors, it should be noted that the appointment of an alternate auditor will, according to the terms of Art. 2401 of the Civil Code, take place without application of the list vote.

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 according to the terms of the law at the Company's Registered Office (in Milan, Via Ciovassino 1) 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, 18 March 2013

For the Board of Directors
The Chairman – Francesco Guasti

The extract of the notice of Meeting was published in the newspaper "la Repubblica" on 18 March 2013

Ordinary and Extraordinary Annual General Meeting of the Shareholders

Milan, 26 April 2013 – 1st call
Milan, 29 April 2013 – 2nd call

ANNUAL REPORT

Report on operations

Dear Shareholders,

in 2012:

– the *consolidated net result* of the Cofide Group was negative and amounted to € 57.6 million, compared with a positive result of € 1 million in 2011;

– the *consolidated equity* of the Cofide Group fell from € 725.4 million at 31 December 2011 to € 655.1 million at 31 December 2012.

The main factors contributing to this result were the subsidiary Cir, which made a loss of € 16.2 million (compared with a profit of € 4.8 million in 2011) and the write-down of € 35.4 million of goodwill relating to the investment in Cir, allocated to investments in the energy sector.
In 2012, the CIR sub-group made a consolidated net loss of € 33.1 million compared with consolidated net income of € 9.7 million in 2011. The contribution made by the four main operating subsidiaries was negative for € 38.1 million compared with a positive one of € 59.4 million in 2011, mainly due to Sorgenia's heavily negative contribution of € 70.3 million (positive for € 8.1 million in 2011), penalised, in particular, by asset write-downs in relation to the difficult economic environment and changes in the regulatory framework. Despite the recession, Espresso, Sogefi and Kos together made a positive contribution of € 32.2 million.

The Cofide Group consists of the following 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's 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 not had any impact, nor will it have any impact, on the Group's income statement until the final appeal has been decided.

In order to provide further information on the financial performance of Cofide in 2012, the income statement and balance sheet are provided with a breakdown showing the contribution of the subsidiaries to the net result and equity of Cofide.

The **income statement** is as follows:

(in millions of euro)

	2012	2011 (*)
Contributions of investments in subsidiaries and associates:		
- Cir S.p.A.	(16.2)	4.8
- Euvis S.p.A.	(1.8)	(1.2)
TOTAL CONTRIBUTIONS	**(18.0)**	**3.6**
Write-down of goodwill for impairment	(35.4)	--
Net gains and losses on trading and the valuation of securities	0.1	1.5
Net financial income and expense	(1.3)	(1.0)
Net operating costs	(3.0)	(3.1)
RESULT BEFORE TAXES	**(57.6)**	**1.0**
Income taxes	--	--
NET RESULT	**(57.6)**	**1.0**

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

The **statement of financial position** at 31 December 2012 shows equity of € 655.1 million, Parent Company net debt of € 34.4 million and long-term financial assets of € 687.9 million.

(in millions of euro)

	31.12.2012	31.12.2011 (*)
Cir S.p.A.	671.9	738.9
Euvis S.p.A.	0.2	2.3
LONG-TERM EQUITY INVESTMENTS	**672.1**	**741.2**
Other long-term financial assets	15.8	11.5
TOTAL LONG-TERM FINANCIAL ASSETS	**687.9**	**752.7**
Tangible assets	1.2	1.3
Net receivables and payables	0.4	0.3
NET INVESTED CAPITAL	**689.5**	**754.3**
Financed by:		
Equity	**655.1**	**725.4**
Net financial debt	**(34.4)**	**(28.9)**

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

"Other long-term financial assets" consist entirely of Cofide's investment in the Jargonnant real estate investment fund, which at 31 December 2012 amounted to € 15.8 million, an increase compared with 31 December 2011 primarily due to additional net investments during the year of € 3.1 million.

1. *Performance of the Group*

Consolidated revenues for 2012 amounted to € 5,063 million compared with € 4,522.7 million in 2011, an increase of € 540.3 million (+11.9%).

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

(in millions of euro)					*Change*	
	2012	*%*	*2011*	*%*	*absolute*	*%*
Energy						
Sorgenia Group	2,572.3	50.8	2,120.3	46.9	452.0	21.3
Media						
Espresso Group	812.7	16.1	890.1	19.7	(77.4)	(8.7)
Automotive components						
Sogefi Group	1,319.2	26.1	1,158.4	25.6	160.8	13.9
Health						
Kos Group	355.4	7.0	349.6	7.7	5.8	1.7
Other sectors	3.4	-	4.3	0.1	(0.9)	-
Total consolidated revenues	5,063.0	100.0	4,522.7	100.0	540.3	11.9
of which: ITALY	3,469.6	68.5	3,266.9	74.2	202.7	6.2
OTHER COUNTRIES	1,593.4	31.5	1,255.8	27.8	337.6	26.9

The **condensed consolidated income statement** is as follows:

(in millions of euro)	*2012*	*%*	*2011 (*)*	*%*
Revenues	5,063.0	100.0	4,522.7	100.0
Consolidated EBITDA *(1)*	**301.8**	**6.0**	**462.1**	**10.2**
Consolidated EBIT	**18.6**	**0.4**	**248.6**	**5.5**
Financial management *(2)*	(106.7)	(2.1)	(131.4)	(2.9)
Income taxes	(29.7)	(0.6)	(59.3)	(1.3)
Net result including minority interests	**(117.8)**	**(2.3)**	**57.9**	**1.3**
Minority interests	60.2	1.2	(56.9)	(1.3)
Net result of the Group	**(57.6)**	**(1.1)**	**1.0**	-

1) This is the sum of "earnings before interest and taxes (EBIT)" and "amortisation, depreciation and write-downs" in the consolidated income statement.
2) This is the 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 consolidated income statement.
(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

Consolidated EBITDA in 2012 totalled € 301.8 million (6% of revenues) compared with € 462.1 million in 2011 (10.2% of revenues), a decrease of € 160.3 million (-34.7%). The reduction in margins, despite the increase recorded by Sogefi, is primarily attributable to the lower profitability of Sorgenia and Espresso due to the downturn in Italian economy. Sorgenia's results were also affected by the write-down of Energia Italiana.

Consolidated EBIT in 2012 amounted to € 18.6 million (0.4% of revenues), compared with € 248.6 million (5.5% of revenues) in 2011, a decrease of € 230 million.

The net result of financial management, negative for € 106.7 million (negative for € 131.4 million in 2011), was brought about by net financial expenses of € 126.4 million (€ 117.3 million in 2011), dividends and net gains on trading and the valuation of securities of € 10.8 million (€ 10.8 million in 2011) and positive adjustments to the value of financial assets for € 8.9 million (negative for € 24.9 million in 2011).

The **condensed consolidated capital structure of the Cofide Group** at 31 December 2012, with comparative figures at 31 December 2011, is as follows:

(in millions of euro) (1)		*31.12.2012*	*31.12.2011 (*)*
Fixed assets	*(1)*	4,251.5	4,370.8
Other net non-current assets and liabilities	*(2)*	263.3	220.2
Net working capital	*(3)*	338.3	272.1
Net invested capital		**4,853.1**	**4,863.1**
Net financial debt	*(4)*	**(2,537.7)**	**(2,360.3)**
Total equity		**2,315.4**	**2,502.8**
Group equity		655.1	725.4
Minority interests		1,660.3	1,777.4

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

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

(3) This item is the 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 sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" under current assets, of "bonds" 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.

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

Net invested capital at 31 December 2012 amounted to € 4,853.1 million compared with € 4,863.1 million at 31 December 2011, a net decrease of € 10 million, mainly due to amortisation, depreciation and write-downs made by the operating groups during the year, as well as the change in the Sorgenia Group's net working capital.

The **consolidated net financial position** at 31 December 2012 showed net debt of €2,537.7 million (an increase of € 177.4 million compared with € 2,360.3 million at 31 December 2011) caused by:

- debt of € 34.4 million for Cofide, the parent company, compared with € 28.9 million at 31 December 2011;

- a financial surplus for CIR and other holding companies of € 33.2 million, which compares with € 10.8 million at 31 December 2011. The increase is mainly due to the positive balance of € 6.6 million between dividends received and paid and the positive adjustment to the fair value of portfolio securities;

- total net debt of the operating groups of € 2,536.5 million compared with € 2,342.2 million at 31 December 2011. The increase of € 194.3 million is mainly due to investments by the Sogefi and Sorgenia groups and an increase in the Sorgenia Group's working capital.

The net financial position includes shares of hedge funds, which amounted to € 84.2 million at 31 December 2012. The accounting treatment of these investments involves recognising changes in the fair value of the funds directly to equity.
The performance of these investments since inception (April 1994) through to the end of 2012 has shown a weighted average return in dollar terms of 6.6%. In 2012, the performance was a positive 5.2%.

Total equity at 31 December 2012 came to € 2,315.4 million compared with € 2,502.8 million at 31 December 2011, a decrease of € 187.4 million.

Group equity went from € 725.4 million at 31 December 2011 to € 655.1 million at 31 December 2012, a net decrease of € 70.3 million, mainly due to the distribution of dividends and the loss for the period.

Minority interests went from € 1,777.4 million at 31 December 2011 to € 1,660.3 million at 31 December 2012, a net decrease of € 117.1 million.

The notes to the financial statements explain how consolidated equity has evolved over time.

The **consolidated statement of cash flows** for 2012, prepared according to a "management" format which, unlike the version included in the financial statements, shows the changes in net financial position rather than the changes in cash and cash equivalents, can be summarised as follows:

(in millions of euro)	*2012*	*2011 (*)*
SOURCES OF FUNDS		
Net result for the period including minority interests	(117.8)	57.9
Amortisation, depreciation, write-downs and other non-monetary changes	378.5	203.9
Self-financing	**260.7**	**261.8**
Change in working capital and other non-current assets and liabilities	**(146.8)**	**(61.9)**
CASH FLOW GENERATED BY OPERATIONS	**113.9**	**199.9**
Increases in capital	24.9	34.8
TOTAL SOURCES OF FUNDS	**138.8**	**234.7**
APPLICATIONS OF FUNDS		
Net investment in fixed assets	(204.7)	(133.5)
Price paid for business combinations	(6.5)	(146.5)
Net debt of acquired companies	0.5	8.3
Buy-back of own shares	(3.3)	(18.3)
Payment of dividends	(39.6)	(38.6)
Other changes in equity	(62.6)	(60.1)
TOTAL APPLICATIONS OF FUNDS	**(316.2)**	**(388.7)**
FINANCIAL SURPLUS (DEFICIT)	**(177.4)**	**(154.0)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(2,360.3)**	**(2,206.3)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(2,537.7)**	**(2,360.3)**

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

A breakdown of the net financial position is given in the notes to the financial statements.

Net cash flow generated by operations amounted to € 113.9 million compared with € 199.9 million in 2011 and consists of self-financing of € 260.7 million compared with € 261.8 million in 2011, against a decrease in net working capital of € 146.8 million versus € 61.9 million the previous year.
Applications of funds in 2012 amounted to € 316.2 million and include € 204.7 million relating to investments made primarily by the Sorgenia and Sogefi groups.

At 31 December 2012 the Group had 13,944 employees, compared with 14,106 at 31 December 2011.

2. *Performance of the Parent Company*

The Parent Company Cofide S.p.A. closed 2012 with net income of € 4.7 million compared with €1.8 million in 2011, and equity of € 557 million at 31 December 2012 (€ 558.5 million at 31 December 2011)

The **condensed income statement** of Cofide S.p.A. for 2012, with comparative figures from 2011, is as follows:

(in millions of euro)

	2012	*2011*
Net operating costs *(1)*	(2.4)	(2.4)
Other operating costs, amortisation and depreciation *(2)*	(0.6)	(0.7)
Financial management *(3)*	7.7	4.9
Result before taxes	**4.7**	**1.8**
Income taxes	--	--
Net result	**4.7**	**1.8**

1) This item is the 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 Cofide S.p.A.

3) This item is the 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 Cofide S.p.A..

The net result of financial management includes € 9.1 million of dividends from the subsidiary Cir.

The **condensed statement of financial position** of Cofide S.p.A. at 31 December 2012, with comparative figures as at 31 December 2011, is as follows:

(in millions of euro)

		31.12.2012	*31.12.2011*
Fixed assets	*(1)*	575.3	575.6
Other net non-current assets and liabilities *(2)*		15.5	11.1
Net working capital	*(3)*	0.6	0.7
Net invested capital		**591.4**	**587.4**
Net financial position	*(4)*	**(34.4)**	**(28.9)**
Equity		**557.0**	**558.5**

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 Cofide S.p.A., the Parent Company.

2) This item is the sum of "securities" and "other receivables" in non-current assets and "other payables" and "personnel provisions" in non-current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company.

3) This item is the sum of "other receivables" in current assets and "trade payables" and "other payables" in current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company.

4) This item is the sum of "securities" and "cash and cash equivalents" in current assets, "other borrowings" in non-current liabilities and "overdrafts" and "other borrowings" in current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company.

The change in equity from € 558.5 million at 31 December 2011 to € 557 million at 31 December 2012 was mainly due to the net result for the period (€ 4.7 million) and the change in the fair value reserve (€ 1 million), both of which increased equity, and the distribution of dividends which reduced it (by € 7.2 million).

3. Reconciliation of the Parent Company's financial statements with the consolidated financial statements

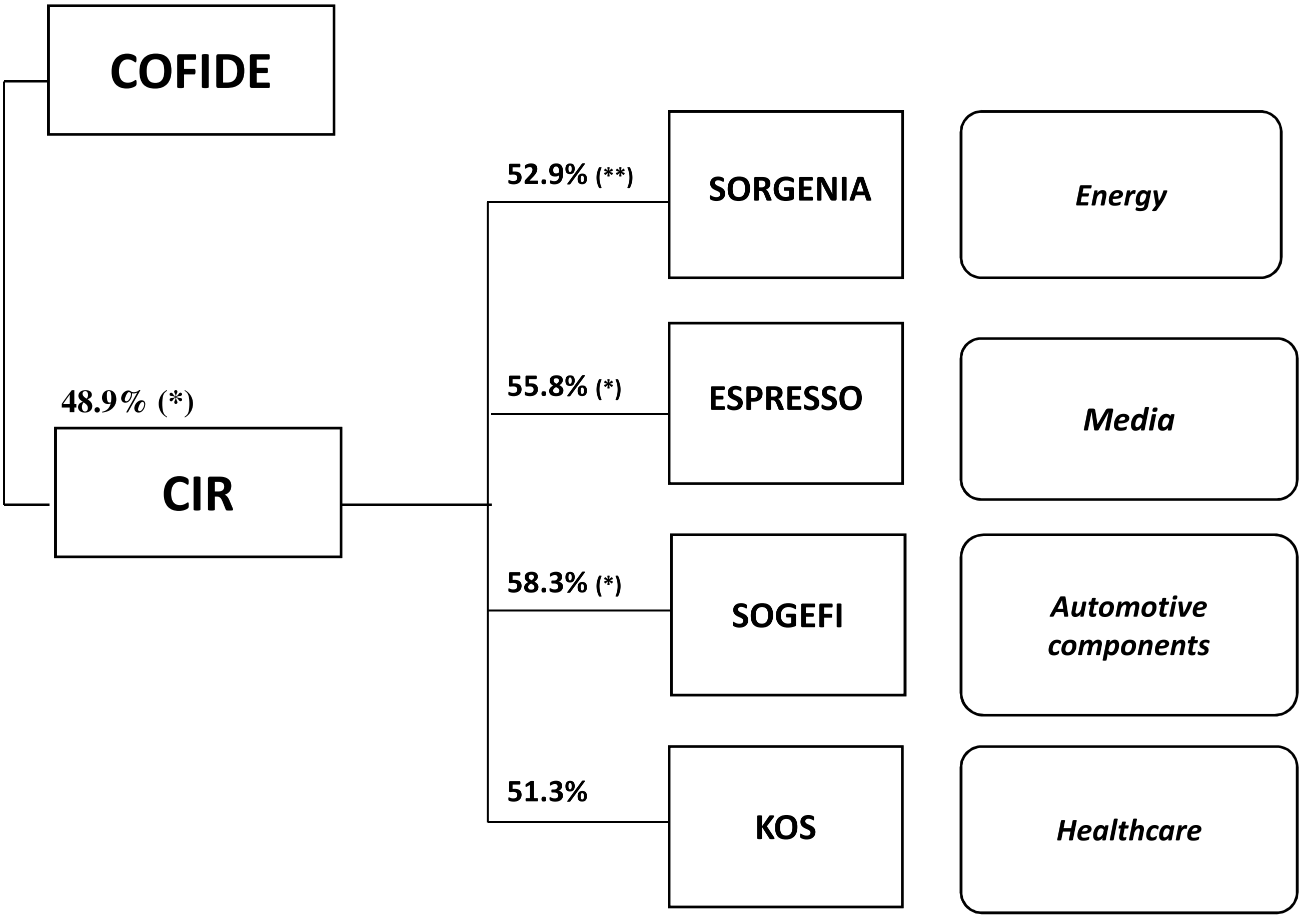
The following is a reconciliation between the net result and equity of the Group with the Parent Company's figures.

(in thousands of euro)

	Equity 31.12.2012	*Net result 2012*
Financial statements of Cofide S.p.A. (Parent Company)	557,039	4,689
- Dividends from consolidated companies	(9,094)	(9,094)
- Net contribution of consolidated companies	231,396	(17,998)
- Difference between the carrying values of investee companies and the portions of their equity included in the consolidation, net of their contributions	(89,068)	--
- Other consolidation adjustments	(35,170)	(35,170)
Consolidated financial statements (Group share)	655,103	(57,573)

MAIN EQUITY INVESTMENTS OF THE GROUP

AT 31 DECEMBER 2012



(*) The percentage is calculated net of treasury shares

(**) Percentage of indirect control through Sorgenia Holding

4. *Performance of the subsidiaries*

EUVIS - On 18 April 2012, the Shareholders' Meeting of Euvis S.p.A. decided to commence voluntary liquidation and to appoint a liquidator, as it was impossible to continue the brokerage of lifetime mortgages because of non-renewal of the distribution agreement with J.P.Morgan.
The liquidator has completed most of the activities involved in the winding-up.

CIR GROUP - As mentioned previously, in 2012 the Cir Group made a consolidated net loss of €33.1 million compared with net income of € 9.7 million in 2011.

The following is a summary of the contributions made by Cir's main subsidiaries to the consolidated result and equity:

(in millions of euro)

	2012	*2011(**)*
CONTRIBUTIONS TO NET RESULT		
Sorgenia Group	(70.3)	8.1
Espresso Group	8.9	32.5
Sogefi Group	17.1	14.0
Kos Group	6.2	4.8
Total for main subsidiaries	**(38.1)**	**59.4**
Other subsidiaries	(3.0)	(17.4)
CIR and other holding companies	**8.6**	**(24.7)**
Non-recurring items (*)	(0.6)	(7.6)
Net result of the Cir Group	**(33.1)**	**9.7**

(*) In 2011 these relate mainly to legal expenses for the "Lodo Mondadori" case.
(**) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

The contribution made by the four main operating subsidiaries to the net result for 2012 was negative for € 38.1 million, compared with a positive contribution of € 59.4 million in 2011.
The result of CIR and other holding companies was positive for € 8.6 million (negative for € 24.7 million in 2011), having benefited from the positive result of financial management (€ 45.2 million) and from the private equity investments (€ 9.6 million), versus financial expenses of €31.5 million (including the figurative statutory interest being set aside on the proceeds of the "Lodo Mondadori" case).

Consolidated equity went from € 1,437.7 million at 31 December 2011 to € 1,373 million at 31 December 2012, a net decrease of € 64.7 million.

(in millions of euro)

	31.12.2012	31.12.2011 (*)
CONTRIBUTIONS TO EQUITY		
Sorgenia Group	502.5	577.5
Espresso Group	310.5	312.7
Sogefi Group	114.0	113.3
Kos Group	119.6	111.2
Other subsidiaries	2.9	13.6
Total subsidiaries	**1,049.5**	**1,128.3**
CIR & financial holding companies	**323.5**	**309.4**
- invested capital	290.3	298.6
- net financial position	33.2	10.8
Equity of the Cir Group	**1,373.0**	**1,437.7**

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

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

ENERGY

In 2012 the Sorgenia Group had consolidated revenues of € 2,572.3 million, an increase of 21.3% compared with € 2,120.3 million in 2011, thanks to higher volumes of electricity sold.

The Sorgenia Group's net result in 2012 was a loss of € 196.8 million compared with net income of € 15.6 million in 2011.
Sorgenia's results in 2012 were mainly affected by the asset write-downs of € 134.3 million, in line with what many important Italian and European utilities have done in 2012 and previous years, essentially because of the economic downturn and changes in regulatory frameworks. In detail, having carried out impairment tests, Sorgenia made the following write-downs: in renewable sources, mainly due to a revision of the incentives in the wind sector (€ 64 million), exploration and production of hydrocarbons (E&P), due to unsatisfactory outcomes (€ 16 million), the investment in Energia Italiana (€ 44.3 million, of which € 36.7 million pertaining to the Group), other assets (€ 8.2 million) and certain tax credits (€ 9.4 million). The net result at year-end was also affected by the reduction in EBITDA and higher depreciation. In the last quarter, net of extraordinary and fair value write-downs, the Group achieved net income of € 2 million.
Consolidated revenues are as follows:

(in millions of euro)	*2012*		*2011*		*Change*
	Amounts	*%*	*Amounts*	*%*	*%*
Electricity	2,386.9	92.8	1,921.0	90.6	24.3
Natural gas	142.0	5.5	179.6	8.5	(20.9)
Other revenues	43.4	1.7	19.7	0.9	n.s.
TOTAL	2,572.3	100.0	2,120.3	100.0	21.3

In addition to the write-downs, the results also suffered from the effects of the recession on domestic energy demand (electricity consumption fell during the year by 2.8%, the largest decline since the beginning of the century after that of 2009), as well as from the difficulties encountered by the thermoelectric sector due to the high cost of gas at power plants and competition from renewables at peak hours.
In a year of crisis for the entire energy sector, the company showed some positive signs in the fourth quarter, namely an upswing in profitability thanks to the reduction of natural gas costs (more than 50% of EBITDA before write-downs in 2012 was earned in the period October-December) and a reduction in debt by € 66 million compared with the end of September.

EBITDA before write-downs amounted to € 101.4 million compared with € 192.2 million in 2011 (-47.3%).
EBITDA after write-downs, including the adjustment of € 44.3 million following the impairment test on Energia Italiana, consolidated at equity, amounted to € 57.1 million.

Consolidated EBIT for 2012 was negative for € 127 million compared with a positive figure of €89.9 million in 2011.

Consolidated net debt, excluding the impact of cash flow hedge components, amounted to €1,861.6 million at 31 December 2012, compared with € 1,667.2 million at 31 December 2011. The difference is due to an increase in working capital and the investments to complete the Aprilia plant and in renewables. In the last quarter, with the investment programme substantially completed, the debt was reduced by around € 66 million, mainly thanks to an improvement in working capital.
In addition, net debt at 31 December 2012 does not include the positive impact of the first tranche of the proceeds of sale of the Orlando exploration field (€ 35 million) and the most recent contract signed for the sale of Sorgenia E&P UK Ltd (€ 20 million), which operates in exploration in the North Sea. The sale formalities should be completed by 31 March 2013.

At 31 December 2012 the Sorgenia Group had 451 employees compared with 466 at 31 December 2011.

Sorgenia is continuing the action taken in recent months to cope with Italy's deep recession and the difficulties of the national energy market. It is concentrating above all on two priority objectives: debt reduction and recovery in profitability. To achieve these, the company will continue its policy of selling non-core assets, reducing costs and renegotiating the gas contract. As for commercial development, Sorgenia aims to grow more in the residential sector.

As regards the stage of completion of the Business Plan, the Aprilia plant (Latina), the fourth and last combined cycle plant (CCGT) planned by Sorgenia, began operations in 2012.
As regards activities in the field of renewables (Sorgenia Green), the Campagna "A" (SA) 12 MW wind farm began operations in September, a new 12.5 MW plant in France commenced in early October, and construction work on the Ricigliano (SA), 12 MW, and Campagna "B" (SA), 8 MW, wind farms was completed in December.

MEDIA

The Espresso Group closed 2012 with consolidated revenues of € 812.7 million, a decrease of 8.7% compared with 890.1 million in 2011.

Consolidated net income was € 21.8 million (after provisions for € 11.9 million in connection with outstanding tax litigation), compared with € 60.6 million in 2011.
Note that the consolidated net result does not include the effect of the actuarial gains and losses accrued during the year of € 5.8 million, due to early adoption of IAS 19 Revised.

Group revenues are as follows:

(in millions of euro)	*2012*		*2011*		*Change*
	Amounts	*%*	*Amounts*	*%*	*%*
Circulation	261.5	32.2	271.4	30.5	(3.7)
Advertising	476.3	58.6	534.7	60.1	(10.9)
Add-ons	49.4	6.1	62.9	7.1	(21.5)
Other revenues	25.6	3.1	21.1	2.3	21.3
TOTAL	812.7	100.0	890.1	100.0	(8.7)

During 2012, the deterioration in the economic situation, featuring a severe recession and considerable uncertainty about future prospects, has led to a number of particularly crucial changes in the publishing industry.
Advertising expenditure fell by 14.3% on 2011 (source: Nielsen Media Research), getting steadily worse during the year, as the contraction went from -7.5% in the first quarter to -20.5% in the last. This trend has hit all media with the exception of the Internet (+5.3%, but excluding search engines as they are not picked up by Nielsen): the press saw advertising fall by 17.9%, television by 15.3% and radio by 10.2%.
In terms of circulation, the downward trend seen in previous years has got worse in both daily newspapers and periodicals, reflecting a general crisis in consumer spending: according to internal estimates based on ADS figures, 2012 saw an 8.7% decline in newspaper sales.

The Espresso Group's circulation revenues came to € 261.5 million, a decrease of 3.7% compared with € 271.4 million the previous year, in a market that overall suffered an 8.7% decline in copies sold, as mentioned previously. Good performances by the Group's publications compared with its reference market segments continued in 2012.
The latest ADS (December 2012) and Audipress figures (2012/III Survey) show that *la Repubblica* is still the top daily newspaper in terms of newsstand sales and readership (3 million), and *L'Espresso* is in first place in newsmagazines with 2.5 million readers.

Advertising revenues, which amounted to € 476.3 million, suffered a 10.9% downturn on the previous year, in a market that has shrunk by 14.3%. The trend of each media is basically a reflection of general market trends; however, the Group's results on all media are slightly better than the pack. Press revenues lost 16.5% (-17.9% for the market), while radio revenues fell by 2.5% (-10.2% for the market). Internet advertising grew rapidly (+14%), despite the slowdown in that particular market's growth (+5.3%) This progress by the Group is based on developing group website audiences, with an average of 2.4 million unique daily users (+7% on 2011 - source: Nielsen Site Census). Once again, *Repubblica.it* ranks first among information websites in Italian, with an average of 2 million unique daily users (+5% on 2011), well ahead of its next competitor.

Add-on revenues came to € 49.4 million, 21.5% down on 2011, which reflects a general depression in consumer spending and a progressive contraction of this market that has been going on since 2007 after a period of intense growth.

Other revenues, amounting to € 25.6 million, increased by 21.3% compared with 2011, thanks to the growth in digital terrestrial TV bandwidth rentals to third parties.
Total costs show a reduction of 2.4%: excluding digital publishing and DTT, where costs are rising to support their development, there has been a 5% reduction due to further rationalisation, especially in the industrial and administrative areas.

Consolidated EBITDA amounted to € 102.4 million, decreasing by 35.9% compared with € 159.8 million in 2011. The areas where developments are particularly critical are the newspaper, *la Repubblica*, magazines and add-ons, whereas local dailies and radio stations are showing greater resilience. The Internet results, on the other hand, are improving, thanks to revenue growth; likewise television, thanks to more bandwidth rentals.
Lastly, it is worth pointing out that restructuring charges provided for in 2012 amounted to €18.2 million, compared with € 12.9 million in 2011.

Consolidated EBIT came to € 60.4 million, a decrease of 50.7% with respect to the previous year (€ 122.5 million). The increase in amortisation with respect to the previous year is largely due to the fact that the Group has begun to amortise the rights under the 20-year concession granted on 28 June 2012 to use certain DTV frequencies.

Consolidated net debt at 31 December 2012 amounted to € 108.1 million, another slight improvement on the figure of € 110.2 million at 31 December 2011: the current financial surplus of € 29 million was absorbed by dividends for € 25 million and by the purchase of treasury stock for € 1.9 million.

At the end of December 2012, the Group had 2,536 employees, including those with fixed-term contracts, 137 less than at 31 December 2011. The average number of employees during the period was 4.8% lower than the previous year, down from 2,747 to 2,614 employees.

The Board of Directors of Gruppo Editoriale L'Espresso, the holding company, which met on 26 February 2013, proposed not to distribute any dividend for 2012.

As regards trends in advertising and circulation, the first two months of 2013 are not showing any signs of improvement with respect to the last quarter of 2012.
The Espresso Gruppo has successfully overcome the crisis of 2009, returning in 2011 to its pre-crisis levels of profitability, thanks to radical restructuring over a period of two years (2009-2010), and significantly reducing its debt.
As for coping with the second wave of the crisis, which began in the last quarter of 2011 and is still underway, the Group has introduced plans to accelerate digital development, on the one hand, and to make further cost reductions on the other, but which were not enough to maintain profitability at the same level as in 2011.
Moreover, without a turnaround in the economy and in this specific market, which currently looks unlikely, the decline in results will probably continue in 2013.

AUTOMOTIVE COMPONENTS

In 2012 the Sogefi Group reported double-digit growth in revenues and earnings compared with last year, thanks to expansion in non-European markets, especially in North America and Asia, and the contribution made by Systèmes Moteurs, which were consolidated for the entire period, whereas in 2011 Systèmes Moteurs entered the Group's scope of consolidation only in the last five months of the year.

These results were obtained despite the significant drop in car sales in Europe, which is Sogefi's main market (-7.8% on 2011 with car registrations back at 1995 levels). The negative performance of the car sector was, however, offset by the rise in production levels in all the other markets where the Group is present, starting from North America (+17.4%), China (+5.8%), India (+5.3%) and Brazil (+0.8%).

In 2012, the Sogefi Group achieved revenues of € 1,319.2 million, an increase of 13.9% compared with € 1,158.4 million reported in the previous year, the highest level ever in the Group's history. The increase over the previous year was due to growth in non-European markets and the contribution made by Systèmes Moteurs. The revenues generated by the Group outside Europe rose in 2012 to 33.5% of the total, from 30.5% in 2011, thanks to strong progress in North America (+107.6%), China (+33.5%) and India (+48.3%), which more than offset a slight reduction in Mercosur (-3.8%), due to a slowdown in the Brazilian market in the middle of the year. As far as Sogefi's main clients are concerned, Ford is now the Group's second-largest customer in terms of revenues.

Consolidated net income of the Sogefi Group came to € 29.3 million, an increase of 22% compared with € 24 million in 2011.

The breakdown of the Sogefi Group's consolidated by business sector is as follows:

(in millions of euro)	*2012*		*2011*		*Change*
	Amounts	*%*	*Amounts*	*%*	*%*
Engine systems	792.6	60.1	611.5	52.8	29.6
Suspension components	528.6	40.1	547.7	47.3	(3.5)
Intercompany	(2.0)	(0.2)	(0.8)	(0.1)	n.a.
TOTAL	1,319.2	100.0	1,158.4	100.0	13.9

The year was characterised by a greater impact of the cost of materials on revenues (52% versus 49.8% in 2011) due to a change in sales mix, whereas the impact of labour cost remained the same at 22.9%.
The reorganisation designed to cut fixed overheads continued during the year. Restructuring costs came to € 12.2 million, compared with € 8.7 million in 2011, and related mainly to the definitive closure of an engine filter production plant at Llantrisant (Wales). Non-operating costs of € 2.1 million have also been incurred to close the stabilizer bar plant in Prichard (USA), and €2.2 million for consulting services relating to the Group's international development initiatives.

Helped by a constant focus on costs, the consolidated EBITDA of € 126 million (9.6% of revenues) increased by 12.7% compared with € 111.9 million (9.7% of revenues) in 2011.
EBIT rose to € 62.8 million (4.8% of revenues), compared with € 58.5 million (5% of revenues) in 2011, an increase of 7.3%.

The Engine Systems Division realized in revenues of € 792.6 million, an increase of 29.6% due to the consolidation of Systèmes Moteurs for an entire year, strong market growth in North America and progress in China and India, while business in South America remained substantially stable. The division's EBITDA was € 74.7 million (€ 52 million in 2011) and EBIT amounted to € 39 million (€ 24.4 million in 2011), both following an increasing trend irrespective of the the costs incurred to close the plant in Wales.

The following projects were implemented during the year, in line with Sogefi's strategy of expanding its presence in non-European markets: the start of construction of a new plant at Wujiang (China) and an increase in the production capacity of the plants in Prichard (USA) and in Bangalore, Pune and Delhi (India).

The revenues of the Suspension Components Division amounted to € 528.6 million, a slight decrease (-3.5%) compared with € 547.7 million in 2011, due to a significant fall in demand on the part of European generalist manufacturers in the last quarter of the year. The division's EBITDA was reduced to € 56.9 million (€ 68.3 million in 2011) and EBIT to € 32.3 million (€ 44.1 million in 2011).
During the year, the new Indian plant at Pune was inaugurated and construction work began on a third production plant in Wujiang (China).

Net debt at 31 December 2012 amounted to € 295.8 million, in line with the figure of € 299.8 million at 31 December 2011, thanks to the steps taken to reduce working capital, the receipt of € 7.4 million for the sale of a factory in Brazil, after the distribution of dividends for € 17.2 million.

The Group had 6,735 employees at 31 December 2012 (6,708 at 31 December 2011).

Sogefi's Board of Directors met on 26 February 2013 and proposed distributing a dividend for 2012 of € 0.13 (the same as the previous year).

Globally, the car market is expected to grow slightly in 2013, with declining volumes in the European market, continuing growth in China and India, and volumes rising more moderately in North and South America. In this context, the Sogefi Group expects to continue growing in markets outside Europe, especially in North America and Asia, to have stability in the cost of key raw materials and to continue implementing efficiency measures.

HEALTHCARE

In 2012 the Kos Group achieved revenues of € 355.4 million, compared with € 349.6 million the previous year, an increase of 1.7%, thanks to growth in its three lines of business.

Group revenues are as follows:

(in millions of euro)	*2012*		*2011*		*Change*
	Amounts	*%*	*Amounts*	*%*	*%*
Care homes	150.2	42.3	148.0	42.3	1.5
Rehabilitation	142.3	40.0	141.9	40.6	0.3
Acute/Hi-tech	62.9	17.7	59.7	17.1	7.0
TOTAL	355.4	100.0	349.6	100.0	1.7

Consolidated EBITDA amounted to € 53.4 million (15% of revenues), an increase of 2.3% with respect to the €52.2 million in 2011, also because of the change in the scope of consolidation and developments that took place in 2012 (around € 1 million).

Consolidated EBIT was € 27.3 million compared with € 30.3 million of the previous year, a decrease mainly due to higher impairment write-downs of € 2.2 million.

Consolidated net income amounted to € 12.1 million compared with € 8.9 million of the previous year. The improvement in these results was also thanks to a non-recurring item (€ 4 million) for income tax (IRES) recovered due to the higher deductibility of regional tax (IRAP) for the period 2007-2011 (under Legislative Decree no. 201/2011).

At 31 December 2012 the Kos Group had net debt of € 163.4 million, compared with € 165.1 million at 31 December 2011. The main factors contributing to the difference were the increase in capital of € 17.5 million carried out in May by the shareholder AXA Private Equity and the cash flow from operations, offset by a negative change in working capital and the capital investments made during the period.

At 31 December 2012 consolidated equity amounted to € 233.3 million versus € 207.2 million at 31 December 2011.

The Group had 4,164 employees at 31 December 2012 compared with 4,080 at 31 December 2011.

Start-up activities continue in India where the Kos Group set up the ClearMedi Healthcare Ltd joint venture during the second half of 2011. It is held 51% by the Kos Group and 49% by a local company and provides outsourcing of diagnostic and therapeutic technologies to Indian hospitals on an outsourcing basis.

The Kos Group, which at 31 December 2012 was managing 64 facilities mainly in central and northern Italy for a total of some 5,950 beds in use, with another 900 being built, operates in three strategic business areas, in turn split into four segments:

Care homes: management of residential care homes and psychiatric care communities, with 41 nursing facilities and 9 psychiatric rehabilitation facilities, for a total of 4,350 beds in operation (of which 4,154 in care homes);
Rehabilitation: management of hospitals and rehabilitation centres, including 13 rehabilitation facilities (with two geriatric care homes) and 12 hospitals, for a total of 1,489 beds;
Hospital management: management of a hospital and hi-tech services in 23 public and private 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 2012 the fund's portfolio included investments in four companies, three of which in the United States and one in Israel, working in the field of electronics and information and communications technology (ICT). The overall fair value of these investments at 31 December 2012 amounted to $13.4 million.

Through CIR International, a subsidiary, the CIR Group manages a diversified portfolio of private equity funds and direct minority shareholdings, whose fair value at 31 December 2012, based on the NAV communicated by the various funds, was around € 97 million. Outstanding commitments at 31 December 2012 amounted to € 10.6 million. During 2012 there were proceeds on disposal of € 9.6 million.

OTHER INVESTMENTS

The Swiss Education Group (SEG) is a world leader in hospitality management training (for hotels, restaurants, etc.), in which CIR has an interest of around 20%. In 2012, it increased its revenues compared with the previous year, mainly thanks to a sustained level of registrations during the year, with a strong element of this demand coming from Asian countries. In 2012, two new Cesar Ritz facilities opened in Le Bouveret and Lucerne (Cesar Ritz is one of the Group's schools dedicated to the culinary arts). Initiatives were launched in 2012 - and are still ongoing - to increase the reception capacity of the various schools, given the steady rise in new applications.

On 7 November 2012, CIR International completed an agreement, initially signed on 28 September 2012, which ceded control of Food Concepts Holding S.A. to a specialist operator.
At a consolidated level, this deal resulted in a loss of € 6.2 million, but this could be offset by a deferred element of the price that is conditional on the company's future profits. At 31 December 2012 CIR International still held a 19% stake in the company.

During the year, Nexenti Advisory (formerly Jupiter Finance) carried out a reorganisation with a view to pulling out of all activities subject to regulatory reserves, together with other related activities, in favour of the securitisation vehicles Zeus Finance S.r.l., Urania Finance S.A. and Vesta Finance S.r.l. This was done by transferring these functions during the months of June and July 2012 to other servicers with suitable regulatory qualifications and recognised standing in the sector. In accordance with the shareholder's strategy, the Company then focused its servicing functions, maintaining a role in Zeus and Urania as asset advisor in order to protect and ensure the strategic objectives of stakeholders, even if no longer carrying out any activity that is under the control of the Supervisory Authority.
As a result, the Company applied for and, on 18 October, obtained its cancellation from the lists supervised by the Bank of Italy. It has also amended its objects and company name in line with the regulatory requirements.
At 31 December 2012 the net value of the CIR Group's investments in activities related to non-performing loans amounted to € 63.8 million.

5. Significant events which occurred after the close of the year

As regards significant events that took place after 31 December 2012, note that the sale of Sorgenia E&P (UK) Ltd for a total of € 20 million was completed on 21 February 2013.

6. Business outlook

The performance of the Cofide Group in 2013 will be influenced by how the macroeconomic scenario evolves, especially in the Italian economy, which is still suffering from a persistent recession whose intensity is hard to predict. In this scenario, all Group companies will continue to take action to improve operating efficiency, but without giving up their business development initiatives.

7. Principal risks and uncertainties to which Cofide S.p.A. and the Group are exposed

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 trends in the economic cycle.

It is difficult to forecast the extent and duration of these various cycles. However, any macroeconomic event, such as a significant decline in a particular market, volatility in the financial markets, a rise in energy prices, fluctuations in commodity prices, etc. could have an impact on the Group's prospects and business activities, as well as on its results and financial position.

Risks connected with borrowing requirements

The Cofide Group expects to be able to meet its borrowing requirements in terms of maturing loans and investment needs with its operating cash flows, available liquidity and by renewing or refinancing its bank loans or bonds. 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, spreading its investments over a suitable number of prime counterparties, matching the residual life of these investments with the maturity of its obligations on the funding side. However, in light of the current financial crisis, it is impossible to completely exclude such events, in the banking and monetary market that could obstruct the normal flow of financial transaction.

Risks connected with fluctuations in exchange and interest rates

A significant part of Group borrowings involves the payment of interest at floating rates, mainly linked to Euribor. So any rise in interest rates could result in higher funding costs or more costly debt refinancing on the part of Group companies.

In order to limit the risk of interest rate fluctuations, the Group uses interest rate derivatives to keep them within a predetermined range.

Some Group companies, particularly in the Sogefi Group, do business in European countries that do not belong to the Euro-zone and non-EU countries that use different currencies, exposing them to the risk of fluctuations in foreign exchange rates against the euro. In line with its risk management policies, the Group takes out hedges to limit this risk.

Despite this hedging, sudden fluctuations in exchange or interest rates could have a negative impact on the Group's economic and financial results.

Risks connected with customer and supplier relations
In its relations with customers, the Group manages the demand concentration by suitably diversifying its customer portfolio, both geographically and in terms of distribution channels. In relations with suppliers the approach differs according to the business sector. For example, the Sogefi Group diversifies its sourcing 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 with genuine entry barriers against new competitors thanks to technology or quality gaps, the need to make substantial initial investments and the fact that it operates in sectors that are highly regulated, requiring special authorisations from the competent authorities.
It is important the way in which the ability to develop and deliver innovative products would allow Group companies to achieve results in line with the strategic forecasts.

Risks connected with environmental policies
The Group operates in sectors that are subject to a host of environmental rules and regulations (at local, national and supranational level) and they are often revised to become more restrictive. Having to comply with these regulations, especially if they continue to change, could lead to very high costs that potentially could impact the Group's profit margins.

****

Cofide S.p.A., as the Parent Company, is exposed to substantially the same risks and uncertainties as described above for the Group.

8. *Other information*

TREASURY SHARES

At 31 December 2012 the Parent Company did not hold any treasury shares or shares in its parent company, nor did it buy or sell any such shares during the year, whether directly or through a trust company or nominee.

TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

On 28 October 2010 the Company adopted the Regulations on Related Party Transactions envisaged in Consob Resolution no. 17221 of 12 March 2010, as amended by Resolution no. 17389 of 23 June 2010. This procedure can be found in the Governance section of the Company's website (www.cirgroup.it).
The procedure lays down principles of conduct that the Company is required to adopt to ensure that related party transactions are handled properly. This means that it:
1. lays down the criteria and methods of identifying the Company's related parties;

2. establishes principles for identifying related party transactions;
3. governs the procedures for carrying out related party transactions;
4. establishes ways to ensure compliance with the related disclosure requirements.
The Board of Directors has also appointed a Related Party Transactions Committee, establishing that its members coincide with those of the Internal Control Committee, except for the system of substitutes envisaged in the procedures.

Please note that during the year ended 31 December 2012

- transactions with subsidiaries relate mainly to:
  - operational support and communication services for € 1,074 thousand provided by Cofide S.p.A. to Cir S.p.A.;
  - financial, legal and administrative assistance services for € 384 thousand provided by Cir S.p.A. to Cofide S.p.A.
- no transactions involving treasury shares were carried out during the year.
  As can be seen from the statement of financial position, no treasury shares are held at 31 December 2012.

Pursuant to the law, we would point out that no transactions were carried out during the year ended 31 December 2012 with the ultimate parent company Carlo De Benedetti & Figli S.a.p.A., which performs management and coordination activities.

The Cofide Group did not carry out any transactions with related parties, as defined by Consob, or with entities other than related parties that could be considered transactions of an atypical or unusual nature, outwith normal business administration or such as to have a significant impact on the Group's results, assets and liabilities or financial situation.

SHARE-BASED INCENTIVE PLANS

The Cofide Group has introduced share-based incentive plans represented by shares of the Cir Group and its main subsidiaries for members of Group company management. Further information on these plans is available in the notes to the consolidated financial statements.

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 (the Italian Stock Exchange) and published in December 2011 with the additions and adjustments needed to reflect the Group's characteristics.
In compliance with regulatory requirements, an "Annual Report on Corporate Governance" is prepared each year with a general description of the corporate governance system adopted by the Group. It also gives information on the ownership structure and compliance with the Code of Conduct, including the main governance practices followed and the characteristics of the risk management and internal control system applied to the financial disclosure process.

Note that the full text of the "2012 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 2012.

The Annual Report on Corporate Governance will be available to anybody on request, subject to the conditions laid down by Borsa Italiana for its publication. The Report is also available in the section “Governance” of the Company's website (www.cofide.it)

As regards Legislative Decree 231/01, which was issued to bring the law on the administrative liability of legal entities into line with the international conventions signed by Italy, on 7 March 2003 the Company's Board of Directors adopted a Code of Ethics for the Cofide Group, which is published as an attachment to the "Annual Report on Corporate Governance". It lays down the values to be followed by the Group in the pursuit of its objectives and establishes binding principles of conduct for its Directors, employees and other stakeholders. On 5 September 2003, the Board of Directors approved the "Organisational Model - the Model of Organisation and Management as per Legislative Decree 231/01", which is in line with the instructions laid down in the decree to ensure fairness and transparency in the conduct of business and corporate activities.
This Organisational Model is constantly updated by the Board of Directors as the scope of this legislation is extended.

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, we hereby confirm that there is no hindrance to the listing of CIR shares on the MTA market organised and managed by Borsa Italiana S.p.A., given that the non-EU foreign subsidiaries, which are particularly significant 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, they provide the Company's auditors with the information necessary to carry out their audit on the annual and interim accounts of Cofide, and they have a suitable administrative and accounting system to provide the Company's Management and its auditors with the economic, balance sheet and financial figures needed to prepare the consolidated financial statements. Furthermore, as regards the fact that the Company is subject to management and coordination by its parent company Carlo De Benedetti & Figli S.a.p.A., the Company has fulfilled all the disclosure requirements of Article 2497-bis of the Civil Code, it has the power to negotiate independently with customers and suppliers, it has no centralised treasury function in common with Carlo De Benedetti & Figli and the Board of Directors, out of a total of 14 members, 8 possess the requisites of independence and are thus sufficient to guarantee that their judgment has a significant weight in the decision-making process of the Board.

PREPARATION OF THE "SECURITY POLICY DOCUMENT”

As regards compliance with personal data processing regulations under Legislative Decree no. 196/03, the Personal Data Protection Code, Decree Law 5 of 9 February 2012, known as the “Simplification Decree” repealed the obligation to prepare a Security Policy Document. All of the other obligations remain valid.
However, the fact that this document is no longer required does not reduce the level of monitoring of compliance with these regulations.
Compliance with the Personal Data Protection Code is verified by means of the risk analysis document, which is prepared once a year, and a separate data processing map, which is updated whenever there are changes.

Research and development

Research and development at Group level in 2012 was concentrated principally in the energy sector. Sorgenia's R&D has been focusing on two main areas: energy efficiency and sustainable mobility.

Since 2006, Sorgenia has a participation in Noventi Ventures II LP, a venture capital fund for the development of industrial initiatives aimed at protecting and respecting the environment. Over the years, it has made investments in various hi-tech and innovative businesses. These include Aurora Algae, for the production of quality, high-performance products based on micro-algae for the pharmaceutical, nutrition, aquaculture and fuel markets; Lumenergi, for the development of high-efficiency civil and industrial lighting solutions, capable of savings of up to 70%; HelioVolt, for the development of thin film solar panels, that combine an efficiency of more than 14-15% with low manufacturing costs, to create the next generation of CIGS (Copper Indium Gallium Selenide) photovoltaic cells.

On the topic of sustainable mobility, Sorgenia is also active at a local level with the "Companies for eMilan" project, which has seen growing interest over the last year and now involves 20 companies in the Milan area. The project aims to demonstrate how sustainable mobility through the provision of electric vehicles and battery charging services can be a valid means of transport for private companies.

On the same theme, Sorgenia also plays an active and important role in the project launched by the Municipality of Milan to structure and facilitate the uptake of sustainable mobility in the area.

Sorgenia also remains heavily involved in the question of Smart Houses, through participation in working groups and specific European tenders. The Smart House model envisages a home totally free of environmental impact and running costs, as it is able to exploit energy that is self-generated (through solar panels and/or geothermal systems) and adjust internal temperatures to daily needs, also with the assistance of remote devices.

Sorgenia also sponsored the Cleanweb Hackathon, which was held in Rome in November and December 2012. During this event, more than 100 developers, designers and experts worked as a team to develop programs or apps to improve environmental sustainability in terms of energy, transport and consumption.

In the components sector, R&D expenditure for the year amounted to € 35.9 million (€ 26.1 million the previous year), mainly oriented towards product innovation.

Exception to the obligation to publish information documents in accordance with art. 70, paragraph 8, and art. 71, paragraph 1-bis of the Issuers' Regulations

In accordance with art. 70, paragraph 8, and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended by Resolution no. 18079 of 20 January 2012, the Board of Directors decided to exercise its right to make an exception to the obligation to publish the information documents required in the event of significant transactions such as mergers, spin-offs, increases in capital by means of a contribution in kind, acquisitions and disposals.

OTHER

Cofide S.p.A. has its registered office in Via Ciovassino 1, 20121 Milan, Italy.

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

This report for the period 1 January-31 December 2012 was approved by the Board of Directors on 11 March 2013.

9. *Proposed allocation of net income for 2012*

Dear Shareholders,

the separate financial statements for the year ended 31 December 2012, which we submit for your approval, closed with a net profit of € 4,689,517.40 which we propose to be allocated as follows:

- € 234,475.87 to the legal reserve;
- € 4,455,041.53 to retained earnings (losses), which in turn would increase to € 35,368,534.69.

THE BOARD OF DIRECTORS

Milan, 11 March 2013

COFIDE Group

Consolidated financial statements

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*Notes*		*31.12.2012*		*31.12.2011 (**)*
NON-CURRENT ASSETS			**4,887,880**		**4,968,139**
INTANGIBLE ASSETS	(7.a.)		1,501,522		1,536,195
TANGIBLE ASSETS	(7.b.)		2,367,976		2,401,032
INVESTMENT PROPERTY	(7.c.)		23,393		24,403
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d.)		353,070		386,253
OTHER EQUITY INVESTMENTS	(7.e.)		5,580		22,903
OTHER RECEIVABLES	(7.f.)		249,140		247,208
of which with related parties (*)	(7.f.)	*30,944*		*29,481*	
SECURITIES	(7.g.)		127,030		118,807
DEFERRED TAXES	(7.h.)		260,169		231,338
CURRENT ASSETS			**3,192,310**		**2,967,521**
INVENTORIES	(8.a.)		170,757		184,530
CONTRACTED WORK IN PROGRESS			42,258		35,330
TRADE RECEIVABLES	(8.b.)		1,447,836		1,215,226
of which with related parties (*)	(8.b.)	*7,760*		*9,352*	
OTHER RECEIVABLES	(8.c.)		309,366		273,662
of which with related parties (*)	(8.c.)	*7,546*		*2,603*	
FINANCIAL RECEIVABLES	(8.d.)		35,489		11,956
SECURITIES	(8.e.)		410,343		613,877
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f.)		105,511		126,699
CASH AND CASH EQUIVALENTS	(8.g.)		670,750		506,241
ASSETS HELD FOR DISPOSAL	(8.i.)		34,444		1,924
TOTAL ASSETS			**8,114,634**		**7,937,584**

LIABILITIES AND EQUITY			*31.12.2012*		*31.12.2011 (**)*
EQUITY			**2,315,433**		**2,502,806**
SHARE CAPITAL	(9.a.)		359,605		359,605
RESERVES	(9.b.)		72,763		78,234
RETAINED EARNINGS (LOSSES)	(9.c.)		280,308		286,576
NET INCOME FOR THE YEAR			(57,573)		1,015
GROUP EQUITY			**655,103**		**725,430**
MINORITY INTERESTS			1,660,330		1,777,376
NON-CURRENT LIABILITIES			**3,245,149**		**3,139,522**
BONDS	(10.a.)		496,379		525,802
OTHER BORROWINGS	(10.b.)		2,341,678		2,234,914
OTHER PAYABLES			2,922		1,890
DEFERRED TAXES	(7.h.)		181,860		177,698
PERSONNEL PROVISIONS	(10.c.)		128,885		124,529
PROVISIONS FOR RISKS AND LOSSES	(10.d.)		93,425		74,689
CURRENT LIABILITIES			**2,553,668**		**2,294,959**
BANK OVERDRAFTS			165,885		142,491
BONDS	(11.a.)		4,354		4,243
OTHER BORROWINGS	(11.b.)		751,496		711,600
of which from related parties (*)	(11.b.)	*13*		*2*	
TRADE PAYABLES	(11.c.)		1,192,934		981,110
of which to related parties (*)	(11.c.)	*41,385*		*36,629*	
OTHER PAYABLES	(11.d.)		333,824		370,128
of which to related parties (*)	(11.d.)	*2,355*		*251*	
PROVISIONS FOR RISKS AND LOSSES	(10.d.)		105,175		85,387
LIABILITIES HELD FOR DISPOSAL	(8.i.)		384		297
TOTAL LIABILITIES AND EQUITY			**8,114,634**		**7,937,584**

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

(**) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	Notes		*2012*		*2011 (**)*
SALES REVENUES	(12)		5,062,978		4,522,722
of which from related parties (*)	(12)	*112,240*		*17,551*	
CHANGE IN INVENTORIES			9,099		(6,582)
COSTS FOR THE PURCHASE OF GOODS	(13.a.)		(3,073,946)		(2,543,548)
of which to related parties (*)	(13.a.)	*(328,757)*		*(227,860)*	
COSTS FOR SERVICES	(13.b.)		(830,024)		(847,136)
of which from related parties (*)	(13.b.)	*(1,699)*		*(1,550)*	
PERSONNEL COSTS	(13.c.)		(748,354)		(722,935)
OTHER OPERATING INCOME	(13.d.)		173,323		227,374
of which from related parties (*)	(13.d.)	*36,698*		*1,117*	
OTHER OPERATING COSTS	(13.e.)		(254,695)		(189,764)
of which to related parties (*)	(13.e.)	*(54)*		*(295)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d.)		(36,534)		21,928
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(283,272)		(213,428)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (EBIT)			**18,575**		**248,631**
FINANCIAL INCOME	(14.a.)		68,365		63,960
of which with related parties (*)	(14.a.)	*10,990*		*8,796*	
FINANCIAL EXPENSE	(14.b.)		(194,736)		(181,296)
of which with related parties (*)	(14.b.)	*(10,228)*		*(7,629)*	
DIVIDENDS			403		285
of which with related parties (*)		*14*		*11*	
GAINS FROM TRADING SECURITIES	(14.c.)		22,155		15,980
LOSSES FROM TRADING SECURITIES	(14.d.)		(11,759)		(5,502)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e.)		8,925		(24,866)
INCOME (LOSS) BEFORE TAXES			**(88,072)**		**117,192**
INCOME TAXES	(15)		(29,714)		(59,325)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY			**(117,786)**		**57,867**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL			--		--
NET INCOME (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS			**(117,786)**		**57,867**
- MINORITY INTERESTS			60,213		(56,852)
- **NET INCOME (LOSS) OF THE GROUP**			**(57,573)**		**1,015**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(16)		(0.0801)		0.0014
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(16)		(0.0801)		0.0014

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

(**) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2012	2011 (*)
Net income for the year		(117,786)	57,867
Items of other comprehensive income			
Exchange differences on translation of foreign operations		(13,040)	50
Net change in fair value of available-for-sale financial assets		3,246	(16,839)
Net change in cash flow hedge reserve		(29,396)	(88,010)
Other items of comprehensive income		(6,291)	(2,784)
Taxes on other comprehensive income		7,699	24,669
Items of other comprehensive income, net of tax		**(37,782)**	**(82,914)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(155,568)**	**(25,047)**
Total comprehensive income attributable to:			
Shareholders of the parent company		(65,896)	(23,407)
Minority interests		(89,672)	(1,640)
BASIC EARNINGS PER SHARE (in euro)	(16)	(0.0916)	(0.0325)
DILUTED EARNINGS PER SHARE (in euro)	(16)	(0.0916)	(0.0325)

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

4. CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euro)

	2012	*2011 (*)*
OPERATING ACTIVITY		
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS:	(117,786)	57,867
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	283,272	213,428
SHARE OF RESULTS OF COMPANIES CONSOLIDATED AT EQUITY	36,534	(21,928)
CHANGES IN ACTUARIAL VALUATION OF STOCK OPTION PLANS	11,048	11,518
CHANGES IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	42,880	(2,901)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(8,925)	24,866
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	(61,711)	(95,901)
(INCREASE) DECREASE IN NET WORKING CAPITAL	(85,018)	34,122
CASH FLOW FROM OPERATING ACTIVITY	**100,294**	**221,071**
of which:		
- interest received (paid)	(95,072)	(103,580)
- income tax payments	(64,448)	(46,826)
INVESTMENT ACTIVITY		
PRICE PAID FOR BUSINESS COMBINATIONS	(6,518)	(146,501)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	514	8,311
(PURCHASE) SALE OF SECURITIES	238,380	(387,945)
(PURCHASE) SALE OF FIXED ASSETS	(204,735)	(133,531)
CASH FLOW FROM INVESTMENT ACTIVITY	**27,641**	**(659,666)**
FINANCING ACTIVITY		
INFLOWS FOR CAPITAL INCREASES	24,868	34,844
OTHER CHANGES IN EQUITY	(62,579)	(60,061)
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS	93,815	445,912
BUY-BACK OF OWN SHARES OF GROUP COMPANIES	(3,314)	(18,349)
DIVIDENDS PAID	(39,610)	(38,647)
CASH FLOW FROM FINANCING ACTIVITY	**13,180**	**363,699**
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	**141,115**	**(74,896)**
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	**363,750**	**438,646**
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	**504,865**	**363,750**

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the parent company					*Minority interests*	*Total*
(in thousands of euro)	*Share capital*	*Reserves*	*Retained earnings (losses)*	*Net income (losses) for the year*	*Total*		
BALANCE AT 31 DECEMBER 2010	**359,605**	**94,080**	**270,902**	**22,866**	**747,453**	**1,803,486**	**2,550,939**
Increases in capital	--	--	--	--	--	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 released 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	--	--	--	1,015	1,015	56,852	57,867
Total comprehensive result for the year	--	*(24,422)*	--	*1,015*	*(23,407)*	*(1,640)*	*(25,047)*
BALANCE AT 31 DECEMBER 2011	**359,605**	**78,234**	**286,576**	**1,015**	**725,430**	**1,777,376**	**2,502,806**
Increases in capital	--	--	--	--	--	24,868	24,868
Dividends to shareholders	--	--	(7,192)	--	(7,192)	(32,418)	(39,610)
Retained earnings	--	91	924	(1,015)	--	--	--
Effects of changes in equity of subsidiaries	--	2,761	--	--	2,761	(19,824)	(17,063)
Comprehensive result for the year							
Fair value measurement of hedging instruments	--	(4,570)	--	--	(4,570)	(16,469)	(21,039)
Fair value measurement of securities	--	1,761	--	--	1,761	(900)	861
Securities fair value reserve released to income statement	--	845	--	--	845	882	1,727
Effects of changes in equity of subsidiaries	--	(1,960)	--	--	(1,960)	(4,331)	(6,291)
Currency translation differences	--	(4,399)	--	--	(4,399)	(8,641)	(13,040)
Result for the year	--	--	--	(57,573)	(57,573)	(60,213)	(117,786)
Total comprehensive result for the year	--	*(8,323)*	--	*(57,573)*	*(65,896)*	*(89,672)*	*(155,568)*
BALANCE AT 31 DECEMBER 2012	**359,605**	**72,763**	**280,308**	**(57,573)**	**655,103**	**1,660,330**	**2,315,433**

EXPLANATORY NOTES

1. Structure and content of the financial statements

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

The balance sheet is based on the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with the time principle and matching principles and the assumption that the business is an ongoing concern. In fact, in spite of the presence of a difficult economic and financial environment, the Group has evaluated that there are no significant uncertainties, as defined in paragraph 25 of IAS 1, relating to the ongoing nature of the concern.

The consolidated financial statements at 31 December 2012 include the parent company Cofide S.p.A. (hereinafter "Cofide") and its direct and indirect subsidiaries, the statements were prepared using the accounts of the individual companies included in the scope of consolidation; these correspond to their separate financial statements or the consolidated statements of sub-groups, examined and approved by their respective boards and amended and re-stated where necessary to bring them into line with the accounting principles listed below and, where 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 broken down by type of expense;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity gives a breakdown of the changes which took place during the year and in the previous year;
- the statement of comprehensive income shows items of income that are suspended in equity.

These financial statements have been prepared in thousands of euro, which is the Group's "functional" and "presentation" currency in accordance with IAS 21, except where indicated otherwise.

Events which occurred after the reporting date

No important events took place after the end of the year which could have had a significant effect on the Group's financial position, equity or results. See point 6 of the Report on Operations for an explanation of significant events that have taken place since the close of the year.

Publication of the financial statements was authorised by the Company's Board of Directors on 11 March 2013 (as required by paragraph 17 of IAS 10).

2. Consolidation principles

2.a. Consolidation methods

All companies where the Group exercises control according to IAS 27, SIC 12 and IFRIC 2 are considered subsidiaries. More specifically, subsidiaries are all those companies and investment funds where the Group has decision-making powers in matters of financial and operating policy. Such powers are presumed to exist when the Group holds a majority of a company's voting rights, including any voting rights that are potentially exercisable without any restrictions or where it has effective control over Shareholders' Meetings, despite not having a majority of the voting rights.
Subsidiaries are fully consolidated from the date on which the Group takes control and are de-consolidated when such control ceases to exist.
Consolidation is on a line-by-line basis. The main criteria used when applying this method are the following:

- the carrying value of each investment is eliminated against the Group's share of its equity and the difference between the acquisition cost and net equity of investee companies is posted, where appropriate, to the asset and liability items included in the consolidation. If there is a balance left over, it is posted to income if negative or to assets as goodwill if positive. Goodwill is tested for impairment based on its recoverable value;
- significant transactions between consolidated companies are eliminated on consolidation, as are receivables and payables and unrealised profits on transactions between Group companies, net of tax;
- minority interests in equity and the net result for the period are shown separately in the consolidated statement of financial position and income statement.

Subsidiaries
All companies in which the Group has a significant influence, without having control, in accordance with IAS 28, are considered associates. Significant influence is presumed to exist when the Group has between 20% and 50% of the voting rights (excluding cases of joint control). Associates are consolidated using the equity method from the date on which the Group acquires significant influence in the associate and are de-consolidated from the moment when this influence no longer exists.
The main criteria used when applying the equity method are the following:

- the carrying value of each investment is eliminated against the Group's share of its equity and any positive difference identified at the time of the acquisition, net of any impairment; the corresponding share of the net income or loss for the period is posted to the income statement. If the Group's portion of the associate's accumulated losses exceeds the carrying value of the investment, the investment is written off and any further losses are not recorded, unless the Group has a contractual obligation to do so;
- any unrealised gains and losses generated by transactions between Group companies are eliminated, except where the losses reflect impairment of the associate's assets;
- the accounting policies of associates are amended, where necessary, to bring them into line with those of the Group.

Joint ventures

All companies that the Group controls together with another company according to IAS 31 are considered joint ventures.

Joint control is presumed to exist when the Group owns 50% of a company's voting rights.

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

- the standard method, which involves proportionate consolidation;
- the alternative method, which involves using the equity method.

The Group has adopted the equity method.

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

Foreign subsidiaries' financial statements (assuming they do not operate in a hyperinflationary economy as defined by IAS 29) get translated into euro at the year-end exchange rate for the statement of financial position and at the average exchange rate for the income statement. Any exchange differences arising on translation of shareholders' equity at the year-end exchange rate and of the income statement at the average rate are posted to "Other reserves" in equity.

The main exchange rates used are the following:

	31.12.2012		*31.12.2011*	
	Average rate	*31.12.2012*	*Average rate*	*31.12.2011*
US dollar	1.2849	1.3194	1.39196	1.2939
GB pound	0.8108	0.8161	0.8675	0.8353
Brazilian real	2.5023	2.7036	2.3239	2.4159
Argentine peso	5.8350	6.4863	5.7369	5.5676
Chinese renminbi	8.1064	8.2210	8.9847	8.1588
Indian rupee	68.5871	72.5689	64.7668	68.713
Romanian leu	4.4567	4.4444	4.2371	4.3233
Canadian dollar	1.2842	1.3137	1.3752	1.3215
Mexican peso	16.9005	17.1851	17.2444	18.0512
Hong Kong dollar	9.9671	10.2260	10.8237	10.0510

2.c. Scope of consolidation

The consolidated financial statements at 31 December 2012 and 2011 are the result of consolidating Cofide (Parent Company) and all of the companies directly or indirectly controlled, jointly controlled or associated as of those dates. Assets and liabilities scheduled for disposal are reclassified to specific asset and liability items to highlight these circumstances.

In particular, the assets shown as "discontinued" relate to assets of the Sorgenia group which were scheduled for disposal in 2013.

A list of the equity investments included in the scope of consolidation, with an indication of the consolidation method used, is given in the appropriate section of this report, along with a list of those that have been excluded.

2.d. Changes in the scope of consolidation

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

Energy
The following companies are new entries to the scope of consolidation:

- Cap Energie Sas
- Ecoparc des Energies Sas
- Eolian Amzacea Independenta S.r.l.
- Eolian Medgidia Pestera S.r.l.
- Eolian Falciu Unu S.r.l.
- Sorgenia ASD S.r.l.
- Wind Project Falciu Trei S.r.l.

The following changes in the scope of consolidation have also taken place:

- following their entry into service, as a result of the non-monetary contributions of business divisions during 2012 by their parent companies, PVP 1 S.r.l., Sorgenia Castelvetere S.r.l. and Sorgenia Ricigliano S.r.l., which were previously accounted for at cost, are now consolidated line-by-line;
- Tecnoparco Valbasento S.p.A., which was previously carried at cost, is now valued at equity.

There was also a change in name during the year:

- Sorgenia France Sas (formerly Sorgenia France Développement Sas)

Note that in June 2012 Sorgenia E&P UK, a Group company that operates in the exploration and production of hydrocarbons and the UK affiliate MPX Energy reached an agreement with the IONA Energy Group for the sale of its shares (35% and 30% respectively) in the oil field known as Orlando (United Kingdom). In light of this agreement, given that the conditions envisaged in IFRS 5 have been satisfied, in the consolidated financial statements at 31 December 2012, the Group has classified the assets held for disposal in a special section of the consolidated statement of financial position.

Media
On 8 December 2012, a joint venture between the Espresso Group and the Huffington Post Media Group was set up to launch an Italian version of the Huffington Post website. At 31 December 2012, the new company, Huffington Post S.r.l., of which the Espresso Group holds 49% of the share capital, was consolidated using the equity method.

Automotive components
The following changes took place in the scope of consolidation during the year:

- the subsidiary Allevard Rejna Autosuspensions S.A. increased its stake in its subsidiary S.ARA Composite S.a.s. through increases in capital from 86.67% to 90% (of the share capital subscribed and effectively paid-in);

- the subsidiary Allevard Rejna Autosuspensions S.A. increased its stake in the subsidiary Allevard IAI Suspensions Pvt Ltd through capital increases from 51% to 54.91%;
- the subsidiary Systèmes Moteurs S.a.s. increased its stake in the subsidiary Systèmes Moteurs S.r.l. from 99% to 99.9997%;
- the subsidiary Sogefi Filtration S.A. increased its stake in the subsidiary Systèmes Moteurs S.r.l. from 0% to 0.0003%;
- Sogefi S.p.A. (sector holding company) increased its stake in the subsidiary Allevard Rejna Autosuspensions S.A. from 99.987% to 99.99%;
- Sogefi S.p.A. established Sogefi (Suzhou) Auto Parts Co. Ltd (China). The company, which not yet operational at the end of 2012, operates in the field of suspension components and engine systems.

Note that, in accordance with IFRS 3, as explained below in paragraph 2.e. "Business combinations", at 30 June 2012, the Group retrospectively adjusted the provisional amounts recognised at 31 December 2011 related to the acquisition of Systèmes Moteurs in July 2011 to reflect new information on the situation at the date of acquisition.

Lastly, note that the liquidation of the subsidiary Integral S.A. was completed in 2012. This did not involve any change in the scope of consolidation.

There were no further changes in the scope of consolidation during the period.

Healthcare

The following transactions took place in 2012 involving a change in the scope of consolidation:

In the Rehabilitation sector (Istituto di Riabilitazione Santo Stefano S.r.l. and Redancia), the acquisition in May of a 39% interest in Casa Argento S.r.l. for € 650 thousand, thereby reaching 90% of the share capital.
This gave rise to a negative consolidation difference of € 54 thousand, in accordance with international accounting standards (IFRS 3 revised), which has been recorded in a special equity reserve. In December 2012, Casa Argento S.r.l. was merged with Abitare il tempo S.r.l.

In the Care Home sector, Redancia S.r.l., a company that manages homes for the rehabilitation of psychiatric subjects, was merged with Residenze Anni Azzurri S.r.l. in November 2012.
In the Hospital Management sector, Medipass S.r.l. subscribed an increase in capital of Medipass Healthcare Ltd in November 2012. This raised the investment in this company from 65% to 90% and gave rise to a negative consolidation difference of € 73 thousand, in accordance with international accounting standards (IFRS 3 revised), which has been recorded in a special equity reserve.

In November 2012, Medipass Healthcare Leeds & Belfast Ltd was established as a UK company owned 55% by the indirect subsidiary Medipass Healthcare Ltd.

November 2012 saw the acquisition of HTI Leeds Ltd and HTI Ireland Ltd, which hold important contracts for the management of the technology park at two leading hospitals: the St. James Institute of Oncology (Leeds) and Belfast City Hospital Cancer Centre (Belfast). Both companies are owned 100% by Medipass Healthcare Leeds & Belfast Ltd. The agreed price of € 9,838 thousand gave rise to goodwill of € 8,778 thousand.

In November 2012, Medipass S.r.l. took part in an increase in the share capital of Clearmedi Healthcare Ltd, which diluted the holding of the subsidiary Medipass Healthcare Ltd. The 51% interest previously held by Medipass Healthcare Ltd is now held 24% by Medipass S.r.l. and 27% by Medipass Healthcare Ltd. This gave rise to a positive consolidation difference of € 40 thousand, in accordance with international accounting standards (IFRS 3 revised), which has been recorded in a special equity reserve.

Other companies
From these consolidated financial statements, Swiss Education Group AG is valued using the equity method, as a result of new agreements that give CIR International S.A. a greater influence over the company.
CIR S.p.A. increased its stake in the associate LLIS Lake Leman International School S.A. through increases in capital from 49.36% to 66.39%, so from 1 December 2012 it is now consolidated line-by-line.
The following companies were excluded from the scope of consolidation during the second half of 2012: Devil Peak S.r.l. and its subsidiary Foppolo Risorse S.r.l. and Food Concepts Holdings S.A. and its subsidiary Food Concepts Germany GmbH.
Note that Dry Products S.p.A. changed its name to CIR Investimenti S.p.A. during the first half of 2012.

2.e. Business combinations

As mentioned previously, in the first half of 2012 the Group completed the process of determining the fair value of the assets and liabilities acquired from the Systèmes Moteurs Group when it was purchased in July 2011, in accordance with the acquisition method.

The following chart gives a breakdown of the final fair values of the assets and liabilities acquired and of the goodwill at the date of acquisition of control (29 July 2011), as well as the corresponding provisional values at 31 December 2011:

(in thousands of euro)

ASSETS	Final fair value	Provisional fair value at 31.12.2011
CURRENT ASSETS		
Cash and cash equivalents	8,311	8,311
Other financial assets	--	--
Inventories	51,395	51,395
Trade receivables	48,193	48,193
Other receivables	3,877	5,307
Tax receivables	4,356	4,356
Other assets	334	334
TOTAL CURRENT ASSETS	**116,466**	**117,896**
NON-CURRENT ASSETS		
FIXED ASSETS		
Land	1,006	1,006
Property, plant and equipment	38,129	37,156
Other tangible fixed assets	715	715
Intangible assets	47,570	17,627
Deferred tax assets	**87,420**	56,504
OTHER NON CURRENT ASSETS		
Investments in associates	274	274
Other receivables	24,320	952
Deferred tax assets	12,304	1,518
TOTAL OTHER NON-CURRENT ASSETS	**36,898**	**2,744**
TOTAL NON-CURRENT ASSETS	**124,318**	**59,248**
TOTAL ASSETS (A)	**240,784**	**177,144**

LIABILITIES	Final fair value	Provisional fair value at 31.12.2011
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	--	--
Current portions of medium/long - term financial debts and other loans	--	--
TOTAL SHORT-TERM FINANCIAL DEBTS	--	--
Other short-term liabilities for derivative financial instruments	--	--
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS	--	--
Trade and other payables	74,517	69,653
Tax payables	32	32
Other current liabilities	2,887	2,887
TOTAL CURRENT LIABILITIES	**77,436**	**72,572**
NON- CURRENT LIABILITIES		
OTHER LONG-TERM LIABILITIES		
Long-term provisions	31,276	4,815
Other payables	1,359	1,359
Deferred tax liabilities	16,771	6,816
TOTAL OTHER LONG-TERM LIABILITIES	**49,406**	12,990
TOTAL NON-CURRENT LIABILITIES	**49,406**	12,990
TOTAL LIABILITIES (B)	**126,843**	85,562
Transferred consideration for the acquisition	146,501	146,501
Net asset acquired (A) - (B)	113,941	91,582
GOODWILL	32,560	54,919
Transferred consideration for the acquisition	146,501	146,501
Cash and cash equivalents owned by the purchased group	(8.311)	(8.311)
CASH FLOW FOR THE ACQUISITION	138,190	138,190

The following is an explanation of the nature and amount of the main adjustments made to the fair value of the assets and liabilities acquired, applicable to the assessment period.

Completion of the process of measuring the fair value of "Plant and machinery" resulted in an increase of € 973 thousand.

Completion of the process of measuring the fair value of "Intangible assets" made it possible to identify the following intangible assets separately:

- Customer Relations: Euro 19,215 thousand (to be amortised over a useful life of 20 years);
- Patents: Euro 2,292 thousand (to be amortised over a useful life of 4-5 years);
- Brand name “Systèmes Moteurs”: Euro 8,437 thousand (to be amortised over a useful life of 20 years).

The Completion of the process of measuring the fair value of contingent liabilities under product warranties made it possible to detect liabilities of € 25,068 thousand, of which € 4,177 thousand recognised in "Trade payables and other payables" (current) and € 20,891 thousand in "Long term provisions" (non-current). At 31 December 2012 these contingent liabilities amounted to € 6,020 thousand. Management expressed its of the opinion that any balance remaining after full or partial insurance compensation and reimbursements from subcontractors ought to be indemnified by the seller of the shares of Systèmes Moteurs S.a.s. The Group has therefore recognised an asset based on such indemnities for an amount of € 23,368 thousand under "Other non-current receivables".
The item "Long term provisions" also includes other liabilities of € 7,000 thousand. The balance contains miscellaneous items including costs for legal proceedings related to the recovery of these "Other non-current receivables".
As a result of the above, the impact of deferred taxation has changed and goodwill has been reduced from € 54,919 thousand to € 32,560 thousand.

3. *Accounting policies*

3.a. Intangible assets (IAS 38)

Intangible assets are recognised only if they can be separately identified, if it is likely that they will generate future economic benefits and if the 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 at the date of recognition; 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 over 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 monitored constantly for impairment. It is mainly the Espresso Group's newspaper/magazine titles and TV/radio frequencies 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, an impairment test is carried out at least once a year 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 for impairment tested.
Research costs are charged to the income statement as and when they are incurred.
Trademarks and licences, which are initially recognised at cost, are subsequently accounted for net of amortisation and accumulated impairment. The period of amortisation is defined as the lower of the contractual duration for use of the licence and the useful life of the asset.
Software licences, including associated costs, are recognised at cost and are recorded net of amortisation and any accumulated impairment.
The "customer relationship" represents the value assigned during the purchase price allocation process to the customer portfolio of the Systèmes Moteurs Group at the date of acquisition of control.
The "name" represents the value assigned during the purchase price allocation process to the name "Systèmes Moteurs" at the date of acquisition of control.

Goodwill
In the event of the acquisition of companies, the identifiable assets, liabilities and contingent 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 recorded in the statement of financial position as an intangible asset. Any negative difference ("badwill") is posted to the income statement at the time of acquisition.
After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-producing assets, whose ability to generate income and cash flow is monitored constantly for impairment.
See paragraph 3.x. below (Business Combinations and Goodwill).

3.b. Tangible assets (IAS 16)

Tangible assets are recognised at purchase price or production cost, net of accumulated depreciation.
Cost includes associated expenses and any direct and indirect costs incurred at the time of acquisition and needed to make the asset ready for use. Financial charges relating to specific loans for long-term investments are capitalised up to the date when the assets become operational.
When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where fixed assets are installed, the value recognised also includes a discounted estimate of the costs that will be incurred for their disposal.
Fixed assets are depreciated each year on a straight-line basis over the residual useful life of the assets.
Land, assets under construction and advance payments are not depreciated.

Land and buildings not used for corporate operating purposes are classified under a separate asset item and accounted for according to IAS 40 "Investment property" (see paragraph 3.e. below).

In the event of circumstances that suggest that an asset has been impaired, its carrying value is checked against its recoverable value (i.e. fair value or value in use, whichever is the higher). Fair value can be established on the basis of values expressed by an active market, recent transactions or the best information available at the time with a view to determining the potential proceeds of selling the asset. Value in use is determined by discounting the cash flows expected from using the asset, applying best estimates of its residual useful life and a rate that takes into account the implicit risk of the specific business sectors in which the Group operates. This valuation is carried out for each individual asset or for the smallest identifiable cash generating unit (CGU).
If there is a negative difference between these values and the carrying value, the asset gets written down; if subsequently the reasons for the impairment no longer apply, the asset is revalued. Such write-downs and revaluations are reported in the income statement.

3.c. Government grants

Government grants are recognised when there is a reasonable degree of certainty that the recipient will comply with the conditions for the grant, whether or not there is a formal resolution awarding it; in other words, when it is highly likely that the grant will be received.
Capital grants are recognised in the statement of financial position either as deferred income, which is then transferred to the income statement over the useful life of the asset being financed, thereby reducing the depreciation charge, or by deducting them directly from the asset in question.
Government grants obtainable in the form of a reimbursement of expenses and costs already incurred or to provide immediate support for the recipient without there being any future costs related to the grant, are recognised as income in the period in which they can be claimed.

3.d. Leased assets (IAS 17)

Lease contracts for assets where the lessee substantially assumes all the risks and rewards 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 contracts. Total lease payments are allocated between the financial element and the capital to be reimbursed in such a way as to obtain a constant rate of interest on the outstanding debt. The residual lease payments, net of financial charges, are classified as borrowings. The interest expense is charged to the income statement over the period 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 rewards 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 period of the lease.
In the event of a sale and leaseback agreement, any difference between the selling price 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)

Investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.
The cost of an investment property is represented by its purchase price, as well as any improvements, replacements and extraordinary maintenance.
For self-constructed investment property, an estimate is made of all costs incurred up to the date on which the construction or development is finished. Until that date, IAS 16 applies.
In the case of an asset held under a finance lease, the initial cost is determined according to IAS 17 as 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. Under the cost method, the value is measured net of depreciation and any impairment losses.
On disposal or when the asset is permanently withdrawn from use, all related income and expenses must be charged to the income statement.

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

At least once a year the Group verifies whether the carrying value of intangible and tangible assets (including capitalised development costs) are recoverable, in order to determine whether the assets have suffered impairment. If such evidence exists, the carrying value of the assets is reduced to its recoverable value.
An intangible asset with an indefinite useful life is tested for impairment at least once a year or more frequently if there is any sign that it may have suffered a loss in value.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.
The recoverable value of an asset is the higher of its 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 that is consistent with the cash flows and which reflects the current market assessment 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 loss on an asset (other than goodwill) no longer exists or is less than it was, the carrying value of the asset or of the cash generating unit is written up to the new estimated recoverable value, though it cannot exceed the value that it would have had if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately 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, which means that they are classified as available for sale and measured at fair value, or at cost if the fair value or market price cannot be reliably estimated.

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

Receivables and payables are initially recognised at their fair value, which usually corresponds to the nominal value. Receivables are adjusted, where necessary, to their estimated realisable value. Subsequently, receivables and payables are measured at amortised cost.
Receivables and payables in foreign currencies are initially accounted for at the rates of exchange in force on the transaction date. They are then adjusted to the period-end exchange rates and any exchange gains and losses are recognised to the income statement (see paragraph 3.u. below).

3.i. Securities (IAS 32 and 39)

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

This category also includes financial assets bought or issued and then classified either as held for trading or at fair value through profit and loss according to the fair value option.
For further details of the accounting treatment of financial assets, we would refer readers to the specific note on "Financial Instruments”.

3.l. Income taxes (IAS 12)

Current taxes are provided for on the basis of a realistic estimate of taxable income under current tax regulations of the country in which the company is based, taking into account any exemptions and tax credits that may be claimed.
Deferred taxes are calculated on the basis of any temporary differences (taxable or deductible) between the carrying values of assets and liabilities and their tax bases and are classified as non-current assets and liabilities.
A deferred tax asset is recognised to the extent that taxable income will probably be available in the future to offset deductible temporary differences.
The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that there will be sufficient taxable income to take advantage of the deferred tax asset.

3.m. Inventories (IAS 2)

Inventories are shown at the lower of weighted average purchase or production cost and their estimated realisable value.

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

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into cash and which have an insignificant risk of changes in value.

3.o. Equity

Ordinary shares are recorded at their nominal value. Costs directly attributable to the issuance of new shares are deducted from equity reserves, net of any related tax benefit.
Treasury shares are shown separately as a deduction from reserves; any subsequent sale, reissuance or cancellation will not have any impact on the income statement, only on equity.
Unrealised gains and losses on financial assets classified as “available for sale” are recognised, net of tax, under equity in the fair value reserve.
The reserve is reversed to the income statement when the financial asset is realised or impairment to it is recognised.

The hedging reserve is formed when fair value changes are recognised on derivatives which have been designated as "cash flow hedges" or "hedges of net investments in foreign operations" for the purposes of IAS 39.
The portion of gains and losses considered "effective" is recognised to equity and is reversed to the income statement as and when the elements being 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, accounting for any gains or losses on the disposal.
“Retained earnings (losses)” include accumulated earnings and balances transferred from other reserves when these are released from any previous limitations.
This item also shows the cumulative effect of any changes in accounting principles and/or the correction of errors, which are accounted for in accordance with IAS 8.

3.p. Borrowings (IAS 32 and 39)

Loans are initially recognised at cost, represented by their fair value net of any transaction costs incurred. Subsequently, 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 is 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, whether 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 provided.

3.r. Revenue and income (IAS 18)

Revenues from the sale of goods are recognised at the time ownership and the risks related to the goods are transferred, net of returns, discounts and rebates.
Service revenues are recognised at the time the service is provided, based on its stage of completion at 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 accrual 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.

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, TFR matured at 31 December 2006, pertaining to the employees who although had exercised the proposed option remained within the sphere of defined benefits plans, was determined using actuarial methods that exclude the actuarial/financial components relating to the future change in salary. Given that this new method of calculation reduces the volatility of actuarial gains and losses, a decision was made to abandon the corridor method and recognise all actuarial gains and losses to the income statement.
IFRS 2 "Share-based Payment" issued in February 2005 with validity from 1 January 2005 (revised version effective 1 January 2010) requires that application should be retrospective in all cases where stock options were assigned after 7 November 2002 and where the vesting conditions of the plans had not yet matured at the effective date.

In accordance with this standard, 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 equity reserve.
The cost of the option is determined at the award date of the plan, applying special models and multiplying by the number of options exercisable over the reference period, 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 over the vesting period of the benefit; unlike for stock options

and stock grants, the balancing entry 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 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.

Trading in derivatives with commodities as their underlying, carried on by Sorgenia as part of its normal day-to-day activities, is represented by showing the positive and negative fair values of such transactions in "Other receivables" and "Other payables" with the net result being shown in a single item in the income statement.

3.u. Foreign currency translation (IAS 21)

The Group's functional currency is the euro and this is the currency in which its 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 denominated in foreign currencies 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 on 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 in the business. 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 the expected realisable value, less costs to sell.
Individual assets or those that form part of a group classified as held for sale are not depreciated.
Presentation of these assets in the financial statements involves showing the after-tax income and losses resulting from the sale on a separate line in the income statement. Similarly, the assets and liabilities have to be shown on a separate line in the statement of financial position.

3.w. Earnings per share (IAS 33)

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

3.x. Business combinations and Goodwill

Business acquisitions are recognised using the purchase and acquisition method in compliance with IFRS 3, according to 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 they are incurred.
Contingent consideration is included as part of the transfer price of the net assets acquired and is 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 more or better fair value information and if this takes place within twelve months of the acquisition date; all other changes must be recognised to the income statement.
In the event of a step acquisition of a subsidiary, the minority interest previously held (recognised up to that point according to IAS 39 – *Financial Instruments: Recognition*, IAS 28 – *Investments in Associates* or IAS 31 – *Investments in Joint Ventures*) is treated as if it had been sold and repurchased at the date that control is acquired. The investment is therefore measured at its fair value on the date of "transfer" and any gains and losses resulting from this measurement are recognised to the income statement. Moreover, any amount previously recognised in equity as "Other comprehensive gains and losses", is reclassified to the income statement following the sale of the asset to which it refers. The goodwill (or income in the case of badwill) arising on 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) and the fair value of the minority interest previously held, net of the fair value of the identifiable net assets acquired.
The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition are accounted for at their fair value on the date of acquisition. Any positive difference between the acquisition cost and the fair value of the Group's share of net assets acquired is recognised as goodwill or, if negative, charged to the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill always refers to identified income-generating assets, whose ability to generate income and cash flows is constantly monitored for impairment.
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 in the income statement, but rather changes in Group equity.

The initial allocation to assets and liabilities as mentioned above, using the option given in IFRS 3, can be performed on a provisional basis by the end of the year in which the transaction is completed; the values provisionally assigned on initial recognition can be adjusted within twelve months of the date on which control was acquired.

3.y. Use of estimates

The preparation of financial statements and explanatory notes in accordance with IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities as of the reporting date.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ 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 only affects that period, or in subsequent periods if the amendment affects both the current and future years.
The items mainly affected by this use of estimates are goodwill, deferred taxes provisions for risks and losses and the fair value of financial instruments, stock options, phantom stock options and stock grants.
See the notes on these specific items for further details.

4. Financial instruments

Financial instruments take on a particular significance in the Cofide Group's economic and financial structure. For this reason, management felt that it would be useful to devote a special section to accounting standards IAS 32 and IAS 39, to help readers understand better the financial issues involved.

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

a) *financial instruments measured at fair value through profit and loss* (FVTPL) in application of the fair value option: either designated as such or 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 the intended use of the financial instrument within the context of the Company's financial management and each involves a different type of measurement for accounting purposes. Financial transactions are recognised on the basis of their value date.

Financial instruments at fair value through profit and loss

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

- they are held for trading;
- they are designated as such under the fair value option, on the assumption that the fair value 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 under the fair value option is limited to those 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 strategy, and
c) an instrument contains an embedded derivative which meets particular conditions.

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

Investments held to maturity

This category includes non-derivative instruments with fixed or determinable payments and a fixed maturity, which the Company intends and is able to hold to 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 received or premiums 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 way of calculating the financial charges to be assigned to a particular 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 only one instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the so-called "tainting rule" is applied: this requires that the whole portfolio of securities classified as Held To Maturity is reclassified and measured at fair value, after which this category cannot be used for the next two years.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for trading.
The category includes trade receivables (and payables).
Measurement of these instruments, except for those classified as current assets or liabilities (within twelve months), is made by applying the amortised cost method, using the effective interest rate and taking into account any discounts received or premiums paid at the time of acquisition and recognising them 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 not included in any of the previous categories.
Available-for-sale financial instruments are recognised at their fair value plus any transaction costs.
Gains and losses are recognised to a separate equity item until the financial instruments are sold or suffer impairment. In such cases, the gains and losses accrued to equity up to that point are released to the income statement.

Fair value is the price at which an asset can be traded or a liability settled between knowledgeable, willing parties in an arm's-length transaction.
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 only be derecognised (i.e. eliminated from the financial statements) when the contractual rights to receive their respective financial cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

5. Accounting standards, changes in accounting estimates and errors

The criteria for making estimates and measurements are reviewed periodically, based on historical experience and other factors such as expectations of possible future events that are reasonably likely to take place.
If first-time application of a standard affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rules, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.
If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.

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

A change in accounting estimate involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.
Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting period after they were discovered.

6. Adoption of new accounting standards, interpretations and amendments

Accounting standards, amendments and interpretations of IFRS applied from 1 January 2012
The following accounting standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2012:
On 7 October 2010, the IASB issued amendments to IFRS 7 - Financial Instruments: Disclosures. The amendments were issued to improve the information provided on the derecognition of financial assets. In fact, the amendments require greater transparency on the company's exposure to risks in the case of transactions in which a financial asset has been transferred, but the transferor retains some form of continuing involvement in the asset. The amendments also require further disclosure if a disproportionate amount of such transactions are executed towards the end of an accounting period. Adoption of this amendment did not have any impact on the Group's disclosures.

Accounting standards, amendments and interpretations effective from 1 January 2012 but not applicable to the Group
On 20 December 2010, the IASB issued a minor amendment to IAS 12 - Income Taxes, which requires entities to determine the deferred taxes resulting from investment property measured at fair value according to the way in which the carrying value of the asset will be recovered (through continued use or through sale). Specifically, the amendment establishes a rebuttable presumption that the carrying amount of an investment property measured at fair value in accordance with IAS 40 will be recovered entirely through sale and that the determination of deferred taxes in jurisdictions where the tax rates are different should reflect the rate on property sales.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, but not yet applicable and not adopted early by the Group

- On 12 May 2011, the IASB issued IFRS 10 - Consolidated Financial Statements, which will replace 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 separate financial statements. The principal changes introduced by the new standard are as follows:

- According to IFRS 10 there is a single basic principle to consolidate all types of entities, and this principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
- A more solid definition of control than in the past has been introduced, based on three elements: (a) power over the company acquired; (b) exposure, or rights, to variable returns from involvement with the company; (c) the ability to use this power to influence the amount of such returns;
- IFRS 10 requires an investor to assess whether it has control over the company acquired by focusing on the activities that significantly affect its returns;
- When assessing whether control exists, the investor is required by IFRS 10 to consider only substantive rights, i.e. those that can be exercised when important decisions have to be taken regarding the company acquired;
- IFRS 10 provides practical guidance to assist in assessing whether control exists in complex situations, such as de facto control, potential voting rights, situations in which it is necessary to determine whether the person who has the decision-making power is acting as an agent or principal, etc.

Generally speaking, the application of IFRS 10 requires a significant degree of judgement with regard to various aspects involved in its implementation.

The standard is applicable retrospectively from 1 January 2014.

The Group has determined that the impact of this new standard on the scope of consolidation is not significant.

- On 12 May 2011, the IASB issued IFRS 11 - Joint Arrangements, due to replace IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly Controlled Entities - Non-monetary contributions by venturers. Without prejudice to the criteria for identifying the presence of a jointly controlled entity, the new standard provides criteria for the accounting treatment of joint arrangements by focusing on the rights and obligations arising from such arrangements, rather than on their legal form; it also requires a single method of accounting for investments in joint ventures in the consolidated financial statements, i.e. the equity method. According to IFRS 11, the existence of a separate vehicle is not sufficient to classify a joint arrangement as a joint venture. The new standard is applicable retrospectively from 1 January 2014. Following the issuance of this standard, IAS 28 - Investments in Associates has been amended to include investments in joint ventures within its scope of application from the effective date of the standard. The Group has not yet carried out an analysis of the effects of this new standard on the scope of consolidation.

- On 12 May 2011, the IASB issued IFRS 12 - Disclosure of Interests in Other Entities, which is a new and comprehensive standard on the information to be provided in the consolidated financial statements on each type of investment, including those in subsidiaries, joint arrangements, associates, special purpose entities and other vehicle companies that are not consolidated. The standard is applicable retrospectively from 1 January 2014.

- On 12 May 2011, the IASB issued IFRS 13 - Fair Value Measurement, which explains how to determine fair value for accounting purposes and applies to all cases in which the standards require or permit fair value measurement or presentation of information based on fair value, with limited exceptions. The standard also requires more detailed disclosures on certain aspects of fair value measurement, such as the fair value hierarchy, that is currently required by IFRS 7. The principle is applicable prospectively from 1 January 2013.

- On 16 December 2011, the IASB issued amendments to IAS 32 - Financial Instruments: Presentation to clarify the application of certain criteria for the offsetting of the financial assets and liabilities referred to in IAS 32, effectively making it more difficult. The amendments will apply retrospectively to accounting periods beginning on or after 1 January 2014.
- On 16 December 2011, the IASB issued amendments to IFRS 7 - Financial Instruments: Disclosures. The amendment requires information on the effects or potential effects of offsetting financial assets and liabilities on a company's statement of financial position. The amendments will apply to accounting periods beginning on or after 1 January 2013. The disclosures have to be provided retrospectively.
- On 16 June 2011, the IASB issued an amendment to IAS 1 - Presentation of Financial Statements requiring companies to group together all their components of "Other comprehensive income" (OCI) according to whether or not they can later be reclassified to the income statement. The amendment is applicable to accounting periods beginning on or after 1 July 2012.
- On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee Benefits, which eliminates the option to defer the recognition of actuarial gains and losses under the corridor method, requiring that all actuarial gains and losses be recognised immediately in "Other comprehensive income" so that the full net amount of provisions for defined benefit plans (net of plan assets) must be included in the consolidated statement of financial position. The amendments also provide that changes in the defined benefit fund and plan assets between one year and the next have to be divided into three components: cost components related to work performed during the period have to be recorded in the income statement as "service costs"; net financial charges, calculated by applying an appropriate discount rate to the provision for defined benefit plans, net of plan assets, at the beginning of the year, have to be included in the income statement as such, and gains and losses arising from remeasurement of the assets and liabilities have to be included in "Other comprehensive income". In addition, the return on the assets included in net financial charges as indicated above has to be calculated on the discount rate of the liability rather than the expected return on the assets. The amendments also introduce new disclosures to be provided in the notes to the financial statements. The amendment is applicable retrospectively from the year beginning on or after 1 January 2013.

  A reasonable estimate of the effects of these changes in accounting standard to the balances at 31 December 2012 amount to 21.8 million.

  The Group has not yet completed its analysis of the impact of applying the new standard on the net result for the year.
- October 2011 saw the publication of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, which applies to the costs of waste removal that are incurred in surface mining activities during the production phase of the mine. This Interpretation applies to the accounting years beginning on or after 1 January 2013.
-

Accounting standards, amendments and interpretations of IFRS not yet endorsed by the European Union

At the date of these consolidated financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following amendments and standards.

- On 12 November 2009, the IASB published IFRS 9 - Financial Instruments: this standard was subsequently amended on 28 October 2010. The new standard, which is applicable retrospectively from 1 January 2015, represents the initial phase of a project designed to replace IAS 39. It introduces new criteria for classifying and measuring financial assets and liabilities. 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 various different rules envisaged in IAS 39. For financial liabilities, on the other hand, the main change concerns the accounting treatment of changes in the fair value of a financial liability designated at fair value through profit and loss, when they are due to a change in the credit rating of the said liability. According to the new standard such changes have to be recognised to "Other comprehensive income" and will no longer pass through the income statement.

Phases two and three of the project on financial instruments, which relate to impairment of financial assets and hedge accounting, are still in progress. The IASB is also considering minor improvements to IFRS 9 for the part relating to the classification and measurement of financial assets.

- On 17 May 2012, the IASB published its Annual Improvements to IFRSs: 2009-2011 Cycle, which includes changes to international accounting standards as part of their annual improvement, focusing on changes that are considered necessary, but not urgent. The following are those that will lead to a change in the presentation, recognition and measurement of financial statement items, excluding those that will only involve a change in terminology or editorial adjustments with a minimal impact on the accounts. Then there are those that affect standards or interpretations that are not applicable to the Group:
    - *IAS 1 - Presentation of Financial Statements - Comparative information*: this clarifies that if additional comparative information is provided, it has to be presented in accordance with IAS/IFRS. In addition, it clarifies that if a company changes an accounting policy or makes a retrospective adjustment or reclassification, it should also present a statement of financial position at the beginning of the comparative period (a "third statement of financial position" in the financial statements), whereas the notes do not have to include comparative disclosures also for this "third statement of financial position", apart from the specific items concerned.
    - *IAS 16 Property, plant and equipment* - Classification of servicing equipment: this clarifies that servicing equipment has to be classified as property, plant and equipment if it is used for more than one year, otherwise as inventory.
    - *IAS 32 Financial Instruments*: Presentation - Tax effect on distributions to holders of equity instruments and transaction costs relating to equity instruments: this clarifies that the income taxes involved in these circumstances follow the rules of IAS 12.
    - *IAS 34 Interim Financial Reporting* - Total assets of a reportable segment: this clarifies that total assets only have to be reported if this information is regularly provided to the chief operating decision maker of the entity and there has been a material change in the total assets of the segment compared with the previous annual report.

The effective date of the proposed changes is scheduled for the years beginning on or after 1 January 2013, with earlier application permitted.

- On 28 June 2012, the IASB published Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). To start with, this document sets out to clarify the Board's intentions with reference to the transition rules of IFRS 10 Consolidated Financial Statements. The document explains that, for an entity with a fiscal year that coincides with the calendar year that intends to apply IFRS 10 for the first time in its financial statements for the year ended 31 December 2013, the date of initial application will be 1 January 2013.

  In the event that the conclusions on the scope of consolidation according to IFRS 10 at the date of initial recognition are the same as they were according to IAS 27 and SIC 12, the entity will not have any obligation. Similarly, no obligation will arise if the investment was sold during the comparative period (and as such no longer exists at the date of initial application).

  The document also aims to clarify how an investor might retrospectively adjust the comparative period(s) if the conclusions on the scope of consolidation according to IFRS 10 at the date of initial recognition are not the same as they were according to IAS 27 and SIC 12. In particular, when a retrospective adjustment as defined above is not feasible, an acquisition/disposal will be recorded at the beginning of the comparative period being presented, with a consequent adjustment recognised in retained earnings.

  In addition, the Board amended IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* to provide a similar concession for the presentation or amendment of comparative information for the "immediately preceding period" (i.e. the comparative period presented in the financial statements). Another amendment has been made to IFRS 12 limiting the requirement to present comparative information for disclosures relating to non-consolidated 'structured entities' in periods prior to the date of application of IFRS 12.

Notes to the statement of financial position

7. Non-current assets

7.a. Intangible assets

2011	Opening position			Changes in the period							Closing position		
	Original cost	*Accumulated amortisation and write-downs*	*Balance 31.12.2010*	*Acquisitions*	*Business combinations business disposals*		*Exchange rate differences*	*Other changes*	*Net disposals*	*Amortisation and write-downs*	*Original cost*	*Accumulated amortisation and write-downs*	*Balance 31.12.2011*
(in thousands of euro)					*increases*	*decreases*			*cost*				
Start-up and expansion costs	74	(73)	1	107	--	(77)	--		--	(25)	69	(63)	6
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	78,773	(51,149)	27,624	13,246	15,854	--	(106)	1,075	--	(10,095)	105,233	(57,635)	47,598
Industrial patents and intellectual property rights	9,406	(7,855)	1,551	281	3,588	--	--	1,086	--	(1,275)	14,326	(9,095)	5,231
Concessions, licences, trademarks and similar rights	104,562	(75,727)	28,835	13,927	8,829	(2,415)	1	949	(28)	(17,006)	119,825	(86,733)	33,092
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	36,177	(22,408)	--	(942)	--	--	1,118,563	(393,097)	725,466
Assets in progress and advance payments													
- purchased	34,126	(14,791)	19,335	49,140	--	(40)	(38)	(6,810)	(456)	(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
Other	32,572	(8,784)	23,788	13,499	19,223	(3,438)	72	(4,329)	(41)	(2,381)	56,541	(10,148)	46,393
Total	1,978,401	(551,484)	1,426,917	105,819	83,725	(28,378)	(199)	(9,947)	(542)	(41,200)	2,118,206	(582,011)	1,536,195

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

2012	Opening position			Changes in the period							Closing position		
	Original cost	*Accumulated amortisation and write-downs*	*Balance 31.12.2011*	*Acquisitions*	*Business combinations business disposals*		*Exchange rate differences*	*Other changes*	*Net disposals*	*Amortisation and write-downs*	*Original cost*	*Accumulated amortisation and write-downs*	*Balance 31.12.2012*
(in thousands of euro)					*increases*	*decreases*			*cost*				
Start-up and expansion costs	69	(63)	6	--	--	(6)	--	--	--	--	60	(60)	--
Capitalised development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	105,233	(57,635)	47,598	26,170	--	--	(872)	2,016	(88)	(13,929)	130,229	(69,334)	60,895
Industrial patents and intellectual property rights	14,326	(9,095)	5,231	5,917	439	(1,036)	--	--	--	(3,378)	19,103	(11,930)	7,173
Concessions, licences, trademarks and similar rights	119,825	(86,733)	33,092	6,868	44	(7)	1	139,601	(8)	(17,376)	265,182	(102,967)	162,215
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	222,011	--	222,011	--	--	--	--	(138,283)	--	--	83,728	--	83,728
Goodwill	1,118,563	(393,097)	725,466	20,336	--	--	15	(13,157)	(428)	(37,419)	1,124,810	(429,997)	694,813
Assets in progress and advance payments													
- purchased	75,922	(25,204)	50,718	60,108	--	(630)	(28)	(10,734)	(42,985)	(16,306)	81,653	(41,510)	40,143
- produced internally	5,471	(36)	5,435	7,926	--	--	(149)	1,059	(10)	(87)	14,291	(117)	14,174
Other	56,541	(10,148)	46,393	5,592	--	--	(30)	(10,056)	(401)	(3,362)	51,167	(13,031)	38,136
Total	2,118,206	(582,011)	1,536,195	132,917	483	(1,679)	(1,063)	(29,554)	(43,920)	(91,857)	2,170,468	(668,946)	1,501,522

AMORTISATION RATES

Description	*%*
Capitalised development costs	20-33%
Industrial patents and intellectual property rights	4-20%
Concessions, licences, trademarks and similar rights	16-30%
DTV frequencies	5%
Other intangible assets	16-30%

Intangible assets increased from € 1,536,195 at 31 December 2011 to € 1,501,522 at 31 December 2012.
AMORTISATION RATES

Description	*%*
Capitalised development costs	20-33%
Industrial patents and intellectual property rights	4-20%
Concessions, licences, trademarks and similar rights	16-30%
DTV frequencies	5%
Other intangible assets	16-30%

GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

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

Titles and trademarks:

(in thousands of euro)	*31.12.2012*	*31.12.2011*
la Repubblica	229,952	229,952
Finegil Editoriale Nord-Est	114,121	114,121
Local newspapers	55,001	55,001
Deejay brand	1,171	1,171
Total	400,245	400,245

During 2012 the Espresso Group completed a number of important corporate transactions and organisational changes, which in recent years have led the Espresso Group towards a more marked divisional structure that principally involves the centralisation of strategic decisions relating to each area of activity. These transactions, which mainly concerned the area of local newspapers, led to various changes that meant changing the scope of some of the cash-generating units ("CGUs") for local publishing titles which previously constituted individual CGUs. To be precise, the figures for the "Alto Adige-Trentino" CGU have been considered together with those of the "Finegil Editoriale Nord-Ovest" CGU; the figures for the "Messaggero Veneto" and "Il Piccolo" CGUs have been considered together with those of the "Finegil Editoriale Nord-Est" CGU; and the figure for the "Free Press" CGU has been considered together with that of the "Finegil Centro-Sud" CGU. In the above table, "Local newspapers" includes the figures for the following CGUs which have been grouped together: Finegil Editoriale Nord-Ovest, Finegil Editoriale Centro-Sud, Finegil Editoriale Livorno and La Nuova Sardegna.

Frequencies:

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Radio frequencies	83,728	83,728
Television frequencies	--	138,283
Total	83,728	222,011

During 2012, the DTV frequencies held by the Editoriale L'Espresso Group were reclassified to " Concessions, licences, trademarks and similar rights", based on the consideration that the concession granted on 28 June 2012 to use certain DTV frequencies lasts for 20 years.The useful life of these assets was therefore set at 20 years.

Goodwill:

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Energy sector (Sorgenia Group)	252,559	254,159
Media Sector (Editoriale L'Espresso Group)	140,337	140,337
Healthcare sector (Kos Group)	173,279	166,914
Automotive sector (Sogefi Group)	128,638	128,637
Other (from consolidation of the subsidiary Cir)	--	35,419
Total	694,813	725,466

Note that, in relation to the Sogefi Group, the balance at 31 December 2011 was restated on completion of the Purchase Price Allocation of Systèmes Moteurs S.A.S.

Goodwill has been allocated to the CGUs that were identified in the same way that management of the Parent Company operates and manages its assets, based on the Group's operating sectors. The above chart shows the allocation of goodwill by Group operating sector.
As regards goodwill arising from the consolidation of the subsidiary Cir, which was written down to zero during the year, note that it had been allocated to the company's equity investments, especially those in the energy sector.
For the purpose of impairment testing of goodwill and other intangible assets with an indefinite useful life, the estimated recoverable value of each CGU, defined in accordance with IAS 36 and taking into consideration the guidelines contained in the paper issued by the OIV, was based on its 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 or DCF method). More specifically, in accordance with what is required by international accounting standards, to test the value, cash flows were considered without taking into account inflows and outflows generated by financial management or any cash flows relating to tax management. The cash flows to be discounted are therefore distinctive, unlevered operating cash flows (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 give a fair estimate of a CGU's value in use, we had to assess its expected future cash flows, expected changes in the amount and timing of these flows, the discount rate to be used and any other risk factors affecting the unit.

In order to determine the discount rate to be used, we calculated the weighted average cost of capital (WACC) invested at sector level, regardless of the financial structure of the individual company or subgroup. More specifically, the discount rate used for the Media sector was determined gross of tax (pre-tax WACC), whereas for the other sectors the after-tax WACC was used, thereby expressing future cash flows on a consistent basis in these cases. The values used to calculate WACC (taken from leading financial sources) were the following:
- financial structure of the sector;
- unlevered beta for the sector;

- risk-free rate (average for the last calendar half-year on 10-year Italian government securities);
- risk premium: 5.5%.

The fair value less costs to sell of an asset or group of assets (e.g. a CGU) is best expressed in the price established by a "binding sale agreement in an arm's length transaction", 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.
The following is an explanation of the tests that we carried out.

Media Sector
The impairment test on the Media sector, which coincides with the Espresso Group's scope of consolidation, was applied to intangible assets with an indefinite useful life, i.e. titles and trademarks, with a carrying amount of € 400.2 million, radio frequencies, with a carrying amount of €83.7 million, and the goodwill allocated to the sector for a total of € 140.3 million. This goodwill represents the higher value of acquisition costs compared with the Group's share of the relative assets and liabilities, measured at fair value. With regard to intangible assets with indefinite useful lives other than goodwill, impairment tests have been carried out by considering the respective carrying amount and recoverable value separately for each CGU.
In addition, as required by IAS 36, digital TV frequencies were subjected to impairment tests and reclassified to intangible assets with a definite useful life under "Concessions, licences, trademarks and similar rights" during 2012.

The following is the principal information used to prepare the impairment test for each CGU or group of CGUs with a significant value:
- for national (La Repubblica) and local newspapers, the value in use criterion was used;
- for radio frequencies and the Deejay brand, the fair value criterion was used;
- for DTV frequencies and goodwill relating to the television sector, the fair value criterion was used.

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

- the DCF model, discounting analytically the cash flows expected over the time frame of the business plans (2013-2017) and calculating the terminal value.

The discount rate used was the Espresso Group's pre-tax WACC, namely 11.34% (11.49% in 2011).

- fair value less costs to sell, determined using a different methodological approach for the publishing businesses as opposed to the radio/TV businesses. In the case of the publishing businesses, given that there is no active trading market, we used direct valuation multipliers (Enterprise Value/Sales, Enterprise Value/EBITDA, Enterprise Value/EBIT). For the radio/TV businesses, on the other hand, we used a price/users type of multiple (Enterprise Value/Population reachable by the signal), observing transfer prices for similar frequencies in relation to the population potentially reachable by the signal.
  In order to determine the possible "price" of the Publishing CGU, we used entity side multipliers, either in the trailing version (historical/current multipliers) or in the leading version (expected/average multipliers).
  We estimated the fair value less costs to sell of the radio and television units on the basis of transfer prices for similar frequencies 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 frequency with the number of inhabitants reachable by the signal.

To determine the economic results and operating cash flows of the Espresso Group, we made reference to the business plans for the period 2013-2017 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 2013, as approved by the Board of Directors of Gruppo Editoriale L'Espresso on 31 January 2013.
Compared with the previous year, the current situation of uncertainty in the short and medium term scenario led management to carefully reconsider the expected growth rates for revenues and margins.
As regards advertising revenues, a further 10.2% decline in the advertising market has been assumed for 2013, which takes into account the impact on the entire year of the cuts in advertising expenditure seen in the second half of 2012 and a further reduction in investment due to the persistence of the recession. Assuming that the share held by individual media moves in line with what we have seen in recent years, this is likely to result in the following trends: -16% for the press, -12% for radio, -10% for television and +8% for the Internet.
In this general context, for 2013 we have assumed a trend in advertising on the Espresso Group's media similar to what we have assumed for the specific market segments, with a slight increase in shares for newspapers and the Internet thanks to steps taken to relaunch or maintain products. For the remaining years of the plan, we have assumed a further decline in press advertising of around 3-5% per year on average; this decrease is partially offset by strong growth on the part of Internet advertising.
As regards circulation revenues, the 2013-2017 business plan takes on a inertial sales trend for the various newspapers in line with the trend that we have seen in the last three years; it also assumes a gradual increase in prices over the period in question.
Lastly, we expect a reduction in revenues from the sale of add-ons distributed together with newspapers, even though a good level of profitability should be maintained.

It should also be noted that, for prudence sake, we used a growth rate of zero to calculate the terminal value.

The impairment tests on titles, radio and television frequencies, trademarks and goodwill, confirmed that there are no impairment losses to be recognised in the financial statements. With regard to the titles that were affected by a revision of the scope of their CGUs in 2012, tests were carried out on both the previous and current scope and did not give rise to impairment.
For those CGUs which show titles or goodwill with a value that is material for the purposes of the consolidated financial statements and for which the results of the impairment test indicate a positive difference between their fair value less costs to sell or value in use compared with their carrying amount that is less than the threshold of 50%, we also performed a sensitivity analysis on the results to see how sensitive they were to changes in the basic assumptions.
For the publishing CGUs, the sensitivity analysis carried out on the "Finegil Editoriale Nord-Est" CGU indicated that, based on the evolution of the financial results foreseen in the 2013-2017 Plan, value in use would be equal to book value, assuming a discount rate of future cash flows (pre-tax WACC) of 14.10% instead of the 11.34% actually used.
Lastly, for the radio and television CGUs, note 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, whereas 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 1.30 times the number of inhabitants reachable by the signal. Given the scarcity of recent transactions in Italy involving television frequencies, we also calculated the value in use of the television frequencies and this confirmed the recoverability of the values shown in the financial statements, assuming an increase in revenues from digital bandwidth rentals. Specifically, the business plan assumes an increase in channels rented to third parties from 6 in 2013 to 10 from 2017 onwards, with rental prices evolving according to the step-up scale of values already defined in existing contracts.

Automotive sector
The goodwill allocated to the Automotive sector, which coincides with the scope of consolidation of the Sogefi Group, is equal to € 129 million.
For the sole purpose of determining the value in use, the operating cash flows generated by the Sogefi Group have been considered, in line with the approach taken by management of the sub-holding company, relating to the three business units that came from acquisitions:

- fluid filters;
- air filters and cooling;
- car suspension components.

A test was carried out to check for any impairment of goodwill by comparing the carrying amount of the Automotive CGU with its value in use, which comes from the present value of its estimated future cash flows expected to arise from continuing use of the asset being tested for impairment.
The Unlevered DCF method was used, based on projections made in the budgets or multi-year business plans for the period 2013-2016, as approved by management and in line with the forecasts of the automotive sector (based on data from the most important sector sources), and a discount rate based on a WACC of 8% (8.8% in 2011).

The discount rate used for the cash flows was the same for all three business units. In fact, the risk is considered the same based on the fact that the divisions in question operate in the same sector and with the same type of customer.
Lastly, the 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 multi-year business plan (2016), adjusted to project a stable situation into perpetuity, using the following key 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 that the benefits of the Group's working capital reduction plan would more or less come to an end in the medium term).

The average cost of capital is the result of calculating the weighted average of the cost of debt (based on benchmark rates plus a spread) and the cost of the company's own capital, based on parameters for a sample of companies operating in the European automotive components sector that are considered Sogefi's peers by the main financial analysts who follow this business sector. The figures used in calculating the average cost of capital were as follows:

- financial structure of the sector: 37.2%

- levered beta of the sector: 1.15

- risk-free rate: 4.25% (annual average for 10-year risk-free government securities of the countries in which the group operates, weighted on the basis of sales);

- risk premium: 5.5%

- spread on the cost of debt: 3.3% (estimated on the basis of the 2013 budget)

The test carried out on the present value of projected cash flows shows that the Sogefi CGU has a value in use that exceeds its carrying amount; no write-down was therefore made.
Sensitivity analyses were then carried out on two of the above variables assuming a zero growth rate in the terminal value or a 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.
In terms of sensitivity analyses, we would point out that the impairment test reaches a level of breakeven with the following discount rates (leaving the growth rate of the terminal value at 2% and all the other assumptions of the plan unchanged): 18.08% for the Engine Systems Division (Fluid Filters), 20.72% for the Engine Systems Division (Air Filters and Cooling) and 10.66% for the Car Suspension Components Division.
Lastly, we would point out that, despite the current financial market conditions, the results obtained from the analyses carried out have also been widely confirmed by the fair value - expressed by the market value of Sogefi at 31 December 2012 - of the assets held by the Group in the automotive sector.

Energy sector
The goodwill arising on consolidation of Sorgenia Holding, allocated to the Energy sector, which coincides with the scope of consolidation of the Sorgenia Group, amounts to € 253 million.
For the COFIDE Group, the Energy sector represents a single CGU and the impairment test on goodwill allocated to this CGU was based on its value in use and therefore on the cash flows that are expected to be generated by the sub-holding company Sorgenia.
In this regard, and for the sole purpose of determining the operating cash flows that will be generated by the Sorgenia Group, in line with the approach taken by management of the sub-holding company, the cash flows generated by the *Renewables*, *Energy Supply* and *Exploration & Production* (E&P) .

These flows have been estimated by analysing in detail those that will be generated by the existing and plants and - where necessary - establishing a timetable for the construction and entry into operation of new plants based on certain assumptions, such as the progress being made on current projects and the expected time for completion of the authorisation process and preparation of the plants.

Projected financial flows were taken from the Sorgenia Group's Business Plan; in particular, the operating cash flows were determined as forecast in the Plan and considering the time horizon of the plants' residual useful life, estimated at 25 years for combined cycle plants (CCGT) and wind farms and 20 years for photovoltaic plants. Investments for the construction of new wind farms were taken to be as envisaged in the Business Plan.

The Business Plan was approved by the Board of Directors of the sub-holding company Sorgenia after verification by a leading consulting firm, which carried out sensitivity analyses on the assumptions underlying the Business Plan.

The main assumptions used in drawing up the Plan, in addition to those already mentioned in connection with the useful life of the plants, are represented by:

- the macroeconomic forecasts for the Single National Price, split between peak and off-peak hours, the dynamics of which reflect the trend in market scenarios for oil commodities and assumed to be rising over the period of the plan;
- forecasts of the hours that each plant will operate, with estimates for the CCGT plants rising slightly in 2013 and 2014 and then remaining essentially constant over the rest of their useful life;
- the amount and duration of incentive pricing systems in line with the forecasts of current regulations;
- estimates for the price of natural gas, which foresee a price reduction assumed to be in line with recent spot market prices; the price of natural gas is estimated in dollars and converted into euro on the basis of a EUR/USD exchange rate that is expected to remain constant over the period of the plan;
- estimates of revenues from ancillary services related to the thermoelectric market (e.g. dispatching); note, however, that no assumptions have been made for additional remuneration mechanisms of the plants provided by the regulatory system (e.g. capacity payments);
- estimated operating costs, the price of green certificates and CO2 quotas expected to decline over the period of the plan;

- an estimate of investments to be made, mainly in plant maintenance, and the amount of decommissioning and site restoration costs;
- forecasts about the business that assume that the customer base in the "business" market segment will be maintained and market share in the "retail" market (residential customers) will grow thanks to a "dual fuel" offer, i.e. joint supply of electricity and gas;
- the estimated effect of inflation over the period of the plan, equal to 2%.

The cash flows determined in this way were then discounted using the weighted average cost of capital after tax (after-tax WACC) at 31 December 2012. The WACC applied, net of tax, took into account the specific nature of the various initiatives included in the sub-holding company Sorgenia; the parameters used to determine the discount rate were identified by looking separately at the various activities that generate cash flows and the geographical area involved. In particular, the WACC was set at 5.9% (5.84% in 2011) for the cash flows from Renewable plants, at 6.6% (7.08% in 2011) for the cash flows from CCGT plants and 8% (9.8% in 2011) for the cash flows from the investments in E&P.

The impairment test carried out in the manner described above did not show a loss in value as the recoverable amount of the assets belonging to the Energy sector - equal to the value in use determined on the basis of the methodology and parameters explained previously - was higher than their carrying amount in the balance sheet at 31 December 2012.
Sensitivity analyses were carried out on the results, assuming a +1% change in the average cost of capital. Also in such cases, the carrying amount of recognised assets does not exceed the value in use and no problem situations have been revealed, thereby confirming the results of the impairment test. Furthermore, as mentioned previously, these sensitivity analyses led to the write-down of the additional goodwill arising on the consolidation of Cir S.p.A. and allocated to investments in the energy sector.
Lastly, the goodwill recognised in the financial statements of the sub-holding company is monitored for operating purposes by the management of Sorgenia following to an approach that leads to the identification of three separate CGUs, which coincide with the business areas mentioned above. As we said, this view is different from that of the COFIDE Group, which operates in a perspective of the overall portfolio of investments in individual businesses; for these reasons the Energy CGU has always coincided with the entire scope of the sub-holding company Sorgenia, which is also in line with the Group's segment reporting.

Healthcare sector
The goodwill allocated to the healthcare sector, which corresponds to the scope of consolidation of the Kos Group, amounts to € 173 million. The Group therefore allocated all of the goodwill to a single "Healthcare" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs according to the approach taken by management of the Kos sub-holding company. In order to check for any impairment in the value of goodwill and other fixed assets shown in the financial statements, we calculated the value in use of the CGUs to which the goodwill had been allocated at Kos sub-holding level.

In application of the methodology set out in IAS 36, the Kos Group identified the CGUs which represent the smallest identifiable group of assets able to generate broadly independent cash flows in its own consolidated financial statements. To identify the CGUs we took into account the organisational structure, the type of business and the ways in which control is exercised over the operations of the CGUs.

Given that the Kos Group operates in four different sectors (care homes for the elderly, rehabilitation, acute medicine and hi-tech services), the CGUs and groups of CGUs identified by Kos management at sub-holding level are as follows:

- in the "Care homes" sector, the CGUs were identified, at a first level, in the individual residential care homes, most of them operating under the "Anni Azzurri" brand. They were then grouped together at a second level by region. The third level of grouping includes the whole sector. From 2012, the "Care homes" sector includes the "Redancia" sub-group (psychiatric rehabilitation and management of psychiatric care communities) following the merger of Redancia S.r.l. with Residenze Anni Azzurri S.r.l. and the consequent change in the organisational structure;

- the "Rehabilitation" sector includes the CGUs that operate under the "S. Stefano Riabilitazione" brand (also referred to as "IRSS"). The CGUs were identified, at the first level, as the individual facilities (in "IRSS", one of the CGUs consists of the out-patient centres/day hospitals); subsequently, the individual CGUs are grouped together at a second level by region; the third level of grouping includes the whole sector. The Sanatrix group constitutes a single, first-level CGU. Although Sanatrix's business relates to several business sectors (the elderly, rehabilitation and acute), because of the way in which operations are controlled, it is classified by management as belonging to the "Rehabilitation" sector and therefore follows the second and third level of grouping in the test on "IRSS";

- in the "Acute" sector, the only CGU to be identified is Ospedale di Suzzara;

- in the "Hi-tech Services" sector (under the Medipass brand) a first level grouping consists of the individual service contracts currently in progress, the structures of the Giordani group, which consists of a single CGU and the services abroad (UK and India, identified on a geographical basis); the second grouping level includes all current contracts of Medipass, the Giordani Group and the services abroad; the third level of grouping includes the whole sector.

We tested the recoverability of the carrying amounts by comparing the net book value assigned to the CGUs, including goodwill, with their recoverable value (value in use). The value in use is represented by the present value of estimated future cash flows generated by the continuous use of the assets making up the cash generating unit and of the terminal value that can be assigned to the same CGUs.
More specifically the chart shows the values of goodwill allocated to the operating sectors by the management of Kos and any other items of goodwill allocated to the Healthcare sector that constitute a single CGU at Group level. Although goodwill was also tested at a lower level, the level of allocation of the "Healthcare" CGU is considered significant because it confirms the strategic enterprise vision that COFIDE's Directors have with regard to the specific characteristics of the sector that the Kos Group belongs to.

(in thousands of euro)	*31.12.2012*	*%*
Goodwill allocated by Kos sub-holding		
Care homes	88,209	51
Rehabilitation	61,063	35
Hi-tech services	22,548	13
Additional goodwill allocated to the Healthcare CGU	1,459	1
Total	173,279	100

In developing the impairment test, we used management's latest budget forecasts for the economic and financial trend during the period 2013-2018, assuming that the assumptions come about and the targets are reached. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the sectors in which the Group operates.

To calculate the terminal value we used a growth rate of 1.5% (the same as in 2011) in line with the average long-term growth rate of production, the reference sector and the country in which the company operates. For prudence sake, the same rate of growth was used for the services abroad (India), even though this country's expected rate of growth is higher. As for the UK activities, no terminal value was calculated as the test period matched the duration of the service contract.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific risks of the business. In particular, for the purpose of calculating the WACC, the risk premium for the Kos Group was set at 5.8%.

Net of tax, this gave us an after-tax WACC rate of 6.8% (7.3% in 2011) for Italy, 5% for the UK and 8.2% for India.

The test carried out on the present value of the projected cash flows shows that the Kos CGU has a value in use that exceeds its carrying amount. 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, particularly in the variables which have most impact on recoverable values (discount rate, growth rate, terminal value). This analysis, carried out at the testing levels mentioned previously (regions and operating sectors, and therefore at the level of the Healthcare CGU) did not reveal any problems or situations where the carrying value was significantly higher than the recoverable value, even using a growth rate of zero and a considerably higher WACC than the one used in the test.

7.b. Tangible assets

2011	*Opening position*			*Changes in the period*								*Closing position*		
	Original cost	*Accumulated depreciation and write-downs*	*Balance 31.12.2010*	*Acquisitions*	*Business combinations/ disposals*		*Capitalised financial charges*	*Exchange rate*	*Other changes*	*Net disinvestments*	*Depreciation and write-downs*	*Original cost*	*Accumulated 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
Buildings used for operating purposes	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	24,825	(94)		(896)	50,488	(234,304)	(129,697)	2,313,558	(853,496)	1,460,062
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	44,724	(7,877)	8,233	(2,026)	(7,116)	(313,344)	(171,439)	3,689,913	(1,288,881)	2,401,032

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

2012	*Opening position*			*Changes in the period*								*Closing position*		
	Original cost	*Accumulated depreciation and write-downs*	*Balance 31.12.2011*	*Acquisitions*	*Business combinations/ disposals*		*Capitalised financial charges*	*Exchange rate*	*Other changes*	*Net disinvestments*	*Depreciation and write-downs*	*Original cost*	*Accumulated depreciation and write-downs*	*Balance 31.12.2012*
(in thousands of euro)					*increases*	*decreases*				*cost*				
Land	73,222	(320)	72,902	1,281	--	(2,114)	--	(118)	587	(1,187)	(24)	72,256	(929)	71,327
Buildings used for operating purposes	432,859	(138,087)	294,772	26,596	--	(1,673)	--	(819)	18,733	(1,866)	(17,015)	471,172	(152,444)	318,728
Plant and machinery	2,313,558	(853,496)	1,460,062	59,959	--	--	--	(3,389)	424,430	(36,716)	(142,761)	2,748,205	(986,620)	1,761,585
Industrial and commercial equipment	137,081	(107,952)	29,129	13,764	1	--	--	(106)	1,316	(257)	(7,774)	148,321	(112,248)	36,073
Other assets	253,670	(187,286)	66,384	11,269	255	(7,543)	--	(260)	3,974	(134)	(15,342)	255,394	(196,791)	58,603
Assets in progress and advance payments	479,523	(1,740)	477,783	79,569	--	(133)	(13,258)	(853)	(413,569)	(333)	(7,546)	130,946	(9,286)	121,660
Total	3,689,913	(1,288,881)	2,401,032	192,438	256	(11,463)	(13,258)	(5,545)	35,471	(40,493)	(190,462)	3,826,294	(1,458,318)	2,367,976

Tangible assets rose from € 2,401,032 at 31 December 2011 to € 2,367,976 at 31 December 2012

DEPRECIATION RATES

Description	*%*
Buildings used for operating purposes	3.00%
Plant and machinery	10-25%

Other assets:

- Electronic office equipment	20%
- Furniture and fittings	12%
- Motor vehicles	25%

7.c. Investment property

2011	Opening position			Changes in the period								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2010	Acquisitions	Business combinations/ disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disinvestments	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance 31.12.2011
(in thousands of euro)					increases	decreases				cost				
Buildings	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

2012	Opening position			Changes in the period								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2011	Acquisitions	Business combinations/ disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disinvestments	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance 31.12.2012
(in thousands of euro)					increases	decreases				cost				
Buildings	29,515	(5,112)	24,403	42					(99)		(953)	29,458	(6,065)	23,393
Total	29,515	(5,112)	24,403	42	--	--	--	--	(99)	--	(953)	29,458	(6,065)	23,393

Investment property decreased from € 24,403 thousand at 31 December 2011 to € 23,393 thousand at 31 December 2012. The market value is considerably higher than the carrying value.

DEPRECIATION RATES

Description	%
Buildings	3.00%

LEASING AND RESTRICTIONS FOR GUARANTEES AND COMMITMENTS ON TANGIBLE ASSETS

The position of leased assets at 31 December 2012 and 2011 and of restrictions applied to all tangible assets on account of guarantees and commitments is as follows:

(in thousands of euro)	*Gross leasing amount*		*Accumulated depreciation*		*Restrictions for guarantees and commitments*	
	2012	*2011*	*2012*	*2011*	*2012*	*2011*
Land	419	1,487	2	--	6,618	5,718
Buildings	34,730	43,592	4,749	7,599	237,814	211,974
Plant and machinery	152,194	105,500	22,561	13,450	1,581,934	1,240,050
Other assets	4,468	10,445	2,254	2,170	15,114	9,420
Assets in progress and advance payments	10,719	--	--	--	5,491	400,710

7.c. Investments in companies consolidated at equity

(in thousands of euro)

2011	*%*	*Balance 31.12.2010*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2011*
						Loss	*Income*		
Tirreno Power S.p.A.	39.00	275,455	90	(4,897)	--	--	21,639	--	292,287
Le Scienze S.p.A.	50.00	347	--	--	(274)	--	231	--	304
Editoriale Libertà S.p.A.	35.00	24,488	--	--	(350)	--	684	--	24,822
Editoriale Corriere di Romagna S.r.l.	49.00	2,989	--	--	--	(3)	--	--	2,986
Altrimedia S.p.A.	35.00	778	--	--	(105)	--	72	--	745
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
P&F Società 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

(in thousands of euro)

2012	*%*	*Balance 31.12.2011*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2012*
						Loss	*Income*		
Tirreno Power S.p.A.	39.00	292,287	--	(7,734)	--	--	5,664	(44,323)	245,894
Sorgenia France Production S.A.	50.00	46,943	--	(859)	--	--	523	--	46,607
Editoriale Libertà S.p.A.	35.00	24,822	--	--	(525)	--	635	(4,330)	20,602
Swiss Education Group AG	19.54	--	--	--	--	--	611	13,253	13,864
Fin Gas S.r.l.	50.00	7,678	1,750	(368)	--	(138)	--	--	8,922
Saponis Investments SP Zoo	26.76	6,679	342	(605)	--	(473)	--	--	5,943
Tecnoparco Valbasento S.p.A.	30.00	--	1,266	--	--	--	4,085	..	5,351
Editoriale Corriere di Romagna S.r.l.	49.00	2,986	--	--	--	(19)	--	--	2,967
Volterra A.E.	50.00	2,728	--	--	--	(1,407)	--	--	1,321
Altrimedia S.p.A.	35.00	745	--	--	(70)	--	79	(81)	673
Mark IV Asset (Shanghai) Auto Parts Co. Ltd.	50.00	303	-	--	--	--	--	(5)	298
Le Scienze S.p.A.	50.00	304	--	--	(233)	--	207	--	278
Devil Peak S.r.l.	38.17	--	--	--	--	(55)	--	309	254
Huffingtonpost Italia S.r.l.	49.00	--	201	--	--	(105)	--	--	96
GICA S.A.	25.00	--	683	(363)	--	(320)	--	--	--
P&F Società Agricola S.r.l.	50.00	163	--	--	--	(163)	--	--	--
LLIS – Lake Leman International School S.A.	--	615				(1,335)	--	720	--
Total		386,253	4,242	(9,929)	(828)	(4,015)	11,804	(34,457)	353,070

The impairment test carried out on the investment held in Tirreno Power S.p.A. showed an impairment loss of € 44,323 thousand. In fact, taking into account the declining trend in dividends paid over the last three years as a result of the contraction in the subsidiary's results, the loss foreseen in the 2013 Budget approved by the company's Directors, also because of a staff rationalisation plan and, lastly, the negative performance of the sector in general, the Group carried out an impairment test to see if the investment had suffered a loss in value.
In the absence, at the date of preparing the Group's financial statements, of a multi-year plan and an impairment test of the company's assets approved by the Directors of Tirreno Power, the Directors have taken steps to determine the recoverable amount of the investment.
The recoverable amount was based on the value in use determined by the Directors of Sorgenia S.p.A. on the basis of the present value of expected cash flows, as provided for in the 2013-2017 Business Plan, updated with the forecasts contained in the 2013 Budget and considering the peculiarities of the sector, extended over the residual life of the plants, which reflects assumptions that are consistent with the multi-year plan of the Sorgenia Group and a business approach in line with the operations of Tirreno Power at 31 December 2012 (i.e. excluding additional investments).
The main assumptions used for calculating the value in use concern the discount rate, the scenario for energy and raw material prices, the estimated number of operating hours of the individual plants, the expected life of plants and expectations regarding the trend in investments, revenues and operating costs during the period covered by the calculation.
The main assumptions used in drawing up the Business Plan are represented by:

- the macroeconomic forecasts for the Single National Price, split between peak and off-peak hours, the dynamics of which reflect the trend in market scenarios for oil commodities and assumed to be rising over the period of the plan;
- forecasts of the hours that each plant will operate, with estimates rising in 2013 and 2014 and then remaining constant over the rest of their useful life;
- estimates for the price of raw materials (natural gas and coal) which, as regards natural gas, foresee a reduction in the prices assumed to be in line with recent spot market prices; the price of raw materials is estimated in dollars and converted into euro on the basis of a EUR/USD exchange rate that is expected to remain constant over the period of the plan;
- estimates of revenues from ancillary services related to the thermoelectric market (e.g. dispatching); note, however, that no assumptions have been made for additional remuneration mechanisms of the plants provided by the regulatory system (e.g. capacity payments);
- the estimated useful lives of the plants (assumed equal to 20 years for coal-fired plants and 25 years for combined cycle plants);
- estimated operating costs, the price of green certificates and CO_2 quotas expected to decline over the period of the plan;
- an estimate of investments to be made, mainly in plant maintenance.

The after-tax WACC was estimated at 6.6%. This rate reflects current assessments and market expectations about the cost of money and specific country risk.
Moreover, in order to reflect the uncertainties caused by having to make assumptions about the main key variables of the impairment test and the outcome of renegotiating the shareholder agreements that expire in 2013, sensitivity analyses were also carried out. These led to the adoption of more prudent assumptions, on the basis of which an impairment loss arose for a total of € 44,323 thousand, as reported above.

Moreover, the impairment test carried out at the end of 2012 on the investments held by the Espresso Group in Editoriale Libertà and Altrimedia revealed the need to write down their carrying amount by a total of € 4,411 thousand to bring it into line with the recoverable value of these investments.

The recoverable amount of the investments was determined in accordance with IAS 36 as the higher of the fair value less costs to sell and the value in use, estimated using the same methods explained in Note 7.a.

7.d. Other investments

(in thousands of euro)	*%*	*31.12.2012*	*31.12.2011*
Ansa S. Coop. A.R.L.	18.48	2,209	2,209
Agriterra Ltd.	1.11	503	2,973
Emittenti Titoli S.p.A.	5.44	132	132
Swiss Education Group AG	--	--	14,035
Tecnoparco Valbasento	--	--	516
Other	--	2,736	3,038
Total		5,580	22,903

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

Consider that, for the first time, Swiss Education Group AG and Tecnoparco Valbasento S.p.A. are valued at equity in these consolidated financial statements.

7.e. Other receivables

"Other receivables" at 31 December 2012 had a balance of € 249,140 thousand, compared with € 247,208 thousand at 31 December 2011.
At 31 December 2012 this item included € 79,097 thousand (€ 93,008 thousand at 31 December 2011) of unsecured and mortgage-backed receivables of the securitisation companies Zeus Finance S.r.l. and Urania Finance S.A., € 85,846 thousand (€ 60,717 thousand at 31 December 2011) of tax credits in relation to CO_2 quotas that the Sorgenia Group should have been assigned. Since the national plan for the assignment of CO_2 quotas for the current year did not have enough capacity, for the new plants that started operating in 2010 it was not possible for them to credit the rights to their accounts. However, in order not to create differences in treatment between different market players, a legislative measure granted those operators a credit equal to the value of the CO_2 quotas not assigned to them. This item also includes € 8,681 thousand (€ 8,743 thousand at 31 December 2011) of security deposits paid by the Sorgenia Group as guarantees to suppliers of the wind farm equipment and as deposits paid to banks. This item includes € 12,878 thousand of receivables for charges to activate and operate maintenance services at the Lodi and Aprilia plants. This item includes the loan from CIR International S.A. in favour of Swiss Education Group AG for € 13,254 thousand. The item also includes € 13,165 thousand of receivables claimed by Sorgenia S.p.A. from Sorgenia France Production S.A., a company consolidated at equity from September 2011.

7.f. Securities

"Securities" at 31 December 2012 amounted to € 127,030 thousand, compared with € 118,807 thousand at 31 December 2011, and refer mainly to investments in private equity funds.
These funds were measured at fair value, booking as the contra-entry an amount, net of tax, of €3,565 thousand (€ 4,945 thousand at 31 December 2011) to the fair value reserve for Cofide's portion. At 31 December 2012, the residual commitment for investment in private equity funds totalled at € 10.6 million.

7.g. Deferred taxes

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

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

(in thousands of euro)	*2012*		*2011*	
	Total temporary differences	*Tax effect*	*Total temporary differences*	*Tax effect*
Deductible temporary differences from:				
- write-down of current assets	143,780	46,442	167,712	54,111
- write-down of fixed assets	55,665	17,034	43,808	14,761
- revaluation of current liabilities	40,565	11,047	16,134	5,198
- revaluation of personnel provisions	61,301	18,311	47,713	14,554
- revaluation of provisions for risks and losses	111,944	35,747	89,743	28,941
- revaluation of long-term borrowings	50,188	18,016	33,892	8,267
- write-down of financial instruments	101,846	31,834	96,083	30,330
- tax losses from previous years	275,337	81,738	351,998	75,176
Total deferred tax assets	**840,626**	**260,169**	**847,083**	**231,338**
Taxable temporary differences from:				
- revaluation of current assets	2,032	637	982	334
- revaluation of fixed assets	524,259	162,756	522,989	162,345
- write-down of current liabilities	28,478	8,651	21,019	6,313
- valuation of personnel provisions	23,146	5,780	22,639	5,991
- write-down of provisions for risks and losses	571	170	725	217
- revaluation of financial instruments	12,409	3,866	7,736	2,498
Total deferred tax liabilities	**590,895**	**181,860**	**576,090**	**177,698**
Net deferred taxes		**78,309**		**53,640**

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 430 million, which can be carried forward without any limit, and to other Group companies for € 67 million. It should be pointed out that no deferred tax assets were calculated for these losses because present conditions are such that there is no certainty that they can be recovered.

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

2012 *(in thousands of euro)*	*Balance at 31.12.2011*	*Use of deferred taxes from prior periods*	*Deferred taxes generated in the period*	*Exchange rate differences and other changes*	*Balance at 31.12.2012*
Deferred tax assets:					
- income statement	203,842	(18,898)	18,250	19,589	222,783
- equity	27,496	(680)	10,780	(210)	37,386
Deferred tax liabilities:					
- income statement	(154,239)	9,289	(10,127)	525	(154,552)
- equity	(23,459)	498	(4,642)	295	(27,308)
Net deferred taxes	53,640				78,309

2011 *(in thousands of euro)*	*Balance at 31.12.2010*	*Use of deferred taxes from prior periods*	*Deferred taxes generated in the period*	*Exchange rate differences and other changes*	*Balance at 31.12.2011*
Deferred tax assets:					
- income statement	212,067	(28,260)	35,851	(15,816)	203,842
- equity	6,318	(1,174)	23,152	(800)	27,496
Deferred tax liabilities:					
- income statement	(180,973)	9,012	(4,685)	22,407	(154,239)
- equity	(12,255)	(1,971)	(237)	(8,996)	(23,459)
Net deferred taxes	25,157				53,640

The amounts shown in "Exchange rate differences and other changes" include changes in the scope of consolidation.

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

8. *Current assets*

8.a. Inventories

Inventories can be broken down as follows:

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Raw materials, secondary materials and consumables	67,550	93,184
Work in progress and semi-finished goods	12,136	13,162
Finished goods and goods for resale	90,875	77,745
Advance payments	196	439
Total	170,757	184,530

The value of inventories is shown net of any write-downs made either in past years or this year and takes into account the degree of obsolescence of finished goods, goods for resale and secondary materials.

8.b. Trade receivables

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Receivables - customers	1,440,076	1,207,383
Receivables - subsidiaries and joint ventures	6,381	5,858
Receivables - associates	1,379	1,985
Total	1,447,836	1,215,226

"Receivables - customers" are interest-free and have an average maturity in line with market conditions.
Trade receivables are shown net of any write-downs that take credit risk into account. In 2012, provisions for write-downs were made for a total of € 29,123 thousand compared with € 21,516 thousand in 2011.
Note that during the year, in the Sorgenia Group, receivables relating to customers subject to insolvency proceedings for which the possibility of collection is remote and receivables relating to customers for whom the recovery procedures have proved unsuccessful were written off. These losses amounted to a total of € 27,091 thousand.
"Receivables - subsidiaries and joint ventures" represent intercompany receivables not eliminated as they refer to companies not fully consolidated line by line. The balance at 31 December 2012 refers mainly to receivables from Tirreno Power S.p.A..

8.c. Other receivables

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Receivables - subsidiaries and joint ventures	496	2,565
Receivables - associates	64	38
Tax receivables	144,298	121,903
Other receivables	164,508	149,156
Total	309,366	273,662

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S.

"Other receivables" include € 71,878 thousand (€ 74,669 thousand at 31 December 2011) relating to the fair value measurement of Sorgenia Group commodity derivatives.

8.d. Financial receivables

"Financial receivables" rose from € 11,956 thousand at 31 December 2011 to € 35,489 thousand at 31 December 2012 and relate mainly for € 32,446 thousand to receivables due to the Sorgenia Group from Banca IMI, following the securitisation carried out at the end of the year. This item also includes € 1,825 thousand for the fair value measurement, regarding the Espresso Group, of an interest rate swap to partially hedge the bond for a notional amount of € 50 million and € 983 thousand relating to the fair value measurement and accrued interest for three credit default swaps taken out by Cir Investimenti S.p.A., for a notional amount of € 98 million.

8.e. Securities

This item consists of the following categories of securities:

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Italian Government securities or similar securities	6,746	5,911
Investment funds and similar funds	102,351	193,143
Bonds	247,911	348,097
Certificates of deposit and other securities	53,335	66,726
Total	410,343	613,877

The decrease in this item is due to a different strategy for investing cash, which mainly consisted of short-term bank deposits.

The fair value measurement of "Securities" led to a positive adjustment to the income statement of € 13,658 thousand.

8.f. Available-for-sale financial assets

This item totals € 105,511 thousand and refers mainly for € 84,197 thousand to shares in hedge funds and redeemable shares in asset management companies held by Cir International S.A. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.
The fair value measurement of these funds involved a total value adjustment of € 14,425 thousand (€ 7,291 thousand at 31 December 2011). The effect of this measurement on Cofide's equity for its share amounted to € 7,059 thousand. The item also includes € 21,276 thousand of bonds held by the Espresso Group with maturities between 31 May 2013 and 7 October 2014. The positive effect of the measurement of these securities on the Cofide's equity for its share, net of tax, came to € 21 thousand.

8.g. Cash and cash equivalents

Cash and cash equivalents rose from € 506,241 thousand at 31 December 2011 to € 670,750 thousand at 31 December 2012.
A breakdown of the changes is given in the statement of cash flows.

8.h. Assets and liabilities held for disposal

This item refers to assets held for disposal belonging to the Sorgenia Group, in particular the Orlando E&P licence. Its sale meets the requirements for it to be classified under this item. The balance at 31 December 2011 related to assets of the Kos and Sogefi Groups held for disposal.
Sales carried out by the Kos Group were completed during the year.
With reference to the Sogefi Group, the sale of the property is no longer considered probable in the next 12 months, so it has been reclassified to "tangible assets" and depreciation has recommenced.

9. Equity

9.a. Share capital

The share capital at 31 December 2012 amounts to € 359,604,959.00, the same as at 31 December 2011, and is made up of 719,209,918 ordinary shares with a nominal value of € 0.50 each. The share capital is fully subscribed and paid up.

9.b. Reserves

The changes of "Reserves" are as follows:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Other reserves*	*Total reserves*
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 released to income statement	--	--	(1,908)	--	--	(1,908)
Effects of equity changes in 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
Retained earnings	--	91	--	--	--	91
Fair value measurement of hedging instruments	--	--	(4,570)	--	--	(4,570)
Fair value measurement of securities	--	--	1,761	--	--	1,761
Securities fair value reserve released to income statement	--	--	845	--	--	845
Effects of equity changes in subsidiaries	--	--	(212)	14	999	801
Currency translation differences	--	--	1	(4,400)	--	(4,399)
Balance at 31 December 2012	5,044	22,353	(10,013)	(3,157)	58,536	72,763

The "Fair value reserve", net of tax, was negative for € 10,013 thousand and referred (in positive) to the measurement of "Securities" in item 7.g. for € 3,565 thousand and of "Available-for-sale financial assets" in item 8.f. for € 7,103 thousand and (in negative) to the measurement of hedges for € 20,680 thousand and of "Securities" in item 8.e. for € 1 thousand.

The "Translation reserve" had a negative balance of € 3,157 thousand at 31 December 2012 with the following breakdown:

(in thousands of euro)

	31.12.2011	*Increases*	*Decreases*	*31.12.2012*
Sogefi Group	1,056	--	(2,949)	(1,893)
Kos Group	--	1	--	1
CIR Ventures	(971)	--	(117)	(1,088)
CIR International	599	--	(1,523)	(924)
Sorgenia Group	500	199	--	699
Other	45	3	--	48
Total	1,229	203	(4,589)	(3,157)

The breakdown of "Other reserves" at 31 December 2012 was as follows:

(in thousands of euro)

Merger surplus	43
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated equity	58,493
Total	58,536

9.c. Retained earnings (losses)

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

10. Non-current liabilities

10.a. Bonds

The breakdown of "Bonds", net of intercompany eliminations, is as follows:

(in thousands of euro)	*Effective rate*	*31.12.2012*	*31.12.2011*
Gruppo Editoriale L'Espresso S.p.A. 5.125% Bond 2004/2014	4.82%	227,905	257,498
CIR S.p.A. 5.75% Bond 2004/2024	5.87%	268,474	268,304
Total		496,379	525,802

In application of IAS 32 and 39, the original values of bond issues were written down to take into account expenses incurred and issue discounts.

During 2012 a nominal amount of € 28,818 thousand of the Gruppo Editoriale L'Espresso Bond 2004/2014 was purchased and subsequently cancelled.

At 31 December 2012 CIR International held a nominal € 30,000 thousand (unchanged from 31 December 2011) of the CIR 5.75% Bond 2004/2024.

10.b. Other borrowings

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Collateralised bank loans	77,199	117,414
Other bank loans	2,003,561	1,904,969
Leases	156,498	123,279
Other payables	104,420	89,252
Total	2,341,678	2,234,914

"Other bank loans" mainly consist of borrowings by the Sorgenia Group (€ 1,844,476 thousand), the Sogefi Group (€ 290,302 thousand) the Kos Group (€ 131,982 thousand) and the Parent Company Cofide S.p.A. (€ 37,842 thousand).

10.c. Personnel provisions

The details of this item are as follows:

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Employee leaving indemnity (TFR)	90,835	89,377
Pension funds and similar obligations	38,050	35,152
Total	128,885	124,529

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Opening balance	124,529	124,958
Provisions for service during the period	30,013	24,713
Increases for interest	5,032	5,540
Actuarial gains or losses	82	(17)
Benefits paid	(15,321)	(15,116)
Increases or decreases due to changes in the scope of consolidation	(28)	102
Other changes	(15,422)	(15,651)
Closing balance	128,885	124,529

Employee Leaving Indemnity and Defined Benefit Provision

Annual technical discount rate	2.4% - 2.72%
Annual inflation rate	2%
Annual rate of pay increases	0.5% - 1.5%
Annual rate of TFR increase	3%
Annual probability of advances	2% - 3%
Voluntary resignation rate	3% - 10% of the workforce

Pension funds

Annual technical discount rate	2.72% - 4.5%
Annual inflation rate	2% - 2.8%
Annual rate of pay increases	1% - 3.8%
Return on plan assets	2% - 7.0%
Retirement age	65

10.d. Provisions for risks and losses

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

(in thousands of euro)	*Provision for disputes pending*	*Provision for restructuring charges*	*Provision for other risks*	*Total*
Balance at 31 December 2011	11,484	2,484	60,721	74,689
Provisions made during the period	5,625	6,945	16,101	28,671
Released for use	(1,275)	(1,666)	(14,998)	(17,939)
Exchange rate differences	--	(23)	(29)	(52)
Other changes	(1,591)	(20)	9,667	8,056
Balance at 31 December 2012	14,243	7,720	71,462	93,425

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

(in thousands of euro)	*Provision for disputes pending*	*Provision for restructuring charges*	*Provision for other risks*	*Total*
Balance at 31 December 2011	9,412	19,030	56,945	85,387
Provisions made during the period	296	12,174	26,507	38,977
Released for use	(3,502)	(9,977)	(7,857)	(21,336)
Other changes	1,864	--	(175)	1,689
Balance at 31 December 2012	8,070	21,227	75,420	104,717

Apart from the libel disputes regarding the Espresso Group, which are typical of all publishing businesses, the provision for disputes pending also covers risks for litigation of a commercial nature and labour suits.
The provision for restructuring charges includes amounts set aside for restructuring plans that have been publicly announced and communicated to the parties concerned and refers in particular to the production reorganisation projects involving companies of the Sogefi and Espresso Groups.
The provision for other risks is mainly to cover tax disputes pending with local tax authorities.

11. Current liabilities

11.a. Bonds

This items refers to the current portion of the Gruppo Editoriale L'Espresso S.p.A. 5.125% Bond 2004/2014

11.b. Other borrowings

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Collateralised bank loans	40,983	27,684
Other bank loans	85,954	46,304
Leases	5,105	11,927
Other borrowings	619,454	625,685
Total	751,496	711,600

As regards "Other borrowings", bear in mind that on 9 July 2011, the Milan Court of Appeal pronounced on the civil case brought by CIR against Fininvest for compensation of 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 provisionally 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 Company's income statement until the final appeal has been decided. It has therefore been credited to this item, rather than to income.
The item also includes the effects of the change in fair value of hedging derivatives.

11.c. Trade payables

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Payables - subsidiaries and joint ventures	39,904	34,626
Payables - associates	1,481	2,003
Payables - suppliers	1,141,759	937,835
Advance payments	9,790	6,642
Payables in the form of credit instruments	--	4
Total	1,192,934	981,110

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

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

11.d. Other payables

(in thousands of euro)	*31.12.2012*	*31.12.2011*
Due to employees	79,986	80,913
Tax payables	59,686	59,036
Social security payables	54,114	53,960
Other payables	140,038	176,219
Total	333,824	370,128

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

"Other payables" include € 71,899 thousand (€ 93,134 thousand at 31 December 2011) relating to the fair value measurement of the Sorgenia Group's commodity derivatives.

Notes on the income statement

12. Revenues

BREAKDOWN BY BUSINESS SECTOR

(in millions of euro)	*2012*		*2011*		*Change*
	amount	*%*	*amount*	*%*	*%*
Energy	2,572.3	50.8	2,120.3	46.9	21.3
Media	812.7	16.1	890.1	19.7	(8.7)
Automotive components	1,319.2	26.1	1,158.4	25.6	13.9
Healthcare	355.4	7.0	349.6	7.7	1.7
Other	3.4	--	4.3	0.1	--
Total consolidated revenues	**5,063.0**	**100.0**	**4,522.7**	**100.0**	**11.9**

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2012	*Total revenues*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Energy	2,572.3	2,223.7	348.6	--	--	--	--
Media	812.7	812.7	--	--	--	--	--
Automotive components	1,319.2	78.6	798.4	150.6	231.4	46.6	13.6
Healthcare	355.4	354.6	0.5	--	--	0.3	--
Other	3.4	--	3.4	--	--	--	--
Total consolidated revenues	5,063.0	3,469.6	1,150.9	150.6	231.4	46.9	13.6
Percentages	100.0%	68.5%	22.7%	3.0%	4.6%	0.9%	0.3%

(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%

The types of products marketed by the Group and the nature of its business sectors imply that revenue flows 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 has risen from € 2,543,548 thousand in 2011 to € 3,073,946 thousand in 2012. The costs include € 328.8 million paid to related parties of which € 328 million attributable to dealings with Tirreno Power, an associate.

13.b. Costs for services

This item went from € 847,136 thousand at 31 December 2011 to € 830,024 thousand at 31 December 2012, as can be seen from the following breakdown:

(in thousands of euro)	*2012*	*2011*
Technical and professional consulting	108,235	121,669
Distribution and transport costs	43,389	42,758
Outsourcing	63,291	68,965
Other expenses	615,109	613,744
Total	830,024	847,136

13.c. Personnel costs

Personnel costs totalled € 748,354 thousand at 31 December 2012 (€ 722,935 thousand at 31 December 2011).

(in thousands of euro)	*2012*	*2011*
Salaries and wages	512,012	487,228
Social security contributions	166,039	158,151
Employee leaving indemnity	26,688	22,216
Pensions and similar benefits	3,331	2,521
Valuation of stock option plans	11,048	11,518
Other costs	29,236	41,301
Total	748,354	722,935

The Group had an average of 14,109 employees in 2012 (13,529 in 2011). The increase is mainly due to the Systèmes Moteurs Group becoming part of the Sogefi Group.

13.d. Other operating income

This item can be broken down as follows:

(in thousands of euro)	*2012*	*2011*
State grants	4,805	3,041
Capital gains on asset disposals	9,226	14,070
Miscellaneous gains and other income	159,292	210,263
Total	173,323	227,374

The decrease in “Miscellaneous gains 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)	*2012*	*2011*
Write-downs and losses on receivables	57,814	46,004
Allocations to provisions for risks and losses	18,020	16,535
Indirect taxes	34,464	29,381
Restructuring charges	12,242	8,426
Capital losses on asset disposals	4,360	2,031
Miscellaneous losses and other costs	127,795	87,387
Total	254,695	189,764

14. Financial income and expense

14.a. Financial income

"Other income" is composed as follows:

(in thousands of euro)	*2012*	*2011*
Interest income on bank accounts	10,869	6,951
Interest on securities	17,504	13,269
Other interest income	23,146	21,512
Interest rate derivatives	14,170	7,042
Exchange gains	2,550	10,669
Other financial income	126	4,517
Total	68,365	63,960

14.b. Financial expense

This item includes the following:

(in thousands of euro)	*2012*	*2011*
Interest expense on bank accounts	73,214	78,192
Interest expense on bonds	26,658	28,947
Other interest expense	35,393	25,127
Interest rate derivatives	37,867	22,872
Exchange losses	3,399	8,941
Other financial expenses	18,205	17,217
Total	194,736	181,296

14.c. Gains from trading securities

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

(in thousands of euro)	*2012*	*2011*
Shares - subsidiaries	141	1,950
Shares - other companies	1,405	4,523
Other securities and other gains	20,609	9,507
Total	22,155	15,980

"Shares - subsidiaries" refers to the capital gain on disposal of the subsidiary Devil Peak S.r.l. The prior year figure referred to gains on the disposal of Jupiter Asset Management, Jupiter Justitia and Resolution.

14.d. Losses from trading securities

The breakdown of "Losses from trading securities" is the following:

(in thousands of euro)	*2012*	*2011*
Shares - subsidiaries	4,751	--
Shares - other companies	1,514	2,871
Other securities and other losses	5,494	2,631
Total	11,759	5,502

"Shares - subsidiaries" refer to the capital loss on disposal of 61% of the subsidiary Food Concepts Holdings S.A.

14.e. Adjustments to the value of financial assets

This item, amounting to € 8,925 thousand, refers (in positive) to the fair value measurement of the "Securities" shown under Current assets for € 13,658 thousand and (in negative) to the write-down of "Securities" and "Equity investments" shown in Non-current assets for € 4,733 thousand, of which € 1,447 thousand relating to the write-down of the residual investment in Food Concepts Holdings S.A..

15. Income taxes

Income taxes can be broken down as follows:

(in thousands of euro)	*2012*	*2011*
Current taxes	42,351	68,730
Deferred taxes	(7,179)	(11,270)
Prior year taxes	(5,458)	1,865
Total	29,714	59,325

Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in relation with Systèmes Moteurs S.A.S..

"Prior year taxes" include the positive effects introduced by Legislative Decree 201/2011, which allowed the recovery from IRES of the higher IRAP on the cost of labour for the period 2007-2011 for a total of € 17,299 thousand (€ 12,560 relating to the Espresso Group, € 4,048 thousand relating to the Kos Group and € 691 thousand relating to the Sogefi Group). This item includes allowances for € 11,870 thousand made by the Espresso Group for matters in dispute with the tax authorities.

The following chart shows a reconciliation between the ordinary and effective tax rate for 2011:

(in thousands of euro)	*2012*
Pre-tax income as per the financial statements	(88,072)
Theoretical income taxes	(24,220)
Tax effect of non-deductible costs	23,472
Tax effect of prior year losses which generate deferred tax assets in the current year	16,217
Tax effect of prior year losses which did not generate deferred tax assets	(6,058)
Tax effect on interest rate differentials of foreign companies	(1,308)
Non-taxable grants	--
Other	7,415
Income taxes	15,518
Average effective tax rate	17.62
Theoretical tax rate	27.50
IRAP and other taxes	19,654
Prior year taxes	(5,458)
Total taxes as per the financial statements	29,714

16. Earnings per share

Basic earnings per share is calculated by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of shares in circulation. Diluted earnings per share is calculated by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effect of outstanding options. Treasury shares are not included in the calculation. The company does not have any outstanding options or treasury shares, therefore diluted EPS per share is the same as basic EPS.

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

	2012	*2011*
Net income attributable to the shareholders (in thousands of euro)	(57,573)	1,015
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings per share (euro)	**(0.0801)**	**0.0014**

	2012	*2011*
Net income from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	(65,896)	(23,407)
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings per share (euro)	**(0.0916)**	**(0.0325)**

17. Financial risk management: additional disclosures (IFRS 7)

The Cofide Group operates in various industry and service sectors, both nationally and internationally, so 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.
The Group uses hedging derivatives to minimise certain types of risks.
Risk management is carried out by the central finance and treasury function on the basis of policies approved by top management and communicated to the subsidiaries on 25 July 2003.

Market risk

Foreign currency risk

Because the Group operates internationally, Sogefi in particular, it is exposed to the risk of fluctuations in exchange rates which could affect the fair value of some of its assets and liabilities. The Sogefi Group produces and sells mainly in the Euro Area, but it is subject to foreign currency risk, especially versus the GB pound, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Canadian dollar.
The Sorgenia Group is exposed to the risk of fluctuations in exchange rates when purchasing fuel, which tends to be priced in USD.

Sorgenia uses forward contracts to reduce the risk of fluctuations in the EUR/USD exchange rate. As explained in the note on price risk, in certain cases it hedges the purchase and sale formulae directly as the price partly depends on the EUR/USD exchange rate. By fixing its formulae in euro, the exchange rate risk is also indirectly hedged.
Regarding the exchange rate 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.
A sensitivity analysis has been carried out to show the potential effect of the exposure to exchange rate risk on the financial statements. These analyses were carried out on the assumption of certain shifts in the exchange rate.
For comparison purposes, the results of these analyses at 31 December 2011 are also shown.

Sensitivity analysis on the EUR/USD exchange rate	*31.12.2012*		*31.12.2011*	
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousand)	(2,256)	2,212	714	(634)
Effect on equity (EUR/thousand)	(2,256)	2,212	774	(711)

Price risk

Through the Sorgenia Group's activity in the energy sector, the Group is exposed to the risk of energy commodity price fluctuations when purchasing fuels for its power plants and when buying and selling gas and electricity (where contracts stipulate specific indexing to baskets of fuels). Moreover, as almost all of the commodities in question are priced in USD, the Group is also exposed to fluctuations in the EUR/USD exchange rate.
As mentioned previously, Sorgenia continually monitors this exposure by breaking down its contractual formulae into the underlying risk factors and managing these exposures according to a two-step procedure.
The first step involves the negotiation of gas and electricity purchase agreements and the definition of pricing policies. Control over prices on both the purchase and sale sides 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.
After this has been done, the second step involves monitoring residual net exposures.
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 and forwards plus for foreign currency risk hedges.
Since 2008, given the greater liquidity achieved by derivatives markets, in order to reduce basis risk on hedges as much 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 elements of commodity risk and exchange rate risk by trading a single contract.
Since 2010, commodity derivative contracts are managed according to the IAS 39 rules on hedge accounting, as they are entered into exclusively for hedging purposes; the effects of changes in their fair value are therefore recognised directly to a special equity reserve (cash flow hedge

reserve). If the effectiveness test shows that the hedges are ineffective to some degree, the ineffective part is recognised immediately to the income statement.
The fair value of derivative contracts is calculated using forward market prices at the reporting date, if the underlying commodities are traded on markets with a forward pricing structure. Otherwise, the fair value is calculated using internal models based on observable market data and information provided by recognised and reliable third-party sources.
As regards the classifications envisaged in IFRS 7, based on three levels according to the method and the inputs 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 are the same as those used the previous year.
For commodities, the maturity of the contracts 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. At 31 December there were open positions in liquid fuel derivatives with maturities in 2013.

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 values of derivative contracts outstanding at 31 December 2012 in the event of certain 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 exposures are constantly monitored.

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

(in thousands of euro)	*31.12.2012*		*31.12.2011*	
Change	-5%	+5%	-5%	+5%
Effect on the income statement	(6,198)	6,355	956	(960)
Effect on equity	(4,956)	4,956	14,382	(14,382)

As in previous years, the Sorgenia Group minimised its exposure to the risk of changes in commodity prices deriving from financial instruments through increased opportunities for defining sales formulae consistent with its sourcing formulae and hedging strategies implemented by trading financial contracts and thanks to the new use of more structured instruments with a short-term horizon.
Commodity derivatives are, in fact, entered into only for hedging purposes, so changes in the results of commodity derivative positions are offset by changes in the results of the underlying physical positions, with an impact on the income statement that is limited essentially to basis risk in all cases where there is a discrepancy between the commodities involved in the underlying physical contracts and the liquid commodities traded on the markets, both regulated and OTC, on which the derivatives are based. The Sorgenia Group has been involved in speculative trading since 2010. This activity, which involves transactions on the power, commodities and foreign exchange markets, is segregated in a separate portfolio. This portfolio, which is monitored on a daily basis by a specific corporate unit, has strict VaR and stop-loss limits to reduce risk.

Operations began in this area in 2010 with a daily VaR of 95%. The average percentage use of the daily VaR limit was 40%, closing at 31 December with a value of around € 275,000, whereas to date the stop-loss has never been activated.
In order to calculate VaR reliably, the Risk Management Department of Sorgenia S.p.A. has developed a mixed benchmark-simulation approach that generates price scenarios in line with parameters based on historical observations. Value at Risk is calculated daily with a confidence level of 95%. VaR is a function of statistical price distribution and market returns, as well as of serial correlations of the various products and markets.

Credit risk
Credit risk can be valued both in commercial terms by customer type, contractual terms and sales concentration, and in financial terms by type of counterparty used in financial transactions. There is no significant concentration of credit risk within the Group.
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 can vary depending on the business sector concerned. In the energy sector, for example, credit risk exposure is assessed using internal processes with the help of companies with sector expertise in credit facility assessment and allocation, as well as in debt collection. The size of the customer base and its diversification substantially eliminate the risk of credit concentration.
In the "Automotive Components" sector there is no excessive concentration of credit risk since the Original Equipment and After-market distribution channels with which it operates are car manufacturers or large purchasing groups without any particular concentration of risk.
The "Media" sector does not have any significant areas of credit risk and in any event the Group adopts operating procedures that prevent the sale of products or services to customers without an adequate credit profile or collateral.
The "Healthcare" sector does not present any concentration of credit risk because credit exposure is spread over a large number of customers and counterparties, especially in the residential care homes sector. The hospital sector, however, has a higher concentration of risk because most counterparties are local health authorities.
Since 2006 the CIR Group has been acquiring and managing non-performing loans and has put in place procedures for measuring and establishing the fair value of its portfolios.
The following pages include a chart showing the breakdown of credit risk and changes in the provision for write-down of receivables.

Liquidity risk
Prudent management of liquidity risk implies maintaining sufficient liquidity and negotiable securities and ensuring an adequate supply of credit facilities to ensure adequate 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 up the four main business sectors manage their own liquidity risk directly and independently. Tight control is exercised over the net financial position and its movements in the short, medium and long term. In general, the CIR Group follows an extremely prudent financial policy using mainly medium/long-term funding structures. Treasury management is centralised for the operating groups.

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 bonds issued at a fixed rate, which exposes the Group to the risk of fluctuations in their fair value as interest rates change.
In line with the Group's 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 issues and bank borrowings.

Sensitivity analysis
A one percent parallel shift in the 3-month Euribor curve on the Group's floating rate assets and liabilities would have the following effects:

(in thousands of euro)	*31.12.2012(**)*		*31.12.2011 (*)*	
Change	-1%	+1%	-1%	+1%
Change in income statement	(4,012)	4,944	6,157	(4,715)
Change in equity	(52,040)	50,115	(52,897)	52,138

(*) Note that for the Sogefi Group at 31 December 2012, the sensitivity of interest rate hedges was tested using the "Kirk Approach", which has replaced the "Full Revaluation" approach used in previous years; the figures at 31 December 2011 have been recalculated using the new approach.
(**) Note that for the Kos Group, given that interest rates in 2012 reached low levels tending to zero, it was decided only to evaluate the effect of a +1% change in interest rates on the income statement and balance sheet.

<u>Derivatives</u>
Derivatives are measured at fair value.
For accounting purposes hedging transactions can be 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 changes in 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 instruments classified as cash flow hedges (interest rate swaps), gains and losses from marking them to market are recognised directly to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.

For instruments classified as hedges of a net investment in a foreign operation, gains and losses from marking them to market are recognised directly to equity for the part which "effectively" hedges the underlying risk, while any "non-effective" part is recognised to the income statement.
On initial recognition under hedge accounting, derivatives are accompanied by an effective hedging relationship which designates the individual derivative as a hedge and specifies its effectiveness parameters in relation to the financial instrument being hedged.

Hedge effectiveness is tested at regular intervals, with the effective part of the relationship being recognised to equity and the ineffective part, if any, to the income statement. More specifically, the hedge is considered effective when the change in fair value or in the cash flows of the instrument being 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%.
The Group also enters into derivative financial instruments for hedging purposes, as part of the optimisation of investment management.

At 31 December 2012, the Group had the following derivatives outstanding accounted for as hedges, expressed at their notional value:

a Interest rate hedges:
interest rate hedge on the Gruppo Editoriale L'Espresso fixed to floating bond (notional value € 50 million);
hedging of Sogefi bank borrowings, notional value € 200.4 million maturing in 2013 (€ 80 million), maturing in 2016 (€ 30.4 million) and maturing in 2018 (€ 90 million);
hedging of Sorgenia Group bank borrowings, notional value € 1,733.2 million;
hedging of Kos Group bank borrowings, notional value € 103.2 million;

b Foreign currency hedges:
forward sales for a total of USD 111 million to hedge investments in hedge funds maturing in March 2013;
forward sale of USD 7.2 million against EUR maturing in 2013;
forward purchase of EUR 3.1 million against GBP maturing in 2013;
forward purchase of USD 0.9 million to hedge borrowings maturing in 2013;
forward purchase of CAD 17 million against GBP maturing in 2013;
forward purchase of USD 0.7 million against EUR maturing in 2013;
forward sale of USD 0.9 million million to hedge borrowings maturing in April 2012;
forward sale of CHF 23.3 million to hedge investments in bonds maturing in 2013;
forward sale of USD 5.4 million to hedge investments in bonds maturing in 2013;

Capital ratios
Management regulates the use of leverage to guarantee solidity and flexibility in the asset and liability structure of CIR and its financial holding companies, measuring the ratio of funding sources to investment activity.
Leverage is calculated as the ratio between net debt (represented by bonds issued net of cash and cash equivalents and investments in liquid financial instruments, according to parameters agreed with the rating agency) and the total investments measured at fair value (including equity investments and remaining investments in financial instruments).
Management's objective is to maintain a solid and flexible financial structure to keep this ratio below restricted pertcentages. Currently it stands at 11%.

Contractual clauses of borrowings
Certain agreements regarding Group borrowings contain special clauses which, in the event of failure to comply with certain economic and financial covenants, envisage the lending banks' option to claim repayment if the company involved does not immediately remedy the infringement of such covenants as required under the terms and conditions of the agreements.
At 31 December 2012 all the contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

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

Sogefi Group

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

- syndicated loan of € 200 million: ratio of consolidated net financial position to consolidated EBITDA of 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less 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;
- loans for a total of € 115 million; ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5; ratio of consolidated normalised EBITDA to consolidated net financial expenses of not less than 4.

At 31 December 2012 the covenants were fully complied with by the Group.

Sorgenia Group

The Sorgenia Group, through a number of its subsidiaries, has undertaken to respect financial covenants in relation to loans for the construction of power plants and wind farms.

These covenants measure the relationship between operating cash flow net of tax and the cost of servicing debt, given by the sum of the principal and interest payments made during the reference period (known as the "Debt Service Coverage Ratio" or DSCR).

The main contractual agreements in connection with the DSCR concern:

- the distribution of dividends: possible only if the ratios mentioned in the covenants exceed the thresholds laid down in the contract; or
- the extent to which the project is able to repay the debt: if the ratios mentioned in the covenants are lower than the minimum thresholds, the banks can ask the company to implement a series of remedies established in the contract.

The measurement of these covenant ratios is carried out either half-yearly or annually, as laid down in the contract, calculated as of 30 June and/or 31 December each year. We can confirm that the covenants were complied with at the end of the year.

KOS Group

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

- a revolving line of credit obtained by KOS, the sub-holding company, with a residual balance of € 16 million at 31 December 2012: ratio of consolidated net financial position to consolidated shareholders' equity of less than 2.5;
- syndicated loan for a total remaining at 31 December 2012 of approximately € 18.9 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 2012 of approximately € 28.7 million obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA lower than 5.4, ratio of consolidated net financial position to consolidated equity below 1.4, and a debt service coverage ratio of above 1;

- a loan obtained by Medipass S.p.A. with a residual balance of € 3.9 million at 31 December 2012: ratio of net financial position to EBITDA of less than 3.3 and ratio of consolidated net financial position to consolidated shareholders' equity of less than 3.2 and a Debt Service Coverage Ratio of more than 1.

<u>Measurement of financial assets and liabilities and fair value hierarchy</u>
The fair value of financial assets and liabilities is calculated as follows:

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

In particular, for the measurement of certain investments in bond instruments with no regular market, i.e. where there is an insufficient number of frequent transactions with a bid-ask spread and a sufficiently limited volatility, then the fair value of these instruments is mainly measured according to prices provided by leading international brokers at the request of the company, which are then validated through comparison with market prices, albeit of a limited number, or with prices observable for other instruments with similar characteristics.
In measuring investments in private equity funds, fair value is determined on the basis of the NAV disclosed by the respective fund administrators at the reporting date. Where such information is not available at the reporting date, the last official disclosure is used, which must not however be more than three months old at the reporting date and if necessary validated against information made available to investors by the fund managers at a later date.
The chart below shows the breakdown of financial assets and liabilities measured at fair value with an indication of whether all or part of the fair value is determined with direct reference to prices listed on an active market ("Level 1") or whether it is estimated using prices that can be inferred from market prices for similar assets or through valuation techniques for which all significant factors are inferred from data observable on the market ("Level 2") or from valuation techniques based mostly on input not observable on the market which therefore involve estimates and assumptions being made by management ("Level 3")

Balance sheet items	*Level 1*	*Level 2*	*Level 3*	*Total*
(in thousands of euro)				*Balance sheet*
NON-CURRENT ASSETS				
Financial assets (measured at fair value through equity)				
Other receivables (item 7.f.)				
- derivatives	--	--	--	--
Non-current securities (item 7.g.)	--	108,480	18,549	127,029
Financial assets (measured at fair value through profit and loss)				
Other receivables (item 7.f.)				
- derivatives	--	1,212	--	1,212
Non-current securities (item 7.g.)	1	--	--	1
CURRENT ASSETS				
Financial assets (measured at fair value through profit and loss)				
Other receivables (item 8.c.)				
- derivatives	--	71,839	--	71,839
Financial receivables (item 8.d.)				
- derivatives	15	3,028	--	3,043
Current securities (item 8.e.)				
- Equity investments	9,975	--	--	9,975
- Italian Government securities or similar securities	6,746	--	--	6,746
- Investment funds and similar funds	87,911	14,440	--	102,351
- Bonds	247,911	--	--	247,911
- Certificates of deposit and other securities	15	34,996	--	35,011
Total current securities (item 8.e.)	352,558	49,436	--	401,994
Financial assets (measured at fair value through equity)				
Other receivables (item 8.c.)				
- derivatives	--	39	--	39
Financial receivables (item 8.d.)				
- derivatives	--	--	--	--
Available-for-sale financial assets (item 8.f.)				
- Equity investments	--	--	--	--
- Italian Government securities or similar securities	21,276	--	--	21,276
- Investment funds and similar funds	--	84,235	--	84,235
- Bonds	--	--	--	--
- Certificates of deposit and other securities	--	--	--	--
Total available-for-sale financial assets (item 8.f.)	21,276	84,235	--	105,511
NON-CURRENT LIABILITIES				
Financial liabilities (measured at fair value through equity)				
Other borrowings (item 10.b.)				
- derivatives	--	(62,206)	--	(62,206)
Financial liabilities (measured at fair value through profit and loss)				
Other borrowings (item 10.b.)				
- derivatives	--	(15,707)	--	(15,707)
CURRENT LIABILITIES				
Financial liabilities (measured at fair value through equity)				
Other borrowings (item 11.b.)				
- derivatives	--	(27,654)	--	(27,654)
Other payables (item 11.d.)				
- derivatives	--	(4,660)	--	(4,660)
Financial liabilities (measured at fair value through profit and loss)				
Other borrowings (item 11b.)				
- derivatives	--	(4,429)	--	(4,429)
Other payables (item 11.d.)				
- derivatives	--	(67,239)	--	(67,239)

No transfers were made between the different levels of the fair value hierarchy during 2012. As far as the financial assets classified as Level 3 are concerned, these are venture capital investments which are measured using some inputs that are not observable on the market. These investments are held by the Group through Cir Ventures for investments in companies operating in the information technology and communication (ITC) sector (for a total of € 10.1 million), and through Noventi Ventures for investments in companies operating in innovative generation technologies and energy efficiency (for a total of € 8.4 million).

Changes during the year in financial assets measured at fair value (level 3).

	FINANCIAL ASSETS			
	Held for trading	*Measured at fair value*	*Available for sale*	*Hedges*
Opening position	--	--	23,462	--
Increases				
- Purchases	--	--	1,395	--
- Gains recognised to:				
Income statement	--	--	--	--
- of which gains	--	--	--	--
Equity	--	--	--	--
Transferred from other levels	--	--	--	--
Other increases	--	--	--	--
Decreases				
- Sales	--	--	--	--
- Repayments			--	
- Losses recognised to:	--	--		--
Income statement	--	--	(612)	--
- of which losses	--	--	--	--
Equity	--	--	(5,460)	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	(236)	--
Closing position	--	--	18,549	--

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS
2012

(in thousands of euro)	*F.S. items*	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value*	*Effect on the income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other investments	7.e.	5,580	--	--	558	--	5,022	--	--	--	5,580	(64)	--
Other receivables (*)	7.f.	160,739	1,212	--	159,527	--	--	--	--	--	160,739	5,741	--
Securities	7.g.	127,030	--	--	--	1	127,029	--	--	--	127,030	12,437	(6,741)
CURRENT ASSETS													
Trade receivables	8.b.	1,447,836	--	--	1,447,836	--	--	--	--	--	1,447,836	(52,200)	--
Other receivables (**)	8.c.	165,068	71,878	--	93,190	--	--	--	--	--	165,068	71,866	39
Financial receivables	8.d.	35,489	3,043	--	32,446	--	--	--	--	--	35,489	3,078	--
Securities	8.e.	410,343	401,994	--	--	8,349	--	--	--	--	410,343	36,140	--
Available-for-sale financial assets	8.f.	105,511	--	--	--	--	105,511	--	--	--	105,511	(1,397)	9,543
Cash & cash equivalents	8.g.	670,750	--	--	670,750	--	--	--	--	--	670,750	10,869	--
NON-CURRENT LIABILITIES													
Bonds	10.a.	(496,379)	--	--	--	--	--	--	--	(496,379)	(477,260)	(26,658)	--
Other borrowings	10.b.	(2,341,678)	--	--	--	--	--	(77,913)	--	(2,263,765)	(2,285,454)	(81,252)	(76,734)
Trade payables		(11)	--	--	--	--	--	--	--	(11)	(11)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(165,885)	--	--	--	--	--	--	--	(165,885)	(165,885)	(2,446)	--
Bonds	11.a.	(4,354)	--	--	--	--	--	--	--	(4,354)	(4,354)	--	--
Other borrowings	11.b.	(751,496)	--	--	--	--	--	(32,083)	--	(719,413)	(752,296)	(21,034)	(23,848)
Trade payables	11.c.	(1,192,934)	--	--	--	--	--	--	--	(1,192,934)	(1,192,934)	(27)	--
Other payables	11.d.	(71,899)	--	--	--	--	--	(71,899)	--	--	(71,899)	(67,239)	(4,660)

(*) Not incluing € 88,401 thousand of tax receivables.
(**) Not including € 144,298 thousand of tax receivables.

CATEGORIES OF FINANCIAL ASSETS & LIABILITIES RECORDED IN THE FINANCIAL STATEMENTS

2011 (***)

(in thousands of euro)	*F.S. items*	*Carrying value*	*FVTPL assets designated as such on initial recognition*	*FVTPL assets classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available-for-sale assets*	*FVTPL liabilities designated as such on initial recognition*	*FVTPL liabilities classified as held for trading*	*Liabilities at amortised cost*	*Fair value*	*Effect on the income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other investments	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.	151,759	--	75,281	76,478	--	--	--	--	--	151,759	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													
Bonds	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)	--
Bonds	11.a.	(4,243)	--	--	--	--	--	--	--	(4,243)	(4,243)	(14,107)	--
Other borrowings	11.b.	(711,600)	--	--	--	--	--	(23,760)	--	(687,840)	(712,504)	(16,698)	(14,688)
Trade payables	11.c.	(981,110)	--	--	--	--	--	--	--	(981,110)	(981,110)	(22)	--
Other payables	11.d.	(93,134)	--	--	--	--	--	(93,134)	--	--	(93,134)	(74,664)	(18,470)

(*) Not including € 62,428 thousand of tax receivables.
(**) Not including € 121,903 thousand of tax receivables.
(***) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

RISK CATEGORIES - 2012

(in thousands of euro)	*F.S. items*	*Carrying value*	*Liquidity risk*	*Interest rate risk*	*Exchange rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other investments	7.e.	5,580	--	--	--	5,580
Other receivables (*)	7.f.	160,739	--	--	--	160,739
Securities	7.g.	127,030	--	--	--	127,030
CURRENT ASSETS						
Trade receivables	8.b.	1,447,836	--	--	--	1,447,836
Other receivables (**)	8.c.	165,068	--	--	--	165,068
Financial receivables	8.d.	35,489	--	--	--	35,489
Securities	8.e.	410,343	--	--	--	410,343
Available-for-sale financial assets	8.f.	105,511	--	--	--	105,511
Cash & cash equivalents	8.g.	670,750	--	670,750	--	--
NON-CURRENT LIABILITIES						
Bonds	10.a.	(496,379)	(496,379)	--	--	--
Other borrowings	10.b.	(2,341,678)	(2,341,678)	--	--	--
Trade payables		(11)	(11)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(165,885)	(165,885)	--	--	--
Bonds	11.a.	(4,354)	(4,354)	--	--	--
Other borrowings	11.b.	(751,496)	(751,496)	--	--	--
Trade payables	11.c.	(1,192,934)	(1,192,934)	--	--	--

(*) Not including € 88,401 thousand of tax receivable.
(**) Not including € 144,298 thousand of 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 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.	151,759	--	--	--	151,759
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						
Bonds	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)	--	--	--
Bonds	11.a.	(4,243)	(4,243)	--	--	--
Other borrowings	11.b.	(711,600)	(711,600)	--	--	--
Trade payables	11.c.	(981,110)	(981,110)	--	--	--

(*) Not including € 62.428 thousand of tax receivables.
(**) Not including € € 121.903 thousand of tax receivables.
(***) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

CREDIT RISK

(in thousands of euro)

Position at 31 December 2012	*F.S. items*	*Total receivables*	*Not yet due*	*Past due by >*	*0 - 30 days*	*30 - 60 days*	*60 - 90 days*	*over 90 days*	*Renegotiated*	*Write-downs*
Other receivables (non-current assets) (*)	7.f.	160,739	81,642	79,097	--	--	--	79,097	--	
Gross receivable		364,954	274,705	90,249	--	--	--	90,249	--	
Provision for write-downs		(204,215)	(193,063)	(11,152)	--	--	--	(11,152)	--	(11,629)
Trade receivables	8.b.	1,447,836	1,067,335	380,501	116,007	21,557	14,362	216,150	12,425	
Gross receivable		1,603,838	1,078,227	525,611	143,574	25,424	17,100	320,989	18,524	
Provision for write-downs		(156,002)	(10,892)	(145,110)	(27,567)	(3,867)	(2,738)	(104,839)	(6,099)	(29,123)
Other receivables (current assets) (**)	8.c.	165,068	165,003	65	45	--	--	20	--	
Gross receivable		165,368	165,010	358	45	--	--	313	--	
Provision for write-downs		(300)	(7)	(293)	--	--	--	(293)	--	--
Total		1,773,643	1,313,980	459,663	116,052	21,557	14,362	295,267	12,425	(40,752)

(*) Not including € 88,401thousand of tax receivables.
(**) Not including € 144,298 thousand of tax receivables.

(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*	*Renegotiated*	*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.	151,759	151,759	--	--	--	--	--	--	
Gross receivable		152,126	151,833	293		--	--	293	--	
Provision for write-downs		(367)	(74)	(293)	--	--	--	(293)	--	--
Total		1,551,765	961,773	589,992	91,322	32,061	18,886	447,723	--	(38,896)

(*) Not including € 62,428 thousand of tax receivables.
(**) Not including € 121,903 thousand of tax receivables.
(***) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

PROVISION FOR WRITE-DOWN OF RECEIVABLES

(in thousands of euro)

Position at 31 December 2012	*Opening balance*	*Write-downs*	*Released for use*	*Exchange difference +/-*	*Business combinations +/-*	*Closing balance*
Provision for write-down of receivables	(331,906)	(40,752)	12,635	37	(531)	(360,517)

(in thousands of euro)

Position at 31 December 2011	*Opening balance*	*Write-downs*	*Released for use*	*Exchange difference +/-*	*Business combinations +/-*	*Closing balance*
Provision for write-down of receivables	(299,330)	(38,896)	6,427	31	(138)	(331,906)

LIQUIDITY RISK - 2012

(in thousands of euro)	*< 1 year*	*> 1 < 2 years*	*> 2 < 3 years*	*> 3 < 4 years*	*> 4 < 5 years*	*> 5 years*	*Total*
Non-derivative financial liabilities							
Bonds	26,265	251,543	15,525	15,525	15,525	378,675	703,058
Other borrowings:							
- *Due to banks for loans*	269,347	365,729	1,132,527	187,644	152,010	295,564	2,402,821
- *Due to leasing companies*	18,922	18,450	16,495	16,159	15,639	120,089	205,754
- *Due to other providers of finance*	593,444	785	806	793	681	1,828	598,337
Bank overdrafts	165,885						165,885
Trade payables	1,192,934						1,192,934
Derivative financial liabilities							
Hedging derivatives	30,243	27,417	23,059	18,566	5,328	3,614	108,227
Non-hedging derivatives	5,701	874	500	330	--	--	7,405
TOTAL	2,302,741	664,798	1,188,912	239,017	189,183	799,770	5,384,421

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							
Bonds	28,655	28,655	282,491	15,525	15,525	394,200	765,051
Other borrowings:							
- *Due to banks for loans*	152,534	469,744	348,794	830,917	134,094	464,094	2,400,177
- *Due to leasing companies*	13,938	11,597	10,713	9,375	9,539	91,593	146,755
- *Due to other providers of finance*	582,206	30,733	785	657	592	1,673	616,646
Bank overdrafts	142,491	--	--	--	--	--	142,491
Trade payables	981,110	--	--	--	--	--	981,110
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	1,928,500	561,064	646,080	882,343	162,034	954,288	5,134,309

(*) Certain 2011 figures have been restated following the Sogefi Group's completion of the Purchase Price Allocation in connection with Systèmes Moteurs S.A.S..

18. Guarantees and commitments

At 31 December 2012 the position of guarantees and commitments was the following:

<u>CIR AND FINANCIAL HOLDING COMPANIES</u>

For the incentive plans for directors and employees, CIR has a joint commitment with Verbund to buy back any shares of Sorgenia S.p.A. resulting from the exercise of options by employees who are beneficiaries of stock option plans outstanding as of 31 December 2012.

Other guarantees and commitments of CIR are as follows:
- commitments for private equity fund investments by CIR International for € 10.6 million;

<u>Sorgenia Group</u>

1. Guarantees given
   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 €455,320 thousand (€ 473,822 thousand at 31 December 2011).

2. Sureties
   Within the Group, sureties have been granted to third parties for a total of € 329,255 thousand (€ 326,281 at 31 December 2011). These are mainly bonds issued to guarantee payments in connection with the purchase and transmission of electricity and gas, as well as commitments to the Tax Authorities for VAT reimbursement claims. This category also includes sureties requested for the construction of power plants and for 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 that have lent Sorgenia Power S.p.A. € 195,800 thousand for the Termoli power plant and € 660,000 thousand for the Aprilia and Bertonico-Turano Lodigiano power plants. Sorgenia S.p.A. has signed a commitment to recapitalise Sorgenia Power by up to € 47,537 thousand and to finance it for up to € 100,000 thousand.
   There is also a commitment to pay in to the subsidiary Sorgenia USA up to USD 30,000, of which USD 23,587 has already been paid, leaving a residual commitment of € 4,861 thousand.
   Following an agreement signed on 8 April 2008, Sorgenia and the other 50/50 shareholders (Gica S.A.) undertook to pay in up to € 7.5 million each as a financial commitment. In December 2012, the agreement was amended and the commitment for each shareholder was reduced to € 1.625 million. No payments were requested from the shareholders during the year, so Sorgenia's commitment at the end of the year was € 135 thousand.
   Sorgenia E&P Colombia BV and Sorgenia International BV have taken a commitment for € 10,319 thousand for the investments in the Cerrero and Balay licences, as well as the Polish shale gas licence.
   Sorgenia E&P UK Ltd and MPX Energy Ltd have taken a commitment for € 14,769 thousand in connection with the investment in the 25th Bidding Round licences.
   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 with the annual minimum envisaged in the contract. CIR has issued a guarantee to cover this clause.

As a result of leasing transactions carried out by Sorgenia Minervino S.p.A., Sorgenia San Gregorio Magno, Sorgenia Castelnuovo di Conza and Sorgenia Campagna, a commitment has been taken not to relinquish direct and/or indirect control over the investments held in the companies that have entered into these leases. Sorgenia S.p.A. has also undertaken to guarantee a debt service coverage ratio established by the company with which the lease contract has been stipulated by Sorgenia San Gregorio Magno, Sorgenia Castelnuovo di Conza and Sorgenia Campagna, under which it agrees to refinance or recapitalise the subsidiary.

Espresso Group

Apart from liens on printing plants and rotary presses given to banks to cover loans taken out in 2005, at 31 December 2012 the Group had outstanding commitments of € 2,088 thousand in relation to contracts for the purchase of plant and other printing equipment (€ 330 thousand), mainly for La Repubblica, for the North-West divisions of Finegil Editoriale and for La Nuova Sardegna.

Guarantees given amount to € 1,758 thousand and relate mainly to guarantees given by the Parent Company and the subsidiaries Elemedia and A. Manzoni & C. for the lease of their respective premises, as well as the Parent Company's obligation to pay the Tax Authorities 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 bargain purchase options for the asset at the end of the lease;
- the duration of the contract does not cover most of the useful life of the asset being leased or rented.

Instalment payments for operating leases are booked to the income statement in line with the underlying contracts.

The main operating leases outstanding at 31 December 2012 refer to the following subsidiaries:

- Shanghai (Suzhou) Auto Parts Co. Ltd for the lease of two production sites located in Wujiang, for which the contract terminates in March 2033. At 31 December 2012 the residual instalments amount to € 13,207 thousand, of which € 626 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Allevard Federn GmbH for the lease of the Volklingen production site. In May 2010 the company renewed the lease of its production site until May 2020. The residual instalments at 31 December 2012 amount to € 2,839 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 the lease of the Guyancourt production site. The contract terminates in March 2020 and at 31 December 2012 the residual instalments amount to € 4,432 thousand, of which € 751 thousand due within one year. The Group has not given any form of guarantee on this contract;

- Sogefi Engine Systems Canada Corp. for the lease of the Montreal production site. The contract terminates in December 2015 and at 31 December 2012 the residual instalments amount to € 2,350 thousand, of which € 772 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Shanghai Sogefi Auto Parts Co., Ltd. for the lease of a production site in Shanghai, for which the contract terminates in August 2023. At 31 December 2012 the remaining instalments amount to € 2,094 thousand, of which € 197 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Allevard Sogefi U.S.A. Inc. for the lease of the production site in Prichard (West Virginia). The contract terminates in May 2019 and the residual instalments at 31 December 2012 amount to € 1,929 thousand, of which € 301 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 59% of the residual 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 its market value.

Future lease payments under the Sogefi Group's operating lease contracts at 31 December 2012 are as follow:

(in thousands of euro)	*2012*	*2011*
Within 1 year	6,698	6,336
1-5 years	18,746	14,796
Over 5 years	14,029	4,139
Total	39,473	25,271

Investment commitments

At 31 December 2012, there were investment commitments for a total of € 480 thousand.

Guarantees given

Details of these guarantees are as follows:

(in thousands of euro)	*2012*	*2011*
Guarantees given to third parties	1,232	1,340
Other unsecured guarantees given to third parties	9,714	9,714
Secured guarantees given for borrowings shown in the financial statements	13,237	1,738

Sureties refer to operating lease contracts and to guarantees given to certain clients; they are shown at the value of the outstanding commitment as of the reporting date.
“Other unsecured guarantees given to third parties” refer to the commitment of LPDN GmbH to the staff pension fund of the two business divisions at the time of the acquisition in 1996. This commitment is covered by contractual obligations on the part of the vendor, which is a leading German company.

The secured guarantees refer exclusively to the subsidiaries Systèmes Moteurs S.A.S., Sogefi Engine Systems Canada Corp. and Allevard IAI Suspensions Private Ltd., which provided liens on their tangible assets, inventories and trade receivables to banks as collateral for loans.

Other risks
At 31 December 2012 the Sogefi Group held assets belonging to third parties on its premises for € 6,064 thousand.

<u>Kos Group</u>

The following is a breakdown of the bank guarantees and other sureties given by Kos S.p.A. for a total of € 2,422 thousand:
- a guarantee in favour of the Sanremo Town Council as a security deposit for urbanisation works, for € 226 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of Santegidio S.r.l. (Scarnafigi), for € 100 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo property lease, for € 75 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Rivarolo business unit lease, for € 35 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l., for the care home due to be built in Montanaro, to guarantee signing of the future lease agreement for € 550 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Peveragno property lease, for € 235 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dorzano property lease, for € 121 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for the Dormelletto property lease, for € 200 thousand;
- a guarantee on behalf of Residenze Anni Azzurri S.r.l. for a property lease, for € 180 thousand;
- an omnibus guarantee on behalf of Medipass S.p.A. in its relations with the Venice Health Authority, for € 700 thousand.

Bank guarantees given by other Group companies for € 9,511 thousand, with the following breakdown:
- a guarantee given by Residenze Anni Azzurri S.r.l. to guarantee care home lease payments, for € 8,374 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 2012, other commitments and risks amounted to € 6,124 thousand and mainly related to:
- assets on free loan for € 2,292 thousand;
- commitments relating to the refurbishment of the Suzzara hospital, for contracts already signed at 31 December 2012, for € 76 thousand;

- contractual commitments for technology upgrades to equipment, where necessary, for approximately € 692 thousand. Given the current status of the contracts, there is no reason to consider this commitment probable;
- third-party commitments to sell for € 173 thousand;
- counter-guarantee commitments for the successful completion of structural works for € 2,891 thousand.

The Group carries on its business activities in premises, some of which are owned, others rented. Lease contracts vary in duration from 3 to 9 years and are generally renewable. Of the 41 care homes for the elderly in operation at the reporting date, 7 are owned, while 10 of the 22 functional and psychiatric rehabilitation facilities are owned (including two residential care homes for the elderly). The other facilities (day hospitals, psychiatric treatment communities, diagnostics departments) are generally leased.

The following chart shows the residual lease payments. The amounts are shown net of VAT.

(in thousands of euro)	*Reporting period*	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*
Residual property lease payments	31/12/2011	15,231	15,145	15,290	15,123	15,145	133,163
Residual property lease payments	31/12/2012	19,059	18,857	17,903	17,861	18,002	145,174

19. Information on the business sector

The business sectors coincide with the groups of companies that Cofide S.p.A. controls through Cir. These are:
- the Sorgenia Group: energy;
- the Espresso Group: media;
- the Sogefi Group: automotive components;
- the Kos Group: healthcare.

From a geographical point of view, with the exception of the Sogefi Group, business is conducted almost exclusively in Italy. Income statement and balance sheet information by business segment (primary sector) is provided on the next two pages, whereas details of revenues by geographical area (secondary sector) can be found in Note 12 "Revenues".
An analysis of assets, investments, depreciation/amortisation and write-downs by geographical area is shown in the following chart.

(in thousands of euro)	*Assets*	*Investments*	*Depr/amort. & write-downs*
Italy	9,383,943	189,377	216,416
Other European countries	1,365,316	76,291	63,369
North America	126,402	10,910	6,657
South America	147,365	29,217	22,314
Asia	77,050	13,094	3,422
Consolidation adjustments	(2,985,442)	(1,882)	(28,906)
Total assets	8,114,634	317,007	283,272

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

(in millions of euro)

CONSOLIDATED / AGGREGATE	2012											2011
	Revenues	*Costs of production*	*Other operating income & expense*	*Adjustments to the value of investments consolidated at equity*	*Amortisation, depreciation & write-downs*	*EBIT*	*Net financial income & expense*	*Dividends, gains & losses from trading & valuing securities*	*Income taxes*	*Minority interests*	*Net result of the Group*	*Net result of the Group*
AGGREGATE		*(1)*	*(2)*				*(3)*	*(4)*				
Sorgenia Group	2,572.3	(2,430.5)	(48.4)	(36.5)	(120.0)	(63.1)	(80.0)	(0.7)	3.9	105.5	(34.4) (a)	4.0
Espresso Group	812.7	(714.8)	(4.4)	0.8	(42.1)	52.2	(11.3)	(5.0)	(19.9)	(11.7)	4.3 (b)	15.9
Sogefi Group	1,319.2	(1,170.4)	(22.8)	--	(63.2)	62.8	(16.5)	--	(13.8)	(24.1)	8.4	6.8 (*)
Kos Group	355.4	(292.3)	(15.5)	--	(20.3)	27.3	(8.1)	(0.7)	(6.3)	(9.1)	3.1	2.3
Total main subsidiaries	**5,059.6**	**(4,608.0)**	**(91.1)**	**(35.7)**	**(245.6)**	**79.2**	**(115.9)**	**(6.4)**	**(36.1)**	**60.6**	**(18.6)**	**29.0**
Other subsidiaries	3.4	(21.7)	13.9	(0.1)	(1.3)	(5.8)	(1.4)	0.2	--	3.7	(3.3)	(9.5)
Total subsidiaries	**5,063.0**	**(4,629.7)**	**(77.2)**	**(35.8)**	**(246.9)**	**73.4**	**(117.3)**	**(6.2)**	**(36.1)**	**64.3**	**(21.9)**	**19.5**
CIR and financial holding companies before non-recurring items	--	(17.4)	3.6	(0.7)	(0.8)	(15.3)	(7.8)	25.8	5.9	(4.4)	4.2	(12.1)
Non-recurring items	--	(1.6)	0.5	--	--	(1.1)	--	--	0.5	0.3	(0.3)	(3.8)
<u>Cofide</u>												
Revenues	--										--	--
Operating costs		(3.3)									(3.3)	(3.5)
Other operating income & expense			0.4								0.4	0.5
Adjustments to the value of investments consolidated at equity				--							--	--
Amortisation, depreciation & write-downs					(35.5)						(35.5)	(0.1)
EBIT						(38.4)						
Net financial income & expense							(1.3)				(38.4)	
Dividends and net gains from securities trading								0.1			(1.3)	(1.0)
Income taxes									--		0.1	1.5
											--	--
Consolidated total for the Group	**5,063.0**	**(4,652.0)**	**(72.7)**	**(36.5)**	**(283.2)**	**18.6**	**(126.4)**	**19.7**	**(29.7)**	**60.2**	**(57.6)**	**1.0**

(*) Certain amounts of the period ended 2011 were redetermined after the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S..

(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 € (8.8) 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 € 8.8 million effect of intercompany netting.
(3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.
(4) This item is the sum of "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement.
(5) Cir S.p.A., Cir International S.A., Ciga Luxembourg S.A. and Cir Investimenti S.p.A..
(6) These mainly relate to legal fees for the Lodo Mondadori case and income from the collection of loans previously written down.
(a) The Sorgenia Group's contribution does not take into account its write-down of "Renewables" goodwill for € 64 million (see comment on the energy sector of this report and note 7.a of the notes).
(b) The contribution of the Espresso Group does not take into account early adoption of IAS 19 by the company for € 5.8 million, net of tax.

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(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)	*Total equity*	*of which:* *Minority interests*	*Group equity*	*Group equity*
	31.12.2012							***31.12.2011***
Sorgenia Group	2,383.0	289.9	276.3	(1,954.0) (*)	995.2	749.3	245.9	282.6
Espresso Group	835.3	(211.3)	41.8	(108.1)	557.7	405.8	151.9	153.0
Sogefi Group	492.7	(14.2)	32.6	(295.8)	215.3	159.5	55.8	55.4 (**)
Kos Group	398.0	(22.7)	25.6	(163.4)	237.5	179.0	58.5	54.4
Other subsidiaries	1.3	20.8	(3.7)	(15.2)	3.2	1.5	1.7	9.0
Total subsidiaries	**4,110.3**	**62.5**	**372.6**	**(2,536.5)**	**2,008.9**	**1,495.1**	**513.8**	**554.4**
CIR and financial holding companies	140.0	185.3	(35.0)	33.2	323.5	165.2	158.3	151.4
<u>Cofide</u>								
Fixed assets	1.2				1.2		1.2	36.7
Other net non-current assets and liabilities		15.5			15.5		15.5	11.1
Net working capital			0.7		0.7		0.7	0.7
Net financial position				(34.4)	(34.4)		(34.4)	(28.9)
Consolidated total for the Group	**4,251.5**	**263.3**	**338.3**	**(2,537.7)**	**2,315.4**	**1,660.3**	**655.1**	**725.4**

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

(**) Certain amounts of the period ended 2011 were redetermined after the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S..

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

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

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

20. *Joint ventures*

The main joint ventures at 31 December 2012 were Tirreno Power and Sorgenia France Production.

International accounting standards envisage two methods for consolidating investments in joint ventures:
- the standard method, which involves proportional consolidation;
- the alternative method, which involves using 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:

(in millions of euro)	*Financial year 2012*	*Financial year 2011*	*Absolute change*	*% change*
Income statement				
Electricity sold (TWh)	15.9	15.4	0.5	3.6
Revenues from sales and services	1,413.6	1,359.4	54.2	4.0
EBITDA	155.0	212.8	(57.8)	(27.2)
Net result	11.3	43.3	(32.0)	(73.8)

	31.12.2012	*31.12.2011*		*Absolute change*
Statement of financial position				
Net invested capital	1,237.3	1,417.5		(180.2)
Net financial debt	719.0	895.3		(176.3)
Equity	518,3	522.2		(3.9)
No. of employees	536	535		1

The share of net income of Tirreno Power, consolidated using the equity method on the basis of values determined by applying IAS/IFRS standards, was € 5.7 million in 2012 compared with € 21.6 million in 2011.

Note that as mentioned in item 7.d. "Investments in companies consolidated at equity", this investment was written down for a total of € 44.3 million as a result of the impairment test.

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

Sorgenia France Production

(in millions of euro)	*Financial year 2012*	*Financial year 2011*	*Change absolute*
Income statement			
Sales revenues	28.0	24.1	3.9
EBITDA	20.3	13.5	6.8
Operating income	10.6	6.3	4.3
Net result for the year	3.4	0.1	3.3

	31.12.2012	*31.12.2011*	*Change absolute*
Statement of financial position			
Net invested capital	165.6	128.1	37.5
Total shareholders' equity	20.6	19.0	1.6
Net financial position	145.0	109.1	35.9

In accordance with IAS/IFRS, the values of the investments in Tirreno Power and Sorgenia France Production were tested for impairment at 31 December 2012.

21. *Net financial position*

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

(in thousands of euro)			*31.12.2012*	*31.12.2011*
A.	Cash and bank deposits		670,750	506,241
B.	Other cash equivalents		105,511	126,699
C.	Securities held for trading		410,343	613,877
D.	**Cash and cash equivalents (A) + (B) + (C)**		1,186,604	1,246,817
E.	**Current financial receivables**		35,489	11,956
F.	Current bank payables	(*)	(292,822)	(216,479)
G.	Bonds		(4,354)	(4,243)
H.	Current portion of non-current debt		(624,546)	(637,610)
I.	Other current borrowings		(13)	(2)
J.	**Current financial debt (F) + (G) + (H) + (I)**		(921,735)	(858,334)
K.	**Current net financial position (J) + (E) + (D)**		300,358	400,439
L.	Non-current bank borrowings	(**)	(2,080,760)	(2,022,383)
M.	Bonds		(496,379)	(525,802)
N.	Other non-current payables	(**)	(260,918)	(212,531)
O.	**Non-current financial debt (L) + (M) + (N)**		(2,838,057)	(2,760,716)
P.	**Net financial position (K) + (O)**		(2,537,699)	(2,360,277)

(*) € 126,937 thousand (€ 292,822- € 165,885) is classified in the Statement of Financial Position under "Other borrowings".
(**) Classified under "Other borrowings" – Non-current liabilities.

22. *Disclosures regarding share-based incentive plans*

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

STOCK OPTION PLANS OUTSTANDING AT 31 DECEMBER 2012

	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 5 September 2003	112,500	1.13	-	-	-	-	-	-	112,500	1.13	1.16	112,500	1.13
Stock Option Plan 12 March 2004	384,100	1.60	-	-	-	-	-	-	384,100	1.60	1.75	384,100	1.60
Stock Option Plan 6 September 2004	1,480,200	1.56	-	-	-	-	-	-	1,480,200	1.56	2.16	1,480,200	1.56
Stock Option Plan 11 March 2005	3,414,200	2.34	-	-	-	-	-	-	3,414,200	2.34	2.75	3,414,200	2.34
Stock Option Plan 6 September 2005	2,425,000	2.49	-	-	-	-	-	-	2,425,000	2.49	3.16	2,425,000	2.49
Stock Option Plan 2006 - 1st tranche	2,475,000	2.50	-	-	-	-	-	-	2,475,000	2.50	4.00	2,475,000	2.50
Stock Option Plan 2006 - 2nd tranche	2,475,000	2.47	-	-	-	-	-	-	2,475,000	2.47	4.50	2,475,000	2.47
Extraordinary Stock Option Plan 1st tranche	3,470,000	3.0877	-	-	-	-	-	-	3,470,000	3.0877	4.75	3,470,000	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,470,000	2.7344	-	-	-	-	-	-	3,470,000	2.7344	5.25	3,470,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,530,000	1.6806	-	-	-	-	42,000	1.6806	3,488,000	1.6806	5.75	3,488,000	1.6806
Extraordinary Stock Option Plan 4th tranche	2,587,000	1.0718	-	-	-	-	92,400	1.0718	2,494,600	1.0718	6.25	2,494,600	1.0718
1st tranche 2009	2,861,200	0.9907	-	-	9,000	0.9907	142,800	0.9907	2,709,400	0.9907	6.75	2,378,400	0.9907
2nd tranche 2009	3,590,800	1.5449	-	-	-	-	204,000	1.5449	3,386,800	1.5449	7.16	2,691,600	1.5449
1st tranche 2010	3,739,600	1.6208	-	-	-	-	253,200	1.6208	3,486,400	1.6208	7.75	2,361,000	1.6208
2nd tranche 2010	3,734,800	1.4982	-	-	-	-	298,800	1.4982	3,436,000	1.4982	8.17	1,913,400	1.4982
Total	39,749,400	1.9705	-	-	9,000	0.9907	1,033,200	1.4366	38,707,200	1.9850	5.43	35,033,000	2.0359

STOCK GRANT PLANS AT 31 DECEMBER 2012

	Units in circulation at start of year		Units assigned during the year		Units exercised during the year		Units expiring in the year		Units in circulation at end of year			Units 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	-	-	-	-	357,000	1.4771	2,942,400	1.6391	8.33	-	-
Stock Grant Plan 2012	-	-	5,700,000	1.0263	-	-	243,668	1.0263	5,456,332	1.0263	9.33	-	-
Total	3,299,400	1.6391	5,700,000	1.0263	-	-	600,668	1.2942	8,398,732	1.2410	8.98	-	-

Stock Grant Plans

The Stock Grant Plans involve the assignment, free of charge, of Units, not transferable to third parties or other beneficiaries, each of which offers the right of assignment of one CIR S.p.A. share. The Plans envisage two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.

The regulations envisage a minimum holding of the shares covered by the Plan.

Shares assigned in implementation of the Plans will be made available exclusively from treasury shares held by CIR S.p.A. The regulations state that an essential condition for assignment of the shares is continued service or directorship with the company or its subsidiaries during the vesting period of the rights and at the date that they are exercised.

- On 29 April 2011 the Shareholders' Meeting approved the 2011 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the parent company and subsidiaries, for a maximum of 4,500,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the related total, each of which maturing quarterly from 30 April 2013 to 31 January 2015. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company.

  A total of 1,377,800 time units were assigned during the year, which maturity is subject to continued service, and 1,921,600 performance units, which maturity is subject to the condition that the normal value of the shares at each vesting date is at least equal to a certain percentage of the initial value indicated for each vesting date. The initial value of the performance units is € 1.6391.

- On 27 April 2012 the Shareholders' Meeting approved the 2012 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the parent company and subsidiaries, for a maximum of 6,000,000 Units assignable during the year. The Stock Grant Plan involves the free assignment of Units, not transferable to third parties or other beneficiaries, each providing the right to assignment of one CIR share, with effect from the specified deadlines and subject to satisfaction of the conditions envisaged in the Plan. The Units will mature in tranches equal to 12.5% of the respective total, each of which maturing quarterly from 30 April 2014 to 31 January 2016. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company.

  A total of 2,305,047 time units were assigned during the year, which maturity is subject to continued service, and 3,394,953 performance units, which maturity is subject to the shares achieving certain stock market performance objectives linked to the FTSE Italia Mid Cap Index. The initial value of the performance units amounts is € 1.0263.

The notional cost of the Plans for the period was € 2,591 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 2012

	Options in circulation at start of year	Options assigned during the year	Options not exercisable 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	No. of options
15 April 2003	1,260,000	--	--	60,000	1,200,000
25 February 2005	4,972,040	--	--	150,740	4,821,300
29 July 2005	20,538,965	--	--	--	20,538,965
18 April 2006	5,725,140	--	--	891,840	4,833,300
2009-2012 I Tranche	16,713,381	--	16,000	--	16,697,381
2009-2012 II Tranche	13,674,400	--	6,200	--	13,668,200
18 May 2009	13,690,800	--	139,180	--	13,551,620
18 March 2010	14,845,000	--	286,600	--	14,558,400
18 April 2011	43,369,892	--	--	--	43,369,892
Total	134,789,618	--	447,980	1,102,580	133,239,058

STOCK GRANT PLANS AT 31 DECEMBER 2012

	Financial instruments in circulation at start of year	Financial instrument Assigned during the year	Financial instrument not exercisable during the year	Financial instrument exercised in the year	Financial instrument In circulation at end of year
	No. of Units	No. of Units	No. of Units	No. of Units	No. of Units
Stock Grant Plans					
18/04/2011 – Employees	2,820,000	--	87,000	--	2,733,000
18/04/2011 - Directors	180,000	--	--	--	180,000
20/04/2012 - Employees	--	2,820,000	79,000	--	2,741,000
20/04/2012 - Directors	--	180,000	--	--	180,000
Total	3,000,000	3,000,000	166,000	--	5,834,000

ESPRESSO

The chart below shows the stock option plans of the Espresso Group.

STOCK OPTION PLANS FOR EMPLOYEES AT 31 DECEMBER 2012

	Options in circulation at start of year		Options awarded during the year		Options 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	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
Stock option plan 24 October 2001	72,100	2.51	--	--	72,100	2.51	--	--	--	--	--	--	--
Stock option plan 6 March 2002	203,000	3.30	--	--	203,000	3.30	--	--	--	--	--	--	--
Stock option plan 24 July 2002	231,200	3.36	--	--	231,200	3.36	--	--	--	--	--	--	--
Stock option plan 26 February 2003	340,200	2.86	--	--	9,500	2.86	--	--	330,700	2.86	0.75	330,700	2.86
Stock option plan 23 July 2003	414,600	3.54	--	--	15,200	3.54	--	--	399,400	3.54	1.00	399,400	3.54
Stock option plan 25 February 2004	925,000	4.95	--	--	100,000	4.95	--	--	825,000	4.95	1.75	825,000	4.95
Stock option plan 28 July 2004	935,000	4.80	--	--	100,000	4.80	--	--	835,000	4.80	2.00	835,000	4.80
Stock option plan 23 February 2005	960,000	4.75	--	--	100,000	4.75	--	--	860,000	4.75	2.75	860,000	4.75
Stock option plan 27 July 2005	985,000	4.65	--	--	100,000	4.65	--	--	885,000	4.65	3.00	885,000	4.65
Stock option plan 2006 - I tranche	1,000,000	4.33	--	--	115,000	4.33	--	--	885,000	4.33	4.00	885,000	4.33
Stock option plan 2006 - II tranche	1,000,000	3.96	--	--	115,000	3.96	--	--	885,000	3.96	4.50	885,000	3.96
Stock option plan extraord. 2009 - I tranche	1,352,500	3.84	--	--	35,000	3.84	--	--	1,317,500	3.84	4.75	1,317,500	3.84
Stock option plan extraord. 2009 - II tranche	1,352,500	3.60	--	--	35,000	3.60	--	--	1,317,500	3.60	5.25	1,317,500	3.60
Stock option plan extraord. 2009 - III tranche	1,622,500	2.22	--	--	35,000	2.22	--	--	1,587,500	2.22	5.75	1,587,500	2.22
Stock option plan extraord. 2009 - IV tranche	1,166,950	1.37	--	--	35,000	1.37	--	--	1,131,950	1.37	6.25	1,131,950	1.37
Stock option plan ord. 2009 - I tranche	1,941,150	1.00	--	--	83,000	1.00	--	--	1,858,150	1.00	6.75	1,639,000	1.00
Stock option plan ord. 2009 - II tranche	2,402,200	1.86	--	--	101,000	1.86	--	--	2,301,200	1.86	7.25	1,819,950	1.86
Stock option plan ord. 2010 - I tranche	2,667,500	2.25	--	--	130,500	2.25	--	--	2,537,000	2.25	7.75	1,714,200	2.25
Stock option plan ord. 2010 - II tranche	2,619,200	1.58	--	--	151,500	1.58	--	--	2,467,700	1.58	8.25	1,354,500	1.58
Total	**22,190,600**	**2.81**	--	--	**1,767,000**	**3.26**	--	--	**20,423,600**	**2.77**	**5.63**	**17,787,200**	**2.92**

STOCK GRANT PLANS FOR EMPLOYEES AT 31 DECEMBER 2012

	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	
2011	No. of Units	Value at the beginning	No. of Units	Value at the beginning	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price	No. of Units	Weighted average strike price
Time-based Units	683,750	1.81	--	--	57,500	1.81	--	--	626,250	1.81	--	--
Performance-based Units	683,750	1.81	--	--	57,500	1.81	--	--	626,250	1.81	--	--
2012												
Time-based Units	--	--	948,750	0.98	70,000	--	--	--	878,750	0.98	--	--
Performance-based Units	--	--	948,750	0.98	70,000	--	--	--	878,750	0.98	--	--

SOGEFI

Sogefi S.p.A. implements incentive plans based on Sogefi S.p.A. shares reserved 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's 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 payments based on any other equity instrument, so 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 does not have any plans outstanding before that date), so in addition to the plan issued in 2012, also the plans issued from 2004 to 2011 should be considered. The main characteristics of such plans are described below.

Stock Grant Plans
The Stock Grant Plans involve the assignment free of charge of Units, not transferable to third parties or other beneficiaries, each of which offering the right of assignment free of charge of one Sogefi S.p.A. share. The Plan envisages two classes of rights: time-based units, which vest subject to the passing of a certain period of time, and performance units, which vest subject to the passing of a certain period of time and the achievement of certain objectives in terms of the "normal market value" of the stock (determined according to Art. 9, paragraph 4.a of the Consolidated Income Tax Act) as established in the Plan Regulations.
The regulation envisages a minimum holding of the shares covered by the Plan.
Shares assigned in implementation of the Plans will be made available exclusively from treasury 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 vesting period of the rights.

On 19 April 2012, at the end of the Shareholders' Meeting that approved the 2012 Stock Grant Plan for a maximum of 1,600,000 units, the Board of Directors implemented the 2012 Stock Grant Plan reserved for the Chief Executive Officer and executives of Sogefi S.p.A. and its subsidiaries by assigning them a total of 1,152,436 units (of which 480,011 time-based units and 672,425 performance units).
The time-based units will mature in quarterly tranches, i.e. 12.5% of the respective total, from 20 April 2014 to 31 January 2016.
The performance units will mature on the same maturity dates envisaged for the time-based units, but only under the condition that the normal market value of the shares of Sogefi S.p.A. at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The fair value of rights assigned in 2012, calculated at the time of assignment in accordance with the Cox, Ross and Rubinstein binomial option pricing model for American options, totalled € 2,153 thousand.

The input data used for the evaluation of stock grants are summarised below:

- curve of EUR/GBP/SEK/CHF risk-free interest rates on 19 April 2012;
- prices of the underlying asset (i.e. the price of the Sogefi S.p.A. share on 19 April 2012, equal to € 2.144) and of the securities in the benchmark basket, again posted on 19 April 2012;
- normal market prices of the Sogefi S.p.A. share and of the securities in the benchmark basket from 12 March 2012 to 19 April 2012, to calculate the threshold for the performance units of the stock grant;
- historical volatility at 260 days of the securities and exchange rates observed at 19 April 2012;
- zero dividend yield for evaluation of the stock grant.

The main characteristics of the stock grant plans approved in previous years and still outstanding are reported below:

2011 Stock Grant Plan for a maximum of 1,250,000 conditional rights, reserved for the Chief Executive Officer of the Company and executives of the Company and its subsidiaries, by assigning them 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 respective 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 under the condition that the "normal market value" of the shares at each vesting date is at least equal to the percentage of the initial value laid down in the Regulations.

The notional cost of the plans for 2012 is € 1,130 thousand.

The following table shows the total number of existing rights with respect to the plans for the period 2011-2012:

	2012	*2011*
Not exercised/not exercisable at the start of the year	757,500	--
Assigned during the year	1,152,436	757,500
Cancelled during the year	(55,318)	--
Exercised during the year	--	--
Not exercised/not exercisable at the end of the year	1,854,618	757,500
Exercisable at the end of the year	--	--

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

The main characteristics of the stock option plans approved in previous years and still outstanding are as follows:

- Stock Option Plan 2004 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.61% of the share capital at 31 December 2012) at Euro 2.64 each, exercisable every four months from 30 September 2004 to 30 September 2014;
- Stock Option Plan 2005 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 1,930,000 shares (1.65% of share capital at 31 December 2012) with a strike price of Euro 3.87, exercisable from 30 September 2005 to 30 September 2015;
- Stock Option Plan 2006 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 1,770,000 shares (1.52% of share capital at 31 December 2012) with a strike price of Euro 5.87, exercisable from 30 September 2006 to 30 September 2016;
- Stock Option Plan 2007 reserved for employees of the foreign subsidiaries of Sogefi S.p.A. for a maximum of 715,000 shares (0.61% of share capital at 31 December 2012) with a strike price of Euro 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 Euro 6.96 to Euro 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 of Sogefi S.p.A. for a maximum of 875,000 shares (0.75% of share capital at 31 December 2012) with a strike price of Euro 2.1045, exercisable from 30 September 2008 to 30 September 2018;
- Stock Option Plan 2009 reserved for employees of Sogefi S.p.A. and its subsidiaries for a maximum of 2,335,000 shares (2% of share capital at 31 December 2012) with a strike price of Euro 1.0371, exercisable from 30 September 2009 to 30 September 2019;
- Extraordinary Stock Option Plan 2009 reserved for individuals who were already beneficiaries of Phantom Stock Option Plans 2007 and 2008, who are still employees of Sogefi S.p.A. 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 2012), of which 475,000 (Tranche I options) with a strike price of Euro 5.9054, exercisable from 30 June 2009 to 30 September 2017 and 540,000 (Tranche II options) with a strike price of Euro 2.1045, exercisable from 30 June 2009 to 30 September 2018;
- Stock Option Plan 2010 reserved for the Chief Executive Officer and executives of Sogefi S.p.A. and its subsidiaries for a maximum of 2,440,000 shares (2.09% of the share capital at 31 December 2012) with a strike price of Euro 2.3012, exercisable between 30 September 2010 and 30 September 2020.

The notional cost of the plans for 2012 is € 103 thousand.

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

	2012		2011	
	No. of options	*Average strike price*	*No. of options*	*Average strike price*
Not exercised/not exercisable at the start of the year	7,767,400	3.02	8,244,400	2.99
Assigned during the year	--	--	--	--
Cancelled during the year	(498,600)	4.19	(249,000)	3.70
Exercised during the year	(90,400)	1.04	(228,000)	1.35
Not exercised/not exercisable at the end of the year	7,178,400	2.96	7,767,400	3.02
Exercisable at the end of the year	5,760,400	3.22	5,094,200	3.63

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 during the current or prior 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 2012:

No. of options outstanding and exercisable at 31 December 2011	5,094,200
Options vested during the year	1,375,000
Options exercised during the year	(618,400)
Options cancelled during the year	(90,400)
No. of options outstanding and exercisable at 31 December 2012	5,760,400

Phantom stock option plans
Phantom stock option plans, unlike traditional stock option plans, do not involve assignment of a right to subscribe or purchase a share, but involve paying the 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 the option is assigned.

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

The main characteristics of the plans currently outstanding are as follows:
- Phantom Stock Option Plan 2007 reserved for the Chief Executive Officer, executives and staff of Sogefi S.p.A., as well as executives of the Italian subsidiaries, for a maximum of 1,760,000 options with an initial assignment value of Euro 7.0854 adjusted in 2008 to Euro 5.9054, exercisable from 30 September 2007 to 30 September 2017. Following the subscription of the extraordinary stock option plan 2009, 475,000 options were waived;
- Phantom Stock Option Plan 2008 reserved for the Chief Executive Officer, executives and staff of Sogefi S.p.A., as well as executives of the Italian subsidiaries, for a maximum of 1,700,000 options with an assignment value of Euro 2.1045 exercisable from 30 September 2008 to 30

September 2018. Following the subscription of the extraordinary stock option plan 2009, 540,000 options were waived.

The following chart gives a breakdown of the number of phantom stock options at 31 December 2012:

	2012
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	1,830,000

<u>Kos</u>

The following is information on the Stock Option Plans outstanding at the Kos Group:

STOCK OPTION PLANS AT 31 DECEMBER 2012

	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*		*Option maturity*	
	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*	*Vesting date (100%)*	*Expiring date*
Piano Stock Option '07	420,000	3.40	--	--	--	--	--	--	420,000	3.40	7.8	420,000	3.40	30/09/2010	30/09/2020
Piano Stock Option '10	4,070,000	3.75	--	--	--	--	--	--	4,070,000	3.75	8.0	2,035,000	3.75	31/12/2014	31/12/2020
Stock Warrants Purchase Plan '10	635,000.00	3.75	--	--	--	--	--	--	635,000	3.75	8.0	317,500	3.75	31/12/2014	31/12/2020
Total	**5,125,000**	**3.72**	--	--	--	--	--	--	**5,125,000**	**3.72**	**9.0**	**2,772,500**	**3.6970**		

23. Legal disputes

Certain Group companies have legal disputes pending, against which their Boards have set aside risk provisions for amounts that are considered appropriate, taking into account the opinion of their consultants regarding the likelihood that significant liabilities will actually occur.

In particular, the Rome Regional Tax Commission filed its judgment no. 64/9/12 on 18 May 2012, on its resumption, with regard to the investigations into 1991 IRPEG and ILOR; these investigations gave rise to the following main findings:

• the Tax Authorities challenged the tax benefits resulting from the reorganisation of the Editoriale L'Espresso Group that followed the break-up of the Mondadori Group (in particular, the benefits arising from the merger of Editoriale La Repubblica SpA with Cartiera di Ascoli SpA, which then adopted its name);

• they also challenged the benefits relating to transactions involving beneficial interests in shares with foreign entities, especially those relating to the tax credit on dividends and related withholding taxes, as well as the accrued interest.

As regards the beneficial interest in shares, the Group has been making provisions since 2008, considering that, according to the evolution of the related jurisprudence, the additional taxes assessed and related interest charged were to be considered a "probable risk" (the provisions did not only involve 1991, but the three consecutive tax years, for which the Tax Authorities challenged the same types of benefits), unlike the penalties for which the risk was considered "possible".

On the first matter, which only concerns 1991, the risk has always been considered "remote", in light of the technical evaluation of items in dispute and the outcome of the various levels of justice. Bear in mind that:

• the facts were first consider evaluated by the criminal court for alleged tax fraud and the proceedings were concluded with a judgment of nonsuit by the GUP (the magistrate who presides over the preliminary hearing). This was definitively confirmed by the Court of Appeal on 9 December 1999, fully acquitting all of the directors and statutory auditors;

• the tax assessments of first and second instance were both favourable to the Group, in 1998 and 2000 respectively; subsequently, in 2007 the Supreme Court cancelled the judgment of second instance, referring it to the Regional Tax Commission, though it only decided on procedural matters without affecting the merits of the case in any way.

With this judgment, the Regional Tax Commission upheld the position of the Tax Authorities in relation to the most important item in dispute from an economic point of view, which concerned the corporate restructuring, whereas it dismissed the contestation concerning the beneficial interests. Re-evaluating the situation as of 31 December 2012, this judgment indicates a maximum amount at risk of € 357.3 million (of which additional taxes assessed of € 121.4 million, interest of € 114.4 million and penalties of € 121.4 million): this value comes from the fact that the Tax Authorities did not just deny the tax benefits (deemed not due) based on the higher values recorded on allocation of the "cancellation deficit" as part of the merger process, but - unexpectedly - demanded the immediate and full liability to taxation of this deficit as being devoid of any income value, treating it as though it were a capital gain that had been "realized".

On 27 June 2012 the Company filed an appeal against the judgment of second degree with the Supreme Court and on 28 June 2012 it applied to the Rome Regional Tax Commission for a suspension of the effects of the judgment pursuant to article 373 of the Code of Civil Procedure; the application has been accepted by the Rome Regional Tax Commission by order filed on 19 July 2012.

Being well aware of the fiscal and statutory legitimacy of the transactions being challenged by the Tax Authorities, also on the basis of technical evaluations obtained from independent professionals, the Group has confirmed its assessment of the degree of risk involved in the treatment of beneficial interests in shares as regards taxes and penalties (even if it has been successful on this point, for procedural reasons, before the Regional Tax Commission). However, as a result of the recent and established positions of the Supreme Court, the same level of risk has been extended to the penalties, and for the corporate restructuring operations, where the Group has been unsuccessful, the risk is described as merely "possible".

For matters relating to the beneficial interests in shares, up to 31 December 2011 the Group had set aside an amount of € 30.5 million (to cover the risks related to the amortisation of the cost incurred for the purchase of the beneficial interest, the tax credit on the dividends, the withholding taxes incurred and the related accrued interest), with reference to all four tax periods assessed. Following a recent ruling of the European Court of Justice, with a judgment dated 24 April 2012, the Supreme Court has declared extinct the lawsuit that saw the CIR Group opposed to the Tax Authorities in relation to the dispute about beneficial interests for the year 1992; as a result, no amount is due to the Tax Authorities for that purpose. The provision previously set aside in relation to 1992, € 7,970 thousand, was therefore released. As mentioned previously, following the recent judgments of the Supreme Court, the Group has decided to extend the degree of probable risk also to the penalties applied to the beneficial interest transactions, setting aside a provision of € 11,523 thousand, which, together with the amount of € 347 thousand to take account of accrued interest, results in a total risk provision at 31 December 2012 of € 34,178 thousand.

It should be remembered that 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 from 3 October 2009, 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, including legal costs and interest. Under international accounting standards (IAS 37), this amount will not have any impact on the Group's income statement until the appeal of last resort has been decided. On 3 November 2011, Fininvest informed CIR that it was appealing to the Supreme Court. CIR joined the proceedings of the Supreme Court by depositing its defence on 20 December 2011 and, to date, the case has been assigned to the Third Section of the Supreme Court.

24. Corporate acquisitions

As already explained in paragraph 2.d "Changes in the scope of consolidation", in November 2012 the KOS Group completed the acquisition of HTI Leeds Ltd and HTI Ireland Ltd, which hold important contracts for the management of the technology park at two leading hospitals: the St. James Institute of Oncology (Leeds) and Belfast City Hospital Cancer Centre (Belfast). The companies acquired were included in the consolidated financial statements on the date when the risks and benefits were transferred to the Group, which generally coincides with the acquisition date.

HTI Leeds Ltd and HTI Ireland Ltd have both been consolidated from 1 December 2012. Associated expenses relating to acquisitions have been recognised in the income statement for the period following the application of IFRS 3 (revised), i.e. from 1 January 2010.

Note that the cost of the business combination has to be allocated to the assets, liabilities and intangible assets not recorded in the financial statements of the acquired companies, within the limits of their fair value. Any residual balance after this allocation has to be recorded as goodwill.

Considering the complexity of this process, which involves assessments of the numerous and diversified assets and liabilities of the various units that make up the acquired companies, international accounting standards (IFRS 3) allow the final purchase price allocation to be made within twelve months from the date of acquisition. The KOS Group has made use of this possibility, provisionally recognising the following values in its consolidated financial statements at 31 December 2012:

Amounts in thousands of euro		**31/12/2012**
Fixed assets (*)	G	4
Working capital		931
Net non-current assets/(liabilities)		(389)
Borrowings	C	--
Net cash and cash equivalents	B	514
Minority interests		--
Goodwill	H	8,778
Equity reserves		--
Purchase prices		**(9,838)**
of which:		
Due to transferees for amounts to be paid in future years		(3,320)
Price paid net of advances	A	(6,518)
Effect on debt	**D=A+B+C**	**(6,004)**
Purchase price net of cash and cash equivalents	**E=A+B**	**(6,004)**
Inflows from sale of property	F	--
Purchase price, net of cash and cash equivalents and of the proceeds from disposal of property	**(E+F)**	**(6,004)**
Fixed assets resulting from acquisition	**I=G+H**	**8,782**

(*) This item includes tangible and intangible assets (excluding goodwill)

25. Other information

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

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

(in thousands of euro)	*2012*
Charged to the Parent Company:	
a) by the independent auditors for auditing services	63
b) by the independent auditors:	
- for auditing services for certification purposes	--
- for other services	2
c) by network partners of the independent auditors for other services	--
Charged to the subsidiaries:	
a) by the independent auditors for auditing services	3,179
b) by the independent auditors:	--
- for auditing services for certification purposes	197
- for other services	85
c) by network partners of the independent auditors for other services	604
of which for tax consulting	--

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 Separate Financial Statements gives the key figures of the parent company as shown in its separate financial statements at 31 December 2011.

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 transanctions with related parties:

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	*Sales revenues*	*Costs for the purchase of goods*	*Costs for services*	*Other operating expense*	*Other operating income*	*Financial income*	*Financial expense*	*Dividends*
Parent companies	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	8	--	--
Associates	18	--	(1,681)	--	2,153	--	--	14
Joint ventures	39,803	(328,757)	(18)	(54)	34,181	10,982	(10,228)	--
Other (*)	72,419	--	--	--	35	--	--	--
Other related parties	--	--	--	--	329	--	--	--
Total	112,240	(328,757)	(1,699)	(54)	36,698	10,990	(10,228)	14

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Current assets	*Current assets*		*Current liabilities*		
(in thousands of euro)	*Other receivables*	*Trade receivables*	*Other receivables*	*Other borrowings*	*Trade payables*	*Other payables*
Parent companies	--	--	--	--	--	--
Subsidiaries	--	--	9	--	9	--
Associates	16,396	1,379	64	--	1,481	--
Joint ventures	14,548	6,381	487	13	39,895	2,355
Other (*)	--	--	6,986	--	--	--
Other related parties	--	--	--	--	--	--
Total	30,944	7,760	7,546	13	41,385	2,355

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

COFIDE Group

Consolidated financial statements of the directly controlled subsidiary at 31 December 2012

CIR Group

CIR GROUP

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS		31.12.2012		31.12.2011 (**)
NON-CURRENT ASSETS		**4,870,800**		**4,919,524**
INTANGIBLE ASSETS		1,501,522		1,500,545
TANGIBLE ASSETS		2,367,626		2,400,534
INVESTMENT PROPERTY		22,541		23,551
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY		353,070		386,253
OTHER EQUITY INVESTMENTS		5,580		22,903
OTHER RECEIVABLES		249,048		247,079
of which with related parties (*)	*30,944*		*29,481*	
SECURITIES		111,244		107,321
DEFERRED TAXES		260,169		231,338
CURRENT ASSETS		**3,185,006**		**2,951,235**
INVENTORIES		170,757		184,530
CONTRACT WORK IN PROGRESS		42,258		35,330
TRADE RECEIVABLES		1,447,833		1,215,226
of which with related parties (*)	*7,760*		*9,352*	
OTHER RECEIVABLES		306,700		269,815
of which with related parties (*)	*7,546*		*2,603*	
FINANCIAL RECEIVABLES		35,489		11,956
SECURITIES		410,343		613,877
AVAILABLE-FOR-SALE FINANCIAL ASSETS		105,473		126,495
CASH AND CASH EQUIVALENTS		666,153		494,006
ASSETS HELD FOR DISPOSAL		34,444		1,924
TOTAL ASSETS		**8,090,250**		**7,872,683**

LIABILITIES AND EQUITY		31.12.2012		31.12.2011 (**)
EQUITY		**2,332,033**		**2,479,021**
ISSUED CAPITAL		396,670		396,666
less TREASURY SHARES		(24,995)		(24,995)
SHARE CAPITAL		371,675		371,671
RESERVES		279,958		293,015
RETAINED EARNINGS (LOSSES)		754,430		763,246
NET INCOME (LOSS) FOR THE YEAR		(33,065)		9,744
GROUP EQUITY		**1,372,998**		**1,437,676**
MINORITY INTERESTS		959,035		1,041,345
NON-CURRENT LIABILITIES		**3,206,911**		**3,101,148**
BONDS		496,379		525,802
OTHER BORROWINGS		2,303,836		2,197,337
OTHER PAYABLES		2,888		1,856
DEFERRED TAXES		181,860		177,698
PERSONNEL PROVISIONS		128,523		123,766
PROVISIONS FOR RISKS AND LOSSES		93,425		74,689
CURRENT LIABILITIES		**2,550,922**		**2,292,217**
BANK OVERDRAFTS		165,850		142,485
BONDS		4,354		4,243
OTHER BORROWINGS		751,496		711,600
of which from related parties (*)	*13*		*2*	
TRADE PAYABLES		1,192,436		980,427
of which to related parties (*)	*41,385*		*36,629*	
OTHER PAYABLES		332,069		368,075
of which to related parties (*)	*2,355*		*251*	
PROVISIONS FOR RISKS AND LOSSES		104,717		85,387
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR DISPOSAL		384		297
TOTAL LIABILITIES AND EQUITY		**8,090,250**		**7,872,683**

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

(**) Some values for 2011 were recalculated following completion, by the Sogefi Group, of the Purchase Price Allocation process for Systèmes Moteurs S.A.S..

CIR GROUP

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

		2012		2011 (**)
SALES REVENUES		5,062,978		4,522,722
of which from related parties (*)	*112,240*		*17,551*	
CHANGE IN INVENTORIES		9,099		(6,582)
COSTS FOR THE PURCHASE OF GOODS		(3,073,901)		(2,543,498)
of which to related parties (*)	*(328,757)*		*(227,860)*	
COSTS FOR SERVICES		(827,688)		(844,936)
of which from related parties (*)	*(2,773)*		*(2,660)*	
PERSONNEL COSTS		(744,942)		(720,032)
OTHER OPERATING INCOME		172,500		227,706
of which from related parties (*)	*37,082*		*1,515*	
OTHER OPERATING COSTS		(253,427)		(188,841)
of which to related parties (*)	*(54)*		*(295)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY		(36,534)		21,928
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(247,750)		(213,293)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (EBIT)		**60,335**		**255,174**
FINANCIAL INCOME		68,192		59,514
of which with related parties (*)	*10,990*		*8,796*	
FINANCIAL EXPENSE		(193,306)		(178,770)
of which with related parties (*)	*(10,228)*		*(7,629)*	
DIVIDENDS		403		285
of which with related parties (*)	*14*		*11*	
GAINS FROM TRADING SECURITIES		21,983		13,806
LOSSES FROM TRADING SECURITIES		(11,713)		(4,865)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		8,925		(24,866)
INCOME (LOSS) BEFORE TAXES		**(45,181)**		**120,278**
INCOME TAXES		(29,703)		(57,661)
INCOME (LOSS) BEFORE TAXES FROM OPERATING ACTIVITY		**(74,884)**		**62,617**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL		--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS		**(74,884)**		**62,617**
- MINORITY INTERESTS		41,819		(52,873)
- **NET INCOME OF THE GROUP**		**(33,065)**		**9,744**
BASIC EARNINGS PER SHARE (in euro)		(0.0445)		0.0130
DILUTED EARNINGS PER SHARE (in euro)		(0.0445)		0.0130

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

(**) Some values for 2011 were recalculated following completion, by the Sogefi Group, of the Purchase Price Allocation process for Systèmes Moteurs S.A.S.

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 24 February 1998:

- that the administrative and accounting procedures for the preparation of the Financial Statements during financial year 2012 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 19 July 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, 11 March 2013

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed By
Giuseppe Gianoglio
Officer Responsible

COFIDE Group

Financial statements of the Parent Company

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*Notes*	*31.12.2012*	*31.12.2011*
NON-CURRENT ASSETS		**591,146,249**	**587,176,989**
TANGIBLE ASSETS	5.a.	345,721	427,707
INVESTMENT PROPERTY	5.b.	851,763	851,763
INVESTMENTS IN SUBSIDIARIES	5.c.	574,072,503	574,321,503
OTHER EQUITY INVESTMENTS	5.d.	--	--
OTHER RECEIVABLES	5.e.	90,814	89,756
SECURITIES	5.f.	15,785,448	11,486,260
CURRENT ASSETS		**6,122,976**	**11,357,964**
OTHER RECEIVABLES	6.a.	2,628,470	2,694,724
SECURITIES	6.b.	38,432	204,235
CASH AND CASH EQUIVALENTS	6.c.	3,456,074	8,459,005
TOTAL ASSETS		**597,269,225**	**598,534,953**

LIABILITIES AND EQUITY		*31.12.2012*	*31.12.2011*
EQUITY		**557,039,328**	**558,473,088**
SHARE CAPITAL	7.a.	359,604,959	359,604,959
RESERVES	7.b.	161,831,358	160,671,245
RETAINED EARNINGS (LOSSES)	7.c.	30,913,494	36,371,076
NET INCOME (LOSS) FOR THE YEAR		4,689,517	1,825,808
NON-CURRENT LIABILITIES		**38,238,786**	**38,045,069**
OTHER BORROWINGS	8.a.	37,842,245	37,576,830
OTHER PAYABLES	8.b.	34,582	34,582
PERSONNEL PROVISIONS	8.c.	361,959	433,657
CURRENT LIABILITIES		**1,991,111**	**2,016,796**
BANK OVERDRAFTS	9.a.	35,286	6,526
TRADE PAYABLES	9.b.	307,954	386,389
OTHER PAYABLES	9.d.	1,647,871	1,623,881
TOTAL LIABILITIES AND EQUITY		**597,269,225**	**598,534,953**

2. INCOME STATEMENT

(in euro)

	Notes		% (**)	2012		% (**)	2011
SUNDRY REVENUES AND INCOME	10			1,110,396			1,154,757
of which from related parties (*)		1,074,000	*96.7%*		1,110,000	*96.1%*	
COSTS FOR THE PURCHASE OF GOODS	11			(45,102)			(50,569)
COSTS FOR SERVICES	12			(2,738,087)			(2,660,168)
of which from related parties (*)		(464,640)	*17.0%*		(457,380)	*17.2%*	
PERSONNEL COSTS	13			(748,568)			(940,977)
OTHER OPERATING COSTS	14			(481,898)			(483,731)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	15			(94,288)			(110,733)
EBIT				**(2,997,547)**			**(3,091,421)**
FINANCIAL INCOME	16			142,670			467,474
FINANCIAL EXPENSE	17			(1,426,958)			(1,465,394)
DIVIDENDS	18			9,094,279			9,094,279
of which from related parties (*)		9,094,279	*100.0%*		9,094,279	*100.0%*	
GAINS FROM TRADING SECURITIES	19			172,448			2,174,083
LOSSES FROM TRADING SECURITIES	20			(46,375)			(636,713)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	21			(249,000)			(4,716,500)
INCOME (LOSS) BEFORE TAXES				**4,689,517**			**1,825,808**
INCOME TAXES	22			--			--
NET INCOME (LOSS) FOR THE YEAR				**4,689,517**			**1,825,808**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL							
BASIC EARNINGS (LOSS) PER SHARE (in euro)	23			0.0065			0.0025
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	23			0.0065			0.0025

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

3. STATEMENT OF COMPREHENSIVE INCOME

(in euro)

	2012	*2011*
Net result for the year	4,689,517	1,825,808
Items of other comprehensive income		
Net change in fair value of available-for-sale financial assets	1,068,822	(1,790,028)
Taxes on other comprehensive income		--
Items of other comprehensive income, net of tax	1,068,822	**(1,790,028)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,758,339**	**35,780**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0080	0.0001
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0080	0.0001

4. STATEMENT OF CASH FLOWS

(in euro)

	2012	*2011*
OPERATING ACTIVITY		
NET INCOME (LOSS) FOR THE YEAR	4,689,517	1,825,808
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	94,288	110,733
ALLOCATION TO PERSONNEL PROVISIONS, NET OF USE	(71,698)	64,151
LOSSES/(GAINS) ON SALE OF CURRENT SECURITIES	--	(1,824,920)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	249,000	4,716,500
(INCREASE) DECREASE IN NET WORKING CAPITAL	11,809	(34,749)
of which: related parties	--	--
CASH FLOW FROM OPERATING ACTIVITY	**4,972,916**	**4,857,523**
INVESTING ACTIVITY		
CHANGE IN TANGIBLE ASSETS AND INVESTMENT PROPERTY	(12,302)	(58,946)
CHANGE IN OTHER CAPITALISED RECEIVABLES	(1,058)	(1,057)
NET CHANGE IN CURRENT SECURITIES	(3,244,220)	(11,486,260)
CASH FLOW FROM INVESTING ACTIVITY	(3,257,580)	(11,546,263)
FINANCING ACTIVITY		
CHANGE IN OTHER BORROWINGS	265,415	(22,382,166)
NET CHANGE IN CURRENT SECURITIES	179,657	29,609,096
DIVIDENDS PAID	3,244,220	(7,192,099)
CASH FLOW FROM FINANCING ACTIVITY	(6,747,027)	34,831
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	(5,031,691)	(6,653,909)
NET CASH & CASH EQUIVALENTS - OPENING BALANCE (*)	8,452,479	15,106,388
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE (*)	**3,420,788**	**8,452,479**

(*) Cash and cash equivalents, net of bank overdraft

5. STATEMENT OF CHANGES IN EQUITY

(in euro)

	Attributable to shareholders of the parent company				
	Share capital	*Reserves*	*Retained earnings (losses)*	*Net income (losses) for the year*	*Total*
BALANCE AT 1 JANUARY 2011	**359,604,959**	**162,461,273**	**47,149,397**	**(3,586,222)**	**565,629,407**
Allocation of 2010 result to reserves	--	--	(3,586,222)	3,586,222	--
Distribution to Shareholders	--	--	(7,192,099)	--	(7,192,099)
Adjustment of securities to fair value:					
- change in reserve	--	(1,790,028)	--		(1,790,028)
2011 result	--	--	--	1,825,808	1,825,808
Total comprehensive result for 2011	--	(1,790,028)	--	*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**
Allocation of 2011 result to reserves	--	91,291	1,734,517	(1,825,808)	--
Distribution to Shareholders	--	--	(7,192,099)	--	(7,192,099)
Adjustment of securities to fair value:					
- change in reserve	--	1,068,822	--	--	1,068,822
2012 result	--	--	--	4,689,517	4,689,517
Total comprehensive result for 2012	--	*1,068,822*	--	*4,689,517*	*5,758,339*
BALANCE AT 31 DECEMBER 2012	**359,604,959**	**161,831,358**	**30,913,494**	**4,689,517**	**557,039,328**

EXPLANATORY NOTES

1. Introduction

These financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and ratified by the European Union, as well as with the measures issued in implementation of Art. 9 of 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 the accrual basis of accounting and the going concern assumption. In spite of the difficult economic and financial context, the Company has established that there are no significant uncertainties regarding going concern, as defined in paragraph 24 of IAS 1.

The presentation criteria adopted are as follows:
- The statement of financial position is split into assets and liabilities on the basis of current and non-current items;
- the income statement is broken down by type of expense;
- the statement of cash flows has been prepared using the indirect method;
- the statement of changes in equity gives a breakdown of the changes which took place during the year and in the previous year;
- the statement of comprehensive income shows the theoretical effect of net changes in fair value of available-for-sale financial assets.

These financial statements have been prepared in thousands of euro, which is the "functional" and "presentation" currency of Cofide S.p.A. in accordance with IAS 21, except where indicated otherwise.

Events which occurred after the reporting date

No important events took place after the end of the year which could have had a significant effect on the Company's financial position, equity or results. See point 5 of the Report on Operations for an explanation of significant events that have taken place since the close of the year.

Publication of the financial statements was authorised by the Company's Board of Directors on 11 March 2013 (as required by paragraph 17 of IAS 10).

Below is a description of the accounting standards adopted for the preparation of these financial statements as at 31 December 2012 in relation to the main items of the statement of financial position and income statement.

2. *Accounting policies*

2.a. Tangible assets (IAS 16)

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

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

Fixed assets are depreciated each year on a straight-line basis over the residual useful life of the assets.
Given the standard nature of the assets included in the various asset categories, their useful lives are considered as represented by the following rates:

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

Buildings not used for operating purposes are classified under a separate asset item and accounted for on the basis of IAS 40 "Investment property".

In the event of circumstances that suggest that an asset has been impaired, its carrying value is checked against its recoverable value (i.e. fair value or value in use, whichever is the higher).
Fair value can be established on the basis of values expressed by an active market, recent transactions or the best information available at the time for the purpose of determining the potential proceeds of selling the asset.

Value in use is determined by discounting the cash flows expected from using the asset, applying best estimates of its residual useful life and a rate that 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).

If there is a negative difference between these values and the carrying value, the asset is written down; if subsequently the reasons for the impairment no longer apply, the write-down is reversed. Write-downs and reversals are reported to the income statement.

2.b. Investment property (IAS 40)

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

The cost of an investment property is represented by its purchase price, as well as any improvements, replacements and extraordinary maintenance. For remeasurements after initial recognition, the Company has opted for the cost method to be applied to all of its investment property. Under the cost method, the value is measured net of depreciation and any impairment losses.
If there is a change of classification from investment property to use by the owner or a transfer to stock, the fair value at the date of the change is replaced by its cost. If the reclassification is the other way round, IAS 16 is applied up to the change. Any difference between the carrying amount and the fair value should be treated as a revaluation in accordance with IAS 16.

On disposal or when the asset is permanently withdrawn from use, all related income and expenses must be charged to the income statement.

2.c. Impairment of assets (IAS 36)

At least once a year the Company verifies the recoverability of the carrying value of intangible assets, tangible assets and investments in subsidiaries and associates in order to determine whether these assets have suffered any impairment. If there is evidence of such a loss, the carrying value of the asset is reduced to its recoverable value.
The recoverable value of an asset is the higher of fair value less costs to sell and its value in use.
In detail, 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 is 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 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 reported immediately to 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 case in which the Company's share in the losses of the investee company, exceeds the carrying value of 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 in any further losses is recognised as a provision under liabilities. Should the impairment subsequently ceases to exist or is reduced, the value is reversed, in 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 price, 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 in 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 39)

Receivables are initially recognised at amortised cost and then measured at their estimated realisable value. Payables are initially recognised at amortised cost.
Receivables and payables in foreign currencies are initially accounted for at the rates of exchange in force on the transaction date. They are then adjusted to the period-end exchange rates and any exchange gains and losses are recognised to the income statement. Any net gain is allocated to a non-distributable reserve until it is realised.
No foreign currency receivables or payables are included in the financial statements at 31 December 2012.

2.g. Securities (IAS 32 and 39)

In accordance with IAS 32 and IAS 39, investments in companies other than subsidiaries and associates are classified as available-for-sale financial assets and measured at fair value.
Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. In the event of impairment losses or when the assets are sold, the gains and losses previously recognised to equity are transferred to the income statement.
This category also includes financial assets acquired or issued that are classified as held for trading.
See the specific section on financial instruments for a more complete discussion of the accounting standards that concern them.

2.h. Income taxes (IAS 12)

Current taxes are provided on the basis of a realistic estimate of taxable income under current tax regulations, taking into account any exemptions that may apply.
Deferred taxes are determined on the basis of taxable or deductible temporary differences between the carrying amount of assets and liabilities and their value for tax purposes. They are classified as non-current assets and liabilities.
A deferred tax asset is recognised to the extent that taxable income will probably be available in the future to offset deductible temporary differences.
The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent that it is no longer probable that there will be sufficient taxable income to take advantage of the deferred tax asset.

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

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into cash and which have an insignificant risk of price changes.

2.l. Equity

Ordinary shares are recorded at their 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 on financial assets classified as “available for sale” are recognised, net of tax, under equity in the fair value reserve. The reserve is reversed to the income statement when the financial asset is realised or impairment to it is recognised.
“Retained earnings (losses)” include accumulated earnings and balances transferred from other reserves when these are released from any previous 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 39)

Loans are initially recognised at cost, represented by their fair value net of any transaction costs incurred. Subsequently, 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, based on its stage of completion at 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 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 assets underlying these benefits are divided into "defined contribution plans" and "defined benefit plans". In the first case, the company's obligation is limited to paying the contributions (to the State, to a pension fund or to a separate legal entity) and determined on the basis of the contributions that are due, whereas in the second case, the liabilities are determined based on actuarial assumptions.
Gains and losses related to defined benefit plans are recognised to the income statement on a pro-rata basis for the residual working lives of the employees participating in the plan, for the part exceeding 10% of the fair value of any plan assets or the present value of its liabilities, whichever is the greater, according to the corridor method.

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

2.p. Derivatives (IAS 32 and 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 has to 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 this is the currency in which its 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 denominated in foreign currencies 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 on 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

The preparation of financial statements and explanatory notes in accordance with IFRS requires management to make estimates and assumptions which affect the values of the assets and liabilities shown in them, as well as the disclosures made regarding contingent assets and liabilities as of the reporting date.
The estimates and assumptions used are based on experience and other factors considered relevant. The actual results could differ 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 only affects that period, or in subsequent periods if the amendment affects both the current and future years.
The main items affected by this estimation process are the valuation of subsidiaries and associates, deferred taxes and the fair value of financial instruments.
See the notes on these specific items for further details.

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

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

2.t. Adoption of new accounting standards, interpretations and amendments

See point 6 of the notes to the consolidated financial statements.

3. Financial instruments

Financial instruments are of particular importance in the economic and financial structure of the Company. For this reason, management felt that it would be useful to devote a special section to accounting standards IAS 32 and IAS 39 to help readers understand better the financial issues involved.

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

a) Financial instruments measured at fair value through profit and loss (FVTPL) in application of the fair value option: either designated as such or 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 the intended use of the financial instrument within the context of the Company's financial management and each involves a different type of measurement for accounting purposes. Financial transactions are recognised on the basis of their value date.

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

- they are held for trading;
- they are a financial asset within the scope of IAS 39 but different from investments in equity instruments, whose fair value 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 the individual instrument to this category is definitive; it is made at the time of initial recognition and cannot be changed.

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

Investments held to maturity
This category includes non-derivative instruments with fixed or determinable payments and a fixed maturity, which the Company intends and is able to hold to 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 received or premiums 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 way of calculating the financial charges to be assigned to a particular 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 only one instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for its disposal, the so-called "tainting rule" gets applied: this requires that the whole 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
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for trading.

The category includes trade receivables and payables.

Measurement of these instruments, except for those classified as current assets or liabilities (within twelve months), is made by applying the amortised cost method, using the effective interest rate and taking into account any discounts received or premiums paid at the time of acquisition and recognising them 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 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 equity item until the financial instruments are sold or suffer impairment. In such cases, the gains and losses accrued to equity up to that point, are reported to the income statement.

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

In the case of securities listed on regulated markets, the fair value is the bid price at the close of the trading day 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 only be derecognised (i.e. eliminated from the financial statements) when the contractual rights to receive their respective financial cash flows have expired or when the financial asset is transferred to third parties together with all associated risks and benefits.

4. Accounting standards, changes in accounting estimates and errors

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

If first-time application of a standard, affects the current year or the previous one, the effect is shown by indicating the change caused by any transitional rule, the nature of the change, a description of the transitional rules, which may also affect future years, and the amount of any adjustments to years prior to those being presented.
If a voluntary change of a standard affects the current or previous year, the effect is shown by indicating the nature of the change, the reasons for adopting the new standard, and the amount of any adjustments to years prior to those being presented.

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

A change in accounting estimate involves giving an indication of the nature and impact of the change. Estimates are used mainly in the recognition of asset impairment, provisions for risks, employee benefits, taxes and other provisions and allowances. Estimates and assumptions are reviewed regularly and the effects of any such changes are reflected in the income statement.
Lastly, the treatment of accounting errors involves an indication of the nature of the error and the amount of the adjustments to be made at the beginning of the first reporting period after they were discovered.

Statement of financial position

5. Non-current assets

5.a. tangible assets

This item has had the following changes:

2011	*Opening balance*			*Movements during the year*				*Closing balance*		
					Disposals and adjustments					
(in euro)	*Historical cost*	*Accumulated depreciation*	*Balance 01.01.2011*	*Additions*	*cost*	*accum. depr.*	*Depreciation*	*Historical cost*	*Accumulated depreciation*	*Balance 31.12.2011*
Buildings										
- Operating building in Rome	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
- Machinery and sundry 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 fixed assets	1,835,243	(1,355,749)	479,494	58,946	0	0	(110,733)	1,894,189	(1,466,482)	427,707

2012	*Opening balance*			*Movements during the year*				*Closing balance*		
					Disposals and adjustments					
(in euro)	*Historical cost*	*Accumulated depreciation*	*Balance 01.01.2012*	*Additions*	*cost*	*accum. depr.*	*Depreciation*	*Historical cost*	*Accumulated depreciation*	*Balance 31.12.2012*
Buildings										
- Operating building in Rome	1,154,172	(799,498)	354,674	0	0	0	(34,625)	1,154,172	(834,123)	320,049
Total	1,154,172	(799,498)	354,674	0	0	0	(34,625)	1,154,172	(834,123)	320,049
Industrial and commercial equipment										
- Motor vehicles	196,321	(168,446)	27,875	0	(14,400)	14,400	(27,875)	181,921	(181,921)	0
- Electronic office equipment	56,231	(49,783)	6,448	3,578	0	0	(3,940)	59,809	(53,723)	6,086
- Furniture and fittings	391,379	(390,927)	452	3,420	0	0	(950)	394,799	(391,877)	2,922
- Alarm systems	47,889	(28,501)	19,388	0	0	0	(16,618)	47,889	(45,119)	2,770
- Telephone systems	10,771	(10,771)	0	1,270	0	0	(254)	12,041	(11,025)	1,016
- Machinery and sundry equipment	22,200	(3,330)	18,870	786	0	0	(6,778)	22,986	(10,108)	12,878
- Assets expensed during the year	15,226	(15,226)	0	3,248	0	0	(3,248)	18,474	(18,474)	0
Total	740,017	(666,984)	73,033	12,302	(14,400)	14,400	(59,663)	737,919	(712,247)	25,672
Total tangible fixed assets	1,894,189	(1,466,482)	427,707	12,302	(14,400)	14,400	(94,288)	1,892,091	(1,546,370)	345,721

5.b. Investment property

This item has had the following changes:

2011	*Opening balance*			*Movements during the year*				*Closing balance*		
	Historical cost	*Accumulated depreciation*	*Balance 01.01.2011*	*Additions*	*Disposals*		*Depreciation*	*Historical cost*	*Accumulated depreciation*	*Balance 31.12.2011*
(in euro)					*cost*	*accum. depr.*				
Buildings										
- Non-operating building in Milan	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

2012	*Opening balance*			*Movements during the year*				*Closing balance*		
	Historical cost	*Accumulated depreciation*	*Balance 01.01.2012*	*Additions*	*Disposals*		*Depreciation*	*Historical cost*	*Accumulated depreciation*	*Balance 31.12.2012*
(in euro)					*cost*	*accum. depr.*				
Buildings										
- Non-operating building in Milan	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 located in the centre of Milan, whose market value is significantly higher than its carrying amount.

5.c. Investments in subsidiaries

This item has had the following changes:

2011	Opening balance 01.01.2011		Movements during the year					Closing balance 31.12.2011	
			Increases		Decreases		Write-downs		
(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

2012	Opening balance 01.01.2012		Movements during the year					Closing balance 31.12.2012	
			Increases		Decreases		Write-downs		
(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	500,000	0	0	0	0	(249,000)	2,469,500	251,000
Total		574,321,503		0		0	(249,000)		574,072,503

The following is brief information on investments in subsidiaries derived from the draft financial statements approved by the Boards of Directors of the subsidiaries (in euro):

Name		Registered office	Capital 31.12.12	Equity Net 31.12.12	Net income (loss) 2012	Percentage control direct	Percentage control indirect
CIR S.p.A.	(*)	Via Ciovassino 1, Milan	396,670,234	938,834,235	7,891,685	45.85%	48.94%
EUVIS S.p.A. in liquidation	(**)	Viale Vittorio Veneto 16, Milan	4,520,000	3,937,163	(2,476,008)	54.63%	54.63%

(*) The percentage of indirect control includes CIR treasury shares
(**) Equity and net income reported as of 31.12.11, the latest available figures.

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

The main investment held by Cofide is its controlling interest in Cir S.p.A. For the purposes of carrying out the impairment test in the separate financial statements, this investment was not considered significant individually, but given its nature as a holding company, it was included in the impairment test of the CGUs performed at a consolidated level. The impairment test performed at a consolidated level did not reveal any need to make adjustments.

For the purposes of carrying out the impairment test on the investment in Euvis, account was taken of the recoverability of the investment by liquidating the company. The impairment test revealed the need to write down the investment by € 249,000.

5.d. Other investments

This item has had the following changes:

2011	Opening balance 01.01.2011		Movements during the year					Closing balance 31.12.2011	
			Increases		Decreases		Write-downs		
(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 in composition with creditors)*	1,231,319	0	0	0	0	0	0	1,231,319	0
Total		0		0		0	0		0

2012	Opening balance 01.01.2012		Movements during the year					Closing balance 31.12.2012	
			Increases		Decreases		Write-downs		
(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 in composition with creditors)*	1,231,319	0	0	0	0	0	0	1,231,319	0
Total		0		0		0	0		0

These investments were already fully written down in previous years.
Pursuant to art. 87 of the Income Tax Code, note that the above investments were recorded under financial assets in previous financial statements prepared in accordance with local GAAP.

5.e. Other receivables

This item includes the following:

(in euro)	*31.12.2012*	*31.12.2011*
Due from the Treasury	75,673	74,615
Other receivables	15,141	15,141
Total	90,814	89,756

5.f. Securities

This item includes the following:

(in euro)	*31.12.2012*	*31.12.2011*
Available-for-sale securities		
Investment funds	15,785,448	11,486,260
Total	15,785,448	11,486,260

6. Current assets

6.a. Other receivables

This item includes the following:

(in euro)	*31.12.2012*	*31.12.2011*
Due from the Treasury	65,452	37,126
Other receivables	2,563,018	2,657,598
Total	2,628,470	2,694,724

6.b. Securities

This item consists of the following categories of securities:

(in euro)	*31.12.2012*	*31.12.2011*
Available-for-sale securities		
Investment funds	38,432	204,235
Total	38,432	204,235

The year-end measurement at fair value of available-for-sale securities led to a positive adjustment of € 13,854 which was recognised directly in equity.

6.c. Cash and cash equivalents

Cash and cash equivalents decreased by € 5,002,931 going from € 8,459,005 to € 3,456,074. Changes are analysed in the statement of cash flows together with the changes in current bank borrowings.

7. Equity

7.a. Share Capital

The share capital of € 359,604,959 consists of 719,209,918 ordinary shares with a par value of € 0.50 each and is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends.

7.b. Reserves

Changes in equity reserves are shown in the table on the next page.

In the interests of clarity, we have maintained the breakdown of reserves according to their origin as shown in the previous financial statements prepared in accordance with local GAAP.

The "fair value reserve" reflects the valuation of securities in current assets, classified as available for sale.

7.c. Retained earnings (losses)

The investment revaluation reserve that was used up to 31 December 2004 to value investments in subsidiaries under the equity method was initially reclassified to this item in accordance with international accounting standards.

Compared with 31 December 2011, this item has increased by € 1,734,517 due to allocation of part of the previous year's net income and decreased by € 7,192,099 for the dividends distributed to shareholders.

The information on how the various equity items can be used and distributed is shown in attachment no. 1).

CHANGES IN EQUITY RESERVES

(in euro)	Share premium reserve	Legal reserve	Merger surplus	Recovery of historical cost of investments	IAS FTA reserve	Fair value reserve	TOTAL
BALANCE AT 1 JANUARY 2011	5,044,115	22,262,175	42,975	133,069,943	243,375	1,798,690	162,461,273
Changes in fair value reserve:							
. Disposals of available-for-sale securities	--	--	--	--	--	(1,758,245)	(1,758,245)
. Valuation at year-end fair value of available-for-sale securities	--	--	--	--	--	(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
Allocation of net income for 2011:							
. Allocations to reserves	--	91,291	--	--	--	--	91,291
Changes in fair value reserve:			--	--	--		
. Valuation at year-end fair value of available-for-sale securities	--	--	--	--	--	1,068,822	1,068,822
BALANCE AT 31 DECEMBER 2012	5,044,115	22,353,466	42,975	133,069,943	243,375	1,077,484	161,831,358

8. Non-current liabilities

8.a. Other borrowings

This item includes the following:

(in euro)	*31.12.2012*	*31.12.2011*
Bank loan	37,258,456	37,058,820
Other borrowings	583,789	518,010
Total	37,842,245	37,576,830

During the previous year (2011), the company entered into:

- a new financing agreement with a syndicate of leading banks for the period of thirty-six months expiring on 10 March 2014, consisting of a line of credit for a maximum of € 75 million, to be used in tranches of € 7,500,000 or multiples thereof with a duration of three or six months unless renewed at the company's option, with annual interest at 3- or 6-month Euribor depending on usage plus a spread of 150 basis points;

- an interest rate swap (IRS) as an operating hedge with a duration of thirty-six months expiring on 10 March 2014, on a notional principal of € 25 million and at a fixed rate of 1.97% in order to reduce the risk of an increase in interest rates on the above loan. The IRS provides for the payment of interest at a floating rate against collection of interest at the fixed rate mentioned above.

At the end of the year, the interest rate applied to the loan was 1.683%.

The other borrowings include the adjustment of the IRS to fair value at 31 December 2012 of € 557,787 (€ 511,412 at 31 December 2011). The accrual for the year is recognised in the income statement under trading losses.

The covenants laid down in the contract for the line of credit, with which the company is obliged to hold not less than 40% of CIR's ordinary shares until repayment of the loan, are fully respected.

There has not been any default or breach of the contractual terms during the year.

8.b. Other payables

This item includes the following:

(in euro)	*31.12.2012*	*31.12.2011*
Payables due beyond 12 months	34,582	34,582
Total	34,582	34,582

8.c. Personnel provisions

Details and movements are as follows:

(in euro)	*31.12.2012*	*31.12.2011*
Employee leaving indemnity (TFR)	361,959	433,657
Total	361,959	433,657

Balance at 1 January 2012	433,657
Net change for the year	(70,513)
Taxes	(1,185)
Balance at 31 December 2012	361,959

9. Current liabilities

9.a. Bank overdraft

Bank borrowings have increased by € 28,760 going from € 6,526 to € 35,286.

Changes are analysed in the statement of cash flows together with the changes in cash and cash equivalents.

9.b. Trade payables

These refer to amounts due to suppliers, which have gone from € 386,389 to € 307,954.

9.c. Other payables

This item includes the following:

(in euro)	*31.12.2012*	*31.12.2011*
Due to the Treasury	1,499,066	1,486,202
Social security payables	33,952	36,966
Other payables	114,853	100,713
Total	1,647,871	1,623,881

Income Statement

10. Sundry revenues and income

This item includes the following:

(in euro)	*2012*	*2011*
Services to subsidiaries	1,074,000	1,110,000
Property income	27,165	26,589
Other income and cost recoveries from third parties	9,231	18,168
Total	1,110,396	1,154,757

Services to subsidiaries relate to the operational and communication support provided to Cir S.p.A. at arm's-length conditions.

11. Cost for the purchase of goods

This reflects the value of the company's purchases of consumer goods.
They have gone from € 50,569 to € 45,102.

12. Cost for services

This item includes the following:

(in euro)	*2012*	*2011*
Services from subsidiaries	464,640	457,380
Administrative, fiscal, legal and corporate consulting	828,105	859,577
Fees for corporate bodies	1,076,052	1,012,289
Other operating expenses	369,290	330,922
Total	2,738,087	2,660,168

Services from subsidiaries relate to the financial, legal and administrative assistance provided by Cir S.p.A. at arm's-length conditions.

13. Personnel costs

Personnel costs have gone from € 940,977 to € 748,568.
The following table shows the changes during the year in the number of employees by category:

	31.12.2011	*New hires*	*Resignations*	*31.12.2012*	*Average for the year*
Executives	1	0	0	1	1
Employees	3	1	1	3	3
Total	4	1	1	4	4

14. Other operating costs

This item includes the following:

(in euro)	*2012*	*2011*
Taxes, duties and rights	82,322	74,900
Mandatory contributions and membership fees	100,802	104,185
Charities	232,500	286,919
Other charges and expenses	66,274	17,727
Total	481,898	483,731

15. Amortisation, depreciation and write-downs

This item only includes the depreciation of tangible fixed assets, which fell from € 110,733 to € 94,288.

16. Financial income

This item includes the following:

(in euro)	*2012*	*2011*
Interest income on other fixed-income securities	0	320,173
Interest income on bank deposits	141,612	146,243
Other financial income	1,058	1,058
Total	142,670	467,474

17. Financial expense

This item includes the following:

(in euro)	*2012*	*2011*
Interest and financial charges on bank loan	1,380,912	1,407,721
Interest and bank charges	17,258	9,366
Fees on stock market transactions	28,788	48,307
Total	1,426,958	1,465,394

18. Dividends

This item includes the following:

(in euro)	*2012*	*2011*
Dividends from subsidiaries:		
- CIR S.p.A.	9,094,279	9,094,279
Total dividends	9,094,279	9,094,279

19. Gains from trading securities

This item includes the following:

(in euro)	*2012*	*2011*
Gains from trading other investments	0	1,950,221
Gains from investment funds	172,448	223,862
Total	172,448	2,174,083

The gains from trading other investments recorded in the previous year's financial statements referred entirely to the sale of the minority stake in Banca Intermobiliare S.p.A.

20. Losses from trading securities

This item includes the following:

(in euro)	*2012*	*2011*
Losses on sales of fixed-income securities	0	125,301
Losses on adjustment of derivatives to fair value at year-end	46,375	511,412
Total	46,375	636,713

The losses on adjustment of derivatives to fair value at year end refer to the measurement of the interest rate swap (IRS) entered into for hedging purposes to reduce the risk of an increase in the interest rate applied to the syndicated loan granted by leading banks in 2011, consisting of a line of credit for a maximum of € 75 million, as stated in the comments on "other borrowings”.

21. Adjustments to financial assets

This item includes the following:

(in euro)	*2012*	*2011*
Adjustments for impairment losses on investments in subsidiaries	(249,000)	(4,716,500)
Total	(249,000)	(4,716,500)

These are write-downs for losses arising from the impairment test on the investment in Euvis (in liquidation).

22. Income taxes

Despite the positive result, no provision for current taxes has been made essentially because of the 95% tax exemption on the dividends received from subsidiaries. Because of this tax position, we have not included the usual reconciliation between the theoretical and effective tax charge as it is not considered significant.
No deferred tax assets have been recorded on the tax losses as it cannot be presumed that they would be recovered.

23. Earnings (loss) per share

Basic earnings or loss per share are determined by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation. Diluted earnings or loss per share are calculated by dividing net income for the period attributable to the ordinary shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effect of outstanding options. Treasury shares are not included in the calculation.
The company does not have any outstanding options or treasury shares, so diluted EPS per share is the same as basic EPS.
The following section provides information on the shares for the calculation of basic and diluted earnings or loss per share (in euro):

	2012	*2011*
Net income attributable to the shareholders	4,689,517	1,825,808
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**0.0065**	**0.0025**

	2012	*2011*
Comprehensive income attributable to the shareholders	5,758,339	35,780
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**0.0080**	**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 are provided in the comment on the individual items of the financial statements.

Note that during 2012 the following amounts were accrued to the income statement in favour of:
- Boards of Directors € 833 thousand;
- Boards of Statutory Auditors € 123 thousand.

For further details, please refer to the "Remuneration Report" available in the Governance section of the corporate website (www.cofide.it).

25. Net financial position

The net financial position in accordance with Consob Resolution no. 6064293 dated 28 July 2006 is as follows:

	(in euro)	31.12.2012	31.12.2011
A.	Cash and bank deposits	3,456,074	8,459,005
B.	Other cash equivalents	38,432	204,235
C.	Securities held for trading	0	0
D.	**Liquidity**	3,494,506	8,663,240
E.	Current financial receivables	0	0
F.	Current bank payables	35,286	6,526
G.	Current portion of non-current debt	0	0
H.	Other current borrowings	0	0
I.	**Current financial debt (F) + (G) + (H)**	35,286	6,526
J.	**Net current financial (surplus) debt (I) - (E) - (D)**	(3,459,220)	(8,656,714)
K.	Non-current bank borrowings	37,842,245	37,576,830
L.	**Non-current financial debt**	37,842,245	37,576,830
M.	**Net financial (surplus) debt (J) (L)**	34,383,025	28,920,116

26. Other information

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 a lack of financial resources to meet short term commitments.

Interest rate risk

Fluctuation in interest rates affects the market value of financial assets and the level of net financial expenses.
The Company continuously monitors its exposure to interest rate risk and manages this risk by investing in financial instruments that are consistent with its long term funding through the floating-rate syndicated loan maturing in 2014.

Sensitivity analysis

A sensitivity analysis was not carried out on changes in interest rates as the company is marginally exposed to this risk, given that its debt is floating-rate hedged by a derivative.

Credit risk

Credit risk represents the Company's exposure 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 the counterparties suitable for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.
The Company has not encountered any cases of default by counterparties.
At 31 December 2012 there was no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. At present, the company believes that it can meet its foreseeable borrowing requirements on the basis of its available resources and the expected future cash inflows and agreements already in place with the banking system.

Measurement of financial assets and liabilities and fair value hierarchy

In accordance with IFRS 7, we are obliged to indicate whether the fair value of securities is determined, in whole or in part, by direct reference to published price quotations in an active market ("Level 1"), or estimated using prices derived from market prices for similar assets or using valuation techniques for which all significant factors are derived from observable market data ("Level 2"), or by using valuation techniques that are based, to a considerable extent, on inputs not available on the market, which therefore involve estimates and assumptions on the part of management ("Level 3”).

The following table classifies securities according to how their fair value was determined in 2012 and 2011 (in euro):

2012	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
Financial assets at fair value in equity				
Available-for-sale securities:				
- Investment funds	--	15,785,448	--	15,785,448
Total	--	*15,785,448*	--	*15,785,448*
Financial assets at fair value through profit and loss	--	--	--	--
Total securities	--	15,785,448	--	15,785,448
CURRENT ASSETS				
Financial assets at fair value in equity				
Available-for-sale securities:				
- Investment funds	--	38,432	--	38,432
Total	--	*38,432*	--	*38,432*
Financial assets at fair value through profit and loss	--	--	--	--
Total securities	--	38,432	--	38,432

2011	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
Financial assets at fair value in equity				
Available-for-sale securities:				
- Investment funds	--	11,486,260	--	11,486,260
Total	--	*11,486,260*	--	*11,486,260*
Financial assets at fair value through profit and loss	--	--	--	--
Total securities	--	11,486,260	--	11,486,260
CURRENT ASSETS				
Financial assets at fair value in equity				
Available-for-sale securities:				
- Investment funds	--	204,235	--	204,235
Total	--	*204,235*	--	*204,235*
Financial assets at fair value through profit and loss	--	--	--	--
Total securities	--	204,235	--	204,235
NON-CURRENT ASSETS				

In compliance with the requirements of accounting standard IFRS 7, the following charts give information regarding the various categories of financial assets and liabilities and the risk categories of financial instruments.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS
2012

(in thousands of euro)	*F.S. items*	*Carrying amount*	*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.*	15,785	--	--	--	--	15,785	--	--	--	15,785	172	1,055
CURRENT ASSETS													
Other receivables	*6.a.*	2,563	--	--	2,563	--	--	--	--	--	2,563	--	--
Securities	*6.b.*	38	--	--	--	--	38	--	--	--	38	--	14
Cash and cash equivalents	*6.c.*	3,456	--	--	3,456	--	--	--	--	--	3,456	142	--
NON-CURRENT LIABILITIES													
Other borrowings	*8.a.*	37,842	--	--	--	--	--	--	558	37,284	37,842	(1,381)	--
Other payables	*8.b.*	35	--	--	--	--	--	--	--	35	35	--	--
CURRENT LIABILITIES													
Bank overdrafts	*9.a.*	35	--	--	--	--	--	--	--	35	35	(17)	--
Trade payables	*9.b.*	308	--	--	--	--	--	--	--	308	308	--	--

ADDITIONAL DISCLOSURES

"Other borrowings" in non-current liabilities relate to a floating-rate bank loan taken out during the 2011.
The carrying amount is considered a reasonable approximation of its fair value.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS
2011

(in thousands of euro)	*F.S. items*	*Carrying amount*	*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 and 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		--	--	--	--	--	--	--	--	--	--	(349)	
Trade payables	*9.b.*	386	--	--	--	--	--	--	--	386	386	--	--

ADDITIONAL DISCLOSURES

RISK CATEGORIES - 2012

(in thousands of euro)	*F.S. items*	*Carrying amount*	*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.*	15,785	--	--	--	15,785
CURRENT ASSETS						
Other receivables	*6.a.*	2,563	--	--	--	2,563
Securities	*6.b.*	38	--	--	--	38
Cash and cash equivalents	*6.c.*	3,456	--	--	--	3,456
NON-CURRENT LIABILITIES						
Other borrowings	*8.a.*	37,842	37,284	558	--	--
Other payables	*8.b.*	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	*9.a.*	35	35	--	--	--
Trade payables	*9.b.*	308	308	--	--	--

RISK CATEGORIES - 2011

(in thousands of euro)	*F.S. items*	*Carrying amount*	*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 and 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.*	6	6	--	--	--
Trade payables	*9.b.*	386	386	--	--	--

CREDIT RISK – 2012

Position at 31 December 2012 *(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*	*Renegotiated*	*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		2,563	2,563	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		2,578	2,578	--	--	--	--	--	--	--

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*	*Renegotiated*	*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	--	--	--	--	--	--	--

LIQUIDITY RISK - 2012

(in thousands of euro)	*< 1 year*	*> 1 < 2 years*	*> 2 < 3 years*	*> 3 < 4 years*	*> 4 < 5 years*	*> 5 years*	*Total*
Derivative financial liabilities	--	558	--	--	--	--	558
Non derivative financial liabilities							
Non-current liabilities							
Other borrowings	--	37,284	--	--	--	--	37,284
Other payables	--	--	--	--	--	35	35
Current liabilities							
Bank overdrafts	35	--	--	--	--	--	35
Trade payables	308	--	--	--	--	--	308
TOTAL	343	37,842	--	--	--	35	38,220

Given the special nature of the credit facility, "other borrowings" shows the carrying amount which is taken to represent liquidity risk.
At present, significant changes in the interest rate applied cannot reasonably been foreseeable.

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" shows the carrying amount which is taken to represent liquidity risk.
At present, significant changes in the interest rate applied cannot reasonably been foreseeable.

GUARANTEES AND COMMITMENTS

At the end of the year, there are no guarantees or commitments made by the Company, apart from those already shown in note 8.a.

MANAGEMENT AND COORDINATION ACTIVITY

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

In accordance with art. 2497-bis of the Italian Civil Code, Attachment 2 provides a summary of the key figures from the latest approved financial statements of the company exercising management and coordination.

Attachment 1)

EQUITY - Possible use and distribution

(in euro)

Type	Amount	Possible use	Amount available
Share capital	359,604,959	=	=
Capital reserves:			
Share premium reserve	5,044,115	A, B	5,044,115
Merger surplus	42,975	A, B, C	42,975
Earnings reserves:			
Legal reserve	22,353,466	B	=
Retained earnings	30,913,494	A, B, C	30,913,494
Recovery of historical cost of investments	133,069,943	A, B, C	133,069,943
IAS FTA reserve	243,375	A, B, C	243,375
Fair value reserve	1,077,484	=	=
TOTAL			169,313,902
Non-distributable portion:			
Share premium reserve, as the legal reserve has not yet reached one-fifth of the share capital (art. 2431 Civil Code)			(5,044,115)
Distributable balance			164,269,787

KEY:

Possible use:

A: for capital increases

B: to cover losses

C: for distribution to shareholders

Attachment 2)

SUMMARY OF KEY FIGURES FROM THE LATEST FINANCIAL STATEMENTS OF THE COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION

The key figures from the financial statements of Carlo De Benedetti & Figli S.a.p.A. at 31 December 2011 are as follows:

(*in euro*)

STATEMENT OF FINANCIAL POSITION

ASSETS		
B)	Fixed assets	245,261,735
C)	Current assets	124,245
Total assets		245,385,980

LIABILITIES		
A)	EQUITY	
	Share capital	170,820,000
	Reserves	14,796,864
	Net income (loss) for the year	1,177,498
D)	PAYABLES	58,591,618
Total liabilities		245,385,980

MEMORANDUM ACCOUNTS	242,628,386

INCOME STATEMENT

B)	Costs of production	(1,218,737)
C)	Financial income and (expense)	2,396,235
	Income taxes for the year	0
	Net income (loss) for the year	1,177,498

Financial statements of direct subsidiaries

at 31 December 2012

Cir S.p.A.

Euvis S.p.A

CIR - COMPAGNIE INDUSTRIALI RIUNITE S.p.A.
Headquarters: MILAN
Share capital at 31.12.2012: € 396,670,233.50

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS		*%(**)*	*31.12.2012*		*%(**)*	*31.12.2011*
NON-CURRENT ASSETS			**1,536,422,286**			**1,515,143,617**
INTANGIBLE ASSETS			49,842			81,051
TANGIBLE ASSETS			2,668,303			2,776,098
INVESTMENT PROPERTY			16,399,134			16,970,956
EQUITY INVESTMENTS			1,192,164,011			1,182,997,824
OTHER RECEIVABLES			320,044,613			311,238,606
of which with related parties (*)	*320,020,775*	100.0		*311,214,640*	100.0	
DEFERRED TAXES			5,096,383			1,079,082
CURRENT ASSETS			**333,666,630**			**334,400,267**
OTHER RECEIVABLES			40,113,667			27,501,423
of which with related parties (*)	*9,730,099*	24.3		*22,582,074*	82.1	
FINANCIAL RECEIVABLES			186,382			186,382
of which with related parties (*)	*84,477*	45.3		*84,477*	45.3	
SECURITIES			2,522,183			169,423,608
CASH AND CASH EQUIVALENTS			290,844,398			137,288,854
TOTAL ASSETS			**1,870,088,916**			**1,849,543,884**

LIABILITIES AND EQUITY		*%(**)*	*31.12.2012*		*%(**)*	*31.12.2011*
EQUITY			**938,834,235**			**946,037,379**
ISSUED CAPITAL			396,670,234			396,665,734
less TREASURY SHARES			(24,994,500)			(24,994,500)
SHARE CAPITAL			371,675,734			371,671,234
RESERVES			359,777,020			356,316,023
RETAINED EARNINGS / (LOSSES)			199,489,796			217,780,978
NET INCOME (LOSS) FOR THE PERIOD			7,891,685			269,144
NON-CURRENT LIABILITIES			**299,184,054**			**299,107,127**
BONDS			297,732,435			297,561,711
PERSONNEL PROVISIONS			1,451,619			1,545,416
CURRENT LIABILITIES			**632,070,627**			**604,399,378**
BANK OVERDRAFTS			--			--
BORROWINGS			564,248,109			564,573,109
of which from related parties (*)	--	--		*325,000*	0.1	
OTHER PAYABLES			35,743,232			22,372,289
of which to related parties (*)	*31,489,584*	88.1		*7,622,246*	34.1	
PROVISIONS FOR RISKS AND LOSSES			32,079,286			17,453,980
TOTAL LIABILITIES AND EQUITY			**1,870,088,916**			**1,849,543,884**

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

CIR - COMPAGNIE INDUSTRIALI RIUNITE S.p.A.

Headquarters: MILAN

Share capital at 31.12.2012: € 396,670,233.50

2. INCOME STATEMENT

(in euro)

		%(**)	2012		%(**)	2011
SUNDRY REVENUES AND INCOME			6,149,203			6,087,377
of which from related parties (*)	*5,621,986*	*91.4*		*5,609,596*	*92.2*	
COSTS FOR SERVICES			(7,636,783)			(17,573,772)
of which from related parties (*)	*(1,074,000)*	*14.1*		*(1,420,000)*	*8.1*	
PERSONNEL COSTS			(9,025,403)			(9,200,875)
of which from related parties (*)	*(37,928)*	*0.4*		--	--	
OTHER OPERATING COSTS			(2,653,220)			(2,426,622)
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(754,026)			(888,684)
OPERATING INCOME/(LOSS)			**(13,920,229)**			**(24,002,576)**
FINANCIAL INCOME			15,162,801			10,606,815
of which from related parties (*)	*9,129,287*	*60.2*		*7,735,243*	*72.9*	
FINANCIAL EXPENSE			(32,166,596)			(21,396,262)
DIVIDENDS			34,183,767			29,307,556
of which from related parties (*)	*34,148,856*	*99.9*		*29,282,312*	*99.9*	
GAINS FROM TRADING SECURITIES			233,027			898,187
LOSSES FROM TRADING SECURITIES			--			(2,192,182)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			(2,708,826)			(1,243,491)
INCOME / (LOSS) BEFORE TAXES			**783,944**			**(8,021,953)**
INCOME TAXES			7,107,741			8,291,097
NET INCOME (LOSS) FOR THE PERIOD			**7,891,685**			**269,144**

	2012	2011
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0106	0.0004
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0106	0.0004

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

EUVIS S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 4,520,000.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2011*	*31.12.2010*
Cash and cash equivalents	20,971	7,858
Receivables	4,891,676	5,040,546
Tangible assets	70,299	85,033
Intangible assets	--	138,734
Tax assets	6,065	1,621,068
Other assets	2,717	17,241
TOTAL ASSETS	**4,991,728**	**6,910,480**

LIABILITIES AND EQUITY	*31.12.2011*	*31.12.2010*
Payables	21,200	71,674
Tax liabilities	54,042	--
Other liabilities	649,793	604,870
Employee leaving indemnity	329,531	244,532
Capital	4,520,000	4,520,000
Share premium reserve	9,158,388	9,158,388
Reserves	(7,265,217)	(5,570,924)
Net income (loss) for the year	(2,476,008)	(2,118,060)
TOTAL LIABILITIES AND EQUITY	**4,991,729**	**6,910,480**

EUVIS S.p.A.
Headquarters: MILAN
Share capital at 31.12.2011: € 4,520,000.00

INCOME STATEMENT
(in euro)

		31.12.2011		*31.12.2010*
Interest and similar income		78,608		32,003
Interest and similar expense		--		--
Net interest income		**78,608**		**32,003**
Commission income		3,900,361		2,695,001
Commission expense		(1,059,473)		(808,468)
Net commission income		**2,840,888**		**1,886,533**
Gross operating income		**2,919,496**		**1,918,536**
Adjustments/writebacks on impairment of:		**(36,988)**		--
a) financial assets	(36,988)		--	
Administrative expenses:		(3,443,187)		(3,362,326)
a) personnel expenses	(1,963,465)		(1,911,190)	
b) other administrative expenses	(1,479,722)		(1,451,136)	
Adjustments to the value of tangible assets		(24,540)		(26,435)
Other operating income (charges)		(231,360)		12,842
Result of operations		**(811,996)**		**(1,457,383)**
Income taxes for the year		(1,664,012)		(660,677)
Net income (loss) from continuing operations		**(2,476,008)**		**(2,118,060)**
Pre-tax income (loss) from continuing operations		**(2,476,008)**	--	**(2,118,060)**

COFIDE
Gruppo De Benedetti

CERTIFICATION OF THE SEPARATE 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 24 February 1998:

   - that the administrative and accounting procedures for the preparation of the Separate Financial Statements during financial year 2012 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 19 July 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, 11 March 2013

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed By
Giuseppe Gianoglio
Officer Responsible

LIST OF EQUITY INVESTMENTS

AT 31 DECEMBER 2012

Persuant to Art. 38.2, Italian Legislative Decree 127/91
and Art. 126, Consob Resolution no. 11971 of 14 May 1999

SUBSIDIARIES CONSOLIDATED USING THE FULL LINE- BY-LINE METHOD

(in euro or foreign currency)

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Parent Companies*	*% of ownership*
GRUPPO COFIDE					
CIR S.p.A. (*)	Italia	396,670,233.50	€	COFIDE S.p.A.	45.85
EUVIS S.p.A.	Italia	4,520,000.00	€	COFIDE S.p.A.	54.63
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	15,000,000.00	€	CIR S.p.A.	100.00
CIRINVEST S.r.l.	Italy	119,764.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.à.r.l.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
NEXENTI ADVISORY S.r.l.	Italy	2,700,000.00	€	CIR S.p.A.	100.00
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	100.00
JUPITER MARKETPLACE S.r.l.	Italy	1,000,000.00	€	NEXENTI S.r.l.	100.00
CIR INVESTIMENTI S.p.A.	Italy	12,426,162.00	€	CIR S.p.A.	100.00
LAKE LEMAN INTERNATIONAL SCHOOL S.A.	Switzerland	595,000.00	Chf	CIR S.p.A.	66.39
SORGENIA GROUP					
SORGENIA HOLDING S.p.A.	Italy	139,056,214.00	€	CIR S.p.A.	65.03
SORGENIA S.p.A.	Italy	9,214,353.00	€	SORGENIA HOLDING S.p.A.	81.30
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	United States	22,904,969.00	$USA	SORGENIA S.p.A.	100.00
NOVENTI VENTURES II LP	United States	33,742,044.00	$USA	SORGENIA USA LLC	69.47
SORGENIA E&P S.p.A.	Italy	64,000,000.00	€	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	2,487,761.00	£GBP	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P BULGARIA EOOD	Bulgaria	11,153,100.00	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.	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	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CAGGIANO S.r.l.	Italy	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CAMPAGNA S.r.l.	Italy	110,000.00	€	SORGENIA GREEN S.r.l.	100.00
TORRE MAGGIORE WIND POWER S.r.l.	Italy	75,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA ROMANIA S.r.l.	Romania	48,469,919.00	Ron	SORGENIA GREEN S.r.l.	74.99
				SORGENIA S.p.A	25.01
					100.00

(*) 48.94 % net of own shares held as treasury stock

Name of Company	Registered office	Share Capital	Currency	Parent Companies	% of ownership
EOLIAN MEDGIDIA PESTERA S.r.l.	Romania	790.00	Ron	SORGENIA ROMANIA S.r.l.	98.73
				SORGENIA GREEN S.r.l.	1.27
					100.00
EOLIAN AMZACEA INDIPENDENTA S.r.l	Romania	790.00	Ron	SORGENIA ROMANIA S.r.l.	98.73
				SORGENIA GREEN S.r.l.	1.27
					100.00
WIND PROJECT FALCIU TREI S.r.l.	Romania	790.00	Ron	SORGENIA ROMANIA S.r.l.	98.73
				SORGENIA GREEN S.r.l.	1.27
					100.00
EOLIAN FALCIU UNU S.r.l.	Romania	800.00	Ron	SORGENIA ROMANIA S.r.l.	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	550,343.00	£GBP	SORGENIA INTERNATIONAL B.V.	74.83
MPX (Oil & Gas) Limited	UK	100.00	£GBP	MPX ENERGY LTD	100.00
MPX RESOURCES Limited	UK	10.00	£GBP	MPX ENERGY LTD	100.00
MPX NORTH SEA Limited	UK	10.00	£GBP	MPX ENERGY LTD	100.00
HANNU NORTH SEA Limited	UK	10.00	£GBP	MPX ENERGY LTD	100.00
HANNU EXPLORATION Limited	UK	10.00	£GBP	MPX ENERGY LTD	100.00
SORGENIA FRANCE S.A.	France	2,000,000.00	€	SORGENIA GREEN S.r.l.	100.00
PVP 1 S.r.l.	Italy	90,000.00	€	SORGENIA SOLAR S.r.l.	100.00
SORGENIA CASTELVETERE S.r.l.	Italy	60,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA POLAND B.V.	Netherlands	18,000.00	€	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA RICIGLIANO S.r.l.	Italy	60,000.00	€	SORGENIA GREEN S.r.l.	100.00
CAP ENERGIE	France	10,000.00	€	SORGENIA FRANCE S.A.	100.00
ESPRESSO GROUP					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (*)	Italy	61,534,498.20	€	CIR S.p.A.	53.82
FINEGIL EDITORIALE S.p.A.	Italy	128,799,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	99.78
EDITORIALE LA NUOVA SARDEGNA S.p.A.	Italy	775,500.00	€	FINEGIL EDITORIALE S.p.A.	100.00
S.E.T.A. S.p.A.	Italy	774,750.00	€	FINEGIL 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	60,711,763.84	€	CIR S.p.A.	56.36
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	5,126,737.00	£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.	99.99
SOGEFI PURCHASING S.A.S.	France	100,000,00	€	SOGEFI S.p.A.	100.00
ALLEVARD SOGEFI U.S.A. Inc.	United States	20,055,000	$USA	SOGEFI S.p.A.	100.00

(*) 55.85 % net of own shares held as treasury stock
(**) 55.35% net of own shares held as treasury stock

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Parent Companies*	*% of ownership*
SYSTÈMES MOTEURS S.A.S.	France	54,938,125.00	€	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	29,857,374.00	Real	SOGEFI FILTRATION S.A.	99.99
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	10,691,607.00	Pesos	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	$USA	SOGEFI S.p.A.	100.00
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd	China	15,000,000.00	$USA	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS Ltd	UK	4,000,002.00	£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	600,000.00	Pesos	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	89.97
				ALLEVARD MOLAS DO BRAZIL Ltda	10.00
					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	37,161,683.00	Real	ALLEVARD REJNA AUTOSUSPENSIONS S.A	99.99
				ALLEVARD SPRINGS Co. Ltd	0.01
					100.00
UNITED SPRINGS Ltd	UK	6,500,000.00	£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	11,000,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	90.91
SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd	India	15,940,980.00	Inr	FILTRAUTO S.A.	60.00
ALLEVARD IAI SUSPENSIONS PRIVATE Ltd	India	159,750,000	Inr	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	54.91
SOGEFI ALLEVARD S.r.l.	Romania	210,000.00	Ron	SOGEFI REJNA S.p.A.	100.00
SOGEFI ENGINE SYSTEMS CANADA CORP.	Canada	39,393,000.00	Cad	SYSTÈMES MOTEURS S.A.S	100.00
SOGEFI ENGINE SYSTEMS USA INC.	United States	100.00	$USA	SYSTÈMES MOTEURS S.A.S	100.00
SYSTÈMES MOTEURS CHINA S.à.r.l.	Luxembourg	12,500.00	€	SYSTÈMES MOTEURS S.A.S	100.00
MARK IV AIS MEXICO, S De R.L. de C.V.	Mexico	3,000.00	Mxn	SOGEFI ENGINE SYSTEMS CANADA CORP.	99.97
				SYSTÈMES MOTEURS S.A.S	0.03
					100.00
SYSTÈMES MOTEURS INDIA Pvt. Ltd.	India	106,386,860.00	Inr	SYSTÈMES MOTEURS S.A.S	99.91
				SYSTÈMES MOTEURS CHINA S.à.r.l.	0.09
					100.00
S.C. SYSTÈMES MOTEURS S.r.l.	Romania	7,087,610.00	Ron	SYSTÈMES MOTEURS S.A.S	99.99
				SOGEFI FILTRATION S.A.	0.01
					100.00
SOGEFI ENGINE SYSTEMS HONG KONG Ltd	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	SOGEFI ENGINE SYSTEMS HONG KONG	100.00

KOS GROUP

KOS S.p.A.	Italy	8,565,211.70	€	CIR S.p.A.	51.26
OSPEDALE DI SUZZARA S.p.A.	Italy	120,000.00	€	KOS S.p.A	99.90
MEDIPASS S.r.l.	Italy	700,000.00	€	KOS S.p.A	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.r.l.	100.00
MEDIPASS HEALTHCARE LTD	UK	3,477.00	£GBP	MEDIPASS S.r.l.	89.99

Name of Company	Registered office	Share Capital	Currency	Parent Companies	% of ownership
CLEARMEDI HEALTHCARE LTD	India	2,086,850.00	Inr	MEDIPASS HEALTHCARE LTD	24.44
				MEDIPASS S.r.l.	26.56
					51.00
MEDIPASS HEALTHCARE LEEDS &BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	55.00
HTI LEEDS LTD	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS &BELFAST LTD	100.00
HTI IRELAND LTD	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS &BELFAST LTD	100.00
RESIDENZE ANNI AZZURRI S.r.l.	Italy	27,079,034.00	€	KOS S.p.A	100.00
HSS REAL ESTATE S.r.l.	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	100,826.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	54.00
ARIEL TECHNOMEDICAL S.r.l.	Italy	10,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	51.00
SANATRIX S.r.l.	Italy	843,700.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	76.97
SANATRIX GESTIONI S.r.l.	Italy	300,000.00	€	SANATRIX S.r.l.	99.61
JESILAB S.r.l.	Italy	80,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
FIDIA S.r.l.	Italy	10,200.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
VILLA ROSA S.r.l.	Italy	10,400.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
KOS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	100,000.00	€	KOS S.p.A	4.23
				RESIDENZA ANNI AZZURRI S.r.l.	42.03
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	37.00
				MEDIPASS S.r.l.	2.38
				OSPEDALE DI SUZZARA S.p.A.	2.47
				SANATRIX GESTIONI S.p.A.	2.47
				ABITARE IL TEMPO S.r.l.	5.68
				FIDIA S.r.l.	0.50
				JESILAB S.r.l.	0.50
				ELSIDA S.r.l.	0.27
				VILLA ROSA	2.47
					100.00

CIR INTERNATIONAL GROUP

CIR VENTURES L.P.	United States	23,680,000.00	$USA	CIR INTERNATIONAL S.A.	99.20

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of Company	Registered office	Share Capital	Currency	Parent Companies	% of ownership
CIR GROUP					
DEVIL PEAK S.r.l.	Italy	65,990.00	€	NEXENTI S.r.l.	38.17
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
TECNOPARCO VALBASENTO S.p.A.	Italy	945,000.00	€	SORGENIA S.p.A.	30.00
FIN GAS S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
LNG MED GAS TERMINAL S.r.l.	Italy	27,440,655.00	€	FIN GAS S.r.l	70.00
SORGENIA FRANCE PRODUCTION S.A.	France	10,602,360.00	€	SORGENIA FRANCE S.A.	50.00
PARC ÉOLIEN DE LA VOIE SACRÉE S.a.s.	France	74,000.00	€	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
SAPONIS INVESTMENTS SP ZOO	Poland	532,500.00	Zt (PLN)	SORGENIA POLAND B.V.	26.76
VOLTERRA A.E.	Greece	3,609,402.00	€	SORGENIA GREEN S.r.l.	50.00
SOCIÉTÉ FRANÇAISE DES ALIZÉS S.a.r.l.	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	120,300.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE S.a.s.	France	871,600.00	€	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	53,700.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LEFFINCOURT S.a.s.	France	4,537,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC D'AULNAY L'AÎTRE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.A..	100.00
PARC ÉOLIEN DE BUSSY LE REPOS S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LA TIERACHE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A..	100.00
PARC ÉOLIEN DE PLAINCHAMP S.a.s.	France	3,037,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE BLOMBAY L'ECHELLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE LA VALLE DU DON S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SOURCE DE L'HERBISSONNE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE SEUIL MONT LAURENT S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.A.	100.00
PARC ÉOLIEN DE MAURECHAMPS S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE RAIVAL S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE LA VALETTE S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE VILLER S.a.s.	France	577,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
TIRRENO SOLAR S.r.l.	Italy	100,000.00	€	TIRRENO POWER S.p.A.	100.00
ILIOFANIA A.E.	Greece	300,000.00	€	VOLTERRA A.E.	100.00

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Parent Companies*	*% of ownership*
ESPRESSO GROUP					
LE SCIENZE S.p.A.	Italy	103,400.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	50.00
HUFFINGTONPOST ITALIA S.r.l.	Italy	250,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	49.00
EDITORIALE CORRIERE ROMAGNA S.r.l.	Italy	2,856,000.00	€	FINEGIL EDITORIALE S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
SOGEFI GROUP					
MARK IV ASSET (Shanghai) AUTO PARTS Co. Ltd	China	10,000,000	Rmb	SOGEFI ENGINE SYSTEMS HONG KONG Ltd	50.00
CIR INTERNATIONAL GROUP					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	47.56
SWISS EDUCATION GROUP AG	Switzerland	81,886.00	CHF	CIR INTERNATIONAL S.A.	19.54

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Parent Companies*	*% of ownership*
SORGENIA GROUP					
E-ENERGY S.r.l.	Italy	15,000.00	€	SORGENIA S.p.A.	20.00
EOLICA BISACCIA S.r.l.	Italy	50,000.00	€	SORGENIA GREEN S.r.l.	20.00
OWP PARC ÉOLIEN DU BANC DES OLIVES S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.A.	20.00
RSG B.V.	Netherlands	18,000.00	€	SORGENIA INTERNATIONAL B.V.	33.33
PHOTOVOLTAIQUE DE MARVILLE S.a.s.	France	900.00	€	SORGENIA FRANCE S.A.	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
ECOPARC DES ENERGIES S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.A.	100.00
SORGENIA ASD S.r.l.	Italy	10,000.00	€	SORGENIA GREEN S.r.l.	100.00
ESPRESSO GROUP					
ENOTRYA S.r.l. *(in liquidazione)*	Italy	78,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. *(in liquidazione)*	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.p.A. *(in liquidazione)*	Italy	100,000.00	€	ELEMEDIA S.p.A.	100.00
BENEDETTINE S.r.l. *(in liquidazione)*	Italy	255,000.00	€	FINEGIL EDITORIALE S.p.A.	35.00
PREMIUM PUBLISHER NETWORK CONSORZIO	Italy	53,337.94	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	20.51
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	240,000.00	€	ELEMEDIA S.p.A.	37.50
KOS GROUP					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
CONSORZIO OSPEDALE DI OSIMO	Italy	20,000.00	€	ABITARE IL TEMPO S.r.l.	24.70
CIR INTERNATIONAL GROUP					
PHA – Participations Hotelieres Astor	France	12,150.00	€	CIR INTERNATIONAL S.A.	99.99
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	46.00

(*) Investments which are non-significant, non-operational, or that have been recently acquired, unless stated otherwise

INVESTMENTS IN OTHER COMPANIES

CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
SORGENIA GROUP					
EAL COMPOST S.r.l.	Italy	4,199,981.00	€	SORGENIA BIOENERGY S.p.A.	5.79
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
				FINEGIL 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
(in liquidazione)					
				FINEGIL 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.	FINEGIL EDITORIALE S.p.A.	19.00
AUDIRADIO S.r.l. *(in liquidazione)*	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	7.50
PRESTO TECHNOLOGIES Inc. *(non operativa)*	United States	7,663,998.40	$USA	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	2,200,000.00	€	FINEGIL EDITORIALE S.p.A.	4.32
CONSORZIO EDICOLA ITALIANA	Italy	60,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	16.67
SOGEFI GROUP					
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd	Sudan	900,000.00	Ls.Pt.	SOGEFI REJNA S.p.A.	25.00
AFICO FILTERS S.A.E.	Egypt	11,000,000.00	EGP	SOGEFI REJNA S.p.A.	22.62
KOS GROUP					
FONDO SPAZIO SANITÀ	Italy	18,000,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	1.11
FONDO SPAZIO SANITÀ	Italy	18,000,000.00	€	VILLA ROSA S.r.l.	1.11
FONDO SPAZIO SANITÀ	Italy	18,000,000.00	€	RESIDENZE ANNI AZZURRI S.r.l.	2.78

(*) Investments of less than 20%

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES

NOT INCLUDED IN THE CONSOLIDATED STATEMENTS

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Valuta***	***Parent Companies***	***% of ownership***
CIR GROUP					
FINAL S.A. *(in liquidazione)*	France	2,324,847.00	€	CIGA LUXEMBOURG S.à.r.l.	47.73
CIR INTERNATIONAL GROUP					
FOOD CONCEPT HOLDING S.A.	Luxembourg	5,540,513.00	€	CIR INTERNATIONAL S.A.	19.00

REPORT OF THE BOARD OF STATUTORY AUDITORS

COFIDE S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998

To the Shareholders of COFIDE S.p.A.,

During the year ended 31 December 2012 we performed the surveillance activities required of us by law, according to the Principles of Conduct for Statutory Auditors recommended by the National Council of Business Consultants and Accountants and the guidelines of the Code of Conduct issued by the Corporate Governance Committee of Borsa Italiana S.p.A. In preparing this report, we took account of the above and of the recommendations made by Consob on the matter.

Considering the ways in which we carried out our duties during the year, we can hereby attest that:

– we attended all Meetings held during the year of the Shareholders and the Board of Directors. We obtained from the Directors timely and full information on operations and on the more significant transactions from an economic and financial point of view entered into by the Company and its subsidiaries, in accordance with the law and the articles of association; we attended, through one or more Statutory Auditors, all meetings of the Audit and Risk Committee, the Appointment and Compensation Committee and the Related Party Transactions Committee;
– we obtained the knowledge required to carry out our duties regarding compliance with the law and the articles of association, respect for the principles of sound administration and the adequacy of the Company's organisational structure through direct investigation, collecting data and information from the heads of department involved and from an exchange of key data and information with the independent auditors;
– we exercised the functions of the Board of Statutory Auditors which art. 19 of Legislative Decree no. 39/2010 identifies as those of the "*Internal Control and Audit Committee*";
– pursuant to Decree no. 39/2010, we carried out the surveillance activities indicated therein with reference to the financial reporting process, the effectiveness of internal

control systems, internal audit and risk management, the statutory audit of annual and consolidated accounts and the independence of the firm carrying out the legal audit, by means of direct investigation, obtaining information from the heads of department, and analysing the results of the work carried out by the independent auditors;

- as a consequence, we received the results of the auditors' quarterly checks that the accounts were being kept correctly, we received from the auditors the reports provided by art. 14 and art. 19, paragraph 3, of Legislative Decree no. 39/2010, the *"Annual confirmation of their independence"* pursuant to art. 17, paragraph 9, letter a) of Legislative Decree no. 39/2010 and we analysed, in accordance with art. 17, paragraph 9, letter b) of Legislative Decree no. 39/2010, the risks relating to the independence of the audit firm and the measures taken by it to limit such risks;
- we monitored the effectiveness of the internal control system on subsidiaries and the adequacy of the instructions given to them, also in terms of art. 114, paragraph 2, of Legislative Decree no. 58/1998;
- we checked that the rules of corporate governance foreseen in the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A. were being put into practice by the Company;
- we monitored compliance with the Procedure for related-party transactions;
- we checked that the supervisory bodies of the company's subsidiaries did not have any significant matters to communicate;
- we checked that the provisions of current law and regulations were being complied with in the preparation and format of the separate and consolidated financial statements, including all accompanying documents, which include, among other things, the information referred to in the regulations issued jointly by the Bank of Italy, Consob and Isvap;
- we verified that the testing procedure set up to check whether any assets had suffered impairment were adequate from a methodological viewpoint, particularly with reference to the energy sector of the Group;
- we verified that the Report on Operations for the year was in accordance with the laws and regulations and consistent with the resolutions adopted by the Board of Directors.

During the course of our surveillance activity, carried out as explained above, no significant facts emerged requiring notification to the Supervisory Bodies nor do we have any proposals to make regarding the financial statements, their approval or any other matters relating to our mandate.

* * *

The specific indications that this report has to provide are listed below, in accordance with Consob Communique of 6 April 2001 and subsequent updates.

- We obtained sufficient information on the more significant transactions from an economic and financial viewpoint entered into by the Company and subsidiaries, checking that they were in accordance with the law and the articles of association; the Directors have made adequate disclosures about 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 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 articles of association, 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's assets and safeguarding minority shareholders; the periodic checks and controls carried out in the Company offices did not reveal that any atypical and/or unusual transactions had been carried out.
- In the report on operations, the Directors have given adequate information on the main transactions entered into between COFIDE S.p.A., the companies belonging to the Group and/or related parties, stating that these transactions took place at "arm's-length" (i.e. normal market) conditions, also considering the quality and type of services provided; the documents accompanying the separate financial statements for 2012 give the appropriate balance sheet details and economic effects.

- Today, Deloitte & Touche S.p.A. issued its audit reports on the separate and consolidated financial statements for the year ended 31 December 2012, including their opinion regarding their consistency as required by art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, without any objections or highlighting any particular matters; consequently, we do not have any comments or proposals to make.
- In 2012, we received a complaint pursuant to art. 2408 of the Civil Code, presented at the time of the Shareholders' Meeting called to approve the financial statements at 31 December 2011 and explained in the related minutes, concerning the methods and procedures for participating in the AGM as per art. 125-*bis,* paragraph 4, letter b), no. 1), of Legislative Decree no. 58/1998. After making the necessary investigations, we came to the conclusion that the complaint was unfounded.
- During the year ended 31 December 2012, COFIDE S.p.A. appointed the independent auditors to carry out non-audit services relating to verification activities with a view to issuing certificates, for fees totalling Euro 2,000. During the same year, the subsidiaries appointed the independent auditors to carry out non-audit services involving verification activities with a view to issuing certificates, for fees totalling Euro 197,000 and other services, for fees totalling Euro 85,000. The subsidiaries of COFIDE S.p.A. also appointed entities belonging to the Deloitte network to perform other services for fees totalling Euro 604,000. These fees are appropriate for the size and complexity of the work performed and do not appear to be of such a size as to affect the independence and autonomy of the auditors in carrying out their audit functions;
- During the year, we issued opinions in accordance with art. 2389 of the Civil Code.
- During 2012, the Board of Directors met 7 times, the Audit and Risk Committee met 5 times, the Appointment and Compensation Committee met once and the Related Party Transactions Committee met once; the Board of Statutory Auditors met 9 times during the year.
- We have no particular observations to make either concerning compliance with the principles of correct administration, because these appear to have been constantly observed, nor concerning the adequacy of the organisational 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 meetings of the Audit and Risk Committee, all of which were attended by a member of the Board of Statutory Auditors.
- We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly. As regards the accounting information contained in the separate and consolidated financial statements at 31 December 2012, it has been 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 Legislative Decree no. 58/1998 and art. 81-*ter* of Consob Regulation no. 11971 of 14 May 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 fulfillment of communication obligations required by law.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the Independent Auditors, no aspects emerged that need 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, also prepared in accordance with art. 123-*bis* of Legislative Decree no. 58/1998. To the extent of our responsibilities, we have monitored the way in which the rules of corporate governance, required by the Code of Conduct 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 for Directors. In relation to the matters laid down in Legislative Decree no. 231/2001, the Company has adopted, implemented and maintained an "Organisational Model" of behaviour and regulation of the activity,

and set up the Supervisory Body as provided for in the legislation. The Company has also adopted a Code of Ethics.

- Our surveillance activity was carried out on a routine basis during 2012 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.

On completion of the surveillance activity that we carried out during the year, we do not have any proposals to make as per art. 153, paragraph 2, of Legislative Decree no. 58/1998 regarding the separate financial statements at 31 December 2012, on their approval or on any other matter within our area of responsibility, just as we have no observations to make on the allocation of the net profit for the year proposed by the Board of Directors.

5 April 2013

THE BOARD OF STATUTORY AUDITORS

Vittorio Bennani – Chairman of the Board of Statutory Auditors

Riccardo Zingales – Statutory Auditor

Tiziano Bracco – Statutory Auditor

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
COFIDE – Gruppo De Benedetti S.p.A.

1. We have audited the 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, 2012, 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 April 4, 2012.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, 2012.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of COFIDE Group as of December 31, 2012, 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 COFIDE Group as of December 31, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
April 5, 2013

This report has been translated into the English language solely for the convenience of international readers.