CONSOLIDATED FINANCIAL STATEMENTS, SEPARATE FINANCIAL STATEMENTS AND REPORT ON OPERATIONS 2013

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

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CONTENTS

This Annual Report and Financial Statements as of 31 December 2013 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.

ADMINISTRATIVE BODIES

BOARD OF DIRECTORS

Honorary Chairman and Director	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI **(*)**
Directors	SILVIA CANDIANI LAURA CIOLI **(1)** FRANCESCA CORNELLI **(2)** MASSIMO CREMONA **(1) (2) (3)** EDOARDO DE BENEDETTI MARCO DE BENEDETTI PAOLA DUBINI **(1) (2)** PIERLUIGI FERRERO FRANCESCO GUASTI JOSEPH OUGHOURLIAN ROBERTO ROBOTTI **(2)**
Secretary to the Board	MASSIMO SEGRE

BOARD OF STATUTORY AUDITORS

Chairman	VITTORIO BENNANI
Statutory Auditors	TIZIANO BRACCO RICCARDO ZINGALES
Alternate Auditors	LUIGI NANI LUIGI MACCHIORLATTI VIGNAT PAOLA ZAMBON

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

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

(*) Powers as per Corporate Governance
(1) Member of the Appointments and Compensation Committee
(2) Member of the Internal Control and Risks Committee
(3) Lead Independent Director

COFIDE – GRUPPO DE BENEDETTI S.p.A.
Milano – Via Ciovassino 1
Share Capital: Euro 359,604,959.00 fully paid up – Company Register and Tax Code. No. 01792930016
Company subject to management and coordination by Carlo De Benedetti & Figli S.a.p.A.

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders are invited to attend the Ordinary General Meeting of the Shareholders on June 28 2014 at 3.00 p.m., at the first call, in the Palazzo delle Stelline Congress Centre, Corso Magenta 61, Milan and, if necessary, at the second call on **June 30 2014, same time and place**, to discuss and pass resolution on the following

AGENDA

1. Annual Report and Financial Statements for the year ended December 31 2013. Resolutions on the same.
2. Appointment of the Board of Statutory Auditors for the years 2014-2016 and decisions as to their fees.
3. Appointment of Directors or reduction of the number of members of the Board of Directors. Resolutions pertaining to and resulting from the same.
4. Proposal to cancel the resolution of April 29 2013 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
5. Compensation Report.

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 BY PROXY

Entitlement to take part in the Meeting and exercise a vote is attested by a notification – made by an authorized intermediary as per the terms of Art. 22 of Joint Consob-Bank of Italy Measure of October 22 2013 – in favour of the individual who has the right to vote based on evidence available at the close of business Thursday June 19 2014, the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting. Any persons who obtain 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 the above-mentioned Measure, 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. If the proxy gives or sends the Company a copy of the proxy form, he or she must certify under his or her own responsibility that the copy corresponds to the original and confirm the identity of the person appointing such proxy.

In accordance with legislation on the subject, Shareholders can, without incurring any charges, appoint as proxy Studio Segre S.r.l. as the Representative Designated by the Company as per the terms of Art. 135-*undecies* of D.Lgs no. 58/1998 and subsequent amendments and additions ("TUF"). The proxy is appointed by signing the appropriate form available in the above-mentioned section of the website. The signed document must be sent to the Designated Representative 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 Shareholders' Meeting even at the second call (i.e. by Thursday June 26 2014 for both the first and 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 dates by which they must be given.

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 either the certification issued by an authorized intermediary proving that they are entitled to exercise this right or the notification attesting their entitlement to attend the Shareholders' Meeting and to exercise their right to vote. Questions must be received by the close of the third day preceding the date fixed for the first call of the meeting, i.e. by June 25 2014.

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

As per the terms of Art. 126-*bis* of the TUF, Shareholders representing even jointly at least one fortieth of the share capital may request, within ten days of the publication of this notice, an addition to the items on the Agenda to be dealt with, indicating in their request the further items proposed, or they may submit proposed resolutions 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, as per the terms of the law, vote on a proposal made by the Directors or on a plan or a report prepared by the same, other than those included in Art. 125-*ter*, paragraph 1 of the TUF.

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. Notice will be given of any additions to the Agenda and of any new proposed resolutions in the same form as those on this notice of meeting, at least fifteen days before the date fixed for first call of the Shareholders' Meeting, by which time the report prepared by the proposers of the same will be made available to the public.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

With reference to the second item on the Agenda, Shareholders are informed that with the coming General Meeting the mandate of the Board of Statutory Auditors will come to an end; new members will therefore have to be appointed at that same meeting for the years 2014-2016, as per the terms of Art. 148 of the TUF and of Art. 22 of the Company Bylaws to which reference should be made.

The Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders which list the candidates in numerical order. Each list consists of two sections: one for the candidates for the position of Statutory Auditor and the other for the candidates for the position of Reserve Auditor.

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

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 June 3 2014 and will be published in accordance with current regulations.

If by the final date for the presentation of lists only one list has been filed, or only lists presented by Shareholders who are related as per the terms of the rules applicable, pursuant to Art. 144-*sexies* of the Rules for Issuers approved with Consob Resolution no. 11971 and subsequent amendments and additions, lists can be presented until the third day following that date, i.e. by June 6 2014. In this case the limit for the presentation of lists is reduced by one half and thus to 1.25% (one point two five percent) of the share capital.

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 each section.

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 June 7 2014 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 that they accept their candidature, providing a list of any positions of director or statutory auditor that they hold in other Companies.

If only one list is presented or admitted to the voting, all the members of the Board of Statutory Auditors will be drawn from that list.

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

APPOINTMENT OF DIRECTORS OR REDUCTION OF THE NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS

With reference to the third item on the Agenda, for the purpose of making up the full number of the Board of Directors, it should be noted that the appointment of replacement directors will take place as per the terms of Art. 2386 of the Civil Code, without application of the list vote mechanism.

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, will be available to the public as per the terms of the law at the Company's Registered Office (in Milan, Via Ciovassino 1) and on the Company's website www.cofide.it in the section Corporate Governance. Shareholders may obtain a copy of this documentation. Documents published after May 19 2014 will also be available through the authorized storage mechanism 1INFO.
The Company Bylaws are available on the Company website www.cofide.it in the section Corporate Governance.

Milan, May 17 2014

For the Board of Directors
The Chairman – Rodolfo De Benedetti

Shareholders,

The Cofide Group made a consolidated net loss of € 130.4 million in 2013, compared with a loss of € 56.3 million in 2012.
The consolidated result was essentially attributable to subsidiary CIR, which reported a net loss of € 131.5 million (net loss of € 14.9 million in 2012).

The consolidated net loss of the CIR Group was € 269.2 million in 2013 (€ 30.4 million in 2012), of which € 236.6 million related to non-recurring items.
In particular, during the year Sorgenia adjusted the value of its assets to the changing scenario of the energy market and new strategic objectives laid down in the business plan approved by Sorgenia's Board of Directors at the end of 2013. In addition to the write-downs recorded in Sorgenia's financial statements, valuation adjustments were booked by Sorgenia Holding and by CIR S.p.A. that led to the investment in Sorgenia Group being written down to zero. The combined effect on CIR's consolidated financial statements was a loss of € 491.0 million after tax and net of minority interests. The final judgement of the Supreme Court concerning the "Lodo Mondadori" proceedings, net of legal fees and taxes, had a positive effect on the consolidated net result of € 344.2 million. Excluding the effects of non-recurring items, the consolidated net result of CIR would have been a loss of € 32.6 million, broadly in line with the previous year.
The contribution made by the operating subsidiaries to consolidated net earnings was a loss of € 516.8 million; excluding the write-downs made by the Sorgenia Group, the contribution would have been negative for € 25.8 million. KOS achieved net income in line with the previous year, Espresso reported a decrease in earnings, though it managed to maintain a positive result despite the serious crisis facing the publishing industry, while Sorgenia's income was affected by higher interest expense and restructuring costs. The positive contribution of the holding company CIR (including the non-operating subsidiaries) was € 247.6 million compared with a profit of € 5 million in 2012. Prior to non-recurring items, CIR posted a net loss of € 6.8 million.

Group equity at 31 December 2013 was € 535.9 million versus € 650.4 million at 31 December 2012.

At 31 December 2013, the consolidated net debt of Cofide, the parent company, stood at € 31.0 million (€ 34.4 million at 31 December 2012).

Cofide S.p.A., the parent company, closed 2013 with net income of € 1.1 million, compared with € 4.7 million in 2012.

The operating subsidiaries are active in the following areas: energy (electricity and gas), media (publishing, radio, internet and television), automotive components (engine systems and suspension components) and healthcare (care homes, rehabilitation centres and high-tech services).

In order to provide further information on the financial performance of Cofide in 2013, 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)

	2013	*2012 (*)*
Contributions of investments in subsidiaries and associates:		
- Cir S.p.A.	(131.5)	(14.9)
- Euvis S.p.A.	--	(1.8)
TOTAL CONTRIBUTIONS	**(131.5)**	**(16.7)**
Write-down of goodwill for impairment	-	(35.4)
Net gains and losses on trading and the valuation of securities	4.0	0.1
Net financial income and expense	(0.7)	(1.3)
Net operating costs	(2.1)	(3.0)
RESULT BEFORE TAXES	**(130.3)**	**(56.3)**
Income taxes	(0.1)	--
NET RESULT	**(130.4)**	**(56.3)**

(*) Certain figures for 2012 have been restated following the application of the amendment to IAS 19 - Employee Benefits.

The **statement of financial position** at 31 December 2013 shows equity of € 535.9 million, Parent Company net debt of € 31.0 million and long-term financial assets of € 567.4 million.

(in millions of euro)

	31.12.2013	*31.12.2012 (*)*
Cir S.p.A.	552.4	667.2
Euvis S.p.A.	-	0.2
LONG-TERM EQUITY INVESTMENTS	**552.4**	**667.4**
Other long-term financial assets	15.0	15.8
TOTAL LONG-TERM FINANCIAL ASSETS	**567.4**	**683.2**
Tangible assets	1.2	1.2
Net receivables and payables	(1.7)	0.4
NET INVESTED CAPITAL	**566.9**	**684.8**
Financed by:		
Equity	**535.9**	**650.4**
Net financial debt	**(31.0)**	**(34.4)**

(*) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

"Other financial assets" consist entirely of the investment made by Cofide in the Jargonnant real estate fund, which at 31 December 2013 amounted to € 15.0 million. The reduction from € 15.8 million at 31 December 2012 was principally due to the distributions made during the year.

1. Performance of the Group

Consolidated revenues for 2013 amounted to € 4,752.0 million compared with € 4,988.1 million in 2012, a decrease of € 236.2 million (-4.7%).

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

(in millions of euro)	*2013*	*%*	*2012*	*%*	*Change* absolute	%
Energy						
Sorgenia Group	2,326.0	49.0	2,497.4 (*)	50.1	(171.4)	(6.9)
Media						
Espresso Group	711.6	15.0	812.7	16.3	(101.1)	(12.4)
Automotive components						
Sogefi Group	1,335.0	28.1	1,319.2	26.4	15.8	1.2
Healthcare						
Kos Group	372.5	7.8	355.4	7.1	17.1	4.8
Other sectors	6.9	0.1	3.4	0.1	3.5	102.9
Total consolidated revenues	4,752.0	100.0	4,988.1	100.0	(236.1)	(4.7)
of which: ITALY	3,347.0	70.4	3,394.7	68.1	(47.7)	(1.4)
OTHER COUNTRIES	1,405.0	29.6	1,593.4	31.9	(188.4)	(11.8)

(*) Starting in 2013, the Sorgenia Group now shows revenues net of excise duty. We have recalculated the 2012 figure for comparison purposes.

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

(in millions of euro)	*2013*	*%*	*2012 (*)*	*%*
Revenues	4,752.0	100.0	4,988.1	100.0
Consolidated EBITDA *(1)*	**(40.4)**	**(0.8)**	**310.6**	**6.2**
Consolidated operating income (EBIT)	**(902.8)**	**(19.0)**	**27.3**	**0.6**
Financial management *(2)*	(159.6)	(3.3)	(108.7)	(2.2)
Non-recurring income (expense)	491.3	10.3	--	
Income taxes	(188.9)	(4.0)	(31.6)	(0.6)
Net income including minority interests	**(760.0)**	**(16.0)**	**(113.0)**	**(2.2)**
Minority interests	629.6	13.3	56.7	1.1
Net income of the Group	**(130.4)**	**(2.7)**	**(56.3)**	**(1.1)**

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 figures for 2012 have been restated following the application of the amendment to IAS 19 - Employee Benefits and following the change in presentation of excise duty by Sorgenia Group.

Consolidated EBITDA in 2013 was negative for € 40.4 million compared with a positive amount of € 310.6 million in 2012, a decrease of € 351 million. This was heavily penalised by non-recurring costs of € 385.7 million, mainly attributable to impairment charges against assets of Sorgenia Group. **EBITDA before non-recurring items** amounted to € 345.3 million.

Consolidated EBIT in 2013 was negative for € 902.8 million compared with a positive € 27.3 million in 2012. **EBIT before non-recurring items**, largely attributable to the Sorgenia Group, amounted to € 131 million. This was substantially in line with the EBIT before non-recurring items reported in the prior year.

Financial management generated a net charge of € 159.6 million compared with one of € 108.7 million in 2012. In detail:

- net financial expense came to € 155.8 million compared with € 128.4 million in 2012;
- negative adjustments to financial assets of € 16.3 million have also been recorded compared with positive adjustments of € 8.9 million in 2012;
- net gains on trading and the valuation of securities amounted to € 12.5 million compared with € 10.8 million in 2012.

Accounting recognition in the income statement of the definitive compensation received from Fininvest for the "Lodo Mondadori" involved booking the total gross revenue (i.e. including capital, appreciation, interest and expenses) to a specific item of **non-recurring income** located just after the result of financial management and before income taxes.

The **condensed consolidated statement of financial position of the Cofide Group** at 31 December 2013, with comparative figures at 31 December 2012, is as follows:

(in millions of euro)	*31.12.2013*	*31.12.2012 (*)*
Fixed assets	3,270.3	4,251.5
Other net non-current assets and liabilities	52.6	243.9
Net working capital	139.2	340.9
Net invested capital	**3,462.1**	**4,836.3**
Net financial debt	**(1,876.3)**	**(2,537.7)**
Total equity	**1,585.8**	**2,298.6**
Equity of the Group	535.9	650.4
Minority interests	1,049.9	1,648.2

(*) Certain figures at 31 December 2012 were restated due to the application of the amendment to IAS 19 - Employee Benefits and to reclassifications made by Sogefi Group as disclosed in the notes.

Net invested capital at 31 December 2013 came to € 3,462.1 million versus € 4,836.3 million at 31 December 2012, a decline of € 1,374.2 million, due to the write-downs made during the year (mainly by the Sorgenia Group), amortisation and depreciation for the period and the reduction in working capital.

The **consolidated net financial position** at 31 December 2013 showed net debt of € 1,876.3 million (a decrease of € 661.4 million compared with € 2,537.7 million at 31 December 2012) caused by:

- debt of € 31.0 million for Cofide, the parent company, compared with € 34.4 million at 31 December 2012;
- a financial surplus for CIR and other holding companies of € 538.0 million, which compares with € 33.2 million at 31 December 2012. The increase is mainly due to definitive recognition of the compensation under the "Lodo Mondadori";

- total net debt of the operating groups of € 2,383.3 million compared with € 2,536.5 million at 31 December 2012. The decrease of € 153.2 million essentially came from the sale of assets and higher flows generated by operations.

Total equity at 31 December 2013 came to € 1,585.8 million compared with € 2,298.6 million at 31 December 2012, a decrease of € 712.8 million.

Equity of the Group went from € 650.4 million at 31 December 2012 to € 535.9 million at 31 December 2013, a net decrease of € 114.5 million.

Minority interests went from € 1,648.2 million at 31 December 2012 to € 1,049.9 million at 31 December 2013, a net decrease of € 598.3 million, which includes minority interests' share of write-downs of the Sorgenia Group.

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

The **consolidated statement of cash flows** for 2013, 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)	*2013*	*2012 (*)*
SOURCES OF FUNDS		
Net result for the period including minority interests	(760.0)	(113.0)
Amortisation, depreciation, write-downs and other non-monetary changes	1,160.2	416.7
Self-financing	**400.2**	**303.7**
Change in working capital and other non-current assets and liabilities	**364.0**	**(168.2)**
CASH FLOW GENERATED BY OPERATIONS	**764.2**	**135.5**
Increases in capital	3.2	24.9
TOTAL SOURCES OF FUNDS	**767.4**	**160.4**
APPLICATIONS OF FUNDS		
Net investment in fixed assets	(142.7)	(204.7)
Price paid for business combinations	-	(6.5)
Net debt of acquired companies	-	0.5
Buy-back of own shares	(1.1)	(3.3)
Payment of dividends	(12.0)	(39.6)
Other changes in equity	49.8	(84.2)
TOTAL APPLICATIONS OF FUNDS	**(106.0)**	**(337.8)**
FINANCIAL SURPLUS (DEFICIT)	**661.4**	**(177.4)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(2,537.7)**	**(2,360.3)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(1,876.3)**	**(2,537.7)**

(*) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

A breakdown of the net financial position is given in the notes to the financial statements. The net financial position, excluding that of the Energy sector, about € 1,855 million, is borrowing of around € 21 million.

The **financial surplus** for the period amounted to € 661.4 million, an improvement of € 838.8 million on the deficit of € 177.4 million reported last year. Net of "Lodo Mondadori", the improvement in the financial balance was of € 347.5 million.

At 31 December 2013 the CIR Group had 14,114 employees, compared with 13,944 at 31 December 2012.

2. *Performance of the Parent Company*

The Parent Company Cofide S.p.A. closed 2013 with net income of € 1.1 million compared with € 4.7 million in 2012, and equity of € 557.3 million at 31 December 2012 (€ 557 million at 31 December 2012).

The **condensed income statement** of Cofide S.p.A. for 2012, with comparative figures from 2013, is as follows:

(in millions of euro)

	2013	*2012*
Net operating costs *(1)*	(1.6)	(2.4)
Other operating costs, amortisation and depreciation *(2)*	(0.5)	(0.6)
Financial management *(3)*	3.3	7.7
Result before taxes	**1.2**	**4.7**
Income taxes	(0.1)	--
Net result	**1.1**	**4.7**

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 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..

Financial management generated € 3.3 million, compared with € 7.7 million in the prior year. The reduction was due to the absence of a dividend from CIR, which contributed € 9.1 million in the prior year, as partially offset by gains on securities trading and measurement adjustments totalling € 4 million.

The **condensed statement of financial position** of Cofide S.p.A. at 31 December 2013, with comparative figures as at 31 December 2012, is as follows:

(in millions of euro)

	31.12.2013	*31.12.2012*
Fixed assets *(1)*	575.0	575.3
Other net non-current assets and liabilities*(2)*	14.9	15.5
Net working capital *(3)*	(1.6)	0.6
Net invested capital	**588.3**	**591.4**
Net financial position *(4)*	**(31.0)**	**(34.4)**
Equity	**557.3**	**557.0**

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" in current liabilities in the statement of financial position of Cofide S.p.A., the Parent Company.

At 31 December 2013, the consolidated net debt of Cofide, the parent company, stood at € 31 million (€ 34.4 million at 31 December 2012).

The change in equity from € 557 million at 31 December 2012 to € 557.3 million at 31 December 2013 reflects the net result for the period, € 1.1 million, net of the change in the fair value reserve € 0.8 million).

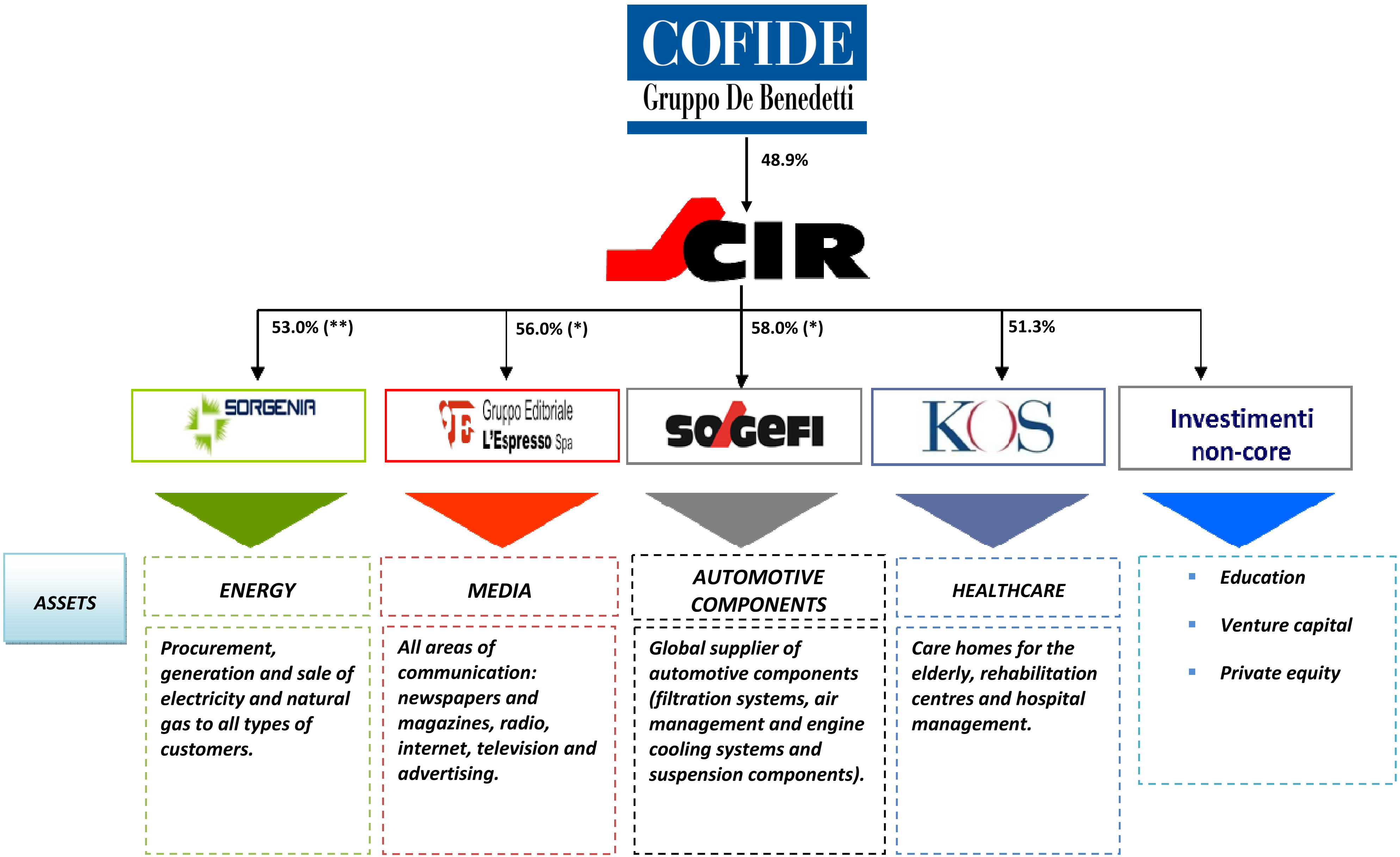
3. *Reconciliation of the Parent Company's financial statements with the consolidated financial statements*

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 31.12.2013	*Net result 2013*
Financial statements of Cofide S.p.A. (Parent Company)	557,282	1,118
- Dividends from consolidated companies	-	-
- Net contribution of consolidated companies	56,939	(131,478)
- Difference between the carrying values of investee companies and the portions of their equity included in the consolidation, net of their contributions	(78,333)	-
- Other consolidation adjustments	-	-
Consolidated financial statements (Group share)	535,888	(130,360)

MAIN GROUP INVESTMENTS
AT 31 DECEMBER 2013



(*) The percentage is calculated net of treasury shares.
(**) Percentage of indirect control through Sorgenia Holding.

4. Performance of the subsidiaries

CIR GROUP - The CIR Group reported a consolidated net loss of € 269.2 million in 2013 (€ 236.6 million of which from non-recurring items), compared with a consolidated net loss of € 30.4 million in 2012. As mentioned, this result reflects the writedowns recorded by the Sorgenia Group, as well as the impairment adjustments recorded by Sorgenia Holding and CIR S.p.A. These wrote down the value of the investment in the Sorgenia Group to zero, with an adverse effect on the consolidated financial statements of the CIR Group of € 491 million, after taxation and minority interests. The results for the year benefited from finalisation of the Lodo Mondadori affair, which contributed € 344.2 million (net of legal expenses and taxation).

The contributions made to the consolidated net result and equity of the CIR Group are summarised below by sector:

(in millions of euro)

	2013	*2012*
CONTRIBUTIONS TO NET RESULT		
Sorgenia Group	(537.2)	(70.3)
Espresso Group	2.1	12.2
Sogefi Group	12.2	16.5
Kos Group	6.1	6.2
Total for main subsidiaries	**(516.8)**	**(35.4)**
Other subsidiaries	(6.4)	(3.0)
CIR and other holding companies	**(0.4)**	**8.9**
Non-recurring items	254.4	(0.9)
Net result of the Cir Group	**(269.2)**	**(30.4)**

The contribution made by the four main operating subsidiaries to the net result for 2013, excluding the write-downs made by the Sorgenia Group, was negative for € 25.8 million.
The contribution of the holding company CIR (including the non-operating subsidiaries) was € 247.6 million compared with a profit of € 5 million in 2012. Prior to non-recurring items, CIR posted a net loss of € 6.8 million.

Consolidated equity went from € 1,363.3 million at 31 December 2012 to € 1,131.0 million at 31 December 2013, a net decrease of € 232.3 million.

(in millions of euro)

	31.12.2013	*31.12.2012*
CONTRIBUTIONS TO EQUITY		
Sorgenia Group	0.1	502.5
Espresso Group	313.5	310.5
Sogefi Group	97.7	105.2
Kos Group	123.2	118.7
Other subsidiaries	(3.2)	2.9
Total subsidiaries	**531.3**	**1,039.8**
CIR and financial holding companies	**599.7**	**323.5**
- invested capital	61.7	290.3
- net financial position	538.0	33.2
Equity of the Cir Group	**1,131.0**	**1,363.3**

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

ENERGY

In 2013 the Sorgenia Group had consolidated revenues of € 2,326 million, a 6.9% decrease on 2,497.5 million of 2012, mainly because of the contraction of the electricity segment.

The results of the Sorgenia Group in 2013 were heavily penalised by significant write-downs. These were made in relation to the difficult economic and sector-based environment and as a result of regulatory changes. In particular, Sorgenia has written down its international E&P assets, goodwill in the renewable energy business, the combined-cycle power plants, the consolidated investments carried at equity (in particular Energia Italiana/Tirreno Power) and a portion of its trade receivables.

In view of this, the Sorgenia Group made a net loss in 2013 of € 783.4 million compared with a loss of € 196.8 million in 2012.

Net of non-recurring items, EBITDA came to € 123.4 million, being a slight increase compared with 2012. The increase is due in particular to an improvement in certain specific sectors, such as the market for dispatching services, and to a reduction of fixed costs. EBITDA after write-downs amounts to -€ 226 million (€ 57.1 million for 2012). The write-downs at the EBITDA level are mainly due to Energia Italiana/Tirreno Power; the other write-downs include adjustments to other investments consolidated under the equity method and provisions for doubtful receivables.

Consolidated net debt, excluding the impact of cash flow hedge components, amounted to € 1,799.5 million at 31 December 2013, a decrease of € 60 million compared with € 1,861.6 million at 31 December 2012.

At 31 December 2013 the Sorgenia Group had 402 employees, down from 451 at 31 December 2012.

In the light of this scenario and the extent of its borrowings, Sorgenia decided at the end of 2013 that it had to negotiate a debt restructuring with its financing banks, at the same time filing a request for a debt moratorium and standstill to ensure the ability to continue full business operations.

At the same time, Sorgenia presented a new business plan up to 2020, which focuses on electricity generation (through its four combined-cycle plants), business development in the corporate market, a reduction in operating costs and the disposal of non-strategic assets. Negotiations concerning the debt restructuring began in January 2014 and are still ongoing.

MEDIA

In 2013, the ongoing economic downturn has had a significant impact on the publishing industry, which posted negative trends in both advertising revenues and circulation figures for newspapers and magazines. Advertising expenditure fell by 12.3% compared with 2012, according to the Nielsen Media Research figures. All traditional media reported significant downturns in their advertising revenues: press (-21.2%), television (-10.0%) and radio
(-9.3%). After years of sustained growth, the Internet experienced a setback (-1.8% excluding search engines as they are not detected by Nielsen).

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: internal estimates based on the figures published by ADS (Accertamento Diffusione Stampa) show a 10.1% decline in daily newspaper sales in 2013.

Circulation revenues amounted to € 248.0 million, a decrease of 5.8% on last year (€ 263.2 million), in a market that is continuing to see a significant reduction in the circulation of daily newspapers (-10.1%). Good performances by the Group's publications compared with its reference market segments continued in 2013. Based on the latest figures from Audipress (Survey 2013/III) and ADS (December 2013), *la Repubblica* is still Italy's leading newspaper in terms of average daily readership (2.8 million) and copies sold (newsstands, subscriptions and other official channels). The company is still developing digital versions of the newspaper and in December 2013 it had more than 75,000 subscribers. The network of local newspapers, again according to the latest figures from Audipress, has an average daily readership of 3 million, while L'Espresso is in first place among newsmagazines with 2 million readers. Altogether, at the end of December the Group has more than 96 thousand subscribers to the digital editions of all its newspapers.

Advertising revenues, which amounted to € 403.0 million, suffered a 15.4% downturn on 2012. By segment, the press reported a decrease in advertising revenues of 19.5%, falling by less than the sector as a whole (-21.2%); the decrease was higher for magazines and lower for local newspapers. The Group's radio stations also suffered considerably (-9.5%), in line with the sector as a whole (-9.3%). Lastly, the internet is substantially stable (-0.9%), in a market that turned in a slight decline (-1.8%).
In this regard, it is worth pointing out the excellent trend in the number of visitors to the Group's websites: on average, they had 1.8 million unique daily users, an increase of 4% compared with 2012 (source: AWDB, excluding tablet and smartphone users). In particular, Repubblica.it has registered 1.4 million unique users on an average day, confirming its position as the first news website in Italian language and raising its lead on the second information site to +24% (AWDB data); the websites of local newspapers have also shown significant growth with a 17% increase in audience.

Other revenues, at € 27.0 million, remained stable compared with 2012 (€ 28.6 million).

Total costs have been reduced by 9.6%; excluding digital publishing and DTT, where costs are rising to support their development, there has been a 11.2% reduction thanks to further rationalisation, especially in the industrial and administrative areas,

Consolidated EBITDA came to € 63.5 million versus € 102.4 million in 2012; the company charged € 16.8 million of restructuring expenses.
The decline in EBITDA mainly concerned the activities more heavily exposed to the advertising market on the radio and national newspapers; local newspapers, on the other hand, have shown a good level of resilience in their EBITDA, with any decline in sales being fully offset by cost reductions.

Consolidated EBIT amounted to € 31.3 million compared with € 60.4 million the previous year.

Consolidated net debt at 31 December 2013 amounted to € 73.5 million, a further improvement on € 108.1 million at 31 December 2012, with a financial surplus of € 34.6 million.
With the ten-year bond nearing maturity (in October 2014), the process of refinancing the Group was concluded in April 2014 with the issue of a convertible five-year bond, for a nominal value of € 100 million, at an interest rate of 2.625% and a conversion price set at € 2.1523 per share.

At the end of December 2012, the Group had 2,425 employees, including those on fixed-term contracts, 111 fewer than at 31 December 2012. The average number of employees during the period was 4.7% lower than the previous year, down from 2,614 to 2,492 employees.

The Shareholders' Meeting of Gruppo Editoriale L'Espresso (parent company), held on 16 April 2014, resolved not to distribute any dividend for 2013.

For 2014, the guidelines for management of the Group remain the same: maintaining the success of traditional products, reducing their costs, developing digital television and enhancing television assets.
The Group has embarked on new and incisive measures to reduce costs.
As regards the enhancement of television assets, note that on 9 April 2014 the Espresso Group signed an agreement relating to a possible integration between the network operator activities of the subsidiary Rete A and Telecom Italia Media Broadcasting (TIMB), which is controlled by Telecom ltalia Media. This deal, with is only subject to AGCOM authorisation, will give rise to the main independent network operator in Italy, with five digital multiplexes with national coverage and high capillarity based on the latest technologies.
As regards the results expected for the whole of 2014, visibility remains limited as they are heavily dependent on how the advertising market evolves, where there are still signs of uncertainty: radio is on the upswing, but trends in print advertising remain critical.

AUTOMOTIVE COMPONENTS

In 2013, Sogefi achieved an increase in revenues of over € 1.3 billion (+1.2% compared with 2012 and +5.5% at constant exchange rates) with margins expanding, even in a context of unfavourable exchange rates and at a time of intense restructuring.
This result was achieved thanks to a better product mix and a strategy of focusing on non-European countries, North America and Asia in particular, though it was also due to the stabilisation of the European market, above all in the second half of the year.
Regarding the overall performance of the automotive market in 2013, we saw a significant rise in new car registrations in the United States (+7.5% on 2012) and in China (+17%) and a more modest growth in Mercosur (+1.6%), which compensated for the weakness of the European market (-1.7%).

In this context, in 2013, the Sogefi Group achieved revenues of € 1,335 million, with a slight increase on € 1,319.2 million of the previous year (+1.2% and +5.5% at constant exchange rates). This figure benefits above all from the positive trend in overseas markets, particularly in North America and Asia, with revenue increases of 24.5% and 27.1% on 2012; as well as from the performance achieved in the fourth quarter, when it posted consolidated revenue +3.3% up on the previous year (+8.6% at constant exchange rates).

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

(in millions of euro)	*2013*		*2012*		*Change*
	Amounts	*%*	*Amounts*	*%*	*%*
Engine systems	818.6	61.4	792.6	60.1	3.3
Suspension components	518.6	38.8	528.6	40.1	(1.9)
Intercompany	(2.2)	(0.2)	(2.0)	(0.2)	n.a.
TOTAL	1,335.0	100.0	1,319.2	100.0	1.2

The incidence of non-European markets on total Group revenues was 36%, up by 2 percentage points on 2012 (it would have been 38% net of the exchange rate effect). The performance in South America was also positive with revenues that, net of the exchange rate effect, would have grown more than the reference market thanks to Sogefi's strong competitive position. In Europe, Sogefi reported revenues of € 859.3 million, down 2.0% on last year, in line with the market.

The group stepped up its efficiency drive in 2013 because of the continued weakness in European markets, with the aim of bring production into line with the lower level of demand. In the Engine Systems Business Unit, the group began negotiations to close the Saint Père factory, and to transfer the production of the Argentan plant to Vire. This increased the restructuring charges compared with previous years, amounting to € 19.2 million in 2013, of which € 17.8 million incurred to rationalise production capacity and € 1.4 million to write down the assets involved in the restructuring (€ 12.2 million and € 3.2 million, respectively, in 2012).

The *Engine Systems* sector grew by 3.3%, while the *Suspension Components* sector fell by 1.9%, mainly reflecting the decline in the European market.

Consolidated EBITDA amounted to € 129.5 million, 2.3% up on € 126.7 million in 2012. The consolidated EBITDA before restructuring amounted to € 147.3 million, up 6.1% on a year earlier, with an incidence on revenues of 11% (10.5% in 2012).

The consolidated EBIT was € 69.1 million, +9% on € 63.4 million in 2012, with an incidence on revenues rising to 5.2%, from 4.8% in 2012. EBIT before restructuring in 2013 rose by 12% to € 88.3 million from € 78.8 million the previous year.

Consolidated net income amounted to € 21.1 million compared with € 28.2 million in 2012.

The following projects were implemented during the year, in line with Sogefi's strategy of expanding its presence in non-European markets: start of construction of two new plants for suspension components and engine systems in Wujiang (China), opening a plant for engine systems in Pune (India) and expansion of the production capacity at the plant in Monterrey (Mexico).

Net debt at 31 December 2013 was € 304.6 million (€ 339 million at 30 September 2013 and € 295.8 million at 31 December 2012). The decrease during the quarter was attributable to the seasonal optimisation of working capital combined with the positive operating performance. Since the restructuring works were mostly concentrated in the fourth quarter, the resulting outflow of cash will take place mainly in 2014. In order to refinance part of the existing bank debt, in May 2014 Sogefi issued a 7-year *equity-linked* bond with a nominal value of € 100 million and a six-monthly coupon at a fixed rate of 2.00% per annum. The bonds will be convertible into shares at a price of € 5.3844 per share, subject to approval of an increase in capital by the Company's Extraordinary Shareholders' Meeting to be held no later than 30 September 2014.

The Group had 6,834 employees at 31 December 2013 compared with 6,735 at 31 December 2012. The increase in personnel in Asia, NAFTA and Mercosur was largely offset by a decline in Europe.

The Shareholders' Meeting of Sogefi held on 23 April 2014 resolved not to distribute any dividend for 2013.

For 2014 the global automotive market is expected to see a rising trend, mainly driven by the Chinese market and supported by a more moderate increase in the North and South American markets and further stabilisation in Europe.
In this context, the Sogefi Group expects to carry on increasing its presence outside Europe thanks to its competitive position in the various geographical areas, to increase its focus on innovation and improving its product mix, to strengthen group integration and to continue implementing structural efficiency measures in Europe.

HEALTHCARE

In 2013 the Kos Group achieved revenues of € 372.5 million, compared with € 355.4 million the previous year, an increase of 4.8%, thanks to growth in its three lines of business.

Group revenues are as follows:

(in millions of euro)	*2013*		*2012*		*Change*
	Amounts	*%*	*Amounts*	*%*	*%*
Care homes	149.9	40.2	150.2	42.3	(0.2)
Rehabilitation	147.8	39.7	142.3	40.0	3.9
Acute/Hi-tech	74.8	20.1	62.9	17.7	18.9
TOTAL	372.5	100.0	355.4	100.0	4.8

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) came to € 56.1 million (15.1% of revenues), 5.1% up on € 53.4 million in 2012, principally because of the change in the scope of consolidation and business developments that took place in 2012.

Consolidated EBIT came to € 30.4 million (8.2% of revenues) versus € 27.3 million (7.7% of revenues) last year, principally because of the change in the scope of consolidation.

Consolidated net income amounted to € 11.8 million compared with € 12.1 million the previous year, which benefited from a non-recurring tax element.

At 31 December 2013 the Kos Group had net debt of € 155.7 million, compared with € 163.4 million at 31 December 2012: the improvement is attributable to the cash flow generated by operations.

At 31 December 2013 consolidated equity amounted to € 240.3 million versus € 231.6 million at 31 December 2012.

The Group had 4,291 employees at 31 December 2013 compared with 4,164 at 31 December 2012.

During the year, KOS continued to strengthen and develop in the north and central regions of Italy where it operated already; the activities acquired in the UK in late 2012 have also been integrated and the development of radiotherapy and diagnostic services in India continued; again in India, the company is committed to developing rehabilitation and post-acute care services.

Subsequent to the year end, on 30 May 2014, KOS acquired the entire capital of Villa Azzurra, a company which manages an accredited 100-bed neuropsychiatric private hospital in Riolo Terme (Ravenna). With this acquisition, the Group now offers hospitals and other facilities for the treatment of psychiatric disorders with a total of 420 beds.

The KOS Group currently manages 70 facilities, mainly in central and northern Italy, for a total of some 6,191 beds in use, with another 500 being built, and operates in three strategic business areas, in turn split into four segments:

1) *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);
2) *Rehabilitation*: management of hospitals and rehabilitation centres, including 19 rehabilitation facilities (with two care homes for the elderly) and 12 hospitals, for a total of 1,711 beds;
3) *Hospital management*: management of a hospital and hi-tech services in 29 public and private facilities.

NON-CORE INVESTMENTS

They are represented by private equity, minority interests and other investments amounting to € 179.9 million at 31 December 2013, compared with € 198.3 million at 31 December 2012.

PRIVATE EQUITY

CIR International, a Group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 31 December 2013, based on the NAVs provided by the various funds, came to € 63.9 million, a decrease of € 14.4 million compared with 31 December 2012. Distributions were received during the period for a total of € 26.3 million, including € 13.9 million of returned capital and € 12.4 million of realized gains.

Outstanding commitments at 31 December 2013 amounted to € 7.3 million.

OTHER INVESTMENTS

Directly and indirectly, CIR holds investments in non-controlling interests for a total value of € 116.0 million at 31 December 2013.

In particular, CIR has a 19.5% stake in SEG (Swiss Education Group), one of the world's leading management training centres for the hospitality industry (hotels and restaurants), with 5,000 students from 80 different countries enrolled in its five renowned facilities in Switzerland. In 2013, the SEG Group boosted its turnover compared with the previous year and margins are improving as well. This has been possible thanks to the high number of students, especially as a result of targeted marketing efforts in Asia and, more recently, in Latin America, and the systematic steps taken by management to optimise the cost structure. The value of the investment, including a loan of € 4 million, amounted to € 20 million at 31 December 2013.

Again in the education and training sector, in March, the CIR Group acquired, with an investment of € 6.5 million, 100% of Southlands S.r.l., an international school based in Rome with around 500 students representing over 40 different nationalities, with an expected turnover for the year ending 31 August 2013 of approximately € 6 million.
The purchase of Southlands S.r.l. is part of a development project in the field of private international schools, which began with the opening of a first school in Lausanne, Switzerland (LLIS Lake Leman International School SA) in 2011.

CIR Ventures is the corporate venture capital fund through which the CIR Group invests in early-stage companies in high-tech sectors. The total fair value at 31 December 2013 amounted to € 2.6 million, compared with € 10.3 million at 31 December 2012, down because of the permanent impairment of certain assets.

In 2013, Nexenti Advisory (formerly Jupiter Finance) focused its servicing functions as an asset advisor in the companies Zeus and Urania, in order to protect and ensure the strategic objectives of its stakeholders.
At 31 December 2013 the net value of the CIR Group's investments in activities related to non-performing loans amounted to € 76.9 million.

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

The section in the report on the performance of the business sectors provides information on the main events that took place after 31 December 2013.
In January 2014, CIR S.p.A. informed the trustee of the 2004/2024 bond, which was issued by the company on 16/12/2004 and the outstanding amount of which is currently € 210 million, to be willing to redeem it early, if requested to do so by the trustee, as provided for by the bond issue regulations. The potential redemption is due to the occurrence of a breach event as foreseen by the regulations, following the suspension by the subsidiary Sorgenia S.p.A. of instalments and interest due on loans granted by various banks. To date, no request for early redemption has been received from the trustee.
In any case, such an event would have no impact on the net financial position of CIR S.p.A.; moreover, the latter, even after any such redemption, would still have cash resources available at holding company level.

Circumstances that led to the Energy CGU crisis and negotiations to restructure the debt of Sorgenia and Sorgenia Group

In Italy, 2013 was again characterised by a general crisis, which affected consumption, demand and expenditure. Even the energy sector, which by nature has a high correlation with gross domestic product, was hit by the difficult economic situation.
Many market players suffered a further reduction in margins, particularly with respect to thermoelectric power generation, and had to account for significant write-downs, especially for acquisitions made prior to the economic downturn at pre-crisis prices that were way above current market prices.
Sorgenia Group, which basically coincides with CIR Group's energy business, was hit more than others by the grave situation. Paradoxically, one of its weaknesses was that, by nature, it was a young operator, set up in 1999 with the liberalisation of the market, devoid of a regulated portfolio and with a less solid financial position than that of its competitors.
The aforementioned economic downturn, the high price of natural gas and the drastic change in the market scenario - caused by the rapid growth in renewable energy sources and by a drastically lower

demand for energy than forecast just a few years beforehand – significantly reduced margins and cash generation in the sector.
Sorgenia thus found itself unable to meet the repayment schedule for the loans it took out for the construction of four combined cycle thermoelectric power plants (CCGT) and to finance expenditure in the field of renewables and on exploration & production (E&P) projects.

As explained in the introduction to this report, with the aim of dealing with the gradual deterioration of its financial difficulties, in the second half of 2013 the board of directors of Sorgenia S.p.A. started taking action to turn things round that culminated in the initiation of a process to restructure Sorgenia Group's debt in order to restore equilibrium to its financial position. In particular, the board of directors of the sub-holding company, after having examined the causes of the crisis, took immediate action to save the Company that primarily consisted of:

- drawing up a new business plan with the help of leading independent experts;
- the appointment of a financial advisor, Lazard, as well as a legal advisor, Latham & Watkins, to assist Sorgenia in the restructuring/refinancing of the Sorgenia group's borrowings;
- implementation, with the assistance of its legal counsel, of a financial manoeuvre, based on the new plan, to cut back on the debt exposure and rebalance the financial situation of Sorgenia S.p.A., Sorgenia Power S.p.A. and Sorgenia Puglia S.p.A.;
- the initiation - with the support of advisors and legal counsel - of negotiations with major creditors, particularly with Sorgenia group's lenders in accordance with the legal instrument identified for the solution of the crisis and the first results of the analysis carried out in connection with the financial manoeuvre.

In particular, following the definition of the aforementioned financial manoeuvre, on 3 December 2013, after approval had been given by the board of directors of Sorgenia, a proposed agreement was delivered to the lending banks for a moratorium on the payment of interest, fees and principal, where due by Sorgenia, Sorgenia Power and Sorgenia Puglia, as from 3 December 2013 up to 1 July 2014, as well as the retention of the right to operate under the terms of factoring arrangements and agreements executed for financial derivatives and for the transfer of receivables. In particular, the aforementioned letter stated that some time was needed to prepare a new business plan.
The aforementioned request for support, aimed at ensuring Sorgenia would have the finance needed to continue operating for the time needed to prepare a new business plan and to draw up a financial and capital manoeuvre consistent therewith, was immediately followed, on 18 December 2013, by Sorgenia Group management presenting to the lending banks an outline of the new business plan - approved by the board of directors of Sorgenia on 27 November 2013 - and a first hypothesis of the financial manoeuvre for review by the lending banks. A brief summary of the new business plan presented to the banks envisages:

- commercial priorities in terms of the development of the large corporate and small and medium-sized enterprises (SMEs) markets, with these being market segments in which the Company has operated since it was set up and a gradual exit from the consumer market (represented by private customers, families and micro-enterprises with limited energy consumption);
- focusing on electricity generation - through its four natural gas combined-cycle plants (CCGT), which feature a high level of flexibility and efficiency - and on energy management;
- the renegotiation of the natural gas supply agreement with ENI S.p.A.;
- the disposal of all assets relating to the generation of renewable energy sources, in Italy and abroad, and a halt to all the initiatives concerning hydrocarbon exploration and production (E&P);
- a significant simplification of the corporate structure and a reduction of all operating costs as from 2014.

The financial manoeuvre hypothesis presented highlighted an amount of excess debt of € 600 million. The negotiations concerning a moratorium and standstill agreement commenced with parallel negotiations and discussions taking place between Sorgenia's financial and legal advisors and those of the banks.
In this context, a mandate was granted to PricewaterhouseCoopers ("PwC") for the development of an independent business review ("IBR") of the assumptions underlying the business plan and the feasibility of the business plan prepared by Sorgenia management:

- the preparation of the IBR, concerning a comprehensive analysis of the Group's business plan, with particular attention, among other things, to a review of the relationships between the various Group companies and on the functioning of the procedures for the procurement of gas; and
- the preparation of a liquidity report with a detailed analysis of the Group's liquidity plan and its short-term financial requirements.

At the same time as the action being taken by the sub-holding company Sorgenia, CIR, in its role of shareholder and in connection with its aspects of competence, took steps to assess its own position, supported by the consulting firm Bain&Co. In particular, in this initial phase, CIR expressed its willingness to participate in the financial manoeuvre to turn around and relaunch Sorgenia – taking account of the need to protect its own strong financial position and of the Group's interests as a whole, without increasing its own shareholding – subject to the agreement of the terms of a restructuring agreement with the banks, consistent and compatible with the needs for the restoration of equilibrium to its financial position and to relaunch Sorgenia and as needed for the achievement of the business plan.
Against this background, however, as reported by Sorgenia, in the last months of 2013, the banks started reducing their lending facilities.
Furthermore, as again reported by Sorgenia, despite the reduction, within a few months, of the financing available for Sorgenia having caused substantial financial stress and having led to a significant deterioration in profit margins of Sorgenia, which was constrained to cut back its core business, for which there is a physiological need for substantial lines of credit, especially endorsement credits, Sorgenia continued to operate as a going concern, thanks mainly to its own cash generation.
Some of the lending banks, however, according to information provided by Sorgenia, continued to support the company's business by extending or renewing guarantees due to expire: without this, albeit limited, support, Sorgenia would not have been able to continue its business operations, especially as far as electricity and gas distribution are concerned, without which, sales would have come to a halt.

Based on the outcome of continuous discussions and negotiations with the lending banks' advisors, on 6 March 2014 Sorgenia presented them with a proposal to the lending banks for a financial and capital manoeuvre, approved by the board of directors on 5 March 2014, which envisaged, with respect to Sorgenia's excess debt of € 600 million, a capital increase of € 190 million and the conversion of bank debt to equity based financial instruments of an amount of € 410 million, as well as an extension of the loan repayment terms.
Moreover, with a letter dated the same day, CIR set out the conditions in accordance with which it was willing to subscribe for and pay-up 53% of a single tranche increase in Sorgenia's capital for an amount of € 190 million.
Following discussions and negotiations, on 4 April 2014 the legal and financial advisors of the lending banks transmitted to the company and to the shareholders CIR and Verbund a letter (setting out an alternative restructuring hypothesis), for which a brief summary of the points that differ from the financial and capital manoeuvre proposed by Sorgenia Group are as follows:

i. a single tranche capital increase via a cash injection of € 400 million, without any share premium, offered under option to the shareholders, to be paid up in cash and/or, in the event of the failure by the shareholders to exercise, in whole or in part, the unopted rights, by means of the offset of the amount due for the subscription price for the shares against part of the amounts due to Sorgenia's lending banks;

ii. the issue of a convertible bond of € 200 million, to be subscribed and paid up by Sorgenia's lending banks, with a 10 year term, 4% interest payable at the maturity date and with conversion rights, should equity fall below a yet to be agreed threshold;

iii. less favourable changes to certain financial terms and conditions applicable to short term credit facilities.

The alternative restructuring hypothesis was submitted to the board of directors of Sorgenia, which, on 10 April 2014, granted a mandate to the Company's chairman to commence, by immediate notification to the banks and their advisors, discussions on and the negotiation of certain aspects, identified by the board, of the alternative restructuring hypothesis with the lending banks.
On the same date, a letter was transmitted to Sorgenia, signed by the principal lending banks, with which the latter communicated their willingness to grant new interim financing, consisting of cash loans and endorsement credits, of a total amount of some € 25.6 million, even prior to the execution of a standstill agreement, as well as their willingness, upon request, to promptly submit to their approval bodies, with a favourable opinion, the immediate availability of a further € 39.2 million of cash loans and endorsement credits. This willingness was conceded in connection with and for the purpose of the alternative restructuring hypothesis, which also requires filing an application for approval of the restructuring agreement as per art. 182-*bis* of the Bankruptcy Act, which should govern all the terms and conditions of the alternative restructuring hypothesis.

For its part, CIR, having acknowledged the alternative restructuring hypothesis sent on 4 April 2014 by the lending banks, during the meeting of the Board of Directors held on 28 April 2014, authorised the Chief Executive Officer to discuss, negotiate and, if possible, finalise an agreement with the banks in the interests of CIR, without prejudice to its wish not to take part in the capital increase as per the alternative restructuring hypothesis and without committing to any other forms of financial contribution.

As of the date of these draft financial statements, negotiations with the lending banks were still ongoing and Sorgenia envisaged that the group would execute a restructuring agreement, for which approval would be sought by the end of the third quarter of 2014.
Moreover, it should be noted that:

- the contractual documentation relating to the standstill agreement and the restructuring agreement, in connection with the overall financial manoeuvre, is still being formalised;
- Sorgenia, Sorgenia Power and Sorgenia Puglia are about to finalise the appointment of the independent expert to prepare a report on the feasibility of these agreements, as well as on the reliability of the corporate data, for the purposes of applying for approval of the restructuring agreement as per art. 182-bis of the Bankruptcy Law;
- negotiations between the shareholders and the lending banks are still ongoing;
- the application for approval of the restructuring agreement as per art. 182-bis of the Bankruptcy Act had not yet been formalised.

In this situation, despite the significant doubts arising from that fact that the standstill agreement and the restructuring agreement have not yet been executed, from the outcome of the negotiations between the lending banks and the shareholders CIR and Verbund, as well as from the absence of

recent news regarding the stance that Verbund will take, the Board of Directors of Sorgenia, in light of all of the foregoing circumstances - in spite of having to draw attention to the existence of significant uncertainties that could cast considerable doubt over the company's and the group's ability to continue operating as a going concern – after having made the necessary checks and having assessed the uncertainties mentioned, believes it is reasonable to expect that the agreements described above can be finalised within a timeframe consistent with the company's needs for financing, making it possible for the company and its group to have adequate resources to continue operations for the foreseeable future and it also deems it appropriate to use the going concern assumption in preparing the consolidated financial statements for the year ended 31 December 2013.
In particular, in addition to the foregoing, the following facts were taken into account:

- on 4 June 2014, Sorgenia's financial and legal advisors briefly described, in a communication addressed to the chairman of the board of directors thereof, the status of the negotiations with the lending banks' advisors;
- on 4 June 2014, Sorgenia's financial advisors transmitted to the company - and on the same date made a presentation thereof to the board of directors - a document, which describes the content of the financial and capital manoeuvre addressed by the letter of 4 April 2014, supplemented and amended to take account of the negotiations that had been held up to that date;
- with a letter dated 5 June 2014, Sorgenia's legal advisors briefly described the status of the negotiations that had taken place since 3 December 2013 with the legal advisors of the lending banks, particularly the negotiations relating to the terms and conditions of a moratorium and stand-still agreement, for which they transmitted the latest draft sent on 4 June 2014 by the legal advisors of the lending banks, and they confirmed that the terms and conditions set out in the aforementioned draft dated 4 June 2014 represented the culmination of the aforementioned negotiations and could thus be considered as final;
- on 6 June 2014, CIR delivered to Sorgenia's chairman and chief executive officer a communication by which it confirmed the existence of negotiations between Sorgenia's lending banks and CIR. On 6 June 2014, Sorgenia received a communication from the lending banks' advisors on the stance taken by the lending banks' steering committee members on the terms and conditions of the restructuring agreement.
- the work of the consultants engaged for the IBR was completed in three phases: the liquidity report was completed on 20 February 2014, the red flag report was completed on 10 March 2014 and the IBR was completed on 30 April 2014.

  To our knowledge, and from what is apparent from the documents sent to the lending banks on 19 May 2014, no really critical elements were found in the Group's business plan and, accordingly, confirmation was given of the reasonableness of the assumptions and projections prepared by Sorgenia Group management.

Having considered the resolutions passed by Sorgenia, in preparing the Group's consolidated financial statements, CIR's directors, in assessing the Energy CGU, the overall expected outcome of the financial manoeuvre in question and the effects of CIR's exit from the sector in question; deemed it appropriate to write off (i) the investment in Sorgenia S.p.A., held by the subsidiary Sorgenia Holding S.p.A., in CIR's separate financial statements, (ii) any residual goodwill arising from consolidation of the subsidiary and (iii) the difference between the net assets and net liabilities of the Energy CGU in the Group's financial statements.

6. Outlook for operations

The performance of Cofide Group in 2014 will be influenced by how the still uncertain macroeconomic scenario evolves, as well as by the outcome of the debt restructuring at Sorgenia, a CIR subsidiary. As regards the latter, discussions between the banks and the company and its shareholders are ongoing, bearing witness to the willingness of the parties to reach an agreement.

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 cannot be ruled out that there may be banking or money market situations that could obstruct the normal functioning of the financial system. With particular reference to the sub-holding company Sorgenia, reference should be made to the facts disclosed in the paragraph on significant events which occurred after the close of the year.

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 as 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.

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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 2013 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.cofide.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.

Transactions with subsidiaries during the year ended 31 December 2013 related mainly to:

- operational support and communication services for € 957 thousand provided by Cofide S.p.A. to CIR S.p.A.;

- financial, legal and administrative assistance services for € 380 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 2013.

Pursuant to the law, we would point out that no transactions were carried out during the year ended 31 December 2013 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 2013.

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 Governance section 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 12 members, it has 7 who possess the requisites of independence and are thus sufficient to guarantee that their judgment has a significant weight in the decision-making process of the Board.

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 2013 was concentrated principally in the components sector. In the Sogefi Group, R&D expenditure for the year amounted to € 35 million (€ 35.9 million the previous year), mainly oriented towards product innovation. In particular, the Sogefi Group has a number of product and process innovations in the pipeline that our main competitors do not have, such as new elastic suspension components made of composite materials, a new oil cooling technology through the use of aluminium foam and an innovative system for reducing particulate emissions.

Other

Cofide S.p.A. has its registered office in Via Ciovassino 1, 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 2013 was approved by the Board of Directors on 6 June 2014.

9. Proposed allocation of net income for the year

Dear Shareholders,

the separate financial statements for the year ended 31 December 2013, which we submit for your approval, closed with a net profit of € 1,118,074.98.
We thus propose that you:

- approve the financial statements at 31 December 2013;
- allocate the net results as follows:

- € 55,903.75 to the legal reserve;
- € 1,062,171.23 to retained earnings (losses), which increase to € 36,430,705.92.

THE BOARD OF DIRECTORS

Milan, 6 June 2014

COFIDE GROUP

Consolidated financial statements
at 31 December 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. Consolidated statement of financial position

(in thousands of euro)

ASSETS	*Notes*		*31.12.2013*		*31.12.2012 (**)*
NON-CURRENT ASSETS			**3,791,617**		**4,904,336**
INTANGIBLE ASSETS	(7.a.)		1,161,522		1,501,522
TANGIBLE ASSETS	(7.b.)		1,998,818		2,367,976
INVESTMENT PROPERTY	(7.c.)		22,310		23,393
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d.)		81,988		353,070
OTHER EQUITY INVESTMENTS	(7.e.)		5,636		5,580
OTHER RECEIVABLES	(7.f.)		234,043		262,275
of which with related parties (*)	(7.f.)	*18,125*		*30,944*	
SECURITIES	(7.g.)		94,319		127,030
DEFERRED TAXES	(7.h.)		192,981		263,490
CURRENT ASSETS			**2,830,738**		**3,168,942**
INVENTORIES	(8.a.)		160,945		170,757
CONTRACTED WORK IN PROGRESS			30,926		42,258
TRADE RECEIVABLES	(8.b.)		1,192,627		1,447,836
of which with related parties (*)	(8.b.)	*28,895*		*7,760*	
OTHER RECEIVABLES	(8.c.)		210,029		285,998
of which with related parties (*)	(8.c.)	*589*		*7,546*	
FINANCIAL RECEIVABLES	(8.d.)		1,433		35,489
SECURITIES	(8.e.)		175,670		410,343
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f.)		98,013		105,511
CASH AND CASH EQUIVALENTS	(8.g.)		961,095		670,750
ASSETS HELD FOR DISPOSAL	(8.i.)		--		34,444
TOTAL ASSETS			**6,622,355**		**8,107,722**

LIABILITIES AND EQUITY			*31.12.2013*		*31.12.2012 (**)*
EQUITY			**1,585,807**		**2,298,620**
SHARE CAPITAL	(9.a.)		359,605		359,605
RESERVES	(9.b.)		82,858		66,752
RETAINED EARNINGS (LOSSES)	(9.c.)		223,785		280,308
NET INCOME (LOSS) FOR THE YEAR			(130,360)		(56,288)
GROUP EQUITY			**535,888**		**650,377**
MINORITY INTERESTS			1,049,919		1,648,243
NON-CURRENT LIABILITIES			**1,375,915**		**3,280,984**
BONDS	(10.a.)		257,724		496,379
OTHER BORROWINGS	(10.b.)		649,508		2,341,678
OTHER PAYABLES			964		2,922
DEFERRED TAXES	(7.h.)		215,120		179,506
PERSONNEL PROVISIONS	(10.c.)		128,711		141,140
PROVISIONS FOR RISKS AND LOSSES	(10.d.)		123,888		119,359
CURRENT LIABILITIES			**3,660,633**		**2,527,734**
BANK OVERDRAFTS			194,114		165,885
BONDS	(11.a.)		230,719		4,354
OTHER BORROWINGS	(11.b.)		1,780,434		751,496
of which to related parties (*)	(11.b.)	--		*13*	
TRADE PAYABLES	(11.c.)		1,011,769		1,192,934
of which to related parties (*)	(11.c.)	*860*		*41,385*	
OTHER PAYABLES	(11.d.)		334,231		307,890
of which to related parties (*)	(11.d.)	*1,211*		*2,355*	
PROVISIONS FOR RISKS AND LOSSES	(10.d.)		109,366		105,175
LIABILITIES HELD FOR DISPOSAL	(8.i.)		--		384
TOTAL LIABILITIES AND EQUITY			**6,622,355**		**8,107,722**

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

(**) Certain amounts at 31 December 2012 have been restated following application of the amendment to IAS 19 - Employee Benefits.

2. Consolidated income statement

(in thousands of euro)

	Notes		*2013*		*2012 (**)*
SALES REVENUES	(12)		4,751,980		4,988,111
of which from related parties (*)	(12)	*122,237*		*112,240*	
CHANGE IN INVENTORIES			(11,540)		9,099
COSTS FOR THE PURCHASE OF GOODS	(13.a.)		(2,797,064)		(2,999,079)
of which to related parties (*)	(13.a.)	*(137,918)*		*(328,757)*	
COSTS FOR SERVICES	(13.b.)		(841,445)		(830,024)
of which from related parties (*)	(13.b.)	*(1,721)*		*(1,699)*	
PERSONNEL COSTS	(13.c.)		(714,147)		(740,320)
OTHER OPERATING INCOME	(13.d.)		86,178		174,174
of which from related parties (*)	(13.d.)	*2,988*		*36,698*	
OTHER OPERATING EXPENSE	(13.e.)		(244,572)		(254,849)
of which to related parties (*)	(13.e.)	*(13)*		*(54)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d.)		(269,769)		(36,534)
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(862,450)		(283,272)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)			**(902,829)**		**27,306**
FINANCIAL INCOME	(14.a.)		61,008		68,365
of which with related parties (*)	(14.a.)	*12,618*		*10,990*	
FINANCIAL EXPENSE	(14.b.)		(216,786)		(196,799)
of which with related parties (*)	(14.b.)	*(11,839)*		*(10,228)*	
DIVIDENDS			547		403
of which with related parties (*)		*3*		*14*	
GAINS FROM TRADING SECURITIES	(14.c.)		18,211		22,155
LOSSES FROM TRADING SECURITIES	(14.d.)		(6,210)		(11,759)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e.)		(16,334)		8,925
NON-RECURRING INCOME (EXPENSE)	(14.f.)		491,312		--
INCOME (LOSS) BEFORE TAXES			**(571,081)**		**(81,404)**
INCOME TAXES	(15)		(188,863)		(31,581)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY			**(759,944)**		**(112,985)**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL			--		--
NET INCOME (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS			**(759,944)**		**(112,985)**
- MINORITY INTERESTS			629,584		56,697
- NET INCOME (LOSS) OF THE GROUP			**(130,360)**		**(56,288)**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(16)		(0.1813)		(0.0783)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(16)		(0.1813)		(0.0783)

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

(**) Certain amounts at 31 December 2012 have been restated following application of the amendment to IAS 19 - Employee Benefits, as well as the reclassification made by the Sorgenia sub-group, as discussed further in section 6 "Explanatory notes to the consolidated financial statements".

3. Consolidated statement of comprehensive income

(in thousands of euro)

	2013	*2012 (*)*
Net income/(Loss) of the period	(759,944)	(112,985)
Items of other comprehensive income		
Items that will not be reclassified to the income statement		
Actuarial gains (losses)	6,991	(14,464)
Tax effect of items that will not be reclassified to the income statement	(2,270)	4,383
Subtotal of items that will not be reclassified to the income statement	4,721	(10,081)
Items that may be reclassified to the income statement		
Exchange differences on translation of foreign operations	(25,357)	(13,328)
Net change in fair value of available-for-sale financial assets	12,405	3,246
Net change in cash flow hedge reserve	79,481	(29,396)
Items of other comprehensive income	5,901	(6,291)
Tax effect of items that may be reclassified to the income statement	(21,687)	7,699
Subtotal of items that may be reclassified to the income statement	50,743	(38,070)
Total items of comprehensive income of the period	55,464	(48,151)
TOTAL STATEMENT OF COMPREHENSIVE INCOME OF THE PERIOD	**(704,480)**	**(161,136)**
Total comprehensive income attributable to:		
Shareholders of the parent company	(115,323)	(67,398)
Minority interests	(589,157)	(93,738)
BASIC COMPREHENSIVE(LOSS) EARNINGS PER SHARE (in euro)	(0.1603)	(0.0937)
DILUTED COMPREHENSIVE (LOSS) EARNINGS PER SHARE (in euro)	(0.1603)	(0.0937)

(*) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

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4. Consolidated statement of cash flows

(in thousands of euro)

	2013	*2012 (*)*
OPERATING ACTIVITY		
NET INCOME (LOSS) FOR THE YEAR INCLUDING MINORITY INTERESTS:	(759,944)	(112,985)
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	862,450	283,272
SHARE OF RESULTS OF COMPANIES CONSOLIDATED AT EQUITY	269,769	36,534
CHANGES IN ACTUARIAL VALUATION OF STOCK OPTION PLANS	7,210	11,048
CHANGES IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	(3,709)	81,069
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	16,334	(8,925)
INCREASE (DECREASE) IN NON-CURRENT RECEIVABLES/PAYABLES	166,457	(80,521)
(INCREASE) DECREASE IN NET WORKING CAPITAL	197,498	(87,584)
CASH FLOW FROM OPERATING ACTIVITY	**756,065**	**121,908**
of which:		
- interest received (paid)	(110,344)	(95,072)
- income tax payments	(42,368)	(64,448)
INVESTING ACTIVITY		
PRICE PAID FOR BUSINESS COMBINATIONS	--	(6,518)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	--	514
(PURCHASE) SALE OF SECURITIES	259,805	238,380
(PURCHASE) SALE OF FIXED ASSETS	(152,209)	(204,735)
CASH FLOW FROM INVESTING ACTIVITY	**107,596**	**27,641**
FINANCING ACTIVITY		
INFLOWS FOR CAPITAL INCREASES	3,246	24,868
OTHER CHANGES IN EQUITY	(11,982)	(84,193)
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS	(641,466)	93,815
BUY-BACK OF OWN SHARES OF GROUP COMPANIES	(1,064)	(3,314)
DIVIDENDS PAID	49,721	(39,610)
CASH FLOW FROM FINANCING ACTIVITY	**(601,545)**	**(8,434)**
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	**262,116**	**141,115**
NET CASH & CASH EQUIVALENTS - OPENING BALANCE	**504,865**	**363,750**
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE	**766,981**	**504,865**

(*) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

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 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	--	(463)	--	--	(463)	(27,845)	(28,308)
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	--	(1,961)	--	--	(1,961)	(4,330)	(6,291)
Currency translation differences	--	(4,482)	--	--	(4,482)	(8,846)	(13,328)
Actuarial gains (losses)	--	(2,703)	--	--	(2,703)	(7,378)	(10,081)
Result for the year	--	--	--	(56,288)	(56,288)	(56,697)	(112,985)
Total comprehensive result for the year	--	*(11,110)*	--	*(56,288)*	*(67,398)*	*(93,738)*	*(161,136)*
BALANCE AT 31 DECEMBER 2012 (*)	**359,605**	**66,752**	**280,308**	**(56,288)**	**650,377**	**1,648,243**	**2,298,620**
Increases in capital	--	--	--	--	--	3,246	3,246
Dividends to Shareholders	--	--	--	--	--	(11,982)	(11,982)
Retained earnings	--	235	(56,523)	56,288	--	--	--
Effects of changes in equity of subsidiaries	--	834	--	--	834	(431)	403
Comprehensive result for the year							
Fair value measurement of hedging instruments	--	14,878	--	--	14,878	42,833	57,711
Fair value measurement of securities	--	6,418	--	--	6,418	9,751	16,169
Securities fair value reserve released to income statement	--	(1,798)	--	--	(1,798)	(1,883)	(3,681)
Effects of changes in equity of subsidiaries	--	1,472	--	--	1,472	4,429	5,901
Currency translation differences	--	(7,219)	--	--	(7,219)	(18,138)	(25,357)
Actuarial gains (losses)	--	1,286	--	--	1,286	3,435	4,721
Result for the year	--	--	--	(130,360)	(130,360)	(629,584)	(759,944)
Total comprehensive result for the year	--	*15,037*	--	*(130,360)*	*(115,323)*	*(589,157)*	*(704,480)*
BALANCE AT 31 DECEMBER 2013	**359,605**	**82,858**	**223,785**	**(130,360)**	**535,888**	**1,049,919**	**1,585,807**

(*) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

EXPLANATORY NOTES

1. *Structure and content of the financial statements*

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. 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 consolidated financial statements at 31 December 2013 include the parent company Cofide S.p.A. (hereinafter "Cofide") and its direct and indirect subsidiaries, and 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.

As reported in the section "Adoption of new accounting standards, interpretations and amendments", an amendment to IAS 19 Employee Benefits came into force on 1 January 2013. In accordance with the provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors", retrospective application of the amendment was carried out by adjusting equity at 31 December 2012. These entries led to a reduction in shareholders' equity of the Group and minority interests of € 4 million and € 12 million respectively.

Furthermore, in order to improve the presentation of financial information:

- in the 2012 column of the "Consolidated income statement", the effect of the excise taxes recorded by the Sorgenia group has been neutralised in relation to both "Sales revenues" and "Costs for the purchase of goods";
- in the 2012 consolidated statement of financial position, certain reclassifications made by the Sogefi group have been recognised: specifically, € 23,368 thousand from "Other non-current receivables" to "Other receivables" and € 25,934 thousand from "Other payables" to the non-current "Provisions for risks and losses".

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 and except as noted below with specific reference to the Energy CGU, the Group has established that there are no significant uncertainties regarding going concern, as defined in paragraph 25 of IAS 1.

Significant information relating to the Energy CGU

This note summarises some of the most significant information associated with i) the business continuity issues relating to the Energy CGU, ii) the position adopted by the Cofide Group via CIR in this regard and iii) the effects on the consolidated financial statements of Cofide.

Business continuity issues relating to Sorgenia (Energy CGU)

As discussed further in the report on operations and shown in the schedules included in this note, during 2013 the Energy CGU of the Cofide Group, represented by the Sorgenia sub-group, indirectly held via CIR, was faced by both the continuation of difficult economic and financial conditions and by a further, progressive deterioration in the Italian energy market - due above all to the decline in demand as a result of the recession and to heightened competition between sources of supply at a time of over capacity - which has greatly reduced the overall expected profitability of power generation plant with respect to the forecasts made in prior years. In addition, during the second half of the year, the major financial difficulties of the Sorgenia sub-group were first revealed and then progressively deteriorated.
For this reason and in light of the scenario described above, Sorgenia redefined its business strategies at the end of the third quarter of 2013, with a new 2014-2020 business plan that was approved by its Board of Directors on 27 November 2013. This plan envisages, among other matters, that the sub-group will focus on its core business, namely electricity generation using CCGT plants, giving priority to the commercial development of the corporate market while withdrawing from the consumer market and disposing of its renewable energy and E&P activities, or retiring them if not already fully operational and sustainable.
Given that the difficult market conditions are expected to continue and given the scale of borrowing by the Sorgenia sub-group, the plan identified a clear need for heavy financial restructuring that would reduce the indebtedness of Sorgenia by around € 600 million, from about € 1,855.1 million at 31 December 2013. In this context, a complete overhaul of the financial structure has begun with a view to negotiating a debt restructuring plan with the banks.

Commencing from the fourth quarter of 2013, the Sorgenia sub-group has therefore worked to restructure its borrowing in order to restore financial equilibrium. In particular, once the new business plan had been defined with the help of leading independent experts, the Board of Directors of Sorgenia took immediate action to achieve its objectives, which mainly included:

a) the appointment of a leading international financial advisor, as well as a legal advisor to assist Sorgenia in the restructuring/refinancing of the Sorgenia group's borrowings;
b) the preparation, with assistance from the financial advisor, of a financial plan - consistent with the new business plan - that would reduce indebtedness and restore the financial situation of Sorgenia, Sorgenia Power S.p.A. and Sorgenia Puglia S.p.A.;
c) the granting of a mandate to a specialist consulting firm for the performance of an independent business review ("IBR") of the assumptions underlying the business plan, and therefore of the feasibility of the business plan prepared by the management; In particular, Sorgenia awarded a mandate to PricewaterhouseCoopers S.p.A. for:
    - the preparation of the IBR, concerning a comprehensive analysis of the Group's business plan, with particular attention, among other things, to a review of the relationships between the various Group companies and on the functioning of the procedures for the procurement of gas; and

- the preparation of a liquidity report, involving a detailed analysis of the group's liquidity plan and its short-term financial requirements;

d) the start - with support from the advisors - of negotiations with major creditors and, in particular, the lending banks used by the Sorgenia sub-group, based on the legal instrument identified for the solution of the crisis (as described below) and the first results of the analysis carried out in connection with the financial plan.

In the meantime, commencing from the last part of 2013, Sorgenia has reported further pressures on the financial situation of the Energy CGU following the withdrawal or suspension of certain lines of credit made available by banks - overdrafts, advances against invoices, guarantees and derivative transactions - which has significantly reduced the liquidity available to the Sorgenia sub-group. Following the above discussions and negotiations carried out in early 2014 between Sorgenia, the lending banks and the principal shareholders of the sub-group, namely CIR and Verbund AG, on 4 April 2014 the legal and financial advisors of the lending banks sent Sorgenia a letter on behalf of all the lending banks containing a proposed alternative restructuring plan.
This proposed manoeuvre envisaged, among other matters, a capital increase of 400 million euro without share premium via a rights issue to the shareholders or, alternatively, via the conversion of debt into equity, together with a convertible loan of € 200 million. The Board of Directors of Sorgenia authorised the chairman to examine in more detail and negotiate certain aspects of this alternative plan identified by the Board; subsequent to these negotiations, on 6 June the Board of Directors voted on the alternative restructuring plan, as modified and supplemented following the above negotiations with the lending banks, and considered it appropriate to the financial requirements of the Sorgenia sub-group. At the same time, the Board of Directors of CIR approved the general form of the proposed manoeuvre, but excluded with reference to that plan any participation in the capital increase, establishing a number of elements that should be examined in more detail and negotiated with the lending banks, for formalisation in specific agreements between the shareholders of Sorgenia and the banks concerned.

As explained in greater detail in the report on operations, at the date of preparing these financial statements:

- the negotiations by Sorgenia with the lending banks are still in progress; in particular, the contractual documentation relating to the standstill and restructuring agreements, associated with the financial manoeuvre as a whole, has not yet been formalised;
- the negotiations between the shareholders and lending banks are still in progress;
- Sorgenia, Sorgenia Power and Sorgenia Puglia have started the process of appointing an independent expert to prepare a feasibility report on the above agreements, as well as on the truth of the corporate data provided, in order to apply for endorsement of the restructuring agreement pursuant to art. 182–bis of the bankruptcy law;
- accordingly, the application for endorsement of the restructuring agreement pursuant to art. 182-bis of the bankruptcy law has not yet been formalised;

Completion of the above activities and, therefore, the successful outcome of the financial manoeuvre - necessary in order to overcome the multiple significant uncertainties associated with the assumption of business continuity by the Sorgenia sub-group - depends on future events that remain uncertain since, as described, the parties involved are still negotiating but have not yet finalised binding agreements; accordingly, it is possible that progress towards the successful restoration of financial equilibrium and the capital increase envisaged by the manoeuvre might be less than ideal.
In light of all these circumstances, and particularly the risks involved in completing the entire financial manoeuvre, Sorgenia's management is well aware of the existence of significant uncertainties that could

cast doubt on the Energy CGU's status as a going concern and its ability to continue operating in the foreseeable future.
However, after making the necessary checks and having assessed the uncertainties mentioned above, and taking particular account of:

- the current state of the negotiations with the lending banks and, in particular:
    - the related report prepared by the financial advisors
    - the related reported prepared by the legal advisors
    - the existence of agreement in principle between Sorgenia and the lending banks about a standstill

- the results of the activities carried out by PwC, as an independent expert, that began on 16 January 2014 and were completed in two phases:
    - the liquidity report was completed on 21 February 2014; and
    - the IBR was completed on 30 April 2014; In particular, these documents were sent to the lending banks on 19 May 2014, and, to our knowledge, in the context and outcome of the analysis, they did not find any really critical issues with the group's business plan, confirming the reasonableness of the assumptions and projections prepared by Sorgenia's management;

The meeting of the Board of Directors of Sorgenia held on 6 June 2014 affirmed the following:
"*despite significant doubts deriving from the fact that the Standstill and Restructuring agreements have not yet been signed, from the outstanding negotiations between the lending banks and the shareholders, and from the lack of recent information about the position to be taken by Verbund, in the light of all the circumstances highlighted above - while noting the existence of major uncertainties that could cast significant doubt on the ability of the company and the group to continue operating as a going concern - and after making the necessary checks and considering the above-mentioned uncertainties, the Board of Directors believes it reasonable to expect the agreements described above to be reached within a period of time consistent with financial and other requirements of the company, thus enabling the company and the group to access sufficient resources for the continuation of their operations in the foreseeable future. As a result, the separate financial statements and the consolidated financial statements have been prepared on the assumption of business continuity for a period of at least 12 months from the end of the 2013 financial year".*
As a result, the financial statements of the Energy CGU consolidated by the CIR Group have been prepared on a normal going concern basis founded on the assumption of business continuity.

This conclusion is, of course, the result of a subjective judgment that compared the probability of the above events taking place with the probability that they would not take place.
As such, it must be stressed again, although obvious, that the forward-looking assessment underlying the above conclusion may be contradicted by future events, despite being made on a diligent and reasonable basis. This is because events deemed probable might not occur, and because facts or circumstances currently not known or whose impact cannot be assessed might emerge that jeopardise the business continuity of the Sorgenia sub-group, even if the conditions currently associated by the directors with the continuity of the Sorgenia sub-group actually materialise.

Position of the COFIDE Group

The activities of the COFIDE Group in the Energy sector are held via CIR.

Sorgenia has always been managed as part of its portfolio of investments in activities carried out on an autonomous basis under mandates granted to the individual sub-holding companies. Neither Cofide not CIR have provided any guarantees or entered into express or implied commitments of any kind in relation to Sorgenia S.p.A., except for the guarantees given by CIR under the take-or-pay contract with ENI for the supply of gas to Sorgenia; additionally, that company is not subject to management and coordination by CIR.

Given the above, the business continuity issues described in the previous section do not affect the business continuity of the Cofide Group or CIR, and have no effect on the carrying amounts of the other business segments included in the consolidated financial statements of the Group. Accordingly, the possible effects of the stated uncertainties about the business continuity of Sorgenia are limited to the carrying amounts of the assets and liabilities of the Energy CGU, should the assumption of business continuity made for the preparation of the consolidated financial statements of the sub-group cease to apply.

Given the above, when preparing the consolidated financial statements of the Group, the directors of COFIDE have measured the value of the Energy CGU with reference to the probable overall outcome of the financial manoeuvre discussed and to the effects of CIR's withdrawal from the sector, considering that the Board of Directors of CIR has approved the overall format of the alternative manoeuvre proposed by the lending banks, but has decided not to participate in the capital increase or make any other form of financial contribution. In particular, considering that the estimated overall fair value of the Energy CGU at 31 December 2013 is essentially zero, that the prospective agreements envisage the almost total dilution of CIR in favour of the banks, without the recognition of any consideration, and that CIR plans to withdraw entirely from activities in the energy field, the directors have deemed it appropriate to write off (i) any residual goodwill arising on consolidation of the subsidiary and (iii) the difference between the net assets and net liabilities of the Energy CGU recorded in the consolidated financial statements of the Group. This valuation approximates the overall outcome of CIR's exit from the energy sector on completion of the loss-of-control process described.

Furthermore, the investment in Sorgenia S.p.A. held by CIR has been written down in full in its separate financial statements via the total write off of the investment held in Sorgenia Holding S.p.A..

Effects on the consolidated financial statements of CIR

In the interests of greater clarity regarding the impact of the Energy CGU on the consolidated financial statements of the Group, and of the uncertainties associated with the specific situation that has arisen, the following tables show the statement of financial position and income statement taken from the consolidated financial statements of the CIR Group with separate disclosure of:

- the CIR Group at 31 December 2013
- the scope of Energy CGU at 31 December 2013
- the CIR Group net of the contribution made by the Energy CGU at 31 December 2013.

As already described and shown in the following tables, the net contribution of the Energy CGU to the Group's equity has been substantially eliminated as a result of the assessments made when preparing the 2013 financial statements.

Consolidated financial statements at 31 December 2013

(in thousands of euro)

ASSETS	*CIR*	*Scope of the Energy CGU (Sorgenia (*)*	*CIR net of the Energy CGU*
NON-CURRENT ASSETS	**3,775,336**	**1,675,521**	**2,099,929**
INTANGIBLE ASSETS	1,161,522	26,053	1,135,469
TANGIBLE ASSETS	1,998,469	1,385,583	612,886
INVESTMENT PROPERTY	21,458	--	21,458
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	81,988	43,646	38,456
OTHER EQUITY INVESTMENTS	5,636	412	5,224
OTHER RECEIVABLES	233,931	118,468	115,463
SECURITIES	79,351	4,818	74,533
DEFERRED TAXES	192,981	96,541	96,440
CURRENT ASSETS	**2,816,818**	**1,046,092**	**1,846,383**
INVENTORIES	160,945	32,789	128,156
CONTRACT WORK IN PROGRESS	30,926	--	30,926
TRADE RECEIVABLES	1,192,627	804,074	464,210
OTHER RECEIVABLES	209,740	120,533	89,207
FINANCIAL RECEIVABLES	1,433	147	1,286
SECURITIES	166,037	--	166,037
AVAILABLE-FOR-SALE FINANCIAL ASSETS	98,011	--	98,011
CASH AND CASH EQUIVALENTS	957,099	88,549	868,550
ASSETS HELD FOR DISPOSAL	--	--	--
TOTAL ASSETS	**6,592,154**	**2,721,613**	**3,946,312**

(*) due to certain adjustments made on consolidation by CIR, the data does not necessarily coincide with that obtainable from the consolidated financial statements of Sorgenia

The accounting policies adopted and the contents of the individual line items are discussed in detail in the specific sections and notes presented herein. This said, the principal assets of the Energy CGU - which as stated, in view of the planned exit of CIR from the energy sector, have been measured on a going concern basis without considering, therefore, their break-up or liquidation value or making the additional specific writedowns and provisions that would be required in the absence of business continuity - comprise:

- intangible assets of about € 26 million, mainly including the costs incurred for the purchase and development of IT systems required for the commercial and organisational development of the Sorgenia sub-group, the costs incurred for the stipulation of contracts relating to surface rights and easements for the land occupied by the plants producing energy from renewable sources and the rights of way on the land affected by the construction of gas pipelines and electricity lines connected to the power plants. It should be noted that the carrying amount of these assets and, in particular, the investment in software, and the related measurement criteria are closely linked to the going concern assumption under which the Energy CGU's accounts have been prepared;

- tangible assets of about € 1,386 million, largely attributable to the value of the CCGT plants. Although the statement of financial position of the Energy CGU was prepared (by the directors of Sorgenia) and included in the consolidated financial statements of CIR (by the directors of CIR) on a going concern basis, the related tangible assets have been written down by € 57.5 million in the consolidated financial statements of the CIR Group. This follows the performance of an impairment test that took due account - given the significant uncertainties about the continuity of the Energy CGU - of the outcome of the measurement of the Energy CGU as a whole. . In particular, considering the business plan prepared by Sorgenia, the related financial manoeuvre and therefore the financial sustainability of the plan, it is clear that the company is unable to guarantee the provision, on an independent basis, of the financial resources that are needed. Consequently, CIR has decided not to make reference to value in use when determining the recoverable value of the Energy CGU, since this is based on a business plan that is not financially sustainable since, on implementation, it envisages the waiver of significant amounts by the lending banks. Rather, recoverable value has been determined with reference to the fair value of the Energy CGU (considered overall to be zero at 31 December 2013). Accordingly, the net carrying amount of the tangible assets does represent the recoverable value of each asset, but rather the total value of tangible assets assuming that the entire Energy CGU is sold for a consideration of zero;

- other receivables of € 118.5 million, mainly consisting of credits that the Sorgenia group has versus the tax authorities for the value of CO2 quotas that should have been assigned in relation to the plants that commenced operations from 2010 onwards, but which were not included in the national free allocation plan for such quotas. In order not to create differences in treatment between different market players, a legislative measure granted operators a credit equal to the value of the CO2 quotas not assigned to them. These credits will be settled with those entitled to them starting in 2014, using the financial resources made available through auction mechanisms;

- deferred tax assets of € 96.5 million recognised with reference to the future taxable income estimated in the 2014-2020 business plan approved by the directors of Sorgenia, within the limits of the time horizon envisaged in that plan. As a result, the recovery of this business asset is strictly dependent on maintenance of the going concern assumption and, therefore, the successful outcome of the above-mentioned negotiations to restructure the debt of the Sorgenia sub-group;

- current assets of approximately € 1,046 million, primarily consisting of trade receivables, the positive fair values of contracts for the forward purchase and sale of electricity and gas designated as held for trading, and tax receivables.

Lastly, as regards the interest held by the Energy CGU in Tirreno Power S.p.A., measured using the equity method and written down to zero in 2013, management is of the opinion that it will not have any further impact in the future.

LIABILITIES AND EQUITY	*CIR*	*Scope of the Energy CGU (Sorgenia) (*)*	*CIR net of the Energy CGU*
EQUITY	**1,602,346**	**9,024**	**1,593,436**
ISSUED CAPITAL	397,146	--	397,146
less TREASURY SHARES	(24,764)	--	(24,764)
SHARE CAPITAL	372,382	--	372,382
RESERVES	302,231	635,041	302,231
RETAINED EARNINGS (LOSSES)	725,603	191,129	725,603
NET INCOME/(LOSS) FOR THE YEAR	(269,210)	(826,056)	267,155
NET INCOME/(LOSS) ATTRIBUTABLE TO THE ENERGY CGU			(536,365)
GROUP EQUITY	**1,131,006**	**114**	**1,131,006**
MINORITY INTERESTS	471,340	8,910	462,430
NON-CURRENT LIABILITIES	**1,331,174**	**160,664**	**1,170,510**
BONDS	257,724	--	257,724
OTHER BORROWINGS	604,977	122,535	482,442
OTHER PAYABLES	930	566	364
DEFERRED TAXES	215,120	3,815	211,305
PERSONNEL PROVISIONS	128,535	1,525	127,010
PROVISIONS FOR RISKS AND LOSSES	123,888	32,223	91,665
CURRENT LIABILITIES	**3,658,634**	**2,551,925**	**1,182,366**
BANK OVERDRAFTS	194,114	179,461	14,653
BONDS	230,719	--	230,719
OTHER BORROWINGS	1,780,326	1,641,788	138,538
TRADE PAYABLES	1,011,523	611,323	475,857
OTHER PAYABLES	332,586	100,223	232,363
PROVISIONS FOR RISKS AND LOSSES	109,366	19,130	90,236
LIABILITIES HELD FOR DISPOSAL	--	--	--
TOTAL LIABILITIES AND EQUITY	**6,592,154**	**2,721,613**	**3,946,312**

(*) due to certain adjustments made on consolidation by CIR, the data does not necessarily coincide with that obtainable from the consolidated financial statements of Sorgenia

As discussed in relation to the assets of the Energy CGU, the principal liabilities comprise:

- other non-current borrowings of about € 123 million, mainly relating to leasing liabilities;
- bank overdrafts and other borrowings amount to about € 1,821 million. With regard to these items, as a result of the Sorgenia sub-group's request for a standstill in late 2013, the Energy CGU lost the benefit of the deferral of repayments on its entire debt. Consequently, the entire indebtedness has been shown under current liabilities. This financial structure is obviously not sustainable, so the ongoing negotiations aim to restore a balance between current and non-current liabilities in line with the CGU's asset structure;
- trade payables of about € 611 million. These payables derive from the provision of services, supplies, transportation and services related to trading in electricity and gas, as well as amounts due to wholesalers;
- other payables of about € 100 million, mainly relating to the fair value of derivative financial instruments and the amount due to GSE for the green certificates and CO_2 quotas accrued during the year.

As explained above, the net contribution of the Energy CGU to Group equity was substantially eliminated during the year. The residual amount, about € 114 thousand, relates to the contribution of Sorgenia Holding S.p.A., the corporate vehicle through which the CIR Group controls the Sorgenia sub-group; the contribution of the Sorgenia sub-group, on the other hand, has been completely cancelled at 31 December 2013.

Lastly, the contribution made by the Energy CGU to the consolidated income statement for the year ended 31 December 2013 is indicated below.

INCOME STATEMENT	*CIR*	*Scope of the Energy CGU (Sorgenia) (*)*	*CIR net of the Energy CGU*
SALES REVENUES	4,751,980	2,325,991	2,425,989
CHANGE IN INVENTORIES	(11,540)	(1,281)	(10,259)
COSTS FOR THE PURCHASE OF GOODS	(2,797,020)	(1,964,855)	(832,165)
COSTS FOR SERVICES	(840,803)	(169,930)	(671,723)
PERSONNEL COSTS	(713,537)	(48,204)	(665,333)
OTHER OPERATING INCOME	86,288	51,997	35,141
OTHER OPERATING EXPENSE	(243,951)	(157,016)	(86,935)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(269,769)	(272,580)	2,811
EBTIDA	**(38,352)**	**(235,878)**	**197,526**
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(862,388)	(675,546)	(186,842)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**(900,740)**	**(911,424)**	**10,684**
FINANCIAL INCOME	60,181	6,811	53,370
FINANCIAL EXPENSE	(215,271)	(129,721)	(85,550)
DIVIDENDS	547	3	544
GAINS FROM TRADING SECURITIES	16,682	--	16,682
LOSSES FROM TRADING SECURITIES	(6,043)	(8)	(6,035)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(19,004)	(7,920)	(11,084)
NON-RECURRING INCOME (EXPENSE)	491,312	--	491,312
INCOME BEFORE TAXES	**(572,336)**	**(1,042,259)**	**469,923**
INCOME TAXES	(188,752)	(7,269)	(181,483)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE	--	--	--
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	**(761,088)**	**(1,049,528)**	**288,440**
- NET INCOME OF MINORITY INTERESTS	491,878	513,163	(21,285)
- NET INCOME OF THE GROUP	**(269,210)**	**(536,365)**	**267,155**

(*) due to certain adjustments made on consolidation by CIR, the data does not necessarily coincide with that obtainable from the consolidated financial statements of Sorgenia

Lastly, the requirements of IFRS 5 “Non-current assets held for sale and discontinued operations” do not apply to the Energy CGU at 31 December 2013 but should apply from 2014 onwards.

Events which occurred after the reporting date
In addition to the above, no significant events have taken place after the end of the year that could have had a significant effect on the Group's financial position, equity or results.
See point 6 of the Report on Operations for a description of the 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 6 June 2014 (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.

<u>Associates</u>
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.

<u>Joint ventures</u>
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 proportional 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) are 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:

	31.12.2013		31.12.2012	
	Average rate	31.12.2013	Average rate	31.12.2012
US dollar	1.3281	1.3791	1.2849	1.3194
Swiss Franc	1.23106	1.2276	1.2072	1.20528
GB pound	0.8491	0.8337	0.8108	0.8161
Brazilian real	2.8503	3.2576	2.5023	2.7036
Argentine peso	7.2207	8.9888	5.8350	6.4863
Chinese renminbi	8.1639	8.3493	8.1064	8.2210
Indian rupee	77.3994	85.3971	68.5871	72.5689
Romanian leu	4.4189	4.4711	4.4567	4.4444
Canadian dollar	1.3672	1.4671	1.2842	1.3137
Mexican peso	16.9405	18.0734	16.9005	17.1851
Hong Kong dollar	10.2987	10.6929	9.9671	10.2260

2.c. Scope of consolidation

The consolidated financial statements at 31 December 2013 and 2012 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.

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 scope of consolidation has changed compared with the previous year as the following companies are no longer consolidated:

- Azzurro LNG S.p.A., as the liquidation procedure was completed;
- Energia Lucana S.r.l, as the liquidation procedure was completed;
- Sorgenia E&P UK Ltd, as it was sold in April 2013;
- PVP 1 S.r.l., as it was sold in May 2013;
- Sorgenia E&P Bulgaria EOOD, as the liquidation procedure was completed;
- Sorgenia Menowatt S.r.l., as it was sold in December 2013;
- Sorgenia USA LLC, as the company has been wound up;
- Saponis Investments SP ZOO, previously accounted for under the equity method, as it was sold in December 2013;
- Tecnoparco Valbasento S.p.A., previously accounted for under the equity method, as it was sold in November 2013;
- Tirreno Solar S.r.l., previously accounted for under the equity method, as it was sold in December 2013;
- Photovoltaique de Marville Sas., previously carried at cost, as it was sold in May 2013;
- RSG BV, previously carried at cost, as it was sold in December 2013;
- Sorgenia ASD S.r.l., previously carried at cost, as it was sold in February 2013.

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

- Eolica Bisaccia S.r.l., previously accounted for at cost, is now consolidated on a line-by-line basis following acquisition of control;
- P&F Società agricola a responsabilità limitata S.r.l., previously accounted for under the equity method, is now measured at cost as the value of the investment has become immaterial;
- PVP 2 S.r.l., previously accounted for at cost, is now consolidated on a line-by-line basis following the acquisition of the business unit and increase in the value of the investment.

During the year, the following company changed its name:

- LISI BV (formerly Sorgenia Poland BV).

- *MEDIA*

The scope of consolidation has changed compared with the previous year with the inclusion of Mo-Net S.r.l., control of which was acquired by Elemedia S.p.A. on 8 February 2013. The higher value of the purchase cost agreed between the parties (Elemedia S.p.A. and Internet Bookshop Italia S.r.l.) compared with Mo-Net S.r.l.'s net equity at the acquisition date has been booked to "Trademarks", based on the assessments made by Group management.

- *AUTOMOTIVE COMPONENTS*

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

- Allevard Rejna Autosuspensions S.A. increased its stake in Allevard IAI Suspensions Pvt Ltd from 54.91% to 70.24%;
- Sogefi Allevard S.r.l. has been liquidated.

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

- *HEALTHCARE*

The following transactions took place in 2013 involving a change in the scope of consolidation:

In the Rehabilitation sector (Istituto di Riabilitazione Santo Stefano S.r.l.):

- May saw the formalisation of the joint venture agreement signed in 2012 with Apollo Hospital Enterprise Limited, the leading Indian operator in the management of private hospitals in India and Asia. The purpose of the JV (APOKOS Rehab PVT Ltd) is to create rehabilitation centres in India, following the positive outcome of a pilot project that lasted 12 months from the start of the activity.
- Medipass S.r.l. took part in the increases in capital of Clearmedi Healthcare Ltd, which diluted the holdings of Medipass Healthcare Ltd (a subsidiary) and of Clearview Ltd. (third party minority shareholder). The investment is currently held 51.3% by Medipass S.r.l., 7.9% by Medipass Healthcare Ltd and the other 40.8% by Clearview Ltd. This gave rise to a positive consolidation difference of € 257 thousand, in accordance with international accounting standards (IFRS 3 revised), which has been recorded in a special equity reserve.

- *OTHER COMPANIES*

CIR S.p.A. has raised its stake in LLIS Lake Leman International School S.A.. from 66.39% to 83.26% as a result of increases in capital.

LLIS Italia Srl was set up as a wholly-owned subsidiary of LLIS Lake Leman International School SA in January 2013 and on 19 March 2013 it acquired 100% of Southlands Srl, an international school located in Rome. Subsequently, during October 2013, LLIS Italy S.r.l. and Southlands S.r.l. merged via a reverse takeover.

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 are 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.
"Customer relationships" 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.
"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 on the basis of 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 posted to 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.

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; 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 posted immediately to 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, all employee leaving indemnity accrued as at 31 December 2006 for employees who exercised this option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial/financial components relating to future changes in salary.
Commission Regulation EU no. 475/2012 endorsed the amendments to IAS 19 - Employee Benefits, as approved by the IASB on 16 June 2011, with the aim of promoting the understanding and comparability of financial statements, particularly with reference to defined benefit plans. The most important change is the elimination of the different accounting treatments that were permitted for recording defined benefit plans and the consequent introduction of a single method that envisages immediate recognition in the statement of comprehensive income of any actuarial gains or losses that arise from measuring the obligation. Compared with the previous accounting treatment adopted by the Group, the main impact is the elimination of the "corridor method", with immediate recognition in the statement of comprehensive income, and therefore in equity, of changes in the value of the obligations and the plan assets. The elimination of this method had an impact on Group equity at the date of first application of the new standard, as actuarial gains and losses not previously recognised under the corridor method have now been recognised.

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, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred and the liabilities incurred or assumed. Any transaction costs relating to business combinations are recognised to the income statement in the period 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-producing assets, whose ability to generate income and cash flow is monitored constantly 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 tangible assets, goodwill, investments, deferred taxes, provisions for risks and losses, personnel provisions 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" 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.
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.

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.

Fair value
EU Regulation 1255/2012 endorsed IFRS 13 - Fair value Measurement. The new standard provides guidance on how to measure the fair value of financial instruments and non-financial assets and liabilities already established or permitted by other standards. In this way, a single standard brings together all the rules for the measurement of fair value, instead of being spread over different standards as they were previously, sometimes with requirements that were inconsistent with each other. Although many of the concepts of IFRS 13 are consistent with current practice, some aspects of the new standard do have any impact on the Group companies, the main one being the clarifications given on how to measure the risk of default when determining the fair value of derivatives. This risk includes changes in the creditworthiness of both the counterparty and the issuer.

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in an regular transaction between market participants at the measurement date.
The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required.
For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the Group has access (*Mark to Market*).
A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken

as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.
If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the Group will assess the fair value using another valuation technique, such as:
- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- valuations performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (*Mark to Model*). The Group uses valuation models (*Mark to Model*) that are generally accepted and used by the market. The models include techniques based on the discounting of future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.
As a further guarantee of the objectivity of valuations derived from valuation models, the Group uses fair value adjustments (FVAs) to take into account the risks associated primarily with the limited liquidity of the positions, the valuation models used and counterparty risk.
The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, is a price quoted in an active market is available, the other valuation techniques cannot be used.
IFRS 13 provides for the classification of the instruments being measured at fair value according to the observability of the inputs used for pricing them.
The fair value hierarchy has three levels:
- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly).
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that can not be observed in active markets. The valuations are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

The Group did not encounter any significant changes in the classification of financial instruments as a result of implementing IFRS 13.

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 2013
The following accounting standards, amendments and interpretations were applied for the first time by the Group with effect from 1 January 2013:

- On 12 May 2011, the IASB issued IFRS 13 - Fair value Measurement, which provides how to determine fair value for accounting purposes and applies to all cases in which IAS/IFRS 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, than is currently required by IFRS 7. The standard is applicable prospectively from 1 January 2013. Adoption of this standard did not have a significant impact in the Group.
- On 16 December 2011, the IASB issued amendments to *IFRS 7 - Financial Instruments: Additional Disclosures* (para. 13A-13F). The amendment requires information on the effects or potential effects of offsetting financial assets and liabilities on a company's statement of financial position in application of IAS 32. 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 annual 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. The introduction of this new standard had the following effects on the consolidated financial statements of the Group: reduction in the equity of the Group by € 4,726 thousand and reduction in the loss of the Group by € 1,285 thousand.

- 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.
- 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 the annual refinement process, 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 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. Application of these amendments did not have any impact on the financial statements of the Group in terms of measurement and has had limited impact in terms of disclosures.
- On 19 March 2011, the IASB published an amendment to *IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans,* which amends the reference to accounting for government loans in the transition to IFRS. Given that our Group is not a first-time adopter, this amendment did not have any effect on these consolidated financial statements.

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. Adoption of this new standard will not have any impact on the Group's scope of consolidation.

- 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)*. The document clarifies the transition rules of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. These amendments will apply, together with the reference standards, from annual periods beginning on or after 1 January 2014, unless applied in advance.
- On 31 October 2012 were issued amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities", which introduce an exception to the consolidation of subsidiaries for an investment company, except for cases where the subsidiaries provide services that relate to the investment activities of such companies. In application of these amendments, an investment company has to measure its investments in subsidiaries at fair value. To qualify as an investment company, an entity has to:
  - *obtain funds from one or more investors with the purpose of providing them with investment management services;*
  - make a commitment with its investors that its corporate purpose is to invest the funds solely with a view to obtaining returns from capital appreciation, investment income or both; and
  - measure and evaluate the performance of substantially all of its investments on a fair value basis.

  These amendments will apply, together with the reference standards, from annual periods beginning on or after 1 January 2014, unless applied in advance.

- 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. Application of this new standard will not have any impact on the Group's 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 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. The amendments will apply retrospectively to annual periods beginning on or after 1 January 2014.
- On 29 May 2013, the IASB issued amendments to IAS 36 - Impairment of assets - Additional information on the recoverable value of non-financial assets. The amendments are intended to clarify that the additional information to be provided about the recoverable value of the assets (including goodwill) or cash-generating units, in the event that their recoverable amount is based on fair value less costs of disposal, relate only to the assets or cash-generating units to which it has been recognised or a loss in value reversed during the financial year. The amendments have to be applied retrospectively from financial periods beginning on or after 1 January 2014.
- On 27 June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting. The changes include the introduction of certain exemptions from the requirements of hedge accounting as defined by IAS 39 when an existing derivative has to be replaced by a new derivative that directly (or indirectly) has a central counterparty (CCP) by law or regulation. The amendments have to be applied retrospectively from financial periods beginning on or after 1 January 2014. Early adoption is permitted.

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 20 May 2013, the "IFRIC 21 - Levies" interpretation was published, which provides clarification on when recognition of a liability relating to taxes imposed by a government agency, both for those that are accounted for in accordance with IAS 37 - Provisions, contingent liabilities and assets, and for any taxes whose timing and amount are certain.
- 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.

- On 19 November 2013, the IASB published "IFRS 9 Financial Instruments - Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39" concerning the new hedge accounting model. This document aims to answer some of the critical requirements of IAS 39 for hedge accounting, which are often considered too stringent and not a suitable reflection of companies' risk management policies. The main changes in the document concern:
  - changes to the types of transactions eligible for hedge accounting, in particular the risks of non-financial assets/liabilities eligible to be managed in hedge accounting are extended;
  - change in the method of accounting for forward contracts and options when included in a hedge accounting relationship in order to reduce the volatility of the income statement;
  - changes in the effectiveness test by replacing the current procedures based on the 80-125% parameter with the principle of "economic relationship" between the hedged item and the hedging instrument; in addition, an assessment of the retrospective effectiveness of the hedging relationship will not be required anymore;
  - a greater flexibility in the new accounting rules is offset by additional disclosure requirements about the company's risk management activities.
- On 12 December 2013, the IASB published its "Annual Improvements to IFRSs: 2010-2012 Cycle" which incorporates the changes to standards as part of the annual refinement process. The main changes concern:
  - IFRS 2 Share Based Payments – Definition of vesting condition. Changes have been made to the definition of "vesting condition" and "market condition" and the definitions of "performance condition" and "service condition" have been added (they were previously included in the definition of "vesting condition")
  - IFRS 3 *Business Combinations – Accounting for contingent consideration*. The amendment clarifies that contingent consideration classified as a financial asset or liability has to be remeasured at fair value at each balance sheet date and any changes in fair value are recognised in the income statement or among the elements of comprehensive income based on the requirements of IAS 39 (or IFRS 9).
  - IFRS 8 *Operating Segments – Aggregation of operating segments*. The amendments require an entity to provide disclosures about the assessments made by management in applying the criteria for the aggregation of operating segments, including a description of the operating segments being aggregated and of the economic indicators considered in determining whether such operating segments have "similar economic characteristics".
  - IFRS 8 *Operating Segments – Reconciliation of total of the reportable segments' assets to the entity's assets*. The amendments clarify that the reconciliation between the total assets of the operating segments and the total assets of the entity only has to be presented if the total assets of the operating segments are regularly reviewed by the chief operating decision maker.
  - IFRS 13 *Fair Value Measurement – Short-term receivables and payables*. The Basis for Conclusions of this standard have been amended to clarify that, with the issuance of IFRS 13 and consequent changes to IAS 39 and IFRS 9, the possibility of accounting for current trade

receivables and payables without booking the effects of discounting remains valid, if these effects are not material.

- IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization*. The changes have eliminated the inconsistencies in the recognition of depreciation or amortization when a tangible or intangible asset is revalued. The new requirements clarify that the gross carrying amount of the asset has to be adjusted in proportion to the revaluation of the net carrying amount of the asset and that the accumulated depreciation or amortization is equal to the difference between the gross and net carrying amounts, net of any impairment losses that have been accounted for.
- IAS 24 *Related Party Disclosures – Key management personnel*. This clarifies that in the event that the services of key management personnel are provided by an entity (and not by an individual), this entity is to be considered a related party.

The amendments are effective for annual periods beginning on or after 1 July 2014. Earlier application is permitted.

- On 12 December 2013, the IASB published its Annual Improvements to IFRSs: 2011-2013 Cycle, which includes changes to international accounting standards as part of the annual refinement process. The main changes concern:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of "effective IFRS". It clarifies that an entity that adopts IFRS for the first time can opt for early application of a new standard intended to replace the principle in force, as an alternative to applying a principle currently in force on the date of the first IAS/IFRS financial statements. This option is only allowed when the new standard permits early application. Moreover, the same version of the standard has to be applied to all periods presented in the first IAS/IFRS financial statements.
  - IFRS 3 *Business Combinations – Scope exception for joint ventures*. The amendment clarifies that paragraph 2(a) of IFRS 3 excludes the formation of all types of joint arrangement, as defined by IFRS 11, from the scope of IFRS 3.
  - IFRS 13 *Fair Value Measurement – Scope of portfolio exception* (para. 52). The amendment clarifies that the portfolio exception included in paragraph 52 of IFRS 13 applies to all contracts included within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definition of financial assets and liabilities provided by IAS 32.
  - IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40*. The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the purchase of a property falls within the scope of IFRS 3, it is necessary to refer to the specific instructions provided by IFRS 3; however, to determine whether the purchase in question falls within the scope of IAS 40, it is necessary to refer to the specific instructions of IAS 40.

  The amendments are effective for annual periods beginning on or after 1 July 2014. Earlier application is permitted.

7. Non-current assets

7.a. Intangible assets

2012	Opening position			Movements during the year							Closing position		
(in thousands of euro)	Original cost	Accumulated amortisation and write-downs	Balance 31.12.2011	Acquisitions	Business combinations business disposals increases	Business combinations business disposals decreases	Exchange rate differences	Other changes	Net disposals cost	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance 31.12.2012
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
Others	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**

2013	Opening position			Movements during the year							Closing position		
(in thousands of euro)	Original cost	Accumulated amortisation and write-downs	Balance 31.12.2012	Acquisitions	Business combinations business disposals increases	Business combinations business disposals decreases	Exchange rate differences	Other changes	Net disposals cost	Amortisation and write-downs	Original cost	Accumulated amortisation and write-downs	Balance 31.12.2013
Start-up and expansion costs	60	(60)	--	10	--	--	--	24	--	(7)	70	(43)	27
Capitalised development costs													
- purchased	--	--	--	--									--
- produced internally	130,229	(69,334)	60,895	27,829	--	--	(2,345)	2,261	(9)	(17,832)	152,259	(81,460)	70,799
Industrial patents and intellectual property rights	19,103	(11,930)	7,173	19,216	40	--	--	10,571	(298)	(5,635)	48,309	(17,242)	31,067
Concessions, licences, trademarks and similar rights	265,182	(102,967)	162,215	4,672	106	--	(22)	2,417	(9)	(18,221)	271,217	(120,059)	151,158
Titles and trademarks	400,245	--	400,245	--	2,138	--	--	--	--	--	402,383	--	402,383
Frequencies	83,728	--	83,728	--	--	--	--	--	(85)	--	83,643	--	83,643
Goodwill	1,124,810	(429,997)	694,813	7,328	--	--	(237)	--	(23)	(325,093)	1,131,914	(755,126)	376,788
Assets in progress and advance payments													
- purchased	81,653	(41,510)	40,143	31,853	--	--	(200)	(28,360)	--	(33,377)	99,698	(89,639)	10,059
- produced internally	14,291	(117)	14,174	4,239	--	--	(167)	(8,557)	(5)	(66)	9,963	(345)	9,618
Others	51,167	(13,031)	38,136	79	--	--	(55)	(573)	--	(11,607)	49,367	(23,387)	25,980
Total	**2,170,468**	**(668,946)**	**1,501,522**	**95,226**	**2,284**	**--**	**(3,026)**	**(22,217)**	**(429)**	**(411,838)**	**2,248,823**	**(1,087,301)**	**1,161,522**

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 fell from € 1,501,522 thousand at 31 December 2012 to € 1,161,522 thousand at 31 December 2013. The decrease relates primarily to write-downs of goodwill.

The intangible assets of the Energy sector, excluding those with an indefinite useful life, were written down during the year with regard to:

- the reduction in the estimated hydrocarbon reserves relating to the Balay exploration licence and part of the surface rights for the wind-farm projects in Romania, following expiry of the plant construction authorisations, totalling € 7.6 million;
- assets in progress and advance payments amounting to € 37 million, which were written down following the decision to abandon E&P initiatives as part of the refocusing of business objectives reflected in the new business plan approved by Sorgenia. The writedowns principally related to:
  - the costs incurred on exploration and the drilling of wells in Colombia, due to a lack of success and to reflect the related realisable value (€ 11.9 million);
  - exploration costs incurred in relation to North Sea projects, in order to reflect the related realisable value (€ 5.5 million);
  - the costs incurred to develop software for the management of customers in the residential sector, following abandonment of the project concerned (€ 18.9 million).

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)	*31.12.2013*	*31.12.2012*
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
Mo-Net	2,138	--
Total	402,383	**400,245**

Frequencies:

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Radio frequencies	83,643	83,728
Total	**83,643**	**83,728**

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)	*31.12.2013*	*31.12.2012*
Energy sector (Sorgenia Group)	--	252,559
Media Sector (Editoriale L'Espresso Group)	68,492	140,337
Healthcare sector (Kos Group)	172,870	173,279
Automotive sector (Sogefi Group)	128,638	128,638
Other investments	6,788	--
Total	**376,788**	**694,813**

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.

In order to perform the impairment test of goodwill and other intangible assets with an indefinite useful life, the recoverable value of each cash generating unit, defined in accordance with IAS 36, was estimated with reference to its value in use or its fair value less selling costs and having regard - where applicable in the specific circumstances - for the guidelines contained in the document entitled “Impairment test of goodwill in the context of crises in the financial markets and the real economy: guidelines” issued by the O.I.V. (Italian Valuation Board).
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 the management of the operating units concerned. 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 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.

The recoverable value of each asset was estimated with reference to the higher of its fair value less costs to sell or its value in use, if both were available.

Summary of the results of impairment testing

The impairment tests carried out on the goodwill allocated to the Healthcare and Automotive Sectors and on other intangible assets with an indefinite useful life, using the cash flow method and other valuation methods, ascertained the absence of 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.

With regard to the goodwill allocated to the Media Sector, deriving in part from the difference between the purchase cost of the interest held by CIR in the sub-group and the net assets reflected in the consolidated financial statements of the CIR Group, the results of the impairment test identified the need for a writedown of about € 71 million relating solely to the goodwill represented by the difference between the carrying amount of the equity investment held by CIR and the fair value of the related assets and liabilities at the acquisition date.

Lastly, with reference to the troubled situation faced by Sorgenia S.p.A., it was not deemed appropriate to estimate recoverable value with reference to value in use and, accordingly, fair value less selling costs was estimated for the purposes of the impairment test of the investment in the Energy CGU taken as a whole. The following factors were considered:

- the nature of the restructuring proposed by the banks, which has not been agreed yet and is still under discussion between the various parties involved,
- the unwillingness of CIR and Verbund, the shareholders, to inject fresh funds as part of that manoeuvre and the intention of CIR to exit from the Energy sector,
- the negotiations in progress between Sorgenia and the lending banks, and between the latter and the shareholders of Sorgenia, which envisage the almost total dilution of the interests of Sorgenia Holding and Verbund in the capital of Sorgenia Spa in favour of the lending banks (which would become the new shareholders of Sorgenia Spa),
- the business plan approved by Sorgenia that, if implemented, would require the lending banks to agree to significant sacrifices with respect to their loans, or the transformation of the amounts due into equity instruments,

as a result of which, the fair value of the Energy CGU, taken as a whole, was estimated to be essentially zero. More specifically, the directors considered that the prospect of almost total dilution of the current shareholders in favour of the banks, without the recognition of any consideration, and the complete withdrawal of CIR from the energy sector - albeit decided subsequent to 31 December 2013 - meant that the recoverable value of the CGU was in fact zero. Accordingly, they deemed it appropriate to write off (i) the investment in Sorgenia S.p.A. in the separate financial statements of CIR, (ii) all goodwill deriving from the consolidation of the investment and (iii) the difference between the net assets and the net liabilities recorded in the consolidated financial statements of the CIR Group in relation to the Energy CGU. This valuation approximates the overall outcome of CIR's exit from the energy sector, despite the maintenance of control, and therefore the Group will only recognise future results for accounting purposes until the dilution of CIR's interest in Sorgenia becomes effective upon implementation of the debt restructuring agreements.

Analysis of impairment tests

The tests performed in relation to each sector are described below.

Media

The impairment test on the Media sector, which coincides with the Espresso sub-group, was applied to intangible assets with an indefinite useful life, i.e. titles and trademarks, with a carrying amount of € 402.3 million, radio frequencies, with a carrying amount of € 83.6 million, and the goodwill allocated to the sector of € 140.3 million before the impairment writedown recorded at 31 December 2013. 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 the frequencies and goodwill relating to the television sector, and for the Group companies active in the digital sector, the fair value criterion was used.

For the Media CGU taken as a whole, to which only the goodwill recognised by the CIR Group has been allocated, the greater of its value in use and the fair value represented by the share price was used, given that the shares of the Espresso Group are listed on the Milan Stock Exchange.

In particular, with regard to the CGUs tested with reference to their value in use, the process involved applying:

- the DCF model, by discounting analytically the cash flows expected over the explicit time frame of the business plans (2014-2018) and calculating the terminal value.
  The discount rate used was the Espresso Group's pre-tax WACC, namely 10.42% (11.34% in 2012). Lastly, with regard to the cash flows expected beyond the detailed forecasting period, it was assumed that the terminal flow (in perpetuity) would coincide with the average of the positive flows expected during the detailed forecasting period (2014-2018) and that the growth rate “g” would be zero, except for the activities attributable to “Rete A” and “Mo-Net”, whose business dynamics are evolving with a consequent effect on the Media CGU;
- with regard to the CGUs tested with reference to their fair value less selling costs, the process involved applying different methodologies that distinguished between the: i) publishing businesses, for which - given that there is no active trading market - direct valuation multipliers were used (Enterprise Value/Sales, Enterprise Value/EBITDA, Enterprise Value/EBIT), ii) radio/TV businesses, for which a price/users multiple was used (Enterprise Value/Population reachable by the signal), with reference to transfer prices for similar frequencies in relation to the population potentially reachable by the signal and iii) digital businesses, for which direct multipliers were used with reference to the valuations for comparable listed companies.

  In order to determine the possible "price" of the Publishing CGU, entity side multipliers were used, either in the trailing version (historical/current multipliers) or in the leading version (expected/average multipliers).
  The fair value less selling costs of the radio and television units was estimated with reference to the 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.

The fair value less selling costs of the internet company (Mo-Net) was estimated using direct multipliers (Enterprise Value/Sales, Enterprise Value/Ebitda and Enterprise Value/Ebit) determined with reference to comparable listed companies. The multipliers determined with reference to the selling prices of similar firms are difficult to apply in practice, both because internet transactions are rare in Italy and because of substantial differences in the business models of the companies traded. By contrast, financial metrics appear to indicate a clearer correlation between the market consensus about the growth potential of the revenues and operating profits of a business and the market prices for internet companies.

In order to determine the economic results and operational cash flows, reference was made to the 2014 budget and the business plans for 2014-2016 approved by the Board of Directors of the Espresso Group on, respectively, 22 January 2014 and 26 February 2014. These forecasts were extended to 2017 and 2018 - except for the plan relating to the "Rete A CGU" for which the twenty-year duration of the frequency licence was used - with reference to reasonable assumptions that were consistent with historical experience.

The forecasts for the individual CGUs took account of the general difficulty of making forward-looking estimates, particularly in relation to the performance of the advertising market, given the current uncertain economic health of the country and an inability to predict advertising revenues reliably over even a short period of time.

The principal assumptions underlying the forecasts made are summarised below:

- Advertising revenues: for 2014, it was assumed that the economy would remain in recession and, consequently, that the overall advertising market would shrink further with respect to 2013, although by much less than that experienced in the past year (-12.3% compared with 2012). With regard to the individual segments, the share of the total advertising market was forecast to reflect the trends observed in recent years. This would involve:
  - for the press, a further contraction in market weighting and therefore a greater decline than that for the market, having regard for the structural difficulties of this media;
  - for radio and television, performance essentially in line with the market;
  - for internet, an increase in market share and therefore slight growth.

  Against this background, the 2014 budget for the Group reflects the performance forecast for each market segment, with a slight increase in the shares of our daily newspapers and websites, given the action taken to strengthen and enrich these products.

  For subsequent years of the plan, the advertising market is forecast to remain stable during the following two years (2015-2016) at the 2014 level of investment, before returning to limited growth in 2017 and 2018. The structural trends affecting the markets of the various media, with a reduction in the share of daily newspapers and periodicals and growth in the weighting of the Internet, are expected to continue throughout the entire plan period.

- Sales revenues: the assumptions made for the 2014 budget regarding the kiosk sales of the Group's daily newspapers are based on market trends during the period from 2005 to 2013. Based on ADS data, during that period kiosk sales of daily newspapers fell by 30.3% (an annual average of -4.4%), from a daily average of 4.4 to 3.0 million copies. By segment, the national dailies providing information and sports news have fared worst, declining since 2005 by 36% and 40% respectively (an annual average of -5.7%), while the sales of local newspapers have dropped by 25.2% (-3.6% per annum). This adverse trend has accelerated significantly in recent years however, partly due to cannibalisation deriving from the access made to digital versions using iPads and other mobile devices.

  Considering these trends, the budget envisages that market trends in 2014 will be similar to those in 2013, with a 9.5% decline in the sales of la Repubblica and a 7% fall in those of local newspapers.

For the subsequent years of the plan, the structural decline in kiosk sales is assumed to follow the established trend, with the sales of la Repubblica declining by an annual average of 7% and those of local newspapers falling by 5% each year.
Alongside the structural decline in printed copies, the plan assumes significant growth in subscriptions to the digital editions of daily newspapers, accessed by tablets, PCs and mobile phones, with a beneficial effect on the revenues of the "la Repubblica" CGU and the Local Newspaper CGUs.
Lastly, the 2014-2018 plans envisage a steady increase in the cover prices of daily newspapers to offset the effect on sales deriving from the fall in the number of copies sold.

- Optional products: the budgets for 2014 and subsequent years of the plan envisage a steady reduction in the margins from optional products sold together with daily newspapers, given that the market is essentially saturated.
- Costs: with regard to cost trends, the forecasts for 2014-2018 take account of a series of cost-saving measures taken by all companies, the implementation of which has already commenced at the reporting date:
  - reduction in the print runs and pages of all titles following the predictable decline in their circulation and advertising revenues;
  - early retirement for printing personnel;
  - reduction in editorial costs due to the containment of expenditure on bordereau, photographs and agency fees, as well as action relating to the staff of journalists;
  - reorganisation plans at the printing centres for la Repubblica and the local newspapers;
  - efficiencies in the distribution process;
  - reductions in all principal general costs (rentals, advisory services, telephone, travel etc.).

  Over the plan period, these cost reduction efforts will more than compensate for the natural increase in payroll costs, paper prices and printing supplies, as well as the additional costs required to develop the digital business.

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

For those CGUs whose titles and/or goodwill have significant value and for which impairment tests indicate that the excess of their fair value less selling costs or value in use over their carrying amount is less than 50%, an analysis was performed on the sensitivity of the results to changes in the underlying assumptions.
In particular with regard to the Publishing CGUs, the analysis of the "Finegil Editoriale Nord-Est" and "Finegil Editoriale Centro-Sud" CGUs produced the following results:

- the value in use of the "Finegil Editoriale Nord-Est" CGU would be equal to the carrying amount of € 113.52 million, assuming a 5% fall in advertising revenues and an 8% decline in copies sold, or a 7.7% fall in advertising revenues and a 6.5% decline in copies sold. Alternatively, accepting the assumptions for sales and advertising revenues adopted in the 2014-2018 plan, the recoverable value in use of the "Finegil Editoriale Nord-Est" CGU would be equal to the carrying amount if the weighted average pre-tax cost of capital was 11.28%, rather than the 10.42% currently used.
- the value in use of the "Finegil Editoriale Centro-Sud" CGU would be equal to the carrying amount of € 5.55 million, assuming a 6.5% fall in advertising revenues and a 7% decline in copies sold, or an 8% fall in advertising revenues and a 6% decline in copies sold. Alternatively, accepting the assumptions for sales and advertising revenues adopted in the 2014-2018 plan, the recoverable value in use of the "Finegil Editoriale Centro-Sud" CGU would be equal to the carrying amount if the weighted average pre-tax cost of capital was 12.21%, rather than the 10.42% currently used.

Solely for the “Finegil Editoriale Nord-Est” CGU, an impairment test was also performed on the configuration of the CGUs adopted in 2011 (“Finegil Padova” CGU, “Messaggero Veneto” CGU and “Il Piccolo” CGU), without identifying any loss of value.
For the Radio and television CGUs, the price range for the radio frequencies used to determine fair value less selling costs 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 2.6 and 2.9 times was used. In the latter case, the fair value of the "Rete A Frequencies" CGU would equal its carrying amount assuming an average price multiplier of 1.30 times the number of inhabitants reachable by the digital signal. Given the lack of recent transactions in Italy involving television frequencies, the value in use of the television frequencies was also calculated. This confirmed the recoverability of the values shown in the financial statements, assuming an increase in revenues from the rental of digital bandwidth. Specifically, the business plan assumes that the number of channels rented to third parties will increase from 8 in 2014 to 12 from 2018 onwards, with rental prices based on the step-up scale of values already defined in existing contracts.
When determining the fair value less selling costs of the CGU represented by the Group's internet company (Mo-Net), the equity value obtained by applying market multipliers was reduced by a discount factor of 30% to take account of the scale differential and the relative “illiquid” nature of the company compared with the panel of internet companies considered.
The tests performed in this way did not identify any need to writedown the amounts recorded in the consolidated financial statements at 31 December 2013 for intangible assets with an indefinite useful life other than goodwill, or for the assets relating to digital television frequencies classified among the “Concessions, licences, trademarks and similar rights”.

As stated earlier, the goodwill recognised solely in the financial statements of CIR, as result of consolidating the interests held in the media sub-group, was allocated to the media sector, which coincides with the entire Espresso sub-group. This is consistent with the process of performance monitoring adopted for management purposes by CIR, which manages a portfolio of investments in individual businesses, and with the segment reporting provided at Group level.
In order to determine recoverable value, the fair value less selling costs of the Media CGU was determined with reference to the stock market values of the subsidiary at the reporting date, while value in use was determined in the manner described above for the value in use of the individual CGUs.
Neither the fair value of the stock at 31 December 2013 nor the value in use determined using the methodologies described above support the carrying amount of the Media CGU in the consolidated financial statements of the CIR Group.
In particular, the value in use attributable to CIR, reflecting the highest recoverable amount, is € 344 million greater than the carrying amount of the equity investment in the separate financial statements, but compared with the consolidated carrying amount of the Media CGU has required a writedown in the financial statements of CIR by about € 71 million. This writedown decreased the amount of goodwill recognised in the consolidated financial statements at 31 December 2013.

Automotive sector
The goodwill allocated to the Automotive sector, which coincides with the Sogefi sub-group, amounts to about € 129 million. The Group has therefore allocated all of the goodwill to a single "Automotive" CGU and then, as part of the analyses carried out for impairment testing purposes, identified specific CGUs based on the approach taken by management of the Sogefi sub-group.
In particular, consistent with the prior year and for the sole purpose of determining value in use, the operating cash flows generated by the Sogefi Group have been considered, consistent with the approach taken by the management of the sub-group, in relation 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, represented by the present value of the 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 2014-2017 (adjusted to exclude the expected benefits of future projects and reorganisations), as approved by management and in line with forecasts for the performance of the automotive sector (based on data from the most important sector sources), and a discount rate based on a WACC of 8.6% (8% in 2012).

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 (2017), 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.

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: 27.3%
- levered beta of the sector: 1.07
- risk-free rate: 4.47% (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: 3.8% (estimated on the basis of the 2014 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 analysis, the impairment test breaks even at the overall level with a discounting rate of 16.45%, and at the discounting rates indicated below for the individual CGUs identified by the Sogefi sub-group (maintaining unaltered the 2% growth of the terminal value and all other plan assumptions): 18.39% for the Engine Systems Division (Fluid Filters), 23.03% for the Engine Systems Division (Air Filters and Cooling) and 10.36% for the Car Suspension Components Division.

Lastly, despite the current performance of the financial markets, the results of the analyses carried out are fully confirmed by the fair value of the assets held by the Group in the automotive sector, as represented by the market value of Sogefi, whose shares are listed on the Milan Stock Exchange, at 31 December 2013.

Energy

The goodwill allocated to the energy sector, which in the CIR Group is represented by just one CGU that coincides with the Sorgenia sub-group, amounted to about € 253 million at 31 December 2012.

In order to carry out the impairment test of goodwill at 31 December 2013, recoverable value was estimated with reference to fair value less selling costs, since it was not considered possible to estimate value in use. In particular, considering the business plan prepared by Sorgenia, the related financial manoeuvre and therefore the financial sustainability of the plan, it is clear that the company is unable to guarantee the provision, on an independent basis, of the financial resources that are needed.
As a result, CIR decided not to adopt value in use as the recoverable value of the Energy CGU, since it was based on a business plan that is not financially sustainable or whose implementation would require the waiver of significant amounts by the lending banks, which is currently subject to uncertainty given that the banks concerned have not made any commitments in this regard.

In order to determine the fair value of the Energy CGU in the absence of a binding sale agreement, the CIR Group has considered the valuations that emerged during negotiations with the banks, which estimate at essentially zero the value of the Sorgenia Group at 31 December 2013. This value emerged from ongoing negotiations linked to an increase in capital that would essentially result in the exit of CIR from the capital of Sorgenia, without the recognition of any consideration, consistent with the intention of CIR to withdraw from the energy sector without participating in the restructuring operations identified as consequence of the negotiations.
As already stated, in this scenario, the recoverable value for CIR - and therefore the fair value - of the Energy CGU as a whole was estimated to be essentially zero and, accordingly, management has written down (i) the investment in Sorgenia S.p.A. in the separate financial statements of CIR, (ii) all residual goodwill deriving from the consolidation of the investment and (iii) the difference between the net assets and the net liabilities recorded in the consolidated financial statements of the CIR Group in relation to the Energy CGU.
This valuation approximates the overall net outcome of CIR's exit from the energy sector, despite the maintenance of control, and therefore the Group will only recognise future results for accounting purposes until control ceases (upon the expected dilution of CIR's interest in Sorgenia). When control is lost, the Group will recognise the differential that eliminates the results recorded in the meantime, since the above overall outcome represents the recoverable value.

Healthcare
The goodwill allocated to the healthcare sector, which corresponds to the KOS sub-group, amounts to € 173 million. The Group has 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-group. In order to check for any impairment in the value of goodwill and other fixed assets shown in the financial statements, the value in use of the CGUs to which the goodwill had been allocated at the KOS sub-group level was calculated.

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, account was taken of 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 following CGUs and groups of CGUs are identified by Kos management at the sub-group level:

- 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.

The recoverability of the amounts recorded was checked by comparing the net carrying amount attributed to the CGUs, including goodwill, with their recoverable value in use, represented by the present value of the future cash flows estimated to derive from the continuous use of the CGUs' assets and by their terminal value.
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 CIR's Directors have with regard to the specific characteristics of the sector that the KOS Group belongs to.

(in thousands of euro)	*31.12.2013*	*%*
Goodwill allocated by KOS sub-holding		
Care homes	88,186	51
Rehabilitation	61,603	36
Hi-tech services	21,622	12
Additional goodwill allocated to the Healthcare CGU	1,459	1
Total	172,870	100

In developing the impairment test, we used management's latest budget forecasts for the economic and financial trend during the period 2014-2019, 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 2012) 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. For the activities in Italy, this discount rate net of taxation (WACC after-tax) is 6.5% (6.8% in 2012), while for those in the UK it is 5.8% (5% in 2012) and for those in India it is 10.5% (8.2% in 2012).
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-group, the Group also performed sensitivity analyses that considered changes in the basic assumptions of the impairment test, particularly those the variables which have most impact on recoverable values (discount rate, growth rate, terminal value).
These analyses, carried out at the testing levels mentioned previously (regions and operating sectors, and then at the level of the Healthcare CGU) did not reveal any problems or situations where carrying value was significantly higher than 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

Evidence of possible impairment of certain energy sector assets held by the CIR Group via the Sorgenia sub-group was identified during the year. This situation was attributable to both external and internal factors, such as changes in the macroeconomic environment, the persistent difficulties faced by the energy sector and a comprehensive review of the business objectives set for the Energy CGU. In particular, a two-level impairment test was carried out by Sorgenia and its group companies on the CGUs defined by them. This was subsequently supplemented at CIR Group level to establish an overall valuation for the entire Energy CGU
As a result of the checks made, the following impairment adjustments were identified:

- € 249 million in relation to CCGT plant;
- € 16 million in relation to initiatives in the renewables sector;
- € 18.8 million in relation to assets in progress and advance payments due to abandonment of the wind farm projects in Italy and Romania and the biomass plant in Gallina.

In particular, with reference to the writedown of plant, further poor performance during the year and steady deterioration in the prospects for the energy sector highlighted the decreasing current and prospective profitability of the CCGT plant. This reduced the value attributable to energy supply activities, especially considering the effects of the revised commercial strategy implemented by the Sorgenia Group, which now seeks to develop the corporate market (large companies and SMEs) while withdrawing from the consumer segment (private individuals, households and customers registered for VAT with limited energy consumption).
Against this background and pursuant to IAS 36, the Group tested for possible impairment in the value of energy supply activities during December 2013, following the tests previously carried out in June 2013.
The impairment test at 31 December 2013 was performed with reference to the cash flows forecast in the new 2014-2020 Business Plan approved by the Board of Sorgenia in November 2013. Given the special nature of the sector, the test was extended to consider the residual useful lives of the plant and the recoverable amounts estimated for the Energy CGU by the CIR Group, as discussed further in note 7.a. above. In particular, the impairment test carried out in relation to the CCGT plant made reference to their value in use estimated by the directors of the Sorgenia sub-group. Given the significant uncertainties about the continuity of the Energy CGU, the results of this test took appropriate account of the outcome of the test performed on the CGU as a whole.

The principal assumptions made when determining the cash flows expected from the CCGT plant included:

- the macroeconomic forecasts for the Single National Price, the dynamics of which reflect the trend in market scenarios for oil commodities;
- the expected useful lives of the plant, 25 years, and the likely total working hours of each plant, which depend on macroeconomic forecasts of the demand for electricity;
- estimates relating to the price of natural gas, the dynamics of which reflect the trend in market scenarios for oil commodities;

- estimates of revenues from ancillary services related to the thermoelectric market that are expected to be in line with the recent past (e.g. capacity payments and the market for dispatching services); note however that, for prudent impairment testing purposes, no assumptions were made about the additional mechanisms for the remuneration of the plant, even if provided for by the regulatory system, in view of uncertainties regarding the effective implementation of the legislation and the capacity payment mechanisms;
- estimates of operating costs and the CO2 quotas, which are expected to increase over the plan period;
- estimates of further investment, which primarily includes maintenance of the facilities, as well as decommissioning and site restoration costs;
- forecasts of commercial activity to maintain the base of corporate customers (large companies and SMEs) and small businesses (customers registered for VAT with high energy consumption) while progressively withdrawing from the consumer segment (private individuals, households and customers registered for VAT with low energy consumption);
- the estimated rate of inflation over the plan period, averaging 2%.

With regard to the changes in market conditions, the Group made reference to an energy scenario that reflects the minimum expectations of a leading external advisor.
The considerations underlying the expected cash flows were made on the assumption that the recapitalisation and refinancing manoeuvre is implemented, as reflected in the flows contained in the 2014-2020 Business Plan.
The cash flows determined in this way were then discounted using an after-tax WACC of 6.82% at 31 December 2013 (6.60% at 31 December 2012).

Based on the above assumptions and considering the intrinsic limitations of applying a value-in-use methodology in a situation, such as that of the Energy CGU, in which the going-concern assumption is subject to multiple uncertainties that include the financial sustainability of the plans, the impairment test identified a reduction in the value of the Energy Supply CGU by € 249 million, inclusive of the writedowns recorded directly by Sorgenia and its subsidiaries and the effect of writing off the difference between the net assets and net liabilities of the Energy CGU, amounting to about € 58 million, in relation to the allocation to CCGT plants of the lower recoverable value of the overall Energy CGU identified from the impairment test of the overall CGU discussed in note 7.a..

The properties and fungible assets of Sorgenia Puglia SpA are mortgaged and pledged to the banks that have made loans to that subsidiary.

The changes in “Tangible assets” during the year are shown on the next page.

7.b. Tangible assets

2012 (in thousands of euro)	Opening position: Original cost	Opening position: Accumulated depreciation and write-downs	Opening position: Balance 31.12.2011	Acquisitions	Business combinations business disposals: increases	Business combinations business disposals: decreases	Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Closing position: Original cost	Closing position: Accumulated depreciation and write-downs	Closing position: Balance 31.12.2012
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

2013 (in thousands of euro)	Opening position: Original cost	Opening position: Accumulated depreciation and write-downs	Opening position: Balance 31.12.2012	Acquisitions	Business combinations business disposals: increases	Business combinations business disposals: decreases	Capitalised financial charges	Exchange rate differences	Other changes	Net disposals cost	Depreciation and write-downs	Closing position: Original cost	Closing position: Accumulated depreciation and write-downs	Closing position: Balance 31.12.2013
Land	72,256	(929)	71,327	123	--	--	--	(201)	400	(115)	(190)	72,463	(1,119)	71,344
Buildings used for operating purposes	471,172	(152,444)	318,728	5,929	751	--	--	(1,747)	11,974	(1,145)	(19,141)	482,137	(166,788)	315,349
Plant and machinery	2,748,205	(986,620)	1,761,585	41,136	4	--	--	(7,340)	44,188	(2,446)	(389,662)	2,767,111	(1,319,646)	1,447,465
Industrial and commercial equipment	148,321	(112,248)	36,073	10,244	31	70	--	(393)	894	(189)	(8,437)	146,503	(108,210)	38,293
Other assets	255,394	(196,791)	58,603	8,434	169	--	--	(566)	3,368	(483)	(13,306)	256,375	(200,156)	56,219
Assets in progress and advance payments	130,946	(9,286)	121,660	43,822	--	--	--	(1,261)	(74,524)	(757)	(18,792)	98,226	(28,078)	70,148
Total	3,826,294	(1,458,318)	2,367,976	109,688	955	70	--	(11,508)	(13,700)	(5,135)	(449,528)	3,822,815	(1,823,997)	1,998,818

Tangible assets fell from € 2,367,976 thousand at 31 December 2012 to € 1,998,818 thousand at 31 December 2013. The decrease is substantially due to depreciation and write-downs for the year mainly recorded by the Sorgenia Group.

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

2012	Opening position			Movements during the year								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2011	Acquisitions	Business combinations business disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals	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

2013	Opening position			Movements during the year								Closing position		
	Original cost	Accumulated depreciation and write-downs	Net balance 31.12.2012	Acquisitions	Business combinations business disposals		Capitalised financial charges	Exchange rate differences	Other changes	Net disposals	Depreciation and write-downs	Original cost	Accumulated depreciation and write-downs	Balance 31.12.2013
(in thousands of euro)					increases	decreases				cost				
Buildings	29,458	(6,065)	23,393	1	--	--	--	--	--	--	(1,084)	29,459	(7,149)	22,310
Total	29,458	(6,065)	23,393	1	--	--	--	--	--	--	(1,084)	29,459	(7,149)	22,310

Investment property decreased from € 23,393 thousand at 31 December 2012 to € 22,310 thousand at 31 December 2013 due to depreciation for the year. 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 2013 and 2012 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*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*
Land	5,155	419	--	2	6,989	6,618
Buildings	28,022	34,730	6,047	4,749	248,102	237,814
Plant and machinery	163,812	152,194	31,519	22,561	1,604,075	1,581,934
Other assets	2,716	4,468	848	2,254	14,678	15,114
Assets in progress and advance payments	25,191	10,719	--	--	1,214	5,491

7.d. Investments in companies consolidated at equity

(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**

(in thousands of euro)

2013	*%*	*Balance 31.12.2012*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2013*
						Loss	*Income*		
Tirreno Power S.p.A.	39.00	245,894	3,072	--	--	(41,965)	--	(207,001)	--
Sorgenia France Production S.A.	50.00	46,607	1,099	--	--	(5,141)	--	--	42,565
Editoriale Libertà S.p.A.	35.00	20,602	--	--	(175)	--	471	(3,351)	17,547
Swiss Education Group AG	19.54	13,864	--	--	--	--	2,859	(223)	16,500
Fin Gas S.r.l.	50.00	8,922	1,406	--	--	(10,328)	--	--	--
Saponis Investments SP Zoo	26.76	5,943	--	(2,083)	--	(3,860)	--	--	--
Tecnoparco Valbasento S.p.A.	30.00	5,351	208	(1,553)	-	(4,006)	--	--	--
Editoriale Corriere di Romagna S.r.l.	49.00	2,967	--	--	--	--	49	--	3,016
Volterra A.E.	50.00	1,321	--	--	--	(240)	--	--	1,081
Altrimedia S.p.A.	35.00	673	--	--	(70)	--	42	--	645
Mark IV Asset (Shanghai) Auto Parts Co. Ltd.	50.00	298	--	(6)	--	(289)	--	(3)	--
Le Scienze S.p.A.	50.00	278	--	--	(212)	--	110	--	176
Devil Peak S.r.l.	38.17	254	--	--	--	--	--	--	254
Huffingtonpost Italia S.r.l.	49.00	96	539	--	--	(431)	--	--	204
P&F Società Agricola S.r.l.	50.00	--	39	--	--	(39)	--	--	--
Total		**353,070**	**6,363**	**(3,642)**	**(457)**	**(66,299)**	**3,531**	**(210,578)**	**81,988**

The principal changes during the year derive from changes in the equity investments held by the Sorgenia sub-group.
In particular, adjustments were made to the value of the investments held in Tirreno Power S.p.A. and Fin Gas S.r.l., and the investments in Tecnoparco Valbasento SpA and Saponis Investments Sp Zoo were sold.
The investment in Tirreno Power was written off at a cost of € 203.9 million, together with the associated trade receivables due to Sorgenia Spa of € 14,422 thousand, as indicated in the related explanatory note.
The financial statements of Tirreno Power S.p.A. at 31 December 2012, which were only approved on 12 July 2013, reflected a loss for the year after recognising the outcome of the impairment test of its business assets carried out by the directors of that company with reference to a long-term plan and an energy scenario prepared in 2013. This scenario highlighted significant differences with respect to the data originally available, reflecting the new information and market prospects identified subsequent to approval of the 2012 financial statements of the Sorgenia sub-group and of CIR.
At the time of preparing these financial statements, the 2013 financial statements of Tirreno Power have not yet been prepared, however that company has sent the Sorgenia Group a reporting package prepared by its administrative staff for consolidation purposes. That document was prepared with reference to accounting information that did not reflect any assessment of the recoverability of the net invested capital or the applicability of the going concern assumption, despite the existence of the situation described below.
The above-mentioned financial information for 2013 reflects a further significant loss with respect to that reported for 2012, confirming the adverse trend in the performance of the company.
From a different standpoint, even at 30 June 2013 Tirreno Power S.p.A. was unable to comply with certain covenants envisaged in the outstanding loan agreement. Since this represents a default event, the lending banks could require the early repayment of all or part of the loan, unless they grant a waiver, which at present is not the case. At year end, the company did not pay the loan instalment due on that date. In addition, the principal shareholders have effectively granted extended terms for the payment of amounts due by the company for the purchase of gas. At this time, the lending banks have formally or informally revoked or suspended the short-term lines of credit previously granted to the company. Against this background, the negotiations with the banks that commenced in July 2013, with a view to rescheduling the loan that falls due in June 2014, are still in progress.
Lastly, the coal-fired plants situated in Vado Ligure were seized at the start of 2014, as part of a criminal investigation into environmental disasters initiated by the Savona magistrates.
In this context, the directors of Tirreno Power S.p.A. have decided to start work (still in progress) on the preparation of a new business plan subsequent to that approved in October 2013.

Given the above and the deepening uncertainties, the directors determined that the conditions existed for the write-off of the equity investment. This was decided in the absence of elements to indicate a possible recoverable amount in excess of zero, as supported by the outcome of the impairment test of the value of the equity investment carried out by the directors of Sorgenia, who made reference to the value in use represented by the present value of the cash flows forecast in the business plan prepared by the directors of Tirreno Power in October 2013. All this to the extent that such work can be truly conclusive, given the multiple uncertainties affecting the forward-looking plans of Tirreno Power S.p.A. and its financial prospects.

Further changes in the equity investments associated with the Energy sector principally relate to the increase in the quota capital of Fin Gas Srl by € 1,406 thousand and the related write-off of the equity investment, as well as the effects of selling Saponis Investments Sp Zoo and Tecnoparco Valbasento S.p.A..
With regard to the writedown of the equity investment in Fin Gas S.r.l., involving a charge of € 10,328 thousand, the directors have considered the uncertainties associated with obtaining authorisation to build a regasification plant in Gioia Tauro (RC) owned by LNG Medgas Terminal, a subsidiary of Fin Gas S.r.l., and have consequently decided to write-off the entire investment even though their interest in continuing the project is unchanged.

More specifically, the process for obtaining authorisation to build a regasification plant in Gioia Tauro (RC) continued during 2013. However, Decision 438/2013 of 8 October 2013 issued by the Electricity and Gas Authority (AEEG) determined, consistent with the National Energy Strategy, that new terminals declared "strategic" will benefit from revenue guarantee mechanisms determined with reference to the level of risk and the contribution made by them to the promotion of competitiveness in the natural gas market.
Although the project promoted by LNG Medgas Terminal might well be considered strategic and therefore able to access the benefits envisaged by the regulation, the competent bodies have not yet made the related decision: the timing for the definition of the regulation has not been set and work to finalise the National Strategy has been temporarily suspended due to the changes in government that have taken place in the past two years.

Additionally, the impairment test carried out at the end of 2013 on the investment held by the Espresso Group in Editoriale Libertà revealed the need to write down the carrying amount by € 3,351 thousand in order to reflect its recoverable value.

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

7.e. Other investments

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Ansa S. Coop. A.R.L.	2,209	2,209
Emittenti Titoli S.p.A.	132	132
Agriterra Ltd.	--	503
Others	3,295	2,736
Total	5,636	5,580

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

7.f. Other receivables

"Other receivables" at 31 December 2013 had a balance of € 234,043 thousand, compared with € 262,275 thousand at 31 December 2012.
At 31 December 2013, this item includes the following:

- € 70,824 thousand (€ 79,097 thousand at 31 December 2012) of unsecured and mortgage-backed receivables of the securitisation companies Zeus Finance S.r.l. and Urania Finance S.A.;
- € 87,203 thousand (€ 85,846 thousand at 31 December 2012) of tax credits in relation to CO2 quotas that the Sorgenia Group should have been assigned. Since the national plan for the assignment of CO2 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 CO2 quotas not assigned to them. These loans will be repaid through auction mechanisms starting in 2014;
- € 3,824 thousand (€ 8,681 thousand at 31 December 2012) of security deposits paid by the Sorgenia Group as guarantees to suppliers of the wind farm equipment and as deposits paid to banks;
- € 11,773 thousand of receivables for charges to activate and operate maintenance services at the Lodi and Aprilia plants;
- the loan from CIR International S.A. in favour of Swiss Education Group AG for € 3,483 thousand;

- € 11,127 thousand of receivables claimed by Sorgenia S.p.A. from Sorgenia France Production S.A.

Certain amounts at 31 December 2012 have been redetermined following the reclassification by the Sogefi sub-group of € 23,368 thousand to the “Other receivables” item of current assets.

7.g. Securities

"Securities" at 31 December 2013 amounted to € 94,319 thousand, compared with € 127,030 thousand at 31 December 2012, and refer mainly to investments in private equity funds and minority shareholdings. These investments were measured at fair value, booking as the contra-entry an amount, net of tax, of € 4,889 thousand (€ 3,565 thousand at 31 December 2012) to the fair value reserve for Cofide's portion). At 31 December 2013, the residual commitment for investment in private equity funds stood at € 7.3 million. Certain securities whose fair value is unknown have been recognised at purchase cost.

7.h. 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)	*2013*		*2012*	
	Total temporary differences	*Tax effect*	*Total temporary differences*	*Tax effect*
Deductible temporary differences from:				
- write-down of current assets	156,554	43,499	143,780	46,442
- write-down of fixed assets	91,980	27,516	55,665	17,034
- revaluation of current liabilities	32,095	9,696	40,565	11,047
- revaluation of personnel provisions	61,562	18,250	73,381	21,632
- revaluation of provisions for risks and losses	120,164	39,616	111,944	35,747
- revaluation of long-term borrowings	10	3	50,188	18,016
- write-down of financial instruments	8,509	2,346	101,846	31,834
- tax losses from previous years	194,252	52,055	275,337	81,738
Total deferred tax assets	**665,126**	**192,981**	**852,706**	**263,490**

Taxable temporary differences from:				
- revaluation of current assets	6,783	2,095	2,032	637
- revaluation of fixed assets	533,063	164,972	524,259	162,756
- write-down of current liabilities	161,239	44,957	28,478	8,651
- valuation of personnel provisions	10,478	2,666	14,590	3,426
- write-down of provisions for risks and losses	493	146	571	170
- revaluation of financial instruments	1,019	284	12,409	3,866
Total deferred tax liabilities		**215,120**	**582,339**	**179,506**
Net deferred taxes		**(22,139)**		**83,984**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

Deferred tax assets have been recognised, at operational sub-group level, with reference to their recoverability based on the related business plans. The Sorgenia sub-group has recognised deferred tax assets of € 96,529 thousand, essentially in relation to the taxable income envisaged in the 2014-2020 business plan approved by the directors of that company. Such forecast income is limited to the time horizon of the plan and excludes the positive effects of possible additional mechanisms for the remuneration of CCGT plants (capacity payments), even though envisaged by the regulatory system, in view of the uncertainties associated with the actual implementation of the regulation and the mechanisms for measuring the remuneration. Despite the tax losses incurred in the recent past, the directors consider such taxable income to represent convincing evidence in support of the recoverability of the deferred tax assets recognised.

Prior-year losses not used in the calculation of deferred taxes relate to CIR International for approximately € 464 million, which can be carried forward without any limit, and to other Group companies for € 65 million. 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:

2013 *(in thousands of euro)*	*Balance at 31.12.2012*	*Use of deferred taxes from prior periods*	*Deferred taxes generated in the period*	*Exchange rate differences and other changes*	*Balance at 31.12.2013*
Deferred tax assets:					
- to income statement	226,268	(70,446)	25,092	(10,479)	170,435
- to equity	37,222	(1,591)	2,865	(15,950)	22,546
Deferred tax liabilities:					
- to income statement	(158,028)	6,352	(42,508)	(1,254)	(195,438)
- to equity	(21,478)	622	(1,080)	2,254	(19,682)
Net deferred taxes	83,984				(22,139)

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:					
- to income statement	203,842	(18,898)	21,735	19,589	226,268
- to equity	27,496	(680)	10,616	(210)	37,222
Deferred tax liabilities:					
- to income statement	(154,239)	9,289	(13,603)	525	(158,028)
- to equity	(23,459)	1,686	--	295	(21,478)
Net deferred taxes	53,640				83,984

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

8. *Current assets*

8.a. Inventories

Inventories can be broken down as follows:

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Raw materials, secondary materials and consumables	65,295	67,550
Work in progress and semi-finished goods	12,450	12,136
Finished goods and goods for resale	83,104	90,875
Advance payments	96	196
Total	**160,945**	**170,757**

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.

The reduction in the balance with respect to the prior year was principally due to the lower inventories of gas and CO2 certificates held by the Sorgenia Group.

8.b. Trade receivables

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Receivables - customers	1,163,732	1,440,076
Receivables - subsidiaries and joint ventures	27,275	6,381
Receivables - associates	1,620	1,379
Total	**1,192,627**	**1,447,836**

"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 2013, provisions for write-downs were made for a total of € 6,347 thousand compared with € 29,123 thousand in 2012.

During the year, the Sorgenia Group wrote off receivables relating to customers subject to insolvency proceedings for which the possibility of collection is remote, and receivables relating to customers for whom recovery procedures have proved unsuccessful. In addition, amounts due from customers have been written off in full if the pursuit of recovery procedures would have been uneconomic. These losses came to a total of € 88 million.

The reduction in "Receivables - customers" reflects the proprietary trading of electricity and natural gas.

"Receivables - subsidiaries and joint ventures" represent intercompany receivables not eliminated as they refer to companies not consolidated line by line. This item includes trade receivables due from Tirreno Power S.p.A., € 11,600 thousand, stated net of the related allowance of € 14,422 thousand.

8.c. Other receivables

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Receivables - subsidiaries and joint ventures	485	496
Receivables - associates	104	64
Tax receivables	95,832	144,298
Other receivables	113,608	141,140
Total	**210,029**	**285,998**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

"Other receivables" include € 44,298 thousand (€ 71,878 thousand at 31 December 2012) relating to the fair value measurement of Sorgenia Group commodity derivatives.

8.d. Financial receivables

"Financial receivables" fell from € 35,489 thousand at 31 December 2013 to € 1,433 thousand at 31 December 2013.
This item includes € 912 thousand for the fair value measurement, regarding the Espresso Group, of an interest rate swap to partially hedge the bond.
The balance at 31 December 2012 included € 32,446 thousand due to the Sorgenia Group by Banca IMI following a securitisation operations completed at the end of the prior year.

8.e. Securities

This item consists of the following categories of securities:

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Italian Government securities or similar securities	15,257	6,746
Investment funds and similar funds	60,323	102,351
Bonds	48,186	247,911
Certificates of deposit and other securities	51,904	53,335
Total	**175,670**	**410,343**

The decrease reflects a change in the strategy adopted for employing part of the liquidity available which, during the year, was invested in short-term bank deposits.

The measurement at fair value of the item "Securities" involved a positive adjustment to the income statement of € 8,129 thousand.

8.f. Available-for-sale financial assets

This item totals € 98,013 thousand and refers mainly for € 87,591 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 € 21,320 thousand (€ 14,425 thousand at 31 December 2012). The effect of this measurement on Cofide's equity for its share came to € 10,414 thousand. The item also includes € 10,420 thousand of bonds held by the Espresso Group

with maturities between 9 June 2013 and 7 October 2014. The negative effect of the change in these securities on the Group's share of Cofide's equity, net of tax, came to € 39 thousand.

8.g. Cash and cash equivalents

Cash and cash equivalents rose from € 670,750 thousand at 31 December 2012 to € 961,095 thousand at 31 December 2013.
A breakdown of the changes is given in the statement of cash flows.

8.h. Assets and liabilities held for disposal

The balance at 31 December 2012 related to assets of the Sorgenia Group held for disposal and, in particular, to the sale of Sorgenia UK.

9. Equity

9.a. Share capital

The share capital at 31 December 2013 amounts to € 359,604,959.00, the same as at 31 December 2012, 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 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	(2,226)	(2,424)
Currency translation differences	--	--	1	(4,483)	--	(4,482)
Actuarial gains (losses)	--	--	--	--	(2,703)	(2,703)
Balance at 31 December 2012	5,044	22,353	(10,013)	(3,240)	52,608	66,752
Retained earnings	--	235	--	--	--	235
Fair value *measurement* of hedging instruments	--	--	14,878	--	--	14,878
Fair value measurement of securities	--	--	6,418	--	--	6,418
Securities fair value reserve released to income statement	--	--	(1,798)	--	--	(1,798)
Effects of equity changes in subsidiaries	--	--	(25)	6	2,325	2,306
Currency translation differences	--	--	(6)	(7,213)	--	(7,219)
Actuarial gains (losses)	--	--	--	--	1,286	1,286
Balance at 31 December 2013	5,044	22,588	9,454	(10,447)	56,219	82,858

The "Fair value reserve", net of tax, was positive for € 9,454 thousand and referred (in positive) to the measurement of "Securities" in item 7.g. for € 4,889 thousand and of "Available-for-sale financial assets" in item 8.f. for € 10,371 thousand and (in negative) to the measurement of hedges for € 5,806 thousand.

The "Translation reserve" had a negative balance of € 10,447 thousand at 31 December 2013 with the following breakdown:

(in thousands of euro)	*31.12.2012*	*Increases*	*Decreases*	*31.12.2013*
Sogefi Group	(1,977)	--	(5,858)	(7,835)
Kos Group	1	20	--	21
CIR Ventures	(1,088)	--	(43)	(1,131)
CIR International	(923)	--	(734)	(1,657)
Sorgenia Group	699	--	(595)	104
Others	48	3	--	51
Total	**(3,240)**	**23**	**(7,230)**	**(10,447)**

The breakdown of "Other reserves" at 31 December 2013 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	56,176
Total	**56,219**

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*	*31.12.2013*	*31.12.2012*
Gruppo Editoriale L'Espresso S.p.A. 5.125% Bond 2004/2014	4.82%	--	227,905
CIR S.p.A. 5.75% Bond 2004/2024	5.87%	257,724	268,474
Total		257,724	496,379

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.

Purchases of the CIR 5.75% Bond 2004/2014 amounted to € 11,038 thousand at nominal value during 2013. At 31 December 2013 CIR International held € 30,000 thousand at nominal value (unchanged from 31 December 2012) of the CIR 5.75% Bond 2004/2024.
In addition, in January 2014, CIR S.p.A. informed the Trustee of the 2004/2024 Bond of its willingness to redeem the bond earlier, if requested by the Trustee in accordance with the bond regulation. The potential redemption is due to the occurrence of a breach event as foreseen by the regulations, following the

suspension by the subsidiary Sorgenia S.p.A. of instalments and interest due on loans granted by various banks.
To date, no request for early redemption has been received from the trustee.
The bond issued by Gruppo Editoriale L'Espresso S.p.A. is discussed in note 11.a “Bonds”.

10.b. Other borrowings

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Collateralised bank loans	59,870	77,199
Other bank loans	275,938	2,003,561
Leases	170,904	156,498
Other payables	142,796	104,420
Total	**649,508**	**2,341,678**

This item comprises loans obtained by the Sogefi sub-group of € 353,717 thousand, by the Sorgenia sub-group of € 122,535 thousand, by the KOS sub-group of € 121,213 thousand and by the Espresso sub-group of € 7,512 thousand, as well as a loan granted to Cofide of € 44,531 thousand.

Following the request made by the Sorgenia Group to renegotiate its bank loans, these loans have been reclassified to item 11.b “Other borrowings” within current liabilities.

10.c. Personnel provisions

The details of this item are as follows:

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Employee leaving indemnity (TFR)	87,521	95,448
Pension funds and similar obligations	41,190	45,692
Total	**128,711**	**141,140**

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Opening balance	141,140	124,529
Provision for labour provided during the period	12,860	21,905
Increases for interest	3,664	7,094
Actuarial gains or losses	(5,599)	3,536
Benefits paid	(13,707)	(15,321)
Increases or decreases due to changes in the scope of consolidation	(38)	(28)
Other changes	(9,609)	(575)
Closing balance	**128,711**	**141,140**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

Employee Leaving Indemnity and Defined Benefit Provision

Annual technical discount rate	2.5% - 3.172%
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

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 2012	14,243	7,720	97,396	119,359
Provisions made during the period	2,222	15,447	5,203	22,872
Used	(612)	(6,046)	(8,295)	(14,953)
Exchange rate differences	--	(251)	(93)	(344)
Other changes	(297)	--	(2,749)	(3,046)
Balance at 31 December 2013	**15,556**	**16,870**	**91,462**	**123,888**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.
The balance at 31 December 2012 includes € 25,934 thousand reclassified from "Other payables" within current liabilities by the Sogefi sub-group to present better the nature of the related liability.

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 2012	8,070	21,227	75,878	105,175
Provisions made during the period	1,066	11,829	13,445	26,340
Used	(3,358)	(9,060)	(24,417)	(36,835)
Exchange rate differences	--	--	(9)	(9)
Other changes	691	--	14,004	14,695
Balance at 31 December 2013	**6,469**	**23,996**	**78,901**	**109,366**

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 item relates to the bond issued by Gruppo Editoriale L'Espresso S.p.A. in October 2004 that will be repaid on 27 October 2014. This bond pays interest of 5.125% and the effective interest rate is 4.824%.

11.b. Other borrowings

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Collateralised bank loans	24,324	40,983
Other bank loans	1,668,283	85,954
Leases	12,751	5,105
Other borrowings	75,076	619,454
Total	**1,780,434**	**751,496**

“Other bank loans” include € 1,568,432 thousand in loans obtained by the Sorgenia Group, € 68,325 thousand obtained by the Sogefi Group and € 31,526 thousand obtained by the KOS Group.

"Other borrowings" at 31 December 2012 included € 564,248 thousand relating to the payment received from Fininvest on 26 July 2011 as a result of the judgment of the Court of Appeal of Milan on the civil case brought by CIR against Fininvest for compensation for damages resulting from bribery in the "Lodo Mondadori" case. On 17 September 2013 the Supreme Court passed down the final ruling in the "Lodo Mondadori" case, definitively condemning Fininvest to pay net compensation in favour of CIR of € 491,312 thousand, which is shown in the income statement as "Non-recurring income".
The item also includes the effects of the change in fair value of hedging derivatives.
With regard to the Sorgenia sub-group, most of the derivatives designated as hedges against the risk of fluctuations in interest rates were deemed to be ineffective at 31 December 2013. This assessment takes account of the financial difficulties faced by the Sorgenia sub-group and the consequent combined impact of the proposed renegotiation of borrowings and an evaluation of the counterparty risk faced by the sub-group pursuant to IFRS 13. At year end, the fair value of the above derivatives is € 43,388 thousand, net of the positive effect of € 8,528 thousand deriving from the assessment of counterparty risk, and has been credited to the financial expense item of the income statement.

11.c. Trade payables

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Payables - subsidiaries and joint ventures	28	39,904
Payables - associates	832	1,481
Payables - suppliers	1,004,318	1,141,759
Advance payments	6,591	9,790
Total	**1,011,769**	**1,192,934**

In the prior year, "Payables - subsidiaries and joint ventures" mainly referred to the amounts payable by Sorgenia S.p.A. to Tirreno Power S.p.A.
The reduction in the “Due to suppliers” item relates to the proprietary trading in electricity and natural gas.

11.d. Other payables

(in thousands of euro)	*31.12.2013*	*31.12.2012*
Due to employees	83,572	79,986
Tax payables	43,560	59,686
Social security payables	53,555	54,114
Other payables	153,544	114,104
Total	**334,231**	**307,890**

The balance at 31 December 2012 includes the effect of € 25,934 thousand reclassified to "Provisions for risks and losses" within non-current liabilities by the Sogefi sub-group to present better the nature of the related liability.

"Other payables" include € 50,647 thousand (€ 71,899 thousand at 31 December 2012) 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)	*2013*		*2012*		*Change*
	amount	*%*	*amount*	*%*	*%*
Energy	2,326.0	48.9	2,497.4	50.1	(6.9)
Media	711.6	15.0	812.7	16.3	(12.4)
Automotive components	1,335.0	28.1	1,319.2	26.4	1.2
Healthcare	372.5	7.8	355.4	7.1	4.8
Others	6.9	0.2	3.4	0.1	n.s.
Total consolidated revenues	**4,752.0**	**100.0**	**4,988.1**	**100.0**	**(4.7)**

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2013	*Total revenues*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Energy	2,326.0	2,188.9	134.6	--	2.5	--	--
Media	711.6	711.6	--	--	--	--	--
Automotive components	1,335.0	76.1	783.2	187.4	224.4	59.3	4.6
Healthcare	372.5	365.2	6.4	--	--	0.9	--
Others	6.9	5.2	1.7	--	--	--	--
Total consolidated revenues	**4,752.0**	**3,347.0**	**925.9**	**187.4**	**226.9**	**60.2**	**4.6**
Percentages	100.0%	70.4%	19.5%	3.9%	4.8%	1.3%	0.1%

(in millions of euro)

2012	*Total revenues*	*Italy*	*Other European countries*	*North America*	*South America*	*Asia*	*Other countries*
Energy	2,497.4	2,148.8	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	--
Others	3.4	--	3.4	--	--	--	--
Total consolidated revenues	**4,988.1**	3,394.7	1,150.9	150.6	231.4	46.9	13.6
Percentages	100.0%	68.1%	23.1%	3.0%	4.6%	0.9%	0.3%

The types of products marketed by the Group and the nature of its business sectors mean 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 fallen from € 2,999,079 thousand in 2012 to € 2,797,064 thousand in 2013. The costs include € 137.9 million paid to related parties of which € 137 million attributable to dealings with Tirreno Power, an associate.

13.b. Costs for services

This item went from € 830,024 thousand at 31 December 2012 to € 841,445 thousand at 31 December 2013, as can be seen from the following breakdown:

(in thousands of euro)	*2013*	*2012*
Technical and professional consulting	137,577	108,235
Distribution and transport costs	40,807	43,389
Outsourcing	55,177	63,291
Other expenses	607,884	615,109
Total	**841,445**	**830,024**

The increase in "Technical and professional consulting" essentially reflects the legal costs associated with the "Lodo Mondadori" case.

13.c. Personnel costs

Personnel costs totalled € 714,147 thousand at 31 December 2013 (€ 740,320 thousand at 31 December 2012).

(in thousands of euro)	*2013*	*2012*
Salaries and wages	513,389	512,012
Social security contributions	161,749	166,039
Employee leaving indemnity	6,687	19,981
Pensions and similar benefits	3,481	2,004
Valuation of stock option plans	7,210	11,048
Other costs	21,631	29,236
Total	**714,147**	**740,320**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

The Group had an average of 14,074 employees in 2013 (14,109 in 2012).

13.d. Other operating income

This item can be broken down as follows:

(in thousands of euro)	*2013*	*2012*
State grants	1,200	4,805
Capital gains on asset disposals	3,544	9,226
Miscellaneous gains and other income	81,434	160,143
Total	86,178	174,174

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.
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)	*2013*	*2012*
Write-downs and losses on receivables	108,580	57,814
Allocations to provisions for risks and losses	27,633	18,020
Indirect taxes	38,933	34,464
Restructuring charges	17,813	12,242
Capital losses on asset disposals	1,254	4,360
Miscellaneous losses and other costs	50,359	127,949
Total	**244,572**	**254,849**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

The increase in “Write-downs and losses on receivables” is attributable to the Sorgenia sub-group, as described in note 8.b..

14. Financial income and expense

14.a. Financial income

"Other income" is made up as follows:

(in thousands of euro)	*2013*	*2012*
Interest income on bank accounts	13,888	10,869
Interest on securities	6,645	17,504
Other interest income	35,055	23,146
Interest rate derivatives	4,561	14,170
Exchange gains	820	2,550
Other financial income	39	126
Total	**61,008**	**68,365**

14.b. Financial expense

This item includes the following:

(in thousands of euro)	*2013*	*2012*
Interest expense on bank accounts	73,764	73,214
Interest expense on bonds	25,626	26,658
Other interest expense	18,842	37,456
Interest rate derivatives	72,529	37,867
Exchange losses	2,506	3,399
Other financial expenses	23,519	18,205
Total	**216,786**	**196,799**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

14.c. Gains from trading securities

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

(in thousands of euro)	*2013*	*2012*
Shares - subsidiaries	184	141
Shares - other companies	--	1,405
Other securities and other gains	18,027	20,609
Total	**18,211**	**22,155**

The income from “Shares - subsidiaries” relates to completion of the procedures to liquidate Euvis S.p.A.

The 2012 amount related to the capital gain realized on the sale of control over Devil Peak S.r.l.

14.d. Losses from trading securities

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

(in thousands of euro)	*2013*	*2012*
Shares - subsidiaries	--	4,751
Shares - other companies	8	1,514
Other securities and other losses	6,202	5,494
Total	**6,210**	**11,759**

In 2012, "Shares and options - subsidiaries" referred to the loss realised on the disposal of 62% of Food Concepts Holdings S.A.

14.e. Adjustments to the value of financial assets

The net charge of € 16,334 thousand includes the positive fair value adjustment of "Securities" classified as current assets, € 8,129 thousand, and the writedown of "Securities" and "Equity investments" classified as non-current assets by € 24,463 thousand.

14.f. Non-recurring income (expense)

These amount to € 491,312 thousand and relate to the amount recognised in the income statement after the sentence issued on 17 September 2013 by the Supreme Court, which was the final ruling in the "Lodo Mondadori" case, definitively condemning Fininvest to pay compensation in favour of CIR.

15. Income taxes

Income taxes can be broken down as follows:

(in thousands of euro)	*2013*	*2012*
Current taxes	91,970	42,351
Deferred taxes	81,867	(5,312)
Prior year taxes	15,026	(5,458)
Total	**188,863**	**31,581**

Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

"Prior year taxes" include € 14,958 thousand relating to the settlement of a tax dispute involving CIR International S.A..

The following chart shows a reconciliation of the ordinary tax rate and the effective tax rate for 2013:

(in thousands of euro)	*2013*
Pre-tax income (loss) as per the financial statements	(571,081)
Theoretical income taxes	(157,047)
Tax effect of non-deductible costs	288,185
Tax effect of prior year losses which generate deferred tax assets in the current year	26,184
Tax effect of prior year losses which did not generate deferred tax assets	17,755
Tax effect on interest rate differentials of foreign companies	2,113
Non-taxable grants	(4,183)
Other	(18,436)
Income taxes	154,571
Average effective tax rate	27.1
Theoretical tax rate	27.5
IRAP and other taxes	19,266
Prior year taxes	15,026
Total taxes as per the financial statements	188,863

16. Earnings (loss) 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, so the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

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

	2013	*2012*
Net income (loss) attributable to the shareholders (in thousands of euro)	(130,360)	(56,288)
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share (euro)	**(0.1813)**	**(0.0783)**

	2013	*2012*
Net income (loss) from the statement of comprehensive income attributable to the shareholders (in thousands of euro)	(115,323)	(67,398)
Weighted average number of ordinary shares in circulation	719,208,918	719,209,918
Earnings (loss) per share (euro)	**(0.1603)**	**(0.0937)**

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.

<u>Foreign currency risk</u>
As the Group operates internationally, Sogefi in particular, it is exposed to the risk that fluctuations in exchange rates 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.

The following chart shows the results of the sensitivity analysis for exchange rate risk:

Sensitivity analysis on the EUR/USD exchange rate	*31.12.2013*		*31.12.2012*	
Shift in the EUR/USD exchange rate	-5%	+5%	-5%	+5%
Effect on income statement (EUR/thousand)	(2,377)	2,344	(2,256)	2,212
Effect on equity (EUR/thousand)	(2,377)	2,344	(2,256)	2,212

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.
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.
Part of 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 13, 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 31 December 2013 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 2014.
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)	*31.12.2013*		*31.12.2012*	
Change	-5%	+5%	-5%	+5%
Effect on the income statement	(16,899)	16,786	(6,198)	6,355
Effect on equity	(4,055)	4,055	(4,956)	4,956

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 during 2013 was 31%, closing at 31 December with a value of around € 180 thousand, 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.

<u>Credit risk</u>
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 Cofide 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.

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 Group follows an extremely prudent financial policy using mainly medium/long-term funding structures. Treasury management is centralised for the operating groups. With regard to Sorgenia, see the considerations presented in the report on operations.

Interest rate risk (fair value and cash flow)

Interest rate risk depends on fluctuations in market rates, which can cause changes in the fair value of cash flows of financial assets or liabilities.
Interest rate risk mainly concerns long-term 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)	31.12.2013		31.12.2012 (*)	
Change	-1%	+1%	-1%	+1%
Change in income statement	(25,153)	24,242	(4,012)	4,944
Change in equity	(19,894)	19,167	(52,040)	50,115

(*) Note that for the KOS Group, given that interest rates in 2013 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.

Derivatives

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%.

At 31 December 2013, 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 (with a notional value of € 50 million);
    - hedging of Sogefi bank borrowings, with a notional value of € 310 million, maturing in 2017 (€ 120 million) and 2018 (€ 190 million);
    - hedging of Sorgenia Group bank borrowings, with a notional value of € 1,733.2 million;
    - hedging of Kos Group bank borrowings, with a notional value of € 91.6 million.

b) currency hedges:

- forward sales totalling USD 123 million to hedge investments in hedge funds and loans, expiring in March 2014;
- forward sales of USD 7.2 million and purchases of Euro expiring in 2014;
- forward sales of GBP 4 million and purchases of Euro expiring in 2014;
- forward purchases of € 2.5 million and sales of GBP expiring in 2014;
- forward purchases of CAD 12.3 million and sales of Euro expiring in 2014;
- forward purchases of USD 0.4 million and sales of Euro expiring in 2014;
- forward purchases of Euro 0.4 million and sales of GBP expiring in 2014;
- forward purchases of Euro 2.7 million and sales of RON expiring in 2014;
- forward purchases of Euro 2 million and sales of INR expiring in 2014;
- forward sales of USD 13 million to hedge investments in bonds expiring in 2014;
- arrangement of cross currency swaps expiring in 2023 to hedge the private placement of bonds with a notional amount of USD 115 million.

Capital ratios

Management modulates the use of leverage to guarantee solidity and flexibility in the capital 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 the bonds issued net of cash and cash equivalents and investments in liquid financial instruments, according to parameters agreed with the rating agency) and total investments measured at fair value (including equity investments and residual investments in financial instruments).
Management's objective is to maintain a solid and flexible financial structure to keep this ratio below a certain level. Currently, it stands at 11%.

Borrowing conditions

Some of the Group's borrowing agreements contain special clauses which, in the event of failure to comply with certain economic and financial covenants, give the lending banks an option to claim immediate 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 2013 all the contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

Below is a summary of the main covenants relating to the borrowings of the operating sub-holding companies outstanding at year end.
See note 10.a. for the effects of the financial situation faced by the Sorgenia sub-group on the 2004-2024 bond issued by CIR.

Sogefi Group

The covenants relating to the borrowing outstanding at year end are described below:

- loan of € 100 million: ratio of consolidated net financial position to consolidated normalised EBITDA of less than 4;

- syndicated loan of € 200 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;
- loan of € 60 million: ratio of consolidated net financial position to consolidated normalised EBITDA of less than or equal to 3.5;
- loans for a total of € 140 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;
- loan of USD 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 2013, these covenants were all respected.

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.
Further information about the borrowing of the Sorgenia Group is provided in the report on operations.

KOS Group

The Kos Group has undertaken to comply with the following covenants relating to some of its loans:

- a revolving line of credit obtained by KOS, the sub-holding company, with a residual balance of € 31.9 million at 31 December 2013,: ratio of consolidated net financial position to consolidated shareholders' equity of less than 2.5;
- syndicated loan for a balance at 31 December 2013 of € 22.8 million obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA of less than 5.4 and ratio of consolidated net financial position to consolidated shareholders' equity of less than 1.4 and a Debt Service Coverage Ratio of more than 1;
- loan for a balance at 31 December 2013 of € 1 million obtained by Istituto di Riabilitazione Santo Stefano S.r.l.: ratio of net financial position to EBITDA of less than 4.8 and ratio of consolidated net financial position to consolidated equity of less than 1.4;

- a loan obtained by Medipass S.p.A. with a residual balance of € 2.9 million at 31 December 2013: ratio of net financial position to EBITDA of less than 3 and ratio of consolidated net financial position to consolidated shareholders' equity of less than 2.7 and a Debt Service Coverage Ratio of more than 1.

  Based on the covenants agreed at 31 December 2013 there are no breaches with an effect on the KOS sub-group.

Measurement of financial assets and liabilities and fair value hierarchy

The fair value of financial assets and liabilities is calculated as follows:
- the fair value of financial assets and liabilities 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 for derivatives) is measured using commonly accepted valuation techniques based on analytical models using discounted cash flows, which as variables use prices observable in recent market transactions and broker listed prices for similar instruments.
- the fair value of derivatives that are listed on an active market is measured on the basis of market prices; if no prices are published, different approaches are used according to the type of instrument.

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, the fair value of these instruments is measured principally on the basis of prices supplied by leading international brokers at the company's request. These prices are then validated by comparing them with market prices, even if limited in number, or with prices that are observable for other instruments with similar characteristics.
In measuring investments in private equity funds, fair value is determined on the basis of the NAV communicated by the fund administrators at the reporting date. Where such information is not available at the reporting date, the last official communication is used, though it must not be more than three months old at the reporting date and, if necessary, validated against more recent information made available to investors by the fund administrators.

The following table gives a breakdown of financial assets and liabilities measured at fair value with an indication of whether the fair value is determined, in whole or in part, directly by reference to price quotations published in an active market ("Level 1") or estimated using prices derived from market quotations for similar assets or using valuation techniques for which all significant factors are derived from observable market data ("Level 2") or from valuation techniques based mainly on input not observable on the market, which therefore involve estimates and assumptions being made by management ("Level 3").

F.S. items	*Level 1*	*Level 2*	*Level 3*	*Total*
(in thousands of euro)				
NON-CURRENT ASSETS				
Financial assets				
(measured at fair value through equity)				
Other receivables (item 7.f.)				
- derivatives	--	--	--	--
Non-current securities (item 7.g.)	--	87,083	7,236	94,319
Financial assets				
(measured at fair value through profit and loss)				
Other receivables (item 7.f.)				
- derivatives	--	2,217	--	2,217
Non-current securities (item 7.g.)	--	--	--	--
CURRENT ASSETS				
Financial assets				
(measured at fair value through profit and loss)				
Other receivables (item 8.c.)				
- derivatives	--	44,298	--	44,298
Financial receivables (item 8.d.)				
- derivatives	--	1,293	--	1,293
Current securities (item 8.e.)				
- Equity investments	7,748	1,024	--	8,772
- Italian Government securities or similar securities	15,257	--	--	15,257
- Investment funds and similar funds	31,937	28,386	--	60,323
- Bonds	48,186	--	--	48,186
- Certificates of deposit and other securities	14	35,656	--	35,670
Total current securities (item 8.e.)	**103,142**	**65,066**	**--**	**168,208**
Financial assets				
(measured at fair value through equity)				
Other receivables (item 8.c.)				
- derivatives	--	140	--	140
Financial receivables (item 8.d.)				
- derivatives	--	--	--	--
Available-for-sale financial assets (item 8.f.)				
- Equity investments	--	--	--	--
- Italian Government securities or similar securities	10,420	--	--	10,420
- Investment funds and similar funds	--	87,593	--	87,593
- Bonds	--	--	--	--
- Certificates of deposit and other securities	--	--	--	--
Total available-for-sale financial assets (item 8.f.)	**10,420**	**87,593**	**--**	**98,013**
NON-CURRENT LIABILITIES				
Financial liabilities				
(measured at fair value through equity)				
Other borrowings (item 10.b.)				
- derivatives	--	(26,877)	--	(26,877)
Financial liabilities				
(measured at fair value through profit and loss)				
Other borrowings (item 10.b.)				
- derivatives	--	--	--	--
CURRENT LIABILITIES				
Financial liabilities				
(measured at fair value through equity)				
Other borrowings (item 11.b.)				
- derivatives	--	(3,045)	--	(3,045)
Other payables (item 11.d.)				
- derivatives				
Financial liabilities				
(measured at fair value through profit and loss)				
Other borrowings (item 11b.)				
- derivatives	--	(45,852)	--	(45,852)
Other payables (item 11.d.)				
- derivatives	--	(50,647)	--	(50,647)

No transfers were made between the different levels of the fair value hierarchy during 2013. 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 € 2.4 million), and through Noventi Ventures for investments in companies operating in innovative generation technologies and energy efficiency (for a total of € 4.8 million).

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

	FINANCIAL ASSETS (*Level 3*)			
	Held for trading	*Measured at fair value*	*Available for sale*	*Hedges*
Opening balance	--	--	18,549	--
Increases				
- Purchases	--	--	1,319	--
- Gains recognised to:				
Income Statement	--	--	256	--
- of which gains	--	--	256	--
Equity	--	--	2,323	--
Transferred from other levels	--	--	--	--
Other increases	--	--	--	--
Decreases				
- Sales	--	--	(1,921)	--
- Repayments			--	
- Losses recognised to:				
Income Statement	--	--	(13,147)	--
- of which losses	--	--	--	--
Equity	--	--	--	--
Transferred from other levels	--	--	--	--
Other decreases	--	--	(143)	--
Closing balance	--	--	**7,236**	--

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN IN THE FINANCIAL STATEMENTS

2013

(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.	5,636	--	--	412	--	5,224	--	--	--	5,636	(937)	--
Other receivables (*)	7.f.	142,417	2,217	--	140,200	--	--	--	--	--	142,417	11,309	514
Securities	7.g.	94,319	--	--	--	--	94,319	--	--	--	94,319	(8,481)	4,441
CURRENT ASSETS													
Trade receivables	8.b.	1,192,627	--	--	1,192,627	--	--	--	--	--	1,192,627	(91,724)	--
Other receivables (**)	8.c.	114,197	44,298	--	69,899						114,197	(3,031)	--
Financial receivables	8.d.	1,433	293	147	993	--	--	--	--	--	1,433	43,423	59
Securities	8.e.	175,670	168,208	--	--	7,462	--	--	--	--	175,670	9,726	--
Available-for-sale financial assets	8.f.	98,013	--	--	--	--	98,013	--	--	--	98,013	2,495	6,567
Cash and cash equivalents	8.g.	961,095	--	--	961,095	--	--	--	--	--	961,095	12,762	--
NON-CURRENT LIABILITIES													
Bonds	10.a.	(257,724)	--	--	--	--	--	--	--	(257,724)	(260,573)	(15,422)	--
Other borrowings	10.b.	(649,508)	--	--	--	--	--	(26,877)	--	(622,631)	(688,320)	(25,498)	(25,332)
Trade payables		(33)	--	--	--	--	--	--	--	(33)	(33)	--	--
CURRENT LIABILITIES													
Bank overdrafts		(194,114)	--	--	--	--	--	--	--	(194,114)	(194,114)	(1,611)	--
Bonds	11.a.	(230,719)	--	--	--	--	--	--	--	(230,719)	(232,792)	(10,113)	--
Other borrowings	11.b.	(1,780,434)	--	--	--	--	--	(48,897)	--	(1,731,537)	(1,742,418)	(70,325)	1,110
Trade payables	11.c.	(1,011,769)	--	--	--	--	--	--	--	(1,011,769)	(1,011,769)	(782)	--
Other payables	11.d.	(50,647)						(50,647)	--	--	(50,647)	--	--

(*) Not including € 91,626 thousand of tax receivable
(**) Not including € 95,832 thousand of tax receivables

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES SHOWN 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.	173,874	1,212	--	172,662	--	--	--	--	--	173,874	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.	141,700	71,878	--	69,822	--	--	--	--	--	141,700	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 and 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 including € 88,401 thousand of tax receivable
(**) Not including € 144,298 thousand of tax receivables

RISK CATEGORIES - 2013

(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.	5,636	--	--	--	5,636
Other receivables (*)	7.f.	142,417	--	--	--	142,417
Securities	7.g.	94,319	--	--	--	94,319
CURRENT ASSETS						
Trade receivables	8.b.	1,192,627	--	--	--	1,192,627
Other receivables (**)	8.c.	114,197	--	--	--	114,197
Financial receivables	8.d.	1,433	--	--	--	1,433
Securities	8.e.	175,670	--	--	--	175,670
Available-for-sale financial assets	8.f.	98,013	--	--	--	98,013
Cash and cash equivalents	8.g.	961,095	--	961,095	--	--
NON-CURRENT LIABILITIES						
Bonds	10.a.	(257,724)	(257,724)	--	--	--
Other borrowings	10.b.	(649,508)	(649,508)	--	--	--
Trade payables		(33)	(33)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(194,114)	(194,114)	--	--	--
Bonds	11.a.	(230,719)	(230,719)	--	--	--
Other borrowings	11.b.	(1,780,434)	(1,780,434)	--	--	--
Trade payables	11.c.	(1,011,769)	(1,011,769)	--	--	--

(*) Not including € 91,626 thousand of tax receivable
(**) Not including € 95,832 thousand of tax receivables

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.	173,874	--	--	--	173,874
Securities	7.g.	127,030	--	--	--	127,030
CURRENT ASSETS						
Trade receivables	8.b.	1,447,836	--	--	--	1,447,836
Other receivables (**)	8.c.	141,700	--	--	--	141,700
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 and 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
(***) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits

CREDIT RISK

(in thousands of euro)

Position at 31 December 2013	F.S. items	Total receivables	Not yet due	Overdue by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write-downs
Other receivables (non-current assets) (*)	7.f.	142,417	38,684	103,733	--	--	--	103,733	--	
Gross receivable		525,732	235,001	290,731	--	--	--	290,731	--	
Provision for write-downs		(383,315)	(196,317)	(186,998)	--	--	--	(186,998)	--	(13,481)
Trade receivables	8.b.	1,192,627	831,837	360,790	62,011	15,712	11,963	121,218	149,886	
Gross receivable		1,347,010	855,957	491,053	70,906	18,440	14,562	225,972	161,173	
Provision for write-downs		(154,383)	(24,120)	(130,263)	(8,895)	(2,728)	(2,599)	(104,754)	(11,287)	(27,660)
Other receivables (current assets) (**)	8.c.	114,197	42,387	71,810	13	--	--	71,711	86	
Gross receivable		117,521	42,394	75,127	13	--	--	75,028	86	
Provision for write-downs		(3,324)	(7)	(3,317)	--	--	--	(3,317)	--	(3,031)
Total		1,449,241	912,908	536,333	62,024	15,712	11,963	296,662	149,972	(44,172)

(*) Not including € 91,626 thousand of tax receivables
(**) Not including € 95,832 thousand of tax receivables

(in thousands of euro)

Position at 31 December 2012	F.S. items	Total receivables	Not yet due	Overdue by >	0 - 30 days	30 - 60 days	60 - 90 days	over 90 days	Renegotiated	Write-downs
Other receivables (non-current assets) (*)	7.f.	173,874	94,777	79,097	--	--	--	79,097	--	
Gross receivable		378,089	287,840	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.	141,700	141,635	65	45	--	--	20	--	
Gross receivable		142,000	141,642	358	45	--	--	313	--	
Provision for write-downs		(300)	(7)	(293)	--	--	--	(293)	--	--
Total		1,763,410	1,303,747	459,663	116,052	21,557	14,362	295,267	12,425	(40,752)

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

PROVISION FOR WRITE-DOWN OF RECEIVABLES

(in thousands of euro)

Position at 31 December 2013	*Opening balance*	*Write-downs*	*Released for use*	*Exchange difference +/-*	*Business combinations +/-*	*Other changes*	*Closing balance*
Provision for write-down of receivables	(360,517)	(44,172)	17,967	115	(3,864)	(150,551)	(541,022)

Other changes relate to the reclassification made by Zeus Finance S.r.l., the securitisation vehicle, that - commencing from these financial statements - states receivables gross of the write-downs recorded.

(in thousands of euro)

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

LIQUIDITY RISK - 2013

(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	252,999	14,890	14,890	14,890	14,890	348,302	660,861
Other borrowings:							
- *Due to banks for loans*	1,708,385	134,558	134,645	66,195	5,165	20,449	2,069,397
- *Due to leasing companies*	14,799	16,334	15,664	15,210	14,553	118,308	194,868
- *Due to other providers of finance*	28,888	10,385	7,407	18,708	17,466	95,944	178,798
Bank overdrafts	194,114	--	--	--	--	--	194,114
Trade payables	1,011,769	--	--	--	--	--	1,011,769
Derivative financial liabilities							
Hedging derivatives	65,932	11,143	5,979	5,055	11,767	9,381	109,257
Non-hedging derivatives	41,451	--	--	--	--	--	41,451
TOTAL	**3,318,337**	**187,310**	**178,585**	**120,058**	**63,841**	**592,384**	**4,460,515**

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**

18. Guarantees and commitments

At 31 December 2013 the position of guarantees and commitments was the following:

CIR and financial holding companies

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

Other guarantees and commitments of CIR are as follows:

- commitments for private equity fund investments by CIR International for € 7.3 million.

Limited to the purchase and sale of natural gas, Sorgenia has entered into a supply contract ("Gas Contract") that, as is normal, contains a take-or-pay clause, whereby the purchaser is obliged to pay for gas not used if the annual minimum quantity envisaged under the contract is not taken (although the purchaser is entitled, under certain conditions, to take such paid-for quantities in future years).

With regard to this contract, CIR has given specific guarantees to the contractual counterparty. In particular, the obligations of Sorgenia under the Gas Contract are guaranteed by two separate sureties, given by CIR and Verbund AG respectively, that guarantee - each for a specific quota proportional to their equity interest in the company - payment of the amounts due following an arbitration procedure that declares Sorgenia to be the defaulting party, should Sorgenia not comply with its obligations under the Gas Contract.

Given the financial pressures faced by the Sorgenia sub-group, the directors of CIR have analysed the risks associated with the enforcement of the above guarantee for the purposes of preparing the financial statements. In particular, with support from a legal advisor, the directors considered such risks to be remote under normal operating conditions, but also evaluated a series of adverse scenarios regarding the future operations of Sorgenia and their potential impact on the risks associated with enforcement of the guarantee.

The directors of CIR, with support from the legal advisor, assessed the probability and effects of the possible scenarios that might affect Sorgenia, taking account of the status of the ongoing negotiations to reach a debt-restructuring agreement and noting that, in the meantime:

- Sorgenia is continuing to operate on a continuous basis, properly meeting its commitments in relation to ordinary operations;
- at 31 December 2013, the amounts due to the counterparty under the Gas Contract totalled about € 21 million and that such amounts have been paid on time by Sorgenia and that, at the time of approving the draft financial statements, there are no unsettled past due amounts;
- Sorgenia is negotiating with the counterparty to the Gas Contract for the replacement of the current contract;
- they concluded that, although the risk of future enforcement of the guarantee cannot be excluded, such risk only appears to be a possibility at this time.

Sorgenia Group

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 € 412,402 thousand (€ 455,320 thousand at 31 December 2012). The parent company Sorgenia has issued guarantees for € 205,550 thousand to the suppliers of the subsidiary Sorgenia Trading S.p.A. to cover any failure on the part of the subsidiary to meet its obligations. Lastly, leading banks have given guarantees to market operators that work with Sorgenia Trading S.p.A. amounting to € 6,913 thousand.

Sureties

Within the Group, sureties have been granted to third parties for a total of € 297,883 thousand (€ 329,255 thousand at 31 December 2012). They are mainly bonds issued to guarantee payment in connection with the purchase and transport of electricity and gas. This category also includes sureties requested for the construction of power plants and for land purchases.

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 taken a commitment, in proportion to its share of the capital, with the bank that is financing GICA to provide it with the necessary financial resources to fulfil its obligations towards the bank. Originally, this amount was € 7.5 million, but has decreased over time to € 135 thousand euro; Sorgenia S.p.A. also has a financial commitment to the subsidiary Noventi Ventures Ltd II for a total of USD 30 million, of which USD 24,307 thousand has already been paid in, leaving a residual commitment of € 4,128 thousand; Sorgenia E&P Colombia BV and Sorgenia International BV have taken a commitment for € 4,018 thousand for the investments in the Cerrero and Balay licences, as well as the Polish shale gas licence.
MPX Energy Ltd has taken a commitment for € 4,438 thousand in connection with the investment in the 26th 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 reported above.
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 2013 the Group had outstanding commitments of € 24,583 thousand in relation to:

- contracts for the purchase of plant and other printing equipment (€ 749 thousand), principally for the Repubblica division and the North-West and Nuova Sardegna divisions of Finegil Editoriale;
- guarantees given totalling € 3,834 thousand that principally comprise the sureties given by the parent company and by Finegil Editoriale;
- sureties given for up to € 20 million by the parent company in favour of A. Manzoni & C. SpA pursuant to a factoring contract signed with a leading bank.

Sogefi Group

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 2013 refer to the following subsidiaries:

- Sogefi (Suzhou) Auto Parts Co. Ltd for the lease of two production sites located in Wujiang, for which the contract terminates in September 2033. At 31 December 2013 the residual instalments amount to € 14,920 thousand, of which € 650 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. The contract expires in May 2020. The residual instalments at 31 December 2013 amounted to € 2,594 thousand, of which € 384 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 May 2021 and at 31 December 2013 the residual instalments amount to € 5,466 thousand, of which € 758 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 2013 the residual instalments amount to € 1,413 thousand, of which € 691 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 2013 the remaining instalments amount to € 2,379 thousand, of which € 277 thousand due within one year. The Group has not given any form of guarantee on this contract;
- Allevard Sogefi USA. 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 2013 amount to € 1,558 thousand, of which € 288 thousand due within one year. Against this contract, Sogefi S.p.A. has issued a guarantee for approximately 61% 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 2013 are as follow:

(in thousands of euro)	*2013*	*2012*
Within 1 year	6,574	6,686
1-5 years	19,093	18,923
Over 5 years	14,131	14,259
Total	**39,798**	**39,868**

Investment commitments

At 31 December 2013, investment commitments for the purchase of tangible assets total € 1,907 thousand.

Guarantees given

Details of these guarantees are as follows:

(in thousands of euro)	*2013*	*2012*
Guarantees given to third parties	1,745	1,232
Other unsecured guarantees given to third parties	9,714	9,714
Secured guarantees given for borrowings shown in the financial statements	9,588	13,237

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.
Secured guarantees relate solely to Sogefi Engine Systems Canada Corp., Systèmes Moteurs S.A.S. and Allevard IAI Suspensions Private Ltd which, to support the loans obtained, have provided the financing institutions with guarantees secured on their tangible assets and inventories.

Other risks

At 31 December 2013 the Sogefi Group held assets belonging to third parties on its premises for € 7,075 thousand.

KOS Group

The following is a breakdown of the bank guarantees and other sureties given by KOS S.p.A. for a total of € 2,287 thousand:

- a guarantee in favour of the Municipality of Sanremo as a security deposit for urbanisation works, for € 225 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 in favour of Immobiliare Durini for the rental of offices in Via Durini, for € 46 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 2013, other commitments and risks amounted to € 6,124 thousand, 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 2013, 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;
- counter-guarantee commitments for the successful completion of structural works for € 2,891 thousand.
- third-party commitments to sell for € 173 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, 9 are owned, while 6 of the 27 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	31/12/2012	19,059	18,857	17,903	17,861	18,002	145,174
Residual property lease payments	31/12/2013	18,713	18,755	18,759	18,948	18,891	142,275

19. Information on the business sector

The business sectors coincide with the groups of companies that Cofide S.p.A. controls through Cir. In detail:
- 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	9,813,924	100,776	600,830
Other European countries	1,316,839	45,217	49,010
North America	106,926	9,509	4,518
South America	106,506	12,304	27,615
Asia	96,831	26,751	6,123
Consolidation adjustments	(4,818,671)	(13,176)	174,354
Total assets	**6,622,355**	**181,381**	**862,450**

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

(in millions of euro)

CONSOLIDATED / AGGREGATE	*2013* Revenues	*Costs of production* (1)	*Other operating income & expense* (2)	*Adjustments to the value of investments consolidated at equity*	*Amortisation, depreciation & write-downs*	*EBIT*	*Net financial income & expense* (3)	*Dividends, net gains and losses on trading and the valuation of* (4)	*Non-recurring income (expense)*	*Income taxes*	*Minority interests*	*Net result of the Group*	*2012* *Net result of the Group (*)*
Sorgenia Group	2,326.0	(2,184.3)	(105.0)	(272.6)	(675.5)	(911.4)	(122.9)	(7.9)	--	(7.3)	787.1	(262.4)	(34.4)
Espresso Group	711.6	(640.9)	(7.5)	0.3	(32.2)	31.3	(10.5)	(3.5)	--	(13.4)	(2.9)	1.0	6.0
Sogefi Group	1,335.0	(1,169.9)	(35.6)	(0.3)	(60.4)	68.8	(28.4)	--	--	(15.7)	(18.7)	6.0	8.1
KOS Group	372.5	(306.0)	(16.0)	--	(20.1)	30.4	(7.0)	(0.1)	--	(10.9)	(9.4)	3.0	3.0
Total for main subsidiaries	**4,745.1**	**(4,301.1)**	**(164.1)**	**(272.6)**	**(788.2)**	**(780.9)**	**(168.8)**	**(11.5)**	**--**	**(47.3)**	**756.1**	**(252.4)**	**(17.3)**
Other subsidiaries	6.9	(15.8)	10.2	--	(0.4)	0.9	(1.0)	(6.2)	--	(0.3)	3.5	(3.1)	(3.3)
Total subsidiaries	**4,752.0**	**(4,316.9)**	**(153.9)**	**(272.6)**	**(788.6)**	**(780.0)**	**(169.8)**	**(17.7)**	**--**	**(47.6)**	**759.6**	**(255.5)**	**(20.6)**
CIR and other holding companies before non-recurring items	--	(15.0)	1.8	2.8	(0.8)	(11.2)	(3.3)	9.9	--	4.2	0.2	(0.2)	4.2
Non-recurring items	**--**	**(36.3)**	**(0.2)**	**--**	**(73.0)**	**(109.5)**	**18.0**	**--**	**491.3**	**(145.4)**	**(130.2)**	124.2	(0.3)
<u>**Cofide**</u>													
Revenues	--											--	--
Net operating costs		(2.6)										(2.6)	(3.3)
Other operating income & expense			0.5									0.5	0.4
Adjustments to the value of investments consolidated at equity				--								--	--
Amortisation, depreciation & write-downs					--							--	(35.5)
EBIT						(2.1)						(2.1)	(38.4)
Net financial income & expense							(0.7)					(0.7)	(1.3)
Dividends and net gains from securities trading								4.0				4.0	0.1
Non-recurring income (expense)									--			--	--
Income taxes										(0.1)		(0.1)	--
Consolidated total for the Group	**4,752.0**	**(4,370.8)**	**(151.8)**	**(269.8)**	**(862.4)**	**(902.8)**	**(155.8)**	**(3.8)**	**491.3**	**(188.9)**	**629.6**	**(130.4)**	**(56.3)**

(*) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits.

(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 take into consideration the € (1.3) million effect of intercompany eliminations.

(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not take into consideration the € (1.3) million effect of intercompany eliminations.

(3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.

(4) This item is the sum of "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement.

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

CONSOLIDATED / AGGREGATE	31.12.2013 *Fixed assets* (1)	*Other net non-current assets and liabilities* (2)	*Net working capital* (3)	*Net financial position* (4)		*Total equity*	*of which:*	*Minority interests*	*Equity of the Group*	31.12.2012 *Equity of the Group (**)*
Sorgenia Group	1,455.7	181.7	226.7	(1,855.1)	(*)	9.0		8.9	0.1	245.9
Espresso Group	819.7	(209.6)	25.6	(73.5)		562.2		409.1	153.1	151.9
Sogefi Group	499.6	(29.1)	23.0	(304.6)		188.9		141.2	47.7	51.5
KOS Group	416.9	(23.6)	8.0	(155.7)		245.6		185.4	60.2	58.1
Other subsidiaries	8.1	(8.1)	(8.7)	5.6		(3.1)		(1.5)	(1.6)	1.7
Total subsidiaries	**3,200.0**	**(88.7)**	**274.6**	**(2,383.3)**		**1,002.6**		**743.1**	**259.5**	**509.1**
CIR and other holding companies	69.1	126.5	(133.9)	538.0		599.7		306.8	292.9	158.3
<u>**Cofide**</u>										
Fixed assets	1.2					1.2		--	1.2	1.2
Other net non-current assets and liabilities		14.8				14.8		--	14.8	15.5
Net working capital			(1.5)			(1.5)		--	(1.5)	0.7
Net financial position				(31.0)		(31.0)		--	(31.0)	(34.4)
Consolidated total for the Group	**3,270.3**	**52.6**	**139.2**	**(1,876.3)**		**1,585.8**		**1,049.9**	**535.9**	**650.4**

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

(**) Certain figures at 31 December 2012 were restated following application of the amendment to IAS 19 - Employee Benefits

(1) This item is the sum of "intangible assets", "tangible assets", "investment property", "investments in companies consolidated at equity" and "other equity investments" of 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 of the consolidated statement of financial position. This item also includes the "assets held for disposal" and "liabilities held for disposal" in the consolidated statement of financial position.
(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, "bonds" and "other borrowings" under non-current liabilities, and "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 2013 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 2013 (*)*	*Financial year 2012*	*Change absolute*	*Change %*
Income statement				
Electricity sold (TWh)	12.4	15.9	(3.5)	(22.4)
Revenues from sales and services	972.2	1,413.6	(441.4)	(31.2)
EBITDA	(122.4)	155.0	(277.4)	(178.9)
Net result	(497.4)	11.3	(509.2)	(4,495.9)

	31.12.2013 (*)	*31.12.2012*	*Change Absolute*
Statement of financial position			
Net invested capital	828.8	1,237.3	(408.5)
Net financial debt	828.6	719.0	109.6
Equity	0.2	518.3	(518.1)
No. of employees	522	526	(4)

(*) the above data has been taken from the reporting package prepared for consolidation by the Sorgenia sub-group and, to date, has not yet been approved by the competent bodies.

Note that as mentioned in item 7.d. "Investments in companies consolidated at equity", this investment was written down for a total of € 203 million as a result of the impairment test.

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

(in thousands of euro)	*Financial year 2013*	*Financial year 2012*	*Change absolute*
Income statement			
Sales revenues	28.8	28.0	0.8
EBITDA	20.6	20.3	0.3
EBIT	(6.4)	7.1	(13.5)
Profit (loss) for the year	(10.3)	1.0	(11.3)

	31.12.2013	*31.12.2012*	*Change absolute*
Statement of financial position			
Total assets	167.0	196.8	(29.8)
Total equity	9.5	17.5	(8.0)
Total liabilities	157.5	179.3	(21.8)

In accordance with the IAS/IFRS, the value of the investment in Sorgenia France Production was subjected to impairment testing at 31 December 2013, as part of the Energy CGU, and no loss of value was identified.

21. Net financial position

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

(in thousands of euro)			*31.12.2013*		*31.12.2012*
A.	Cash and bank deposits		961,095		670,750
B.	Other cash equivalents		98,013		105,511
C.	Securities held for trading		175,670		410,343
D.	**Cash and cash equivalents (A) + (B) + (C)**		1,234,778		1,186,604
E.	**Current financial receivables**		1,433		35,489
F.	Current bank payables	(*)	(1,886,721)		(292,822)
G.	Bonds		(230,719)		(4,354)
H.	Current portion of non-current debt		(87,827)		(624,546)
I.	Other current borrowings		--		(13)
J.	**Current financial debt (F) + (G) + (H) + (I)**		(2,205,267)		(921,735)
K.	**Current net financial position (J) + (E) + (D)**		(969,056)		300,358
L.	Non-current bank borrowings	(**)	(335,808)	(**)	(2,080,760)
M.	Bonds issued		(257,724)		(496,379)
N.	Other non-current payables	(**)	(313,700)	(**)	(260,918)
O.	**Non-current financial debt (L) + (M) + (N)**		(907,232)		(2,838,057)
P.	**Net financial position (K) + (O)**		(1,876,288)		(2,537,699)

(*) € 1,692,607 thousand (€ 1,886,721 - € 194,114) 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 2013

	Options in circulation at start of period		Options granted during the period		Options exercised during the period		Options expired during the period		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	0.16	112,500	1.13
Stock Option Plan 12 March 2004	384,100	1.60	-	-	-	-	12,000	1.60	372,100	1.60	0.75	372,100	1.60
Stock Option Plan 6 September 2004	1,480,200	1.56	-	-	-	-	48,000	1.56	1,432,200	1.56	1.16	1,432,200	1.56
Stock Option Plan 11 March 2005	3,414,200	2.34	-	-	-	-	400,000	2.34	3,014,200	2.34	1.75	3,014,200	2.34
Stock Option Plan 6 September 2005	2,425,000	2.49	-	-	-	-	300,000	2.49	2,125,000	2.49	2.16	2,125,000	2.49
Stock Option Plan 2006 - 1st tranche	2,475,000	2.50	-	-	-	-	300,000	2.50	2,175,000	2.50	3.00	2,175,000	2.50
Stock Option Plan 2006 - 2nd tranche	2,475,000	2.47	-	-	-	-	300,000	2.47	2,175,000	2.47	3.50	2,175,000	2.47
Extraordinary Stock Option Plan 1st tranche	3,470,000	3.0877	-	-	-	-	420,000	3.09	3,050,000	3.0877	3.75	3,050,000	3.0877
Extraordinary Stock Option Plan 2nd tranche	3,470,000	2.7344	-	-	-	-	420,000	2.73	3,050,000	2.7344	4.25	3,050,000	2.7344
Extraordinary Stock Option Plan 3rd tranche	3,488,000	1.6806	-	-	-	-	378,000	1.6806	3,110,000	1.6806	4.75	3,110,000	1.6806
Extraordinary Stock Option Plan 4th tranche	2,494,600	1.0718	-	-	240,700	1.0718	50,400	1.0718	2,203,500	1.0718	5.25	2,203,500	1.0718
1st tranche 2009	2,709,400	0.9907	-	-	711,200	0.9907	50,400	0.9907	1,947,800	0.9907	5.75	1,947,800	0.9907
2nd tranche 2009	3,386,800	1.5449	-	-	-	-	250,800	1.5449	3,136,000	1.5449	6.16	3,136,000	1.5449
1st tranche 2010	3,486,400	1.6208	-	-	-	-	280,400	1.6208	3,206,000	1.6208	6.75	2,940,000	1.6208
2nd tranche 2010	3,436,000	1.4982	-	-	-	-	308,000	1.4982	3,128,000	1.4982	7.17	2,542,800	1.4982
Total	**38,707,200**	**1.9850**	**-**	**-**	**951,900**	**1.0112**	**3,518,000**	**2.2046**	**34,237,300**	**1.9895**	**4.42**	**33,386,100**	**2.0010**

STOCK GRANT PLANS

	Financial instruments in circulation at start of period		Financial instruments granted during the period		Financial instruments exercised during the period		Financial instruments expired in the period		Financial instruments in circulation at end of period			Financial instruments exercisable at end of period	
	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	2,942,400	1.6391			460,425	1.6391	467,375	1.6391	2,014,600	1.6391	7.33	-	
Stock Grant Plan 2012	5,456,332	1.0263			-	-	996,001	1.0263	4,460,331	1.0263	8.33	-	-
Stock Grant Plan 2013			4,034,926	0.8003			729,810	0.8003	3,305,116	0.8003	9.33		
Total	**8,398,732**	**1.2410**	**4,034,926**	**0.8003**	**460,425**	**1.6391**	**2,193,186**	**1.0817**	**9,780,047**	**1.0762**	**8.46**	**-**	**-**

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 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 2011, whose maturity is subject to continued service, and 1,921,600 performance units, which mature provided that the normal value of the shares at each vesting date is at least equal to a certain percentage of the initial value indicated for each vesting date. The initial value of the performance units is € 1.6391.

- 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 related 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, whose maturity is subject to continued service, and 3,394,953 performance units, whose 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.

- On 29 April 2013 the Shareholders' Meeting approved the 2013 Stock Grant Plan reserved for the Chief Executive Officer and executives of the Company, the parent company and subsidiaries, for a maximum of 4,800,000 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 2015 to 31 January

2017. The shares assigned in execution of the Plan will be made available only from treasury shares held by the Company.
A total of 4,034,926 performance units were assigned during the year, whose 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 € 0.8003.

The notional cost of the Plans for the period was € 2,360 thousand, recognised under "Personnel costs" in the income statement.

SORGENIA

The chart below shows the incentive plans of the Sorgenia Group; the group did not issue an new incentive plans during 2013.

STOCK OPTION PLANS OUTSTANDING AT 31 December 2013

	Options granted	Options exercised at 31 December 2012	Options no longer exercisable	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	9,215,000	7,800,000	1,415,000	--	--
25 February 2005	8,236,300	3,209,680	205,320	--	4,821,300
29 July 2005	22,120,565	1,465,600	116,000	--	20,538,965
18 April 2006	9,515,300	4,269,400	412,600	--	4,833,300
2009-2012 1st tranche	22,148,005	4,466,944	921,180	--	16,759,881
2009-2012 2nd tranche	15,242,800	531,900	932,700	--	13,778,200
18 May 2009	15,300,000	85,800	1,917,380	--	13,296,820
21 October 2009	425,000	150,000	--	--	275,000
18 March 2010	15,300,000	--	4,760,200	--	10,539,800
1 July 2010	565,000	75,000	357,500	--	132,500
18 April 2011	43,369,892	--	31,915,954	--	11,453,938
27 February 2012	565,000	--	545,000	--	20,000
Total	162,002,862	22,054,324	43,498,834	--	96,449,704

STOCK GRANT PLANS AT 31 December 2013

	Options granted	Options exercised at 31 December 2012	Options no longer exercisable	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
18/04/2011 Employees	2,820,000	--	2,820,000	--	--
18/04/2011 Directors	180,000	--	180,000	--	--
20/04/2012 Employees	2,820,000	--	1,034,000	--	1,786,000
20/04/2012 Directors	180,000	--	80,000	--	100,000
18/12/2012 Employees	156,000	--	--	--	156,000
Total	6,156,000	--	4,114,000	--	2,042,000

<u>ESPRESSO</u>

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

STOCK OPTION PLANS FOR EMPLOYEES AT 31 DECEMBER 2013

	Options in circulation at start of period		Options granted during the period		Options cancelled during the period		Options exercised during the period		Options in circulation at end of period			Options exercisable at end of period	
	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	No. of options	Weighted average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock option plan 26 February 2003	330,700	2.86	--	--	330,700	2.86	--	--	--	--	--	--	--
Stock option plan 23 July 2003	399,400	3.54	--	--	399,400	3.54	--	--	--	--	--	--	--
Stock option plan 25 February 2004	825,000	4.95	--	--	10,000	4.95	--	--	815,000	4.95	0.75	815,000	4.95
Stock option plan 28 July 2004	835,000	4.80	--	--	20,000	4.80	--	--	815,000	4.80	1.00	815,000	4.80
Stock option plan 23 February 2005	860,000	4.75	--	--	30,000	4.75	--	--	830,000	4.75	1.75	830,000	4.75
Stock option plan 27 July 2005	885,000	4.65	--	--	30,000	4.65	--	--	855,000	4.65	2.00	855,000	4.65
Stock option plan 2006 - 1st tranche	885,000	4.33	--	--	35,000	4.33	--	--	850,000	4.33	3.00	850,000	4.33
Stock option plan 2006 - 2nd tranche	885,000	3.96	--	--	35,000	3.96	--	--	850,000	3.96	3.50	850,000	3.96
Extraordinary stock option plan 2009 - 1st tranche	1,317,500	3.84	--	--	50,000	3.84	--	--	1,267,500	3.84	3.75	1,267,500	3.84
Extraordinary stock option plan 2009 - 2nd tranche	1,317,500	3.60	--	--	50,000	3.60	--	--	1,267,500	3.60	4.25	1,267,500	3.60
Extraordinary stock option plan 2009 - 3rd tranche	1,587,500	2.22	--	--	72,500	2.22	--	--	1,515,000	2.22	4.75	1,515,000	2.22
Extraordinary stock option plan 2009 - 4th tranche	1,131,950	1.37	--	--	72,500	1.37	100,000	1.37	959,450	1.37	5.25	959,450	1.37
Ordinary stock option plan 2009 - 1st tranche	1,873,150	1.00	--	--	101,000	1.00	223,300	1.00	1,548,850	1.00	5.75	1,548,850	1.00
Ordinary stock option plan 2009 - 2nd tranche	2,316,200	1.86	--	--	164,000	1.86	--	--	2,152,200	1.86	6.25	2,152,200	1.86
Ordinary stock option plan 2010 - 1st tranche	2,552,000	2.25	--	--	134,500	2.25	--	--	2,417,500	2.25	6.75	2,178,000	2.25
Ordinary stock option plan 2010 - 2nd tranche	2,482,700	1.58	--	--	113,500	1.58	--	--	2,369,200	1.58	7.25	1,842,300	1.58
Total	**20,483,600**	**2.77**			**1,648,100**	**2.79**	**323,300**	**1.11**	**18,512,200**	**2.80**	**4.77**	**17,745,800**	**2.84**

STOCK GRANT PLANS

	Units in circulation at start of period		Units granted during the period		Units cancelled during the period		Units exercised during the period		Units in circulation at end of period		Units exercisable at end of period	
2011	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	No. of Units	Weighted average strike price	No. of options	Weighted average strike price
Time-based units	626,250	1.81	49	1.81	12,500	1.81	42,457	1.81	571,342	1.81	188,540	1.81
Performance-based units	626,250	1.81	--	--	13,750	1.81	--	--	612,500	1.81	--	--
2012												
Time-based units	878,750	0.98	--	--	10,000	0.98	--	--	868,750	0.98	--	--
Performance-based units	878,750	0.98	--	--	10,000	0.98	--	--	868,750	0.98	--	--
2013												
Time-based units	--	--	697,500	0.83	70,000	--	--	--	697,500	0.83	--	--
Performance-based units	--	--	697,500	0.83	70,000	--	--	--	697,500	0.83	--	--

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 performance and creating long-term value.

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

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 from before that date), so in addition to the plan issued in 2013, the ones issued from 2004 to 2012, the main characteristics of which are shown 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 2013, at the end of the Shareholders' Meeting that approved the 2013 Stock Grant Plan for a maximum of 1,700,000 units, the Board of Directors implemented the 2013 Stock Grant Plan reserved for employees of Sogefi S.p.A. and its subsidiaries by assigning them a total of 1,041,358 units (of which 432,434 time-based units and 608,924 *performance units).*
The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2015 to 31 January 2017.
The performance units will mature on the same maturity dates envisaged for the time-based units, but only on 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 2013, calculated at the time of assignment in accordance with the Cox Ross Rubinstein binomial option pricing model for American options, totalled € 1,890 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 2013;
- prices of the underlying asset (i.e. the price of the Sogefi S.p.A. share on 19 April 2013, namely € 2.156) and of the securities in the benchmark basket, again posted on 19 April 2013;

- normal market prices of the Sogefi S.p.A. share and of the securities in the benchmark basket from 19 March 2013 to 19 April 2013, 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 2013;
- *zero dividend yield for evaluation of the stock grant;*
- time series of logarithmic yields on the securities concerned and the EURGBP, EURSEK and EURCHF exchange rates to calculate the correlations between securities and the correlations between the 3 securities not denominated in Euro and the related exchange rates (for the adjustment of estimated trends).

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

Stock Grant Plan 2011 for a maximum of 1,250,000 conditional rights reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for executives of Sogefi S.p.A. and its subsidiaries via allocation to them of a total of 757,500 Units (of which: 320,400 Time-based Units and 437,100 Performance Units).
The time-based units will mature in quarterly tranches, i.e. 12.5% of the related total, from 20 April 2013 to 20 January 2015.
The performance units will mature on the same maturity dates envisaged for the time-based units, but only on 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.

Stock Grant Plan 2012 for a maximum of 1,600,000 conditional rights reserved for the director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for executives of Sogefi S.p.A. and its subsidiaries via allocation to them of 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 related 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 on condition that the increase in the fair value of the shares at each vesting date exceeds the increase in the Sector Index (as defined in the Regulations) as of the same date.

The notional cost of the plans for 2013 is € 1,522 thousand.

The following table shows the total number of existing rights with respect to the plans for the period 2012-2013:

	2013	*2012*
Not exercised/not exercisable at the start of the year	1,854,618	757,500
Granted in the year	1,045,977	1,152,436
Cancelled in the year	(199,821)	(55,318)
Exercised during the year	(217,686)	--
Not exercised/not exercisable at the end of the year	2,483,088	1,854,618
Exercisable at the end of the year	57,970	--

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 (1.60% of the share capital at 31 December 2013) 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 2013) 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 (1.51% of share capital at 31 December 2013) 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 2013) 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 2013) 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 (1.99% of share capital at 31 December 2013) 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 2013), 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 director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date and for employees of Sogefi S.p.A. and its subsidiaries for up to 2,440,000 shares (2.08% of the share capital at 31 December 2013) 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 € 40 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:

	2013		*2012*	
	No. of options	*Average strike price*	*No. of options*	*Average strike price*
Not exercised/not exercisable at the start of the year	7,178,400	2.96	7,767,400	3.02
Assigned during the year	--	--	--	--
Cancelled during the year	(175,000)	2.97	(498,600)	4.19
Exercised during the year	(468,900)	1.64	(90,400)	1.04
Not exercised/not exercisable at the end of the year	6,534,500	3.06	7,178,400	2.96
Exercisable at the end of the year	6,104,100	3.11	5,760,400	3.22

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 2013:

No. of options outstanding and exercisable at 31 December 2012	5,760,400
Options vested during the year	1,052,600
Options exercised during the year	(468,900)
Options cancelled during the year	(240,000)
No. of options outstanding and exercisable at 31 December 2013	6,104,100

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 director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date, for the executives and staff of Sogefi S.p.A. and for the 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 director serving as the Chief Executive Officer of Sogefi S.p.A. at the plan grant date, for the executives of Sogefi S.p.A. and for the 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 2013:

	2013
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

KOS

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

STOCK OPTION PLANS AT 31 DECEMBER 2013

	Options in circulation at start of period		*Options granted during the period*		*Options exercised during the period*		*Options expired during the period*		*Options in circulation at end of period*			*Options exercisable at end of period*		*Expiry date*	
	No. of options	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Average strike price*	*Average duration (years)*	*No. of options*	*Weighted average strike price*	*Vesting date (100%)*	*Expiry date*
Stock Option Plan 2007	420,000	3.40	--	--	--	--	--	--	420,000	3.40	6.8	420,000	3.40	30/09/2010	30/09/2020
Stock Option Plan 2010	4,070,000	3.75	--	--	--	--	--	--	4,070,000	3.75	7.0	3,052,500	3.75	31/12/2014	31/12/2020
Stock Warrants Plan 2010	635,000.00	3.75	--	--	--	--	--	--	635,000	3.75	7.0	476,250	3.75	31/12/2014	31/12/2020
Total	**5,125,000**	**3.72**	--	--	--	--	--	--	**5,125,000**	**3.72**	**7.0**	**3,948,750**	**3.71**		

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 also the next three 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 being 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 € 362.1 million (of which additional taxes assessed of € 121.4 million, interest of € 119.2 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 as "probable" of the degree of risk involved in the treatment of beneficial interests in shares (even though successful on this point before the Regional Tax Commission). As a result of the recent and established positions of the Supreme Court, the same level of risk was extended on preparation of the 2012 financial statements to the penalties, while the risk in relation to corporate restructuring operations, where the Group has been unsuccessful, is considered to be merely "possible".

For matters relating to the beneficial interests in shares, up to 31 December 2012 the Group had set aside an amount of € 34.2 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, the related accrued interest and penalties), with reference to all four tax periods assessed. Lastly, following a favourable ruling from the Supreme Court that annulled the case, the provisions recorded in relation to 1992 has been released. During 2013, the Group provided € 347 thousand for accumulated interest; the provision at 31 December 2013 amounted to € 34,419 thousand.

The Sogefi Group is monitoring environmental matters at certain production locations for which no significant costs are expected.
Sogefi Filtration Ltd acquired the assets and liabilities of Filtrauto UK Ltd in 2004, therefore becoming the employer for the purposes of the Filtrauto UK Limited Staff Pension Scheme and Filtrauto UK Limited Works Pension Scheme. These schemes are defined-benefit plans.
Between 1990 and 2006 the employer and the trustees of the above pension schemes obtain professional advice from leading firms regarding the equalisation of the conditions of the schemes, as required by regulatory changes.
It has emerged that such equalisation might not have been applied correctly.
Sogefi Filtration Ltd has therefore presented a protective claim to the Birmingham High Court.
The Court might conclude that the equalisation has been applied properly, or that it is possible to make an adjustment, perhaps resulting in a contingent liability. In this last case, the evidence is considered to support the probability that any liability will be almost entirely recoverable from the advisors.
An initial approximate assessment of the maximum potential liability, before the probable recovery from the advisors, is about Euro 1.9 million.
A put option exists with reference to the 40% interest in the capital of Sogefi M.N.R. Filtration India Pvt Ltd. held by the minority shareholders, the exercise price for which is still being determined and should represent the Fair Market Value (as defined in the contract) of the underlying shares. The Group has not recognised any impact relating to this option in the consolidated financial statements at 31 December 2013. This is because there is no price listed in an active market for the equity instruments covered by the option, and the fair value of the liability deriving from the option cannot be assessed reliably, given in particular the significant range of the reasonable estimates of fair value and the impossibility of evaluating the probabilities of the various estimates on a reasonable basis.
In January 2014 Sogefi S.p.A. received two notices of assessment from the tax authorities that disallowed the tax deductibility for IRES purposes and the related deductibility for VAT purposes of the cost of services provided by CIR S.p.A. in 2009, amounting to Euro 1.8 million.
Taking account of the opinion expressed by a tax advisor, the directors consider these assessments to be unfounded and inconsistent with the applicable tax regulations. Accordingly, they consider the risk of losing the case to be possible but not probable.
For this reason, Sogefi S.p.A. has not recorded any related tax provisions in the 2013 financial statements.

24. 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)	*2013*
Charged to the Parent Company:	
a) by the independent auditors for auditing services	64
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	3,478
b) by the independent auditors:	
- for auditing services for certification purposes	234
- for other services	29
c) by network partners of the independent auditors for other services	20
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 the parent company, Carlo De Benedetti & Figli S.a.p.A. (art. 2497-bis of the Italian Civil Code); attachment to the separate financial statements presents key information taken from the financial statements of the parent company at 31 December 2012.

RELATED PARTY TRANSACTIONS

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

The following chart gives a summary of transactions with related parties:

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	*Sales revenues*	*Costs for the purchase of*	*Costs for services*	*Other operating expense*	*Other operating income*	*Financial income*	*Financial expense*	*Dividends*
Parent companies	--	--	--	--	--	--	--	--
Subsidiaries	--	--	--	--	--	2	--	--
Associates	--	--	(1,718)	(9)	2,008	457	--	3
Joint ventures	122,237	(137,918)	(3)	(4)	656	12,159	(11,839)	--
Other (*)	--	--	--	--	--	--	--	--
Other related parties	--	--	--	--	324	--	--	--
Total	122,237	(137,918)	(1,721)	(13)	2,988	12,618	(11,839)	3

(*) 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	--	--	--	--	--	--
Associates	6,426	1,620	104	--	832	--
Joint ventures	11,699	27,275	485	--	28	1,211
Other (*)	--	--	--	--	--	--
Other related parties	--	--	--	--	--	--
Total	18,125	28,895	589	--	860	1,211

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

Consolidated financial statements of the directly controlled subsidiary at 31 December 2013

CIR Group

1. Consolidated statement of financial position

(in thousands of euro)

ASSETS		*31.12.2013*		*31.12.2012 (**)*
NON-CURRENT ASSETS		**3,775,336**		**4,887,256**
INTANGIBLE ASSETS		1,161,522		1,501,522
TANGIBLE ASSETS		1,998,469		2,367,626
INVESTMENT PROPERTY		21,458		22,541
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY		81,988		353,070
OTHER EQUITY INVESTMENTS		5,636		5,580
OTHER RECEIVABLES		233,931		262,183
of which with related parties (*)	*18,125*		*30,944*	
SECURITIES		79,351		111,244
DEFERRED TAXES		192,981		263,490
CURRENT ASSETS		**2,816,818**		**3,161,638**
INVENTORIES		160,945		170,757
CONTRACTED WORK IN PROGRESS		30,926		42,258
TRADE RECEIVABLES		1,192,627		1,447,833
of which with related parties (*)	*28,895*		*7,760*	
OTHER RECEIVABLES		209,740		283,332
of which with related parties (*)	*589*		*7,546*	
FINANCIAL RECEIVABLES		1,433		35,489
SECURITIES		166,037		410,343
AVAILABLE-FOR-SALE FINANCIAL ASSETS		98,011		105,473
CASH AND CASH EQUIVALENTS		957,099		666,153
ASSETS HELD FOR DISPOSAL		--		34,444
TOTAL ASSETS		**6,592,154**		**8,083,338**

LIABILITIES AND EQUITY		*31.12.2013*		*31.12.2012 (**)*
EQUITY		**1,602,346**		**2,315,220**
ISSUED CAPITAL		397,146		396,670
less TREASURY SHARES		(24,764)		(24,995)
SHARE CAPITAL		372,382		371,675
RESERVES		302,231		267,677
RETAINED EARNINGS (LOSSES)		725,603		754,430
NET INCOME FOR THE PERIOD		(269,210)		(30,440)
GROUP EQUITY		**1,131,006**		**1,363,342**
MINORITY INTERESTS		471,340		951,878
NON-CURRENT LIABILITIES		**1,331,174**		**3,242,746**
BONDS		257,724		496,379
OTHER BORROWINGS		604,977		2,303,836
OTHER PAYABLES		930		2,888
DEFERRED TAXES		215,120		179,506
PERSONNEL PROVISIONS		128,535		140,778
PROVISIONS FOR RISKS AND LOSSES		123,888		119,359
CURRENT LIABILITIES		**3,658,634**		**2,524,988**
BANK OVERDRAFTS		194,114		165,850
BONDS		230,719		4,354
OTHER BORROWINGS		1,780,326		751,496
of which from related parties (*)	*--*		*13*	
TRADE PAYABLES		1,011,523		1,192,436
of which to related parties (*)	*860*		*41,385*	
OTHER PAYABLES		332,586		306,135
of which to related parties (*)	*1,211*		*2,355*	
PROVISIONS FOR RISKS AND LOSSES		109,366		104,717
LIABILITIES HELD FOR DISPOSAL		--		384
TOTAL LIABILITIES AND EQUITY		**6,592,154**		**8,083,338**

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

(**) Certain amounts at 31 December 2012 have been restated following application of the amendment to IAS 19 - Employee Benefits, as well as the reclassifications made by the Sogefi Group from Other non-current receivables to Other current receivables and from Other current payables to the non-current Provision for risks and losses.

2. Consolidated income statement

(in thousands of euro)

		2013		**2012 (**)**
SALES REVENUES		4,751,980		4,988,111
of which from related parties (*)	*122,237*		*112,240*	
CHANGE IN INVENTORIES		(11,540)		9,099
COSTS FOR THE PURCHASE OF GOODS		(2,797,020)		(2,999,034)
of which to related parties (*)	*(137,918)*		*(328,757)*	
COSTS FOR SERVICES		(840,803)		(827,688)
of which from related parties (*)	*(2,678)*		*(2,773)*	
PERSONNEL COSTS		(713,537)		(736,908)
OTHER OPERATING INCOME		86,288		173,351
of which from related parties (*)	*3,368*		*37,082*	
OTHER OPERATING EXPENSE		(243,951)		(253,581)
of which to related parties (*)	*(13)*		*(54)*	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY		(269,769)		(36,534)
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(862,388)		(247,750)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		**(900,740)**		**69,066**
FINANCIAL INCOME		60,181		68,192
of which with related parties (*)	*12,618*		*10,990*	
FINANCIAL EXPENSE		(215,271)		(195,369)
of which with related parties (*)	*(11,839)*		*(10,228)*	
DIVIDENDS		547		403
of which with related parties (*)	*3*		*14*	
GAINS FROM TRADING SECURITIES		16,682		21,983
LOSSES FROM TRADING SECURITIES		(6,043)		(11,713)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		(19,004)		8,925
NON-RECURRING INCOME (EXPENSE)		491,312		--
INCOME BEFORE TAXES		**(572,336)**		**(38,513)**
INCOME TAXES		(188,752)		(31,570)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY		**(761,088)**		**(70,083)**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL		--		--
NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS		**(761,088)**		**(70,083)**
- (NET INCOME) LOSS OF MINORITY INTERESTS		491,878		39,643
- NET INCOME (LOSS) OF THE GROUP		**(269,210)**		**(30,440)**
BASIC EARNINGS (LOSS) PER SHARE (in euro)		(0.3620)		(0.0409)
DILUTED EARNINGS (LOSS) PER SHARE (in euro)		(0.3620)		(0.0409)

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

(**) Certain amounts at 31 December 2012 have been restated following application of the amendment to IAS 19 - Employee Benefits, as well as the reclassification made by the Sorgenia sub-group, as discussed further in section 6 "Explanatory notes to the consolidated financial statements".

COFIDE
Gruppo De Benedetti

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF D.LGS 58/98

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the financial statements of Cofide S.p.A., hereby certify, also taking into account the provisions of art. 154 *-bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the appropriateness, in relation to the characteristics of the business, and
   - effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2013.

2. In this respect, no significant issues have arisen which need to be reported.

3. We also certify that the consolidated financial statements:

   - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - agree with the balances on the books of account and accounting entries;
   - are able to give a true and fair view of the financial position, results and cash flows of the issuer and of companies included in the consolidation.

The report on operations includes a reliable analysis of the Group's performance and results of operations, as well as the general situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Milan, 6 June 2014

Rodolfo De Benedetti
Chairman

Giuseppe Gianoglio
Executive responsible for the preparation
of the company's financial statements

COFIDE Group

Financial statements of the Parent Company

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CASH FLOWS

STATEMENT OF CHANGES IN EQUITY

EXPLANATORY NOTES

1. Statement of financial position

(in euro)

ASSETS	*Notes*		*% (**)*	*31.12.2013*	*31.12.2012*
NON-CURRENT ASSETS				**590,102,408**	**591,146,249**
TANGIBLE ASSETS	5.a.			349,062	345,721
INVESTMENT PROPERTY	5.b.			851,763	851,763
INVESTMENTS IN SUBSIDIARIES	5.c.			573,821,503	574,072,503
OTHER EQUITY INVESTMENTS	5.d.			--	--
OTHER RECEIVABLES	5.e.			112,021	90,814
SECURITIES	5.f.			14,968,059	15,785,448
CURRENT ASSETS				**13,919,388**	**6,122,976**
of which with related parties (*)		*148,534*	*51.62%*		
OTHER RECEIVABLES	6.a.			287,738	2,628,470
SECURITIES	6.b.			9,635,389	38,432
CASH AND CASH EQUIVALENTS	6.c.			3,669,261	3,456,074
TOTAL ASSETS				**604,021,796**	**597,269,225**

LIABILITIES AND EQUITY		*31.12.2013*	*31.12.2012*
EQUITY		**557,282,885**	**557,039,328**
SHARE CAPITALSHARE CAPITAL	7.a.	359,604,959	359,604,959
RESERVES	7.b.	161,191,317	161,831,358
RETAINED EARNINGS (LOSSES)	7.c.	35,368,535	30,913,494
NET INCOME (LOSS) FOR THE YEAR		1,118,074	4,689,517
NON-CURRENT LIABILITIES		**44,740,771**	**38,238,786**
OTHER BORROWINGS	8.a.	44,530,608	37,842,245
OTHER PAYABLES	8.b.	34,582	34,582
PERSONNEL PROVISIONS	8.c.	175,581	361,959
CURRENT LIABILITIES		**1,998,140**	**1,991,111**
BANK OVERDRAFTS	9.a.	25	35,286
OTHER BORROWINGS	9.b.	107,527	--
TRADE PAYABLES	9.c.	245,171	307,954
OTHER PAYABLES	9.d.	1,645,417	1,647,871
TOTAL LIABILITIES AND EQUITY		**604,021,796**	**597,269,225**

2. Income statement

(in euro)

	Notes		% (**)	2013		% (**)	2012
SUNDRY REVENUES AND INCOME	10			1,129,395			1,110,396
of which sundry revenues and income with related parties (*)		957,000	*84.7%*		1,074,000	*96.7%*	
COSTS FOR THE PURCHASE OF GOODS	11			(43,796)			(45,102)
COSTS FOR SERVICES	12			(2,084,958)			(2,738,087)
of which from related parties (*)		(463,600)	*22.2%*		(464,640)	*17.0%*	
PERSONNEL COSTS	13			(609,798)			(748,568)
OTHER OPERATING EXPENSE	14			(443,499)			(481,898)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	15			(61,866)			(94,288)
EBIT				**(2,114,522)**			**(2,997,547)**
FINANCIAL INCOME	16			823,754			142,670
FINANCIAL EXPENSE	17			(1,515,699)			(1,426,958)
DIVIDENDS	18			--			9,094,279
of which from related parties (*)		--	*0.0%*		9,094,279	*100.0%*	
GAINS FROM TRADING SECURITIES	19			1,530,360			172,448
of which from related parties (*)		184,078	*12.0%*	--		*0.0%*	--
LOSSES FROM TRADING SECURITIES	20			(166,630)			(46,375)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	21			2,668,811			(249,000)
INCOME (LOSS) BEFORE TAXES				**1,226,074**			**4,689,517**
INCOME TAXES	22			(108,000)			--
NET INCOME (LOSS) FOR THE YEAR				**1,118,074**			**4,689,517**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL							
BASIC EARNINGS (LOSS) PER SHARE (in euro)	23			0.0016			0.0065
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	23			0.0016			0.0065

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

3. Statement of comprehensive income

(in euro)

	2013	*2012*
Net result for the year	**1,118,074**	**4,689,517**
Items of other comprehensive income		
Net change in fair value of available-for-sale financial assets	(874,517)	1,068,822
Taxes on other comprehensive income	--	--
Items of other comprehensive income, net of tax	(874,517)	1,068,822
TOTAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR	**243,557**	**5,758,339**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.0003	0.0080
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.0003	0.0080

4. Statement of cash flows

(in euro)

	2013	*2012*
OPERATING ACTIVITY		
NET INCOME (LOSS) FOR THE YEAR	1,118,074	4,689,517
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION & WRITE-DOWNS	61,866	94,288
ALLOCATION TO PERSONNEL PROVISIONS, NET OF USE	(186,378)	(71,698)
LOSSES (GAINS) ON SALE OF CURRENT SECURITIES	--	--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(2,668,811)	249,000
(INCREASE) DECREASE IN NET WORKING CAPITAL	2,275,495	11,809
CASH FLOW FROM OPERATING ACTIVITY	**600,246**	**4,972,916**
INVESTING ACTIVITY		
CHANGE IN TANGIBLE ASSETS AND INVESTMENT PROPERTY	(65,207)	(12,302)
CHANGE IN INVESTMENTS IN SUBSIDIARIES	251,000	--
CHANGE IN OTHER CAPITALISED RECEIVABLES	(21,207)	(1,058)
NET CHANGE IN CURRENT SECURITIES	(30,350)	(3,244,220)
CASH FLOW FROM INVESTING ACTIVITY	**134,236**	**(3,257,580)**
FINANCING ACTIVITY		
CHANGE IN OTHER BORROWINGS	6,795,890	265,415
NET CHANGE IN CURRENT SECURITIES	(6,954,924)	179,657
DIVIDENDS PAID	--	3,244,220
CASH FLOW FROM FINANCING ACTIVITY	(159,034)	(6,747,027)
INCREASE (DECREASE) IN NET CASH & CASH EQUIVALENTS	575,448	(5,031,691)
NET CASH & CASH EQUIVALENTS - OPENING BALANCE (*)	3,420,788	8,452,479
NET CASH & CASH EQUIVALENTS - CLOSING BALANCE (*)	**3,996,236**	**3,420,788**

(*) 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 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**
Allocation of 2012 result to reserves	--	*234,476*	*4,455,041*	(4,689,517)	--
Distribution to Shareholders	--	--	--	--	--
Adjustment of securities to fair value:					
- Change in reserve	--	*(874,517)*		--	*(874,517)*
2013 result	--	--	--	*1,118,074*	*118,074*
Total comprehensive result for 2013	--	*(874,517)*	--	*1,118,074*	*243,557*
BALANCE AT 31 DECEMBER 2013	***359,604,959***	***161,191,317***	***35,368,535***	***1,118,074***	***557,282,885***

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 6 June 2014 (as required by paragraph 17 of IAS 10).

Below is a description of the accounting standards adopted in the preparation of these financial statements as of 31 December 2013 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 corporate 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 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 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 gets written down; if subsequently the reasons for the impairment no longer apply, the write-down is reversed. Write-downs and reversals are posted 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 of disposal) is in some cases unreliable, the recoverable value was defined as its value in use, i.e. the present value of estimated cash flows in relation to the expected results of investee companies and to the estimated value of a hypothetical ultimate disposal in line with IAS 28 (paragraph 42).
When at a later date the impairment ceases to exist or is reduced, the carrying value of the assets is reversed by up to the new 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 posted 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 event of the Company's share of the losses of the investee company exceeding the carrying value of the investment, and when the Company is liable or accepts liability, then the value of the investment is reduced to zero and the Company's share of any further losses is recognised as a provision under liabilities. Should the impairment subsequently cease to exist or reduce, the value is reversed to the income statement up to the limit of its cost.

2.e. Other equity investments

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

2.f. Receivables and payables (IAS 32 and 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 2013.

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 for 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 not subject to actuarial valuation as the residual liability - of the employee leaving indemnity in particular - is not significant. 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.

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.

<u>Financial instruments designated at fair value through profit and loss</u>
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 released to the income statement.

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.

Fair value
EU Regulation 1255/2012 endorsed IFRS 13 - Fair Value Measurement. The new standard provides guidance on how to measure the fair value of financial instruments and non-financial assets and liabilities already established or permitted by other standards. In this way, a single standard brings together all the rules for the measurement of fair value, instead of being spread over different standards as they were previously, sometimes with requirements that were inconsistent with each other.

Fair value, as defined by IFRS 13, is the price that would be received for the sale of an asset or that would be paid to transfer a liability in an regular transaction between market participants at the measurement date.
The fair value of financial liabilities due and payable on demand (e.g. demand deposits) is not less than the amount payable on demand, discounted from the first date on which payment could be required.
For financial instruments quoted in active markets, the fair value is determined on the basis of official prices in the principal market to which the Group has access (mark to market).
A financial instrument is considered quoted in an active market if quoted prices are readily and regularly available from a quotation system, dealers, brokers, etc., and these prices represent actual and regular market transactions. If there is no quoted market price in an active market for a financial instrument taken as a whole, but there is one for some of its components, the fair value is determined on the basis of the specific market prices of its components.
If there are no observable prices in an active market for an identical item owned by another operator as an asset, or if prices are not available, using other observable inputs such as quoted prices in an inactive market for the identical item owned by another operator as an asset, the Group will assess the fair value using another valuation technique, such as:

- an income approach (for example, a technique that takes into account the present value of future cash flows that a market participant would expect to receive from owning a financial liability, an equity instrument or an asset);
- a market approach (for example, using quoted prices for similar liabilities or equity instruments owned by third parties as assets);
- valuations performed using, in all or in part, inputs not taken from parameters that are observable on the market, for which use is made of estimates and assumptions developed by the evaluator (mark to model).

The Company uses valuation models (mark to model) that are generally accepted and used by the market. The models include techniques based on the discounting of future cash flows and estimates of volatility (if there is an optional component); these are subject to revision from time to time in order to ensure consistency with the objectives of the valuation.
These methods use inputs based on prices set in recent transactions and/or prices/quotations for instruments that have similar characteristics in terms of risk profile.
The choice between these techniques is not optional, as they have to be applied in hierarchical order: if, for example, is a price quoted in an active market is available, the other valuation techniques cannot be used.

IFRS 13 provides for the classification of the instruments being measured at fair value according to the observability of the inputs used for pricing them.

The fair value hierarchy has three levels:

- Level 1: the fair value of instruments classified in this level is determined based on (unadjusted) quoted prices that can be observed in active markets;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed in active markets (other than the quoted prices included in Level 1, observable either directly or indirectly).
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that primarily use inputs that can not be observed in active markets. The valuations are based on various inputs, not all directly derived from observable market parameters, and involve estimates and assumptions on the part of the evaluator.

Assets and liabilities measured at fair value on a recurring basis
Please refer to the "Other information" section for further details.
No transfers were made between the levels of the fair value hierarchy during 2013.

Assets and liabilities not measured at fair value on a recurring basis
For the financial instruments represented by short-term receivables and payables and for which the present value of future cash flows does not differ significantly from their carrying amount, it is assumed that this is a reasonable approximation of their fair value. In particular, the carrying amount of receivables and other current assets and trade payables and other current liabilities approximates their fair value.

Please refer to the "Other information" section for further details.

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 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.

5. Non-current assets

5.a. Tangible assets

This item has had the following changes:

2012	*Opening position*			*Movements during the year*				*Closing balance*		
	Historical	*Accumulated*	*Balance*	*Acquisitions*	*Disposals and adjustments*		*Depreciation*	*Historical*	*Accumulated*	*Balance*
(in euro)	*cost*	*depreciation*	*01.01.2012*		*cost*	*accum. depr.*		*cost*	*depreciation*	*31.12.2012*
Buildings										
- Operating building in Rome	1,154,172	(799,498)	354,674	--	--	--	(34,625)	1,154,172	(834,123)	320,049
Total	1,154,172	(799,498)	354,674	--	--	--	(34,625)	1,154,172	(834,123)	320,049
Industrial and commercial equipment										
- Motor vehicles	196,321	(168,446)	27,875	--	(14,400)	14,400	(27,875)	181,921	(181,921)	--
- Electronic office equipment	56,231	(49,783)	6,448	3,578	--	--	(3,940)	59,809	(53,723)	6,086
- Furniture and fittings	391,379	(390,927)	452	3,420	--	--	(950)	394,799	(391,877)	2,922
- Alarm systems	47,889	(28,501)	19,388	--	--	--	(16,618)	47,889	(45,119)	2,770
- Telephone systems	10,771	(10,771)	--	1,270	--	--	(254)	12,041	(11,025)	1,016
- Machinery and sundry equipment	22,200	(3,330)	18,870	786	--	--	(6,778)	22,986	(10,108)	12,878
- Assets expensed during the year	15,226	(15,226)	--	3,248	--	--	(3,248)	18,474	(18,474)	--
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**

2013	*Opening position*			*Movements during the year*				*Closing balance*		
	Historical	*Accumulated*	*Balance*	*Acquisitions*	*Disposals and adjustments*		*Depreciation*	*Historical*	*Accumulated*	***Balance***
(in euro)	*cost*	*depreciation*	*31.12.2012*		*cost*	*accum. depr.*		*cost*	*depreciation*	***31.12.2013***
Buildings										
- Operating building in Rome	1,154,172	(834,123)	320,049	21,696	--	--	(34,625)	1,175,868	(868,748)	307,120
Total	1,154,172	(834,123)	320,049	21,696	--	--	(34,625)	1,175,868	(868,748)	307,120
Industrial and commercial equipment										
- Motor vehicles	181,921	(181,921)	--	32,224	(70,421)	70,421	(8,056)	143,724	(119,556)	24,168
- Electronic office equipment	59,809	(53,723)	6,086	2,184	--	--	(5,092)	61,993	(58,815)	3,178
- Furniture and fittings	394,799	(391,877)	2,922	1,936	--	--	(1,331)	396,735	(393,208)	3,527
- Alarm systems	47,889	(45,119)	2,770	--	--	--	(2,770)	47,889	(47,889)	--
- Telephone systems	12,041	(11,025)	1,016	--	--	--	(508)	12,041	(11,533)	508
- Machinery and sundry equipment	22,986	(10,108)	12,878	5,387	--	--	(7,704)	28,373	(17,812)	10,561
- Assets expensed during the year	18,474	(18,474)	--	1,780	--	--	(1,780)	20,254	(20,254)	--
Total	737,919	(712,247)	25,672	43,511	(70,421)	70,421	(27,241)	711,009	(669,067)	41,942
Total tangible fixed assets	**1,892,091**	**(1,546,370)**	**345,721**	**65,207**	**(70,421)**	**70,421**	**(61,866)**	**1,886,877**	**(1,537,815)**	**349,062**

5.b. Investment property

This item has had the following changes:

2012	Opening position			Movements during the year				Closing balance		
	Historical cost	*Accumulated depreciation*	*Balance 01.01.2011*	*Acquisitions*	*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	--	--	--	--	853,714	(1,951)	851,763
Total	**853,714**	**(1,951)**	**851,763**	**--**	**--**	**--**	**--**	**853,714**	**(1,951)**	**851,763**

2013	Opening position			Movements during the year				Closing balance		
			Balance	*Acquisitions*	*Disposals*		*Depreciation*	*Historical cost*	*Accumulated depreciation*	*Balance 31.12.2013*
(in euro)	*Historical cost*	*Accumulated depreciation*	*01.01.2012*		*cost*	*accum. depr.*				
Buildings										
- Non-operating building in Milan	853,714	(1,951)	851,763	--	--	--	--	**853,714**	**(1,951)**	**851,763**
Total	**853,714**	**(1,951)**	**851,763**	--	--	--	--	**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:

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	--	--	--	--	--	363,771,164	573,821,503
EUVIS S.P.A.	2,469,500	500,000	--	--	--	--	(249,000)	2,469,500	251,000
Total		574,321,503		--		--	(249,000)		574,072,503

2013	Opening balance 01.01.2012		Movements during the year					Closing balance 31.12.2013	
			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	--	--	--	--	--	363,771,164	573,821,503
EUVIS S.P.A. *(in liquidation)*	2,469,500	251,000	--	--	(2,469,500)	(251,000)	--	--	--
Total		574,072,503		--		(251,000)			573,821,503

The liquidation of Euvis S.p.A. was completed during the year, resulting in income of Euro 184,078 that is discussed further in relation to “gains on securities trading”.

The following summary information about CIR S.p.A. has been extracted from the draft financial statements approved by the Board of Directors of that company (*amounts in euro*):

Name	Registered office	Capital 31.12.2013	Equity 31.12.2013	Net income (loss) 2013	% control direct	% control indirect
CIR S.P.A. (*)	Via Ciovassino 1, Milan	397,146,183	1,097,825	155,366	45.80%	48.84%

(*) The percentage of indirect control includes CIR treasury shares.

As required by IFRS, the investment in CIR S.p.A. held at year end was subjected to impairment testing in order to check for objective evidence that its carrying amount might not be fully recoverable.

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.

5.d. Other investments

This item has had the following changes:

2012	*Opening balance*		*Movements during the year*					*Closing balance*	
	01.01.2011		*Increases*		*Decreases*		*Write-downs*	*31.12.2012*	
(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	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. *(in liquidation and in composition with creditors)*	1,231,319	--	--	--	--	--	--	1,231,319	--
Total		--		--		--	--		--

2013	*Opening balance*		*Movements during the year*					*Closingbalance*	
	01.01.2012		*Increases*		*Decreases*		*Write-downs*	*31.12.2013*	
(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	--	--	--	--	--	--	3,812,055	--
C IDC S.p.A. *(in liquidation and in composition with creditors)*	1,231,319	--	--	--	--	--	--	1,231,319	--
Total		--		--		--	--		--

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)	*31.12.2013*	*31.12.2012*
Due from the Treasury	96,880	75,673
Other receivables	15,141	15,141
Total	**112,021**	**90,814**

5.f. Securities

This item includes the following:

(in euro)	*31.12.2013*	*31.12.2012*
Available-for-sale securities		
Investment funds	14,968,059	15,785,448
Total	**14,968,059**	**15,785,448**

6. Current assets

6.a. Other receivables

This item includes the following:

(in euro)	*31.12.2013*	*31.12.2012*
Due from the Treasury	60,678	65,452
Other receivables	78,526	2,563,018
Other receivables with related parties	148,534	--
Total	**287,738**	**2,628,470**

The reduction in other receivables was essentially due to the collection of amounts due from the Treasury that were assigned in prior years to a group company which was subsequently sold.

6.b. Securities

This item consists of the following categories of securities:

(in euro)	*31.12.2013*	*31.12.2012*
Available-for-sale securities		--
Investment funds	2,458	38,432
Total	**2,458**	**38,432**
Securities held for trading		
Investments in other companies	1,023,994	--
Investment funds	8,608,937	--
Total	9,632,931	--
Total securities	**9,635,389**	**38,432**

The year-end measurement at fair value of available-for-sale securities led to a negative adjustment of € 26,778 which was recognised directly in equity.

Measure of the fair value of securities held for trading at year end resulted in recognition in the income statement of a net positive adjustment of € 2,668,811.

6.c. Cash and cash equivalents

Cash and cash equivalents increased by € 540,187 going from € 3,456,074 to € 3,996,261.

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 2012, this item has increased by € 4,455,041 due to allocation of part of the previous year's net income.

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 2012	5,044,115	22,262,175	42,975	133,069,943	243,375	8,662	160,671,245
Allocation of net income for 2011:							
- Allocation of 2011 net income to reserves	--	91,291	--	--	--	0	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
Allocation of net income for 2012:							
- Allocation of 2012 net income to reserves	--	234,476	--	--	--	--	234,476
Changes in fair value reserve:							
- Valuation at year-end fair value of available-for-sale securities	--	--	--	--	--	(874,517)	(874,517)
BALANCE AT 31 December 2013	5,044,115	22,587,942	42,975	133,069,943	243,375	202,967	161,191,317

8. Non-current liabilities

8.a. Other borrowings

This item includes the following:

(in euro)	31.12.2013	31.12.2012
Secured bank loan	44,530,608	37,258,456
Other borrowings	--	583,789
Total	**44,530,608**	**37,842,245**

During the year, the company arranged a new loan of Euro 45,000,000 from a leading bank. This loan, with a duration of three years expiring on 23 December 2016, accrues annual interest at 3-month Euribor plus a spread of 375 bps.

At the end of the year, the interest rate applied to the loan was 4.043%.

The loan covenants require the company to maintain a ratio of net borrowing to the total value of equity investments and securities held and not given in guarantee of less than 40%. This requirement has been met in full.

The syndicated loan arranged with leading banks in the prior year has been repaid early.

8.b. Other payables

This item includes the following:

(in euro)	31.12.2013	31.12.2012
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)	31.12.2013	31.12.2012
Employee leaving indemnity (TFR)	175,581	361,959
Total	**175,581**	**361,959**

Balance at 1 January 2013	361,959
Net change for the year	(186,042)
Taxes	(336)
Balance at 31 December 2013	175,581

9. *Current liabilities*

9.a. Bank overdrafts

Bank borrowings have decreased by € 35,261, from € 35,286 to € 25.

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

9.b. Other borrowings

These relate to the Interest Rate Swap (IRS) arranged in the prior year to reduce the risk of an increase in the interest rate applying to the outstanding loan.

The year-end fair value adjustment has been recognised in the income statement among the gains on securities trading.

9.c. Trade payables

These refer to amounts due to suppliers, which have gone from € 307,954 to € 245,171.

9.d. Other payables

This item includes the following:

(in euro)	*31.12.2013*	*31.12.2012*
Due to the Treasury	1,531,083	1,499,066
Social security payables	25,891	33,952
Other payables	88,443	114,853
Total	**1,645,417**	**1,647,871**

Income statement

10. Sundry revenues and income

This item includes the following:

(in euro)	*2013*	*2012*
Services to subsidiaries	957,000	1,074,000
Property income	27,650	27,165
Other income and cost recoveries from third parties	144,745	9,231
Total	**1,129,395**	**1,110,396**

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

11. Costs for the purchase of goods

This reflects the value of the company's purchases of consumer goods.
They have gone from € 45,102 to € 43,796.

12. Costs for services

This item includes the following:

(in euro)	*2013*	*2012*
Services from subsidiaries	463,600	464,640
Administrative, fiscal, legal and corporate consulting	578,740	828,105
Fees for corporate bodies	739,031	1,076,052
Other operating expenses	303,587	369,290
Total	**2,084,958**	**2,738,087**

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 € 748,568 to € 609,798. The following table shows the changes during the year in the number of employees by category:

	31.12.2012	*New hires*	*Resignations*	*31.12.2013*	*Average for the year*
Executives	1	--	1	--	1
Employees	3	--	--	3	3
Total	**4**	**--**	**1**	**3**	**4**

14. Other operating costs

This item includes the following:

(in euro)	*2013*	*2012*
Taxes, duties and rights	76,936	82,322
Mandatory contributions and membership fees	108,356	100,802
Charities	232,500	232,500
Other charges and expenses	25,707	66,274
Total	**443,499**	**481,898**

15. Amortisation, depreciation and write-downs

This item only includes the depreciation of tangible fixed assets, which fell from € 94,288 to € 61,866.

16. Financial income

This item includes the following:

(in euro)	*2013*	*2012*
Interest income on bank deposits	47,716	141,612
Other financial income	776,038	1,058
Total	**823,754**	**142,670**

Other financial income includes interest of € 774,980 on amounts due from the Treasury that were assigned in prior years to a group company that was subsequently sold. This interest has been collected together with the principal.

17. Financial expense

This item includes the following:

(in euro)	*2013*	*2012*
Interest and financial charges on bank loan	1,475,484	1,380,912
Interest and bank charges	19,144	17,258
Fees on stock market transactions	21,071	28,788
Total	**1,515,699**	**1,426,958**

18. Dividends

This item includes the following:

(in euro)	*2013*	*2012*
Dividends from subsidiaries*:*		
- CIR S.p.A.	--	9,094,279
Total dividends	**--**	**9,094,279**

19. Gains from trading securities

This item includes the following:

(in euro)	*2013*	*2012*
Income from the liquidation of subsidiaries	184,078	--
Gains from investment funds	661,572	172,448
Income from adjustment of derivatives to fair value at year end	450,260	--
Income from futures and options	234,450	--
Total	**1,530,360**	**172,448**

The income from the liquidation of subsidiaries reflects completion of the liquidation of Euvis S.p.A., as discussed in relation to “Investments in subsidiaries”.

Income from the adjustment of derivatives to fair value at year end relates to the measurement of the Interest Rate Swap (IRS) arranged in the prior year to reduce the risk of an increase in the interest rate applying to the outstanding loan.

20. Losses from trading securities

This item includes the following:

(in euro)	*2013*	*2012*
Losses on adjustment of derivatives to fair value at year-end	--	46,375
Losses on futures and options	166,630	--
Total	**166,630**	**46,375**

The amount recorded in the 2012 income statement 2012 relates to the measurement of the Interest Rate Swap (IRS) arranged in the prior year to reduce the risk of an increase in the interest rate applying to the outstanding loan.

21. Adjustments to financial assets

This item includes the following:

(in euro)	*2013*	*2012*
Adjustments for impairment losses on investments in subsidiaries	--	(249,000)
Write-downs of equity investments in other companies	(85,457)	--
Revaluation of equity investments in other companies	45,471	--
Revaluation of investment funds	2,708,797	--
Total	**2,668,811**	**(249,000)**

22. Income taxes

This item includes the following:

(in euro)	*2013*	*2012*
Current taxes	108,000	--
Total	108,000	--

No deferred tax assets have been recorded on the tax losses as it cannot be presumed that they would be recovered.

The following table reconciles theoretical taxation with the actual tax burden recorded in 2013.

(in thousands of euro)	*Taxable income*	*Rate*	*Tax*
RESULT BEFORE TAXES	1,226	*27.5%*	337
Effect of increases (decreases):			
- non-deductible financial expense	401	*27.5%*	110
- non-taxable financial income	(184)	*27.5%*	(50)
- non-deductible operating costs	521	*27.5%*	143
Income	1,964	*27.5%*	540
Use of carried-forward losses	(1,571)	*27.5%*	(432)
Taxable income/Income taxes	393	*27.5%*	108

In view of the nature of the activities carried out, there is no taxable income for IRAP purposes. Accordingly, the above table relates solely to IRES corporate taxation.

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):

	2013	*2012*
Net income attributable to the shareholders	1,118,074	4,689,517
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**0.0016**	**0.0065**

	2013	*2012*
Comprehensive income attributable to the shareholders	243,557	5,758,339
Weighted average number of ordinary shares in circulation	719,209,918	719,209,918
Earnings (loss) per share	**0.0003**	**0.0080**

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.

In the "Other information" section of the Directors' report on operations there is a summary of the effects of these transactions.

25. Net financial position

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

	(in euro)	*31.12.2013*	*31.12.2012*
A.	Cash and bank deposits	3,996,261	3,456,074
B.	Other cash equivalents	2,458	38,432
C.	Securities held for trading	9,632,931	--
D.	**Liquidity**	13,631,650	3,494,506
E.	Current financial receivables	--	--
F.	Current bank payables	25	35,286
G.	Current portion of non-current debt	--	--
H.	Other current borrowings	107,527	--
I.	**Current financial debt (F) + (G) + (H) + (I)**	107,552	35,286
J.	**Net current financial (surplus) debt (I) - (E) - (D)**	(13,524,098)	(3,459,220)
K.	Non-current bank borrowings	44,530,608	37,842,245
L.	**Non-current financial debt**	44,530,608	37,842,245
M.	**Net financial (surplus) debt (J) (L)**	31,006,510	34,383,025

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 loan maturing in 2016.

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 2013 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 and 13, 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 2013 and 2012 *(in euro)*:

2013	Level 1	Level 2	Level 3	Total
NON-CURRENT ASSETS				
Financial assets at fair value in equity	--	--	--	--
Available-for-sale securities:				
- Investment funds	--	14,968,059		14,968,059
Total	--	14,968,059		14,968,059
Financial assets at fair value through profit and loss	--	--	--	--
Total securities	--	14,968,059		14,968,059
CURRENT ASSETS				
Financial assets at fair value in equity	--	--	--	--
Available-for-sale securities:				
- Investment funds	--	2,458		2,458
Total	--	2,458		2,458
Financial assets at fair value through profit and loss	--	--	--	--
Securities held for trading:				
- Investments in other companies	--	1,023,994		1,023,994
- Investment funds	--	8,608,937		8,608,937
Total	--	9,632,931		9,632,931
Total securities	--	9,635,389		9,635,389
CURRENT LIABILITIES				
Other borrowings				
- Derivatives	--	107,527		107,527
Total other borrowings	--	107,527		107,527

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

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
2013

(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 assets designated as such on initial recognition*	*FVTPL assets 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	*5.e.*	15	--	--	15	--	--	--	--	--	15	--	--
Other receivables	*5.f.*	14,968	--	--	--	--	14,968	--	--	--	14,968	--	(848)
Securities													
CURRENT ASSETS	*6.a.*	227	--	--	227	--	--	--	--	--	227	--	--
Other receivables	*6.b.*	9,635	--	9,633	--	--	2	--	--	--	9,635	662	(27)
Securities	*6.c.*	3,996	--	--	3,996	--	--	--	--	--	3,996	48	--
Cash and cash equivalents													
NON-CURRENT LIABILITIES	*8.a.*	44,531	--	--	--	--	--	--	--	44,531	44,531	(1,475)	--
Other borrowings	*8.b.*	35	--	--	--	--	--	--	--	35	35	--	--
Other payables													
CURRENT LIABILITIES	*9.a.*	--	--	--	--	--	--	--	--	--	--	(19)	--
Bank overdrafts	*9.b.*	108	--	--	--	--	--	--	108	--	108	--	--
Trade payables	*9.c.*	245	--	--	--	--	--	--	--	245	245	--	--

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

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 assets designated as such on initial recognition*	*FVTPL assets 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 in 2011.
The carrying amount is considered a reasonable approximation of its fair value

RISK CATEGORIES - 2013

(in thousands of euro)	*Items*	*Carrying amount*	*Liquidity risk*	*Interest rate risk*	*Exchange rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other investments	*5.d.*	--	--	--	--	--
Other receivables	*5.e.*	15	--	--	--	15
Securities	*5.f.*	14,968	--	--	--	14,968
CURRENT ASSETS						
Other receivables	*6.a.*	227	--	--	--	227
Securities	*6.b.*	9,635	--	--	--	9,635
Cash and cash equivalents	*6.c.*	3,996	--	--	--	3,996
NON-CURRENT LIABILITIES						
Other borrowings	*8.a.*	44,531	44,531	--	--	--
Other payables	*8.b.*	35	35	--	--	--
CURRENT LIABILITIES						
Bank overdrafts	*9.a.*	--	--	--	--	--
Trade payables	*9.b.*	108	--	108	--	--

RISK CATEGORIES - 2012

(in thousands of euro)	*Items*	*Carrying amount*	*Liquidity risk*	*Interest rate risk*	*Exchange rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other 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	--	--	--

CREDIT RISK - 2013

Position at 31 December 2013 *(in thousands of euro)*	*Items*	*Total receivables*	*Not yet due*	*Overdue 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		227	227	--	--	--	--	--	--	--
Provision for write-downs		--	--	--	--	--	--	--	--	--
Total		242	242	--	--	--	--	--	--	--

CREDIT RISK - 2012

Position at 31 December 2012 *(in thousands of euro)*	*Items*	*Total receivables*	*Not yet due*	*Overdue 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	--	--	--	--	--	--	--

LIQUIDITY RISK - 2013

(in thousands of euro)	*<1 year*	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Derivative financial liabilities	--	--	--	--	--	--	--
Non derivative financial liabilities							
Non-current liabilities							
Other borrowings	--	--	44,531	--	--	--	44,531
Other payables	--	--	--	--	--	35	35
Current liabilities							
Bank overdrafts	--	--	--	--	--	--	--
Trade payables	245	--	--	--	--	--	245
TOTAL	245	--	44,531	--	--	35	44,811

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 - 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.

GUARANTEES AND COMMITMENTS

In relation to the loan arranged during the year, shares in CIR with a total carrying amount of € 209,084,234 have been pledged to the lending bank.

MANAGEMENT AND COORDINATION ACTIVITY

Cofide is subject to management and coordination by Carlo De Benedetti & Figli 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	22,587,942	B	=
Retained earnings	35,368,535	A, B, C	35,368,535
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	202,967	=	=
TOTAL			173,768,943
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			168,724,828

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 2012 are as follows:

(*in euro*)

STATEMENT OF FINANCIAL POSITION

ASSETS		
B)	Fixed assets	245,310,666
C)	Current assets	1,012,871
Total assets		246,323,537

LIABILITIES		
A)	EQUITY	
	Share capital	170,820,000
	Reserves	15,974,362
	Net income (loss) for the year	1,398,601
D)	PAYABLES	58,130,574
Total liabilities		246,323,537

MEMORANDUM ACCOUNTS	242,680,369

INCOME STATEMENT

B)	Costs of production	(489,191)
C)	Financial income and (expense)	1,887,792
	Income taxes for the year	0
	Net income (loss) for the year	1,398,601

Separate financial statements of the direct subsidiary at 31 December 2013

Cir S.p.A.

1. Statement of financial position

(in euro)

ASSETS		% (**)	31.12.2013		% (**)	31.12.2012
NON-CURRENT ASSETS			**1,305,993,961**			**1,536,422,286**
INTANGIBLE ASSETS			57,732			49,842
TANGIBLE ASSETS			2,722,826			2,668,303
INVESTMENT PROPERTY			15,827,313			16,399,134
EQUITY INVESTMENTS			1,005,340,533			1,192,164,011
OTHER RECEIVABLES			282,045,557			320,044,613
of which with related parties (*)	*281,856,804*	99.9		*320,020,775*	100.0	
DEFERRED TAXES			--			5,096,383
CURRENT ASSETS			**282,799,094**			**333,666,630**
OTHER RECEIVABLES			43,222,972			40,113,667
of which with related parties (*)	*26,512,974*	61.3		*9,730,099*	24.3	
FINANCIAL RECEIVABLES			--			186,382
of which with related parties (*)	--	--		*84,477*	45.3	
SECURITIES			--			2,522,183
CASH AND CASH EQUIVALENTS			239,576,122			290,844,398
TOTAL ASSETS			**1,588,793,055**			**1,870,088,916**

LIABILITIES AND EQUITY		% (**)	31.12.2013		% (**)	31.12.2012
EQUITY			**1,097,825,178**			**938,834,235**
ISSUED CAPITAL			397,146,184			396,670,234
less TREASURY SHARES			(24,764,288)			(24,994,500)
SHARE CAPITAL			372,381,896			371,675,734
RESERVES			361,081,558			359,777,020
RETAINED EARNINGS (LOSSES)			208,995,463			199,489,796
NET INCOME (LOSS) FOR THE YEAR			155,366,261			7,891,685
NON-CURRENT LIABILITIES			**324,672,810**			**299,184,054**
BONDS			286,982,300			297,732,435
DEFERRED TAXES			37,082,036			--
PERSONNEL PROVISIONS			608,474			1,451,619
CURRENT LIABILITIES			**166,295,067**			**632,070,627**
BANK OVERDRAFTS			--			--
BORROWINGS			--			564,248,109
of which from related parties (*)	--	--		--	--	
OTHER PAYABLES			153,279,720			35,743,232
of which to related parties (*)	*110,318,626*	72.0		*31,489,584*	88.1	
PROVISIONS FOR RISKS AND LOSSES			13,015,347			32,079,286
TOTAL LIABILITIES AND EQUITY			**1,588,793,055**			**1,870,088,916**

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

2. Income statement

(in euro)

		% (**)	2013		% (**)	2012
SUNDRY REVENUES AND INCOME			6,794,426			6,149,203
of which sundry revenues and income with related parties (*)	*5,546,037*	*81.6*		*5,621,986*	*91.4*	
COSTS FOR SERVICES			(41,248,628)			(7,636,783)
of which from related parties (*)	*(957,000)*	*2.3*		*(1,074,000)*	*14.1*	
PERSONNEL COSTS			(6,800,932)			(9,025,403)
of which from related parties (*)	*(120,006)*	*1.8*		*(37,928)*	*0.4*	
OTHER OPERATING EXPENSE			(2,019,153)			(2,653,220)
AMORTISATION, DEPRECIATION & WRITE-DOWNS			(742,476)			(754,026)
EBIT			**(44,016,763)**			**(13,920,229)**
FINANCIAL INCOME			29,819,928			15,162,801
of which with related parties (*)	*5,124,940*	*17.2*		*9,129,287*	*60.2*	
FINANCIAL EXPENSE			(17,332,039)			(32,166,596)
DIVIDENDS			32,963,830			34,183,767
of which from related parties (*)	*32,933,693*	*99.9*		*34,148,856*	*99.9*	
GAINS FROM TRADING SECURITIES			114,756			233,027
LOSSES FROM TRADING SECURITIES			(23,746)			--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			(209,559,729)			(2,708,826)
NON-RECURRING INCOME (EXPENSE)			491,312,306			--
INCOME (LOSS) BEFORE TAXES			**283,278,543**			**783,944**
INCOME TAXES			(127,912,282)			7,107,741
NET INCOME (LOSS) FOR THE YEAR			**155,366,261**			**7,891,685**

BASIC EARNINGS (LOSS) PER SHARE (in euro)	0.2089	0.0106
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	0.2089	0.0106

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

COFIDE
Gruppo De Benedetti

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF D.LGS 58/98

1. The undersigned, Rodolfo De Benedetti, the Chairman, and Giuseppe Gianoglio, the executive responsible for the preparation of the financial statements of Cofide S.p.A., hereby certify, also taking into account the provisions of art. 154 -bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the appropriateness, in relation to the characteristics of the business, and
   - effective application of the administrative and accounting procedures for the preparation of the financial statements during the course of 2013.

2. In this respect, no significant issues have arisen which need to be reported.

3. We also certify that the financial statements:

   - are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - agree with the balances on the books of account and accounting entries;
   - are able to give a true and fair view of the financial position, results and cash flows of the issuer.

The report on operations includes a reliable analysis of the Company's performance and results of operations, as well as the general situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Milan, 6 June 2014

Rodolfo De Benedetti
Chairman

Giuseppe Gianoglio
Executive responsible for the preparation
of the company's financial statements

LIST OF EQUITY INVESTMENTS

AS OF 31 DECEMBER 2013

Persuant to Art. 38.2 Italian Legislative Decree 127/91

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	397.146.183,50	€	COFIDE S.p.A.	45,85
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	100,000.00	€	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	100,000.00	€	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	1,195,000.00	Chf	CIR S.p.A.	83.26
SOUTHLANDS S.r.l.	Italy	100,000.00	€	LAKE LEMAN INTERNATIONAL SCHOOL S.A.	100.00
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.	81.57
ENERGIA ITALIANA S.p.A.	Italy	26,050,000.00	€	SORGENIA S.p.A.	78.00
EOLICA BISACCIA S.r.l.	Italy	50,000.00	€	SORGENIA GREEN S.r.l.	100.00
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
RACOON S.r.l.	Italy	20,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA TRADING S.p.A.	Italy	20,000,000.00	€	SORGENIA S.p.A.	100.00
NOVENTI VENTURES II LP	United States	34,750,704.00	$USA	SORGENIA S.p.A.	69.47
SORGENIA E&P S.p.A.	Italy	64,000,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA INTERNATIONAL B.V.	Netherlands	64,000,000.00	€	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 GREEN S.r.l.	Italy	2,000,000.00	€	SORGENIA S.p.A.	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.r.l.	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

(*) 48.91 % net of own shares held as tresury 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 INDEPENDENTA S.r.l.	Romania	603,000.00	Ron	SORGENIA ROMANIA S.r.l.	99.99
				SORGENIA GREEN S.r.l.	0.01
					100.00
WIND PROJECT FALCIU TREI S.r.l.	Romania	688,000.00	Ron	SORGENIA ROMANIA S.r.l.	99.99
				SORGENIA GREEN S.r.l.	0.01
					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	550,040.00	£GBP	SORGENIA INTERNATIONAL B.V.	79.26
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.s.	France	2,000,000.00	€	SORGENIA GREEN S.r.l.	100.00
SORGENIA CASTELVETERE S.r.l.	Italy	60,000.00	€	SORGENIA GREEN S.r.l.	100.00
LISI B.V. (già 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 S.a.r.l.	France	10,000.00	€	SORGENIA FRANCE S.a.s.	100.00
ESPRESSO GROUP					
GRUPPO EDITORIALE L'ESPRESSO S.p.A. (*)	Italy	61,582,993.20	€	CIR S.p.A.	53.77
FINEGIL EDITORIALE S.p.A.	Italy	128,798,515.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	99.78
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
MO-NET S.r.l.	Italy	35,800.00	€	ELEMEDIA S.p.A.	51.00
	Italy				
SOGEFI GROUP	Italy				
SOGEFI S.p.A. (**)	Italy	60,711,763.84	€	CIR S.p.A.	56.31
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	20,055,000.00	$USA	SOGEFI S.p.A.	100.00

(*) 55.96 % net of own shares held as tresury stock
(**) 57,99 % net of own shares held as tresury 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	5,500,000.00	€	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	242,000,000.00	Inr	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	70.24
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
SOGEFI ENGINE SYSTEMS MEXICO S.DE R.L. DE C.V. (già 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
SOGEFI ENGINE SYSTEMS (SHANGHAI) Co., Ltd in liquidazione (giàMARK IV (Shanghai) TRADING Co. Ltd)	China	5,000,000.00	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
CLEARMEDI HEALTHCARE LTD	India	7,063,321.59	Inr	MEDIPASS HEALTHCARE LTD	7.85
				MEDIPASS S.r.l.	51.31
					59.16

Name of Company	*Registered office*	*Share Capital*	*Currency*	*Parent Companies*	*% of ownership*
MEDIPASS HEALTHCARE LEEDS & BELFAST LTD	UK	1,000.00	£GBP	MEDIPASS HEALTHCARE LTD	55.00
MEDIPASS BELFAST LTD (già HTI IRELAND)	UK	2.00	£GBP	MEDIPASS HEALTHCARE LEEDS &BELFAST LTD	100.00
MEDIPASS LEEDS LTD (già HTI LEEDS)	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
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	4.24
				RESIDENZE 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.r.l.	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.	0.26
				VILLA ROSA S.r.l.	2.47
					100.00

CIR INTERNATIONAL GROUP					
CIR VENTURES L.P.	United States	21,374,227.00	$USA	CIR INTERNATIONAL S.A.	99.20

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

CONSOLIDATED USING THE EQUITY METHOD

(in euro or currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***Parent Companies***	***% of ownership***
CIR GROUP					
DEVIL PEAK S.r.l.	Italy	68,222.00	€	NEXENTI S.r.l.	36.92
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
FIN GAS S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
LNG MED GAS TERMINAL S.r.l.	Italy	31,093,955.00	€	FIN GAS S.r.l	70.78
SORGENIA FRANCE PRODUCTION S.a.s.	France	10,602,360.00	€	SORGENIA FRANCE S.a.s.	50.00
PARC ÉOLIEN DE LA VOIE SACRÉE S.a.s.	France	74,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s..	24.86
PARC ÉOLIEN D'EPENSE S.a.s.	France	802,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	25.00
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.s.	100.00
PARC ÉOLIEN DE SAINT CRÉPIN S.a.s.	France	1,657,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE L'ARGONNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE SUD S.a.s.	France	120,300.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE S.a.s.	France	871,600.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE BERNAY ST MARTIN S.a.s.	France	1,493,700.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	France	9,757,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s..	100.00
PARC ÉOLIEN DE LONGEVILLE SUR MER S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE L'ORME CHAMPAGNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIENS DU NORD PAS-DE-CALAIS S.a.s.	France	400,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE BOUILLANCOURT EN SÉRY S.a.s.	France	53,700.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE LEFFINCOURT S.a.s.	France	4,537,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC D'AULNAY L'AÎTRE S.a.s.	France	37,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE BUSSY LE REPOS S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE LA TIERACHE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE PLAINCHAMP S.a.s.	France	3,037,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE BLOMBAY L'ECHELLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE LA VALLE DU DON S.a.s.	France	5,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE SOURCE DE L'HERBISSONNE S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s.	100.00
PARC ÉOLIEN DE SEUIL MONT LAURENT S.a.s.	France	10,000.00	€	SORGENIA FRANCE PRODUCTION S.a.s..	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
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	10,000,000.00	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
OWP PARC ÉOLIEN DU BANC DES OLIVES S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.a.s.	20.00
P&F Società agricola S.r.l.	Italy	10,000.00	€	SORGENIA S.p.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.s.	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
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
APOKOS REHAB PVT Ltd	India	34,999,880.00	Inr	KOS S.p.A.	50.00
CIR INTERNATIONAL GROUP					
PHA – Participations Hotelieres AstorIn liquidazione	France	12,150.00	€	CIR INTERNATIONAL S.A.	99.98
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	11,305,851.65	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	4.02
				FINEGIL EDITORIALE S.p.A.	12.80
				S.E.T.A. S.p.A.	2.67
					19.49
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.	5.48
				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
				FINEGIL EDITORIALE 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	12,768.00	€	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	178,564.00	€	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
PREMIUM PUBLISHER NETWORK CONSORZIO	Italy	19,426.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	16.96
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	SDP	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

(*) Investements of less than 20%

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND IN OTHER COMPANIES
NON INCLUDING IN THE CONSOLIDATED STATEMENTS

(in euro or foreign currency)

Name of Company	***Registered office***	***Share Capital***	***Currency***	***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 CONCEPTS HOLDING SA	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 2013 we performed the monitoring activities required of us by the applicable laws and regulations, in accordance with 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.
The directors have informed you, in the Report on operations and the explanatory notes accompanying the financial statements, about the most significant transactions that took place during the year and subsequent to year end, as well as about those still in progress that include, in particular, the transactions involving Sorgenia SpA, an indirect subsidiary, and its group of companies. Complete information about events has been provided, together with evidence of their effects on the preparation of the annual financial reports and on the timing of their approval and publication. Against this background, the Board of Statutory Auditors has waived the deadlines envisaged in art. 154-*ter,* para. 1-*ter* of Legislative Decree no. 58/1998.
The information provided by the directors appears to be complete and accurate, not least having regard for the information obtained from time to time by the Board of Statutory Auditors from both the directors and the management of the company, as well as from the supervisory bodies of Sorgenia. Furthermore, the Board of Statutory Auditors has determined that the decisions and considerations made, in particular, by CIR SpA in relation to the Sorgenia matter, were rationally inspired by corporate interests and the need to safeguard the Company's assets, not least via detailed analyses of the alternative solutions and their economic and financial effects. In this regard, the Board of Statutory Auditors has noted the assessments made by the Board of Directors, and described in the annual report, on the subject of business continuity in the face of significant uncertainties regarding Sorgenia and their potential impact on CIR S.p.A. and the Cofide Group.
Lastly, the Board of Statutory Auditors acknowledges that the consolidated financial statements di COFIDE were only prepared following the receipt of recently-approved information from Sorgenia.

Given all of the above, having regard for the manner in which the activities for which it is responsible were performed during the year, the members of the Board of Statutory Auditors confirm 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, via the presence of one or more Statutory Auditors, all meetings of the Audit and Risk Committee, the Appointments 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 monitoring 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 system of internal controls over investee companies and the adequacy of the instructions given to them, not least pursuant to art. 114, para. 2, of Legislative Decree no. 58/1998;

- e checked practical application of the rules of corporate governance envisaged in the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A., as adopted by the Company, having regard for and in compliance with the new instructions applicable from 1 January 2013;
- 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, except as already mentioned in relation to Sorgenia SpA;
- 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 procedures performed to test whether any assets had suffered impairment were adequate from a methodological viewpoint, particularly with reference to the assets that were written down;
- we verified that the Report on Operations for the year complies with current laws and regulations and is consistent with the resolutions adopted by the Board of Directors.

During the course of our monitoring activities, 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 the Consob Communication dated 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, in potential conflict of interest or in any way likely 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 or the safeguarding of minority shareholders; the periodic checks and verification work carried out at the Company did not identify any atypical and/or unusual transactions, except with regard to the restructuring of the Sorgenia group.

- In the report on operations, the directors have given adequate information about 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 on "arm's-length" (i.e. normal market) conditions, having regard for the quality and type of services provided; the documents accompanying the separate financial statements for 2013 give the appropriate details about the balance sheet and economic effects of such transactions.
- The firm appointed to perform the legal audit of the accounts, Deloitte & Touche S.p.A. has issued its auditors' reports on the separate and consolidated financial statements at 31 December 2013, including the opinion on consistency required by art. 14, para. 2, letter e) of Legislative Decree no. 39/2010. These reports, dated today, are unqualified and, solely in the report on the consolidated financial statements, include an emphasis of matter regarding the situation of Sorgenia and its group.
- The report on the "key matters" identified during the legal audit and any "significant weaknesses" identified in the system of internal control governing the financial reporting process, prepared by the auditing firm pursuant to art. 19, para. 3, of Legislative Decree no. 39/2010, does not highlight significant weaknesses in the system of control and provides broad information about the effects of the "Sorgenia matter" on the formation of the financial statements.
- During 2013, the Board of Statutory Auditors received a complaint pursuant to art. 2408 of the Italian Civil Code, presented at the Shareholders' Meeting called to approve the financial statements at 31 December 2012, about the failure to include on the website of the Company the attachments to the minutes of the previous Meeting held on 27 April 2012. Noting that a suitable explanation was provided during the Shareholders' Meeting, the Board of Statutory Auditors acknowledges that the Company added the above additional information on a timely basis.
- During the year ended 31 December 2013, COFIDE S.p.A. engaged 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 engaged the independent auditors to carry out non-audit services involving verification activities with a view to issuing certificates, for fees totalling Euro 240,000 and other services, for fees totalling Euro 23,000. The subsidiaries of COFIDE S.p.A. also appointed entities belonging to the Deloitte network to perform other services for fees totalling Euro 20,000. 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 2013, the Board of Directors met 9 times, the Audit and Risk Committee met 5 times and the Appointments and Compensation Committee met 2 times, while no meetings of the Related Party Transactions Committee were held; the Board of Statutory Auditors met 9 times during the year.
- We have no particular observations to make concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or 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 2013, 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*, para. 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 timely fulfillment of the communication obligations required by law.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the Independent Auditors, no further aspects emerged that need to be highlighted in this report.

- The Company has substantially complied with 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 implemented, ensuring among other things that the Corporate Governance Report contains the results of the periodic check that the Board of Statutory Auditors meets the necessary independence requirement, 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 governance of its activities, and has established the Supervisory Body envisaged in the legislation which, from 2013, comprises the members of the Board of Statutory Auditors. The Company has also adopted a Code of Ethics.
- Our monitoring activities were carried out on a routine basis during 2013 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.

On completion of the monitoring activities carried out during the year, the Board of Statutory Auditors considers that there is no basis for making any proposals pursuant to art. 153, para. 2, of Legislative Decree no. 58/1998 regarding the separate financial statements at 31 December 2013, their approval or other matters within our area of responsibility. Similarly, we have no observations to make on the allocation of the net profit for the year proposed by the Board of Directors.

We note that our three-year mandate has now expired and, consequently, the Shareholders' Meeting will be called upon to adopt the related resolutions.

We thank you for your confidence in us.

7 June 2014

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 INDIPENDENT AUDITORS

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
COFIDE – Gruppo De Benedetti S.p.A.

1. We have audited the consolidated financial statements of COFIDE – Gruppo De Benedetti S.p.A. and subsidiaries (the "COFIDE Group"), which comprise the statement of financial position as of December 31, 2013, 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 financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have adjusted 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 5, 2013. These modifications to 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, 2013.

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. As described in more details by the Directors in the Report on Operations and in the explanatory notes to the financial statements, in 2013 Sorgenia Group, which basically coincides with CIR Group's energy business in the COFIDE Group (below also "Energy CGU"), was faced by both the continuation of difficult economic and financial conditions and by a further, progressive deterioration in the Italian energy market which has greatly reduced Sorgenia Group' margins and cash generation capacity, so contributing to the worsening of the significant financial difficulties of the Sorgenia sub-group.

Therefore, commencing from the fourth quarter of 2013, the Sorgenia sub-group started negotiations with the lending banks in order to reach an agreement for restructuring its financial debt that amounted to 1,855 million at December 31, 2013. With this regards, following discussions and negotiations occurred during the first part of 2014 among Sorgenia, the lending banks and the principal shareholder of the sub-group, a hypothesis of the financial manoeuvre took shape. This proposed manoeuvre envisaged, among other matters, a capital increase of 400 million euro without share premium via a rights issue to the shareholders or, alternatively, via the conversion of debt into equity, together with a convertible loan of 200 million euro. The Board of Directors of Sorgenia authorised the chairman to examine in more detail and negotiate certain aspects of this alternative plan identified by the Board to reach a hypothesis of the financial manoeuvre appropriate to the financial requirements of the Sorgenia sub-group. At the same time, the Board of Directors of CIR, parent company of Sorgenia held by participation in Sorgenia Holding S.p.A., approved the general form of the proposed manoeuvre, but excluded with reference to that plan any participation in the capital increase. However as explained in more details by the Directors in the Report on Operations and in the explanatory notes to the financial statements, to which we refer in full, at the date of preparing these financial statements the negotiation with the lending banks, which expressed their intention to proceed in the discussion with the aim of reaching an agreement, is still in progress having not yet finalized binding agreements.
In light of all these circumstances, and particularly the risks and uncertainties involved in completing the entire financial manoeuvre, Sorgenia's management is well aware of the existence of significant uncertainties that could cast doubt on the Sorgenia Group's status as a going concern and its ability to continue operating in the foreseeable future. However, Sorgenia's management believe it reasonable to expect the agreements described above to be reached within a period of time consistent with financial requirements of the company, thus enabling the company and the Sorgenia Group to access sufficient resources for the continuation of their operations in the foreseeable future and they retain appropriate the going concern assumptions to prepare the consolidated financial statements as of December 31, 2013. With this regards it is noted that, on the Sorgenia Group consolidated reporting package as of December 31, 2013, used for consolidation purposes in COFIDE we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and, accordingly, we do not express an opinion on the Sorgenia Group consolidated reporting package, because of the multiple material uncertainties relating to the going concern matters as described above.

In other respects, referring to the COFIDE Group consolidated financial statements, the Directors inform that investment in different business, held by participation in CIR, have been managed by a portfolio view and – as regards entity of Energy CGU – without providing any guarantees or entering into express or implied commitments of any kind, except for the guarantees given under the take-or-pay contract for the supply of gas to Sorgenia, until now regularly paid on time by Sorgenia and for which negotiations are in progress to revised agreements, including guarantees, this situation allows Directors, comforted by their legal advisors, to conclude that the risk of enforcement appears only possible. The Directors specify that Sorgenia is not subject to management and coordination by the subsidiary CIR and that the Board of Directors, recently, decided not to take part in the subsidiary capital increase and not to commit to any other forms of financial contribution. As a consequence and having considered the passed resolutions, the Directors inform that the Sorgenia and its subsidiaries business continuity issues previously described do not affect the business continuity of the subsidiary CIR and have no effect on the carrying amounts of the other business segments held by the Company. Accordingly, the possible effects of the stated uncertainties about the business continuity of Sorgenia are limited to the carrying amounts of the assets and liabilities of the Energy CGU, should the assumption of business continuity made for the preparation of the consolidated financial statements of the sub-group cease to apply. Given the above, the uncertainties described and decision taken by the subsidiary CIR, in the prospect of almost total dilution of the current participation in Sorgenia held by the Group in favor of the banks without recognition of any consideration, the Directors have deemed it appropriate to write off (i) any residual goodwill arising on consolidation of the Energy CGU and (iii) the difference between the net assets and net liabilities of the Energy CGU recorded in the consolidated financial statements of the CIR Group. This valuation approximates – in the opinion of COFIDE Directors' – the fair value of Energy CGU as of December 31, 2013 as well as the overall outcome of Group exit from the energy sector on completion of the loss-of-control process described above.

Moreover, because of decisions taken and above described, as well as of the specific situation arisen, the Directors have deemed it appropriate to provide an extensive disclosure about (i) the Energy CGU going concern issues, (ii) the position taken up by Group, (iii) the effects on subsidiary CIR consolidated financial statements as previously described, reporting in the paragraph "Significant information relating to Energy CGU" of the explanatory notes, to which we refer, also a table of comparison among the financial position and the income statement of the Energy CGU, of the CIR Group and of the CIR Group net of the Energy CGU contribution. Moreover the Directors inform that the requirements of IFRS 5 "*Non-current assets held for sale and discontinued operations*" will be applicable from 2014 onwards. In the same explanatory note, the Directors describe the Energy CGU assets and liabilities fully consolidated in the Group financial statements, informing that those items are reported on the going concern assumptions, so without recognizing specific write-downs or provisions necessary if these assumptions were not valid anymore.

5. 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, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
June 7, 2014

This report has been translated into the English language solely for the convenience of international readers.