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ANNUAL REPORT
CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS

FINANCIAL YEAR 2010

C O N T E N T S

This Annual Report and Financial Statements as of December 31 2010 were prepared as per the terms of Art. 154 ter of D.Lgs. 58/98 and were drawn up in accordance with international accounting standards applicable as recognized by the European Union in Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of July 19 2002, as well as with the measures issued in implementation of Art. 9 of D. Lgs. No 38/2005.

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

COMPAGNIE INDUSTRIALI RIUNITE

Limited-liability corporation - Share capital € 396,058,633.50 - Registered Office: Via Ciovassino, 1 – 201291 Milan - www.cirgroup.it
R.E.A. n. 1950112 – Milan Company Register / Fiscal Code / VAT no. 00519120018
Company subject to management and coordination by COFIDE S.p.A.

Office in Rome: Via del Tritone, 169 – 00187 Rome – Tel. +39 06 692055.1

BOARD OF DIRECTORS

Honorary Chairman and Director	CARLO DE BENEDETTI **(3)**
Chairman	STEFANO MICOSSI **(1)**
Chief Executive Officer and General Manager	RODOLFO DE BENEDETTI **(2)**
Directors	GIAMPIO BRACCHI **(4)** FRANCO DEBENEDETTI PIERLUIGI FERRERO GIOVANNI GERMANO **(3) (4)** FRANCO GIRARD **(5)** PAOLO MANCINELLI **(5)** LUCA PARAVICINI CRESPI **(4)** CLAUDIO RECCHI MASSIMO SEGRE GUIDO TABELLINI **(3) (5) (6)** UMBERTO ZANNI **(3)**
Secretary to the Board	FRANCA SEGRE

BOARD OF STATUTORY AUDITORS

Chairman	PIETRO MANZONETTO
Statutory Auditors	LUIGI NANI RICCARDO ZINGALES
Alternate Auditors	MARCO REBOA GIANLUCA PONZELLINI LUIGI MACCHIORLATTI VIGNAT

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

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

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

CIR S.p.A.
105th Year of Business

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS
Milan, April 28 2011, 1st call
Milan, April 29 2011, 2nd call

NOTICE OF ANNUAL GENERAL MEETING

Shareholders are invited to attend the Extraordinary and Ordinary Sessions of the Annual General Meeting of the Shareholders of the Company to be held, at the first call, on April 28 2011 at 10.30 a.m. in the Palazzo delle Stelline Congress Centre, Corso Magenta 61, in Milan and, if a second call is necessary, on April 29 2011 at the same time and the same place, to discuss and pass resolution on the following

AGENDA

Extraordinary Part

1. Proposal to amend the Company Bylaws even to bring them into line with D.Lgs. 27/2010: in particular the amendment of Articles 12, 15 and 16 of the Company Bylaws. Resolutions pertaining to and resulting from the same.

Ordinary Part

2. Annual Report and Financial Statements for the year ended December 31 2010. Report of the Board of Statutory Auditors. Resolutions on the same.
3. Determination of the number of Directors, appointment of the members of the Board of Directors for financial years 2011-2013 and decision as to their fees.
4. Appointment of the Board of Statutory Auditors for financial years 2011-2013 and decision as to their fees.
5. Proposal to cancel the resolution of April 30 2010 regarding the authorization to buy back and dispose of own shares and proposal for a new authorization.
6. Proposal to approve Stock Grant Plan 2011.
7. Proposal to amend the Rules for Shareholders' Meetings.

INFORMATION ON THE SHARE CAPITAL

The share capital amounts to € 396,058,633.50 and consists of 792,117,267 ordinary shares each with a nominal value of € 0.5. As of today's date 749,043,267 shares have voting rights, as own shares are excluded.

ATTENDING THE SHAREHOLDERS' MEETING

Entitlement to take part in the meeting and exercise a vote is attested by a notification – made by an authorized intermediary as per the terms of Art. 22 of Joint Consob-Bank of Italy Measure of December 24 2010 - in favour of the individual who has the right to vote based on evidence available at the close of business Friday April 15 2011, i.e. the seventh trading day preceding the date fixed for the first call of the Shareholders' Meeting.
Any persons who have entitlement only after that date will not have the right to attend or vote at the meeting.
To make it easier to check their entitlement to take part in the proceedings, participants are requested to show their copy of the notice made to the Company which the authorized intermediary, in accordance with current regulations, is required to make available to them.
Any holders of shares that have not yet been dematerialized should present their share certificates to an authorized intermediary for input into the centralized clearing system in electronic form, in accordance with the provisions of Article 17 of Joint Consob / Bank of Italy Measure of December 24 2010, and should request that the aforesaid notification be sent in as above.

PROXY AND VOTING RIGHTS

Persons with voting rights can appoint a proxy to represent them at the Shareholders' Meeting in accordance with Art. 2372 of the Civil Code and with any other rules or regulations applicable. The proxy form at the bottom of the notification issued by the authorized intermediary may be used or alternatively there is a proxy form which can be downloaded from the

company website www.cirgroup.it in the section Governance. The proxy form can be sent by registered post with advice of receipt (A.R.) to the Company Offices or, alternatively, may be sent to the certified e-mail address segre@legalmail.it.
In accordance with legislation on the subject, Shareholders can appoint as their proxy, without incurring any charges, Compagnia Fiduciaria Nazionale S.p.A. as the Representative Designated by the company as per the terms of Art. 135-*undecies* of D.Lgs no. 58/1998 and subsequent amendments and additions ("TUF"). The proxy is appointed by signing the appropriate form available in the above-mentioned section of the website. The signed document must be sent to the Designated Representative Compagnia Fiduciaris Nazionale S.p.A. – Galleria De Cristoforis 3 – 20122 Milan by registered post with advice of receipt (A.R.) or sent by e-mail to the certified address elena.fusina@compagniafiduciaria.it, by the end of the second trading day before the date fixed for the first call of the Shareholders' Meeting, i.e. by April 26 2011. The proxy is not valid for the motions for which no voting instructions have been given.
The proxy and the voting instructions are revocable until April 26 2011.
The notice sent to the company by the authorized intermediary attesting the Shareholder's entitlement to attend the meeting is needed even when the Designated Representative of the company is appointed as proxy. Therefore, in the absence of the above-cited notification the proxy will not be valid.

DOCUMENTATION

The documentation relating to the Agenda, as set out in current legislation, which includes, among other things, the complete text of the proposed resolutions, is available to the public at the Company Headquarters (in Milan, Via Ciovassino 1) and at Borsa Italiana S.p.A. and is also available on the website of the company www.cirgroup.it, in the section Governance. Shareholders may obtain a copy of the documentation. The Financial Statements for the year 2010 will be made available to the public through the same channels by April 6 2011.

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

Shareholders who wish to ask questions regarding the items on the agenda of the Shareholders' Meeting may send their questions by registered post to the company offices or by e-mail to the address segre@legalmail.it attaching the certification issued by an authorized intermediary proving that they are entitled to exercise this right. Questions must reach the company by the close of the third trading day preceding the date fixed for the first call of the meeting, i.e. by the close of April 21 2011.
The company will give its response during the Shareholders' Meeting at the latest. Questions with the same content will receive a single response.

ADDITIONS TO THE AGENDA

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

APPOINTMENT OF THE ADMINISTRATIVE BODIES

The appointment of the Board of Directors and the Board of Statutory Auditors takes place in accordance with Art. 147-*ter* and 148 of the TUF and with Art. 8 and 19 of the Company Bylaws to which reference should be made.
The Directors and Statutory Auditors are appointed by the Shareholders' Meeting on the basis of lists presented by the Shareholders in which the candidates are listed in numerical order.
Only Shareholders who alone or together with other Shareholders represent at least 2.0% (two per cent) of the capital at the ordinary Shareholders' Meeting have the right to present lists.
Shareholders who intend to present lists for the appointment of the members of the Board of Directors are invited to consult the recommendations given in Consob Communiqué no. DEM/9017893 of February 26 2009.
The lists, signed by the Shareholder or by the Shareholders who are presenting them, even delegating one of them to do so, and accompanied by the required documentation must be filed by the same presenting Shareholders at the Company Headquarters - Via Ciovassino 1, Milan – or sent by e-mail to the certified address segre@legalmail.it by April 3 2011 at the latest and they will be published according to current regulations. Since this deadline is a Sunday, lists will be accepted by fax to the no. 02-72270229 provided that they are delivered physically to the Company offices by April 4 2011.
The lists must be complete with:

- information regarding the identity of the Shareholders who have presented them, with an indication of the percentage of their share holding interest and with one (or more) certificate(s) to be filed at the company offices at the same time or anyway by April 6 2011 at the latest, which prove that they own such interest(s) as of the date on which the lists were presented;
- a declaration by the Shareholders other than those holding, even jointly, a controlling interest or a relative majority, that they have no connection with them as indicated by current legislation and regulations on this subject;
- an exhaustive description of the personal and professional characteristics of the candidates together with a declaration made by the same candidates that they possess the requisites required by current regulations and by the Company Bylaws and that they accept their candidature and also, for the election of the Statutory Auditors, the lists of positions as director or statutory auditor that they hold in other companies.

Lists presented that do not comply with the instructions above will be considered as not having been presented. No Shareholder can present or contribute to the presentation of more than one list of candidates even through an intermediary or through a fiduciary company.

Shareholders who belong to the same group or who take part in the same Shareholder agreement based on the shares of the Company cannot present or vote for more than one list even through an intermediary or through a fiduciary company. Nobody can be a candidate on more than one list and acceptance of candidature on more than one list means that that person cannot be elected

APPOINTMENT OF THE BOARD OF DIRECTORS

In relation to item 3 on the Agenda, notification is given that with the coming Shareholders' Meeting the mandate of the members of the Board of Directors will come to an end. It will therefore be necessary to appoint new members for financial years 2011-2013.

While what is indicated above in relation to the appointment of the administrative bodies remains valid, candidates for the position of Member of the Board of Directors must possess the essential requisites required by current legislation.

In accordance with the terms of Art. 8 of the Company Bylaws, in the event that only one list is presented or admitted to the voting, all the Directors shall be drawn from that list.

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

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

In relation to item 4 on the Agenda, notification is given that with the coming Shareholders' Meeting the mandate of the members of the Board of Statutory Auditors will come to an end. It will therefore be necessary to appoint new members for financial years 2011-2013.

Anyone who exceeds the limits laid down by current legislation and by the Bylaws as to the total number of positions held as director or statutory auditors in other companies cannot accept the position and if elected such election will not be valid and will lapse. Each list consists of two sections: one for the candidates for the position of Statutory Auditor and the other for the candidates for the position of Alternate Auditor. They contain the names of one or more candidates for the position of Statutory Auditor and Alternate Auditor which are in numerical order and are no more than the number of members to be elected.

If by the deadline for presentation of the lists only one list has been filed, or if the only lists presented are by Shareholders who are related parties in accordance with the terms of regulations on the subject, as per Art. 144 *sexies* of the Rules for Issuers approved by Consob Regulation no. 11971 and subsequent amendments and additions, then lists can be presented until the third day following this deadline, i.e. until April 6 2011. In this case, the threshold required for the presentation of lists is reduced by one half and thus to 1.0% (one per cent) of the share capital.

The Company Bylaws are available on the website www.cirgroup.it, in the section Governance.

THE BOARD OF DIRECTORS

The Notice of Meeting was published in the newspaper "la Repubblica" on March 18 2011

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2010 was strongly affected by the economic crisis that began at the end of 2008 and continued throughout 2009. In Europe, in particular, fears about the sustainability of sovereign debt in some countries impacted the financial markets and slowed the recovery, although there were some significant exceptions, such as Germany and the Nordic countries. The future prospects of the economy are still unclear despite the first signs of recovery.

In spite of this difficult environment, our group achieved overall positive results. Consolidated revenues and margins grew significantly compared to 2009 thanks to the improvement of the operating results of our main subsidiaries. Although net earnings were lower in absolute terms than in 2009, which included non-recurring items and capital gains, they benefited from a higher contribution from the operating companies. This confirms the validity of our strategy, adopted two years ago at the first signs of the recession, of focusing the attention, the efforts and the resources of the group on our four main business sectors, energy, media, automotive components and healthcare. In these businesses, and in the media and automotive sector in particular, we acted promptly putting in place action plans aimed at achieving maximum efficiency without however sacrificing investment, the quality of products and services and the growth potential of the businesses. In 2010 we reaped the first benefits of this action.

In the energy sector, despite an environment characterized by the erosion of margins in the wholesale gas and electricity markets, Sorgenia achieved growth in both revenues and profitability, thanks above all to the acceleration of business in the second half of the year. The company benefited from higher sales of electricity to end-user clients, the action taken to defend margins and from the first time contribution of some of the recent investments. Moreover, during 2010 Sorgenia was working on the preparation of its new Business Plan 2011-2016, the main points of which are: entry into the residential market with a target of a total of 2 million clients by the end of the period, new investments of 1.2 billion euro, gradual growth in revenues and margins and a significant reduction in debt. The aim of the plan is to launch a new phase of growth for Sorgenia, based on business development and financial solidity.

In the publishing business, l'Espresso successfully carried out the cost-cutting plan it launched two years ago. The object was to obtain by 2011 savings of 140 million euro, equal to 17% of the costs incurred in 2008 and this target has already been reached and will probably be exceeded when all the actions put in place will be fully up and running. The efficiency enhancing measures enabled the company to achieve a significant increase in operating margin and net income, although revenues remained stable because the market is still difficult both for circulation and for advertising. The company is also working on the development of its main activities with important initiatives especially on the digital front.

In the automotive business Sogefi experienced a year of remarkable recovery after posting in 2009 its first loss in its thirty years of history. Thanks to cost-cutting actions and to a recovery in vehicle production in all its main markets, Sogefi reported significant increases in its results in its two divisions. The company is successfully pursuing its strategy of gradually reducing its manufacturing footprint in Europe and expanding in countries with higher growth potential and with lower labour costs.

2010 was also a very important year for KOS, our group company active in the healthcare sector. As well as consolidating its position of leadership in the sector in terms of market presence, quality of service and patient focus, KOS reached its objective of raising new funds to support its development. This happened in December, through an agreement with AXA Private Equity, one of the largest private equity groups in the world, which acquired a minority interest in the company, alongside CIR, which promoted and supported the deal, keeping its investment in KOS unchanged.

At the holding company level we have worked hard to preserve and further strengthen our financial solidity, finishing the year with a net financial surplus of over 120 million euro. Investments in financial assets, after the significant reduction that took place in 2009, remained constant and we do not expect to increase them in the future.

We are continuing to look with interest at possible new initiatives, but our attention remains focused on our main industrial businesses.

In view of the objectives reached in 2010 by the group and its main subsidiaries, we decided to return to a dividend payout in order to share these results with you, our Shareholders. It seemed the best option after you had actively paid for the efficiency enhancing and equity strengthening plans by giving up your dividend in 2008 and in 2009.

In 2011 we will continue to follow a development strategy underpinned by three guiding principles: focus on the four main business sectors of the group, financial discipline and continuous focus on efficiency without sacrificing investment, and the exploitation of the growth potential of our businesses. We are convinced that this is the best formula to counter the current economic cycle and guarantee you and all the stakeholders of the group a lasting creation of value over time.

Signed by
The Chief Executive Officer
Rodolfo De Benedetti

REPORT ON OPERATIONS

Dear Shareholders,

In 2010 the CIR Group reported consolidated net income of € 56.9 million compared to € 143.4 million in 2009. The year benefited from the results of the prompt action taken to counter the effects of the crisis which resulted in an improvement in the profitability of the operating groups. In a comparison with the previous year it should be noted that last year's net income figure included non-recurring and capital gains of a total of € 106.7 million from the subscription of a capital increase in Sorgenia by Verbund and from the partial disinvestment of shares in hedge funds.

The contribution of the operating companies rose from € 32.7 to € 64.9 million, thanks above all to the significant rise in the net result of the Espresso and Sogefi groups, which managed to counter the crises in their respective business sectors with a series of efficiency enhancing and business development actions undertaken over the last two years.

The result of CIR and its financial holding companies substantially broke even after posting net income of € 4 million in 2009.

Despite the continuing difficult economic situation, in 2010 the CIR Group posted an important increase in its revenues and margins thanks to the improved performance of all the main operating subsidiaries. Consolidated sales revenues came in at € 4,805.5 million, up from € 4,266.8 million in the previous year (+12.6%) while EBITDA came to € 400.1 million and was up by 35.8% from € 294.6 million in 2009.

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

In the utilities sector with a market scenario still strongly affected by the difficult economic situation, the Sorgenia group reported revenues of € 2,668.5 million, posting a rise of 14.7% from the figure of € 2,325.8 million in 2009, EBITDA of € 151.1 million (+28.2% from € 117.8 million in 2009) and net income of € 50.4 million, down from € 66.9 million in the previous year due to higher financial expense resulting from the higher average level of debt in the period. In both years earnings benefited from tax credits on important investments made in greater production capacity. During the year the group continued to roll out its business plan, with investments in new production capacity both from conventional sources and from renewables. On February 28 2011 the company presented its Business Plan 2011-2016 to the financial community.

In the media sector, although the publishing sector is still in a critical situation, the Espresso group reported revenues of € 885 million, in line with the previous year, thanks to a rise in advertising revenues. The gross operating margin (EBITDA) was € 147.2 million, up by 38% partly because of the drastic cost cutting resulting from the reorganization programs. Net income came in at € 50.1 million, up from € 5.8 million in the previous year.

In 2010, its thirtieth year of business, the Sogefi group achieved a significant improvement in all its main management indicators with a return to profit, which came in at € 18.8 million after a net loss of € 7.6 million in 2009. After a difficult 2009 because of the crisis in the car sector, the group returned to growth in all of its markets, especially in the emerging countries, and in all its market segments. Revenues totalled € 924.7 million (+18.4% from € 781 million in 2009) and EBITDA came in at 86.7 million, rising by 83.6% from € 47.2 million in the previous year. Despite the group's higher volumes of activity, its net financial debt declined from € 170.2 million at December 31 2009 to € 164.9 million at December 31 2010.

The KOS group continued to strengthen its operating businesses in order to consolidate its position in the private healthcare market in Italy. In the year the group reported consolidated revenues of € 325.4 million (+19%) compared to 2009 (€ 273.4 million), thanks to the development of all areas of the business and to the new acquisitions made during the year. The gross operating margin (EBITDA) was € 42.1 million, up by 27.5% from € 33 million in 2009 and net income was € 4 million versus a position of substantial breakeven in 2009.

In the financial services sector the company Jupiter Finance operates in non-performing loans. At December 31 2010 the nominal value of its portfolio of loans under management totalled approximately € 2.3 billion, of which some 60% acquired through securitization vehicles and the remaining 40% managed on behalf of other investors.

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

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

On 3.2.2010, CIR filed an appearance in the Court of Appeal, requesting the rejection of the impugnment proposed by Fininvest. It also proposed an incidental appeal against certain clauses of the first degree verdict and petitioned that Fininvest be sentenced to pay the compensation for patrimonial damage, quantified in the sum of € 342.259.187,26, plus revaluation and interest as from 24.1.1991. During the proceedings the Court ordered an official technical opinion, which was filed on September 23 2010. On November 23 2010 there was a hearing to give the conclusions and subsequently the parties filed their respective final defences. On March 4 2011 a hearing was held for the oral discussion before the Court of Appeal after which the case was kept on hold awaiting a decision.

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

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

(in millions of euro)

CONSOLIDATED / AGGREGATE	*Revenues*	*Costs of production* (1)	*Other operating revenues & costs* (2)	*Adjustments to value of investments consolidated at equity*	*Amortization, depreciation & writedowns*	*Net financial income & expense* (3)	*Dividends, gains & losses from trading & valuing securities* (4)	*Income taxes*	*Net income minority Shareholders*	*Net income of the Group* 2010	*Net income of the Group* 2009
Sorgenia group	2,668.5	(2,523.0)	(38.5)	36.5	(82.8)	(52.8)	(0.5)	51.2	(32.6)	26.0	34.5
Espresso group	885.0	(727.4)	(11.4)	1.0	(38.2)	(17.8)	3.8	(44.8)	(22.7)	27.5	3.2
Sogefi group	924.7	(815.4)	(21.2)	--	(46.1)	(9.8)	0.2	(11.6)	(10.0)	10.8	(4.4)
Kos group	325.4	(272.8)	(13.5)	--	(15.6)	(8.3)	(0.2)	(10.5)	(2.2)	2.3	(0.2)
Other subsidiaries	1.9	(26.4)	28.1	--	(0.7)	(4.9)	--	(0.1)	0.4	(1.7)	(0.4)
Total operating subsidiaries	**4,805.5**	**(4,365.0)**	**(56.5)**	**37.5**	**(183.4)**	**(93.6)**	**3.3**	**(15.8)**	**(67.1)**	**64.9**	**32.7**
Financial subsidiaries	--	**(0.2)**	--	--	--	--	**(1.9)**	--	**0.5**	**(1.6)**	**43.3**
Total subsidiaries	**4,805.5**	**(4,365.2)**	**(56.5)**	**37.5**	**(183.4)**	**(93.6)**	**1.4**	**(15.8)**	**(66.6)**	**63.3**	**76.0**
<u>CIR & financial holding companies</u>											
Revenues	--								--	--	--
Operating costs		(17.8)							--	(17.8)	(18.7)
Other operating income and costs			4.5						--	4.5	4.9
Adjustments to the value of investments consolidated at equity				--					--	--	(0.8)
Amortization, depreciation & writedowns					(0.9)				--	(0.9)	(0.9)
Net financial income and expense						(17.3)			0.1	(17.2)	(20.0)
Dividends, gains & losses from trading securities							28.7		--	28.7	34.2
Income taxes								2.6	--	2.6	5.3
Total CIR & financial holding companies before non-recurring items	--	**(17.8)**	**4.5**	--	**(0.9)**	**(17.3)**	**28.7**	**2.6**	**0.1**	**(0.1)**	**4.0**
Non-recurring items	--	**(4.8)**	**(3.1)**	--	--	--	**1.0**	**0.6**	--	(6.3)	**63.4**
Total consolidated of the Group	**4,805.5**	**(4,387.8)**	**(55.1)**	**37.5**	**(184.3)**	**(110.9)**	**31.1**	**(12.6)**	**(66.5)**	**56.9**	**143.4**

(1) This item is the sum of "change in inventories", "costs for purchase of goods, "costs for services", "personnel costs" in the consolidated income statement.
The item does not consider the effect of € (14.2) million of intercompany elimination.

(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. The item does not consider the effect of intercompany elimination of € 14.2 million.

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

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

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

CONSOLIDATED / AGGREGATE	31.12.2010 Fixed assets (1)	Other net non-current assets & liabilities (2)	Net working capital (3)	Net financial position (4)	Total equity	of which:	Minority Shareholders' equity	Equity of the Group	31.12.2009 Equity of the Group
Sorgenia group	2,528.0	139.7	266.1	(1,738.4) (*)	1,195.4		608.7	586.7	557.8
Espresso group	871.5	(191.3)	(1.9)	(135.0)	543.3		246.9	296.4	266.9
Sogefi group	361.1	(25.5)	43.7	(164.9)	214.4		101.1	113.3	96.0
Kos group	397.0	(26.9)	(0.2)	(189.3)	180.6		80.3	100.3	90.0
Other subsidiaries	8.3	65.1	6.4	(62.8)	17.0		0.4	16.6	16.0
Total subsidiaries	**4,165.9**	**(38.9)**	**314.1**	**(2,290.4)**	**2,150.7**		**1,037.4**	**1,113.3**	**1,026.7**
CIR & financial holdings									
Fixed assets	127.7				127.7		--	127.7	128.6
Other net non-current assets & liabilities		138.1			138.1		(1.5)	139.6	139.1
Net working capital			(17.2)		(17.2)		--	(17.2)	(19.3)
Net financial position				123.6	123.6		--	123.6	121.6
Total consolidated of Group	**4,293.6**	**99.2**	**296.9**	**(2,166.8)**	**2,522.9**		**1,035.9**	**1,487.0**	**1,396.7**

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

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

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

(3) This item is the algebraic sum of "inventories", "contracted work in progress", "trade receivables", "other receivables" in current assets and of "trade payables", "other payables" and "provisions for risks and losses" in current liabilities of the consolidated balance sheet.

(4) This item is the algebraic sum of "financial receivables", " securities", "available-for-sale financial assets" and "cash and cash equivalents" in current assets, of "bonds and notes" and "other borrowings" in non-current liabilities and of "bank overdrafts", "bonds and notes" and "other borrowings" in current liabilities of the consolidated balance sheet.

1. PERFORMANCE OF THE GROUP

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

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

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

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

(in millions of euro)		*2010*	*%*	*2009*	*%*
Revenues		4,805.5	100.0	4,266.8	100.0
Consolidated gross operating margin (EBITDA)	*(1)*	**400.1**	**8.3**	**294.6**	**6.9**
Consolidated operating results (EBIT)		**215.8**	**4.5**	**148.0**	**3.5**
Financial management result	*(2)*	(79.8)	(1.7)	37.1	0.9
Income taxes		(12.6)	(0.2)	4.3	0.1
Net result including minority interests		**123.4**	**2.6**	**189.4**	**4.5**
Result of minority interests		(66.5)	(1.4)	(46.0)	(1.1)
Net result of the group		**56.9**	**1.2**	**143.4**	**3.4**

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

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

The **consolidated gross operating margin (EBITDA)** was € 400.1 million in 2010 (8.3% of sales revenues), up from € 294.6 million in 2009 (6.9% of revenues), with a rise of € 105.5 million (+35.8%) thanks to the improved profitability of all the main operating groups.

The **consolidated operating margin (EBIT)** for 2010 was € 215.8 million (4.5% of sales revenues), up from € 148 million (3.5% of revenues) in 2009, posting a rise of € 67.8 million (+45.8%).

The net result of financial management was a negative figure of € 79.8 million and was made up of the following: net financial expense of € 110.9 million, dividends and net gains from trading and valuing securities for € 37.0 million and adjustments to the value of financial assets for a negative € 5.9 million. This result compares with net income of € 37.1 million in 2009. The decrease was due for approximately € 101 million to the non-recurring and capital gains that were present in the year 2009.

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

(in millions of euro) (1)	*31.12.2010*	*31.12.2009*
Fixed assets	4,293.6	3,807.9
Other net non-current assets and liabilities	99.2	83.7
Net working capital	296.9	241.8
Net invested capital	**4,689.7**	**4,133.4**
Net financial debt	**(2,166.8)**	**(1,801.1)**
Total Shareholders' equity	**2,522.9**	**2,332.3**
Group equity	1,487.0	1,396.7
Minority Shareholders' equity	1,035.9	935.6

(1) These figures are the result of a different organization of the balance sheet items. For a definition of the same, reference should be made to the notes referring to the chart "consolidated balance sheet by business sector" shown earlier .

Net invested capital stood at € 4,689.7 million at December 31 2010 compared to € 4,133.4 million at December 31 2009, with a rise of € 556.3 million, due essentially to the fixed asset investments of the Sorgenia group and to changes in working capital.

The **consolidated net financial position** at December 31 2010 showed net debt of € 2,166.8 million (up by € 365.7 million from € 1,801.1 million at December 31 2009) caused by:

- A financial surplus for CIR and its financial holding subsidiaries of € 123.6 million which compares with € 121.6 million at December 31 2009;

- Total net debt for the operating groups of € 2,290.4 million, up from € 1,922.7 million at December 31 2009. The rise of € 367.7 million was due mainly to the investments made by the Sorgenia group in new production capacity partially offset by the reduction in the net debt of the Espresso group for € 73.2 million and of the Sogefi group for € 5.3 million.

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

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

Total equity stood at € 2.522,9 million at December 31 2010, up from € 2,332.3 million at December 31 2009, with a rise of € 190.6 million.

The **equity of the Group** went up from € 1,396.7 million at December 31 2009 to € 1.487 million at December 31 2010, with a net rise of € 90.3 million.

Minority Shareholders' equity rose from € 935.6 million at December 31 2009 to € 1,035.9 million at December 31 2010, with a rise of € 100.3 million caused by the capital increases, net of dividends and the net income for the year.

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

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

(in millions of euro)	*2010*	*2009*
SOURCES OF FUNDS		
Net income for the period including minority interests	123.4	189.4
Amortization, depreciation and write-downs and other non-monetary changes	114.3	76.1
Self-financing	**237.7**	**265.5**
Change in working capital	**(4.1)**	**45.8**
CASH FLOW GENERATED BY CURRENT OPERATIONS	**233.6**	**311.3**
Capital increases	39.1	187.9
		-
TOTAL SOURCES OF FUNDS	**272.7**	**499.2**
APPLICATIONS		
Net investment in fixed assets	(656.9)	(625.0)
Buy-back of own shares	(0.1)	(1.2)
Payment of dividends	(6.9)	(21.4)
Other changes	25.5	32.7
TOTAL APPLICATIONS OF FUNDS	**(638.4)**	**(614.9)**
FINANCIAL SURPLUS (DEFICIT)	**(365.7)**	**(115.7)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(1,801.1)**	**(1,685.4)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(2,166.8)**	**(1,801.1)**

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

During 2010 the net debt figure rose from € 1,801.1 million to € 2,166.8. million. The rise of € 365.7 million in the debt figure was the result of investments made in the period for € 638 million, funded for € 39.1 million by capital increases and for € 233.6 million by the cash flow generated by operations.

The cash flow generated by operations was lower than in the previous year due to lower self-financing and to the higher absorption of working capital especially in the Sorgenia group. The applications referred mainly to the net investments made in the utilities sector by the Sorgenia group.

At December 31 2010 the CIR group had 12,910 employees, up from 12,746 at December 31 2009.

2. PERFORMANCE OF THE PARENT COMPANY

The parent company CIR S.p.A. closed financial year 2010 with a net loss of € 14.7 million, compared to a loss of € 2 million in 2009.
Shareholders' equity stood at € 968.5 million at December 31 2010, down from € 978.9 million at December 31 2009.

The key **income statement** figures of CIR S.p.A. for 2010, with a comparison with those of 2009. are as follows:

(in millions of euro)		*2010*	*2009*
Net operating costs	*(1)*	(13.9)	(16.9)
Other operating costs and amortization	*(2)*	(6.6)	(3.0)
Financial management result	*(3)*	2.6	12.6
Result before taxes		**(17.9)**	**(7.3)**
Income taxes		3.2	5.3
Net result		**(14.7)**	**(2.0)**

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

Net operating costs for 2010 came to € 13.9 million (down from € 16.9 million in 2009) and were lower as a result of lower legal consulting costs. Like last year, they include net expense for stock options of € 4.3 million.
The financial management result includes the dividends of subsidiaries, which totalled € 5.8 million in 2010 versus € 11.4 million in 2009, net financial expense of € 7.9 million (€ 7.3 million in 2009), gains from trading and valuing securities of € 4.6 million (net gains of € 8.5 million in 2009). Lastly 2010 benefited from a positive net tax position of € 3.2 million, down from € 5.3 million in 2009.

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

(in millions of euro)		*31.12.2010*	*31.12.2009*
Fixed assets	*(1)*	939.3	878.0
Other net non-current assets and liabilities	*(2)*	99.6	132.2
Net working capital	*(3)*	(5.3)	(10.7)
Net invested capital		**1,033.6**	**999.5**
Net financial position	*(4)*	**(65.1)**	**(20.6)**
Shareholders' equity		**968.5**	**978.9**

1) This item is the sum of "intangible assets", " tangible assets", "investment property" and "equity investments" in the balance sheet of the Parent Company CIR S.p.A..
2) This item is the algebraic sum of "sundry receivables" and "deferred taxes" in the non-current assets and "personnel provisions" in the non-current liabilities of the balance sheet of the Parent Company CIR S.p.A..
3) This item is the algebraic sum of "sundry receivables" in current assets and "other payables" and "provisions for risks and losses" in the current liabilities of the balance sheet of the Parent Company CIR S.p.A.
4) This item is the algebraic sum of "securities", "available for sale financial assets" and "cash and cash equivalents" in the current assets and "bonds and notes" in the non-current liabilities of the Parent Company CIR S.p.A..

The net financial position at December 31 2010 was one of net debt for € 65.1 million which compares with € 20.6 million at December 31 2009.

The rise of € 44.5 million in the debt figure was due mainly to the investment of € 55 million made in Dry Products, the company which manages short term investments.

The decline in the equity figure, which went down from € 978.9 million at December 31 2009 to € 968.5 million at December 31 2010, was made up mainly on the upside of the effects of the accounting treatment of stock options as per IAS/IFRS and on the downside of the loss for the year. At December 31 2010 there were 43,074,000 own shares being held as treasury stock, equal to 5.44% of capital, for a total equivalent of € 98.6 million, unchanged from December 31 2009.

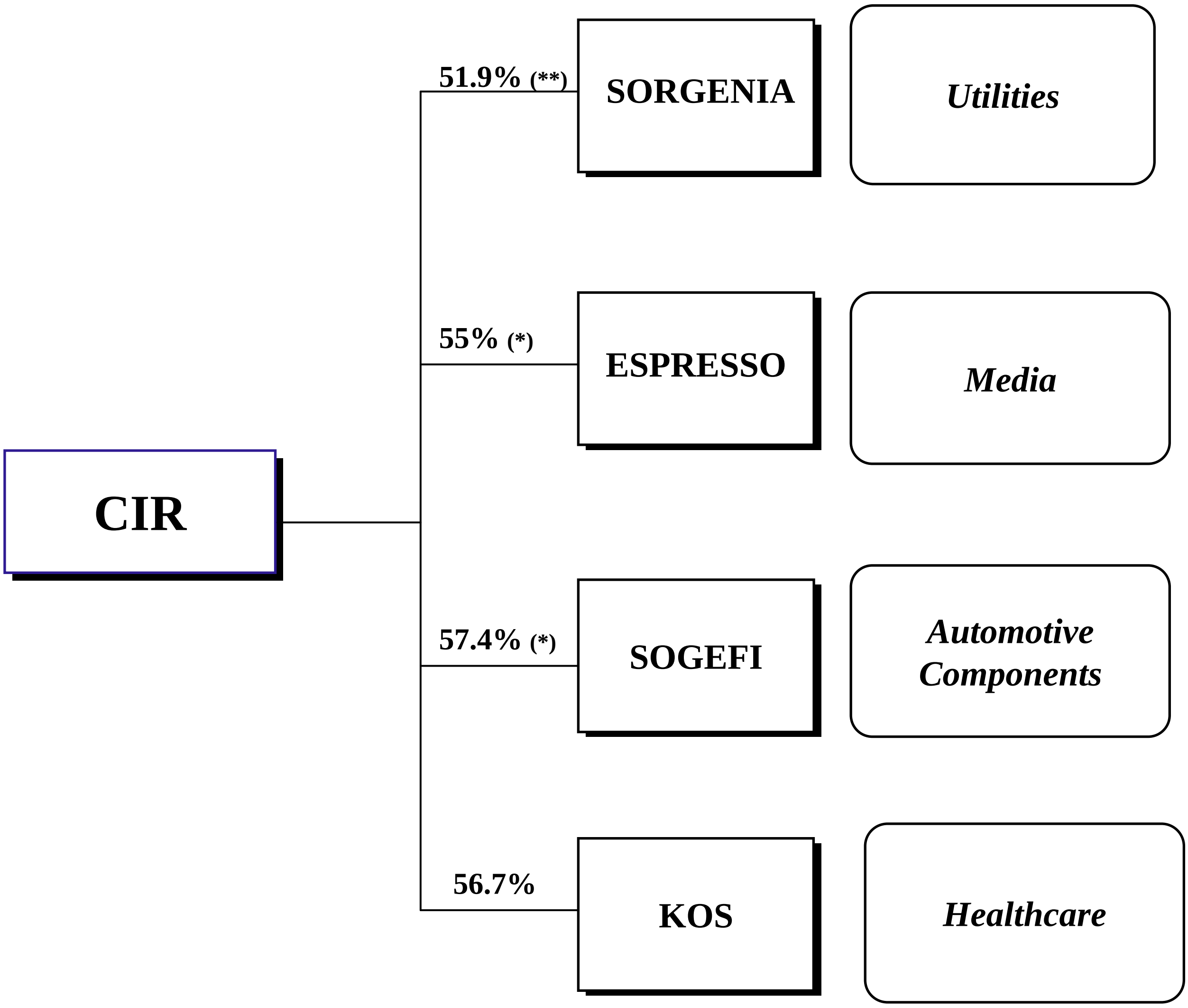
3. CHART RECONCILING THE BALANCE SHEET FIGURES OF THE PARENT COMPANY WITH THOSE OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of euro)	*Shareholders' equity 31.12.2010*	*Net result 2010*
Figures of the parent company CIR S.p.A.	968,540	(14,716)
- Dividends from companies included in consolidation	(5,849)	(5,849)
- Net contribution of consolidated companies	551,302	77,403
- Difference between carrying value of subsidiaries and portion of consolidated shareholders' equity, net of contributions	(26,977)	--
- Other consolidation adjustments	12	12
Consolidated figures, the Group's share	1,487,028	56,850

MAIN EQUITY INVESTMENTS OF THE GROUP (*)

AT DECEMBER 31 2010



(*) The percentage is calculated net of own shares held as treasury stock

(**) Percentage of indirect control through Sorgenia Holding

4. PERFORMANCE OF THE BUSINESS SECTORS

UTILITIES SECTOR

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

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

Consolidated revenues can be broken down as follows:

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

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

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

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

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

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

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

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

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

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

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

MEDIA SECTOR

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

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

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

The year 2010 was characterized by a weak recovery of the Italian economy with continuing uncertainty as to international and national prospects.
In this context even advertising revenues showed a moderately positive trend, growing by 3.8% on 2009, with different performances in the various economic sectors, and making only a modest recovery from the contraction of 15.2% experienced in the two years 2008-2009 (Nielsen Media Research data).

The most innovative media saw the best dynamics (+28.8% for satellite TV and +20.1% for the internet) and, of the traditional media, radio and television did in any case report positive performance (+ 7.7% e + 4.5% respectively). The press, however, was down again (-4.3%), both the daily newspapers and the periodicals. As far as circulation is concerned, the global outlook remains critical: ADS figures (moving average for the last 12 months in November 2010, on the same range of products) show a decline in sales on the news-stands of 5.7% for the daily newspapers, of 4% for weeklies and of 10.3% for monthlies.

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

Advertising revenues totalled € 528.4 million, posting growth of 6.3% compared to 2009.
Internet is the medium that showed the most positive evolution (+21.8%), not only following the trend of the sector but also because of the development of the group websites and their users. In particular the Repubblica.it website has become more and more successful and with an average of 1.6 million unique users per day (+24.2%) consolidated its position as the top Italian news website.
Advertising collected by the group radio stations went up by 8.4%, underpinned both by the recovery in that specific market (+7.7%), and by the good results of the group broadcasters, which saw the leadership of Radio Deejay confirmed and a good outcome obtained by the changes made to the programming of Radio Capital.

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

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

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

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

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

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

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

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

The situation of weak growth of the economy with unclear macroeconomic prospects experienced in 2010 has continued into 2011 too. Thus it is expected that the year 2011 will see a repeat of the same dynamics recorded in the publishing sector in 2010.
As far as circulation is concerned, the structural tendency towards erosion experienced in recent years appears to be continuing even though it has been somewhat mitigated by a renewed interest in the press caused by political turbulence. And as far as advertising is concerned the trends observed in the first two months of the year would seem to confirm a moderately positive performance.
In this context, the group is continuing to take action to counter the unfavourable trends in the sector by improving its traditional products, developing the digital area, a dynamic management of the advertising concessionaire and constant attention to cost cutting.
All of this, together with the cost cutting action already in place, should enable the group to achieve positive performance both in terms of sales and of earnings, provided that there are no marked changes in the scenario.

AUTOMOTIVE COMPONENTS SECTOR

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

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

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

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

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

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

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

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

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

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

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

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

In 2011 there is expected to be a rise in the world production of motor vehicles thanks to further growth in North and South America and the Chinese and Indian markets maintaining current levels of development. In Western Europe, on the other hand, the situation is expected to remain stable overall compared to 2010. In line with the market trend, the group will continue in its strategy of downsizing its production capacity in Europe and expanding its presence in countries with higher growth levels.

Therefore, although there is likely to be a rise in the cost of the main commodities, the group believes that it can achieve growth in revenues and earnings in 2011 too unless there are any events of an exceptional nature that cannot be envisaged at present.

HEALTHCARE SECTOR

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

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

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

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

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

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

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

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

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

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

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

1) *RSAs* (care homes), with 37 homes under management (3,829 beds in operation);
2) *Rehabilitation* (management of hospitals and rehabilitation units), with 13 rehabilitation facilities (in Lombardy, Emilia Romagna, Trentino and Marche), 9 psychiatric rehabilitation communities (in Liguria, Piedmont and Lombardy) and 13 day hospitals, with a total of 1,684 beds in operation;
3) *Hospital management* (management of one hospital and high-tech services in public and private facilities), in 18 hospitals.

5. FINANCIAL INVESTMENTS

JUPITER FINANCE – The company operates in the sector of non-performing loans and at December 31 2010 was managing loans of € 2,326 million (nominal value), subdivided into loans on the books (i.e. acquired through the securitization vehicles Zeus Finance and Urania Finance) for € 1,371 million, and loans managed for third parties (i.e. for other investors) for € 955 million.
The value of CIR's investment in this activity at December 31 2010 was € 59.1 million.
In October Bank of Italy notified Jupiter Finance of a measure on the basis of which the company must refrain from entering into new transactions because various observations of an administrative and organizational nature were made. Regarding this measure, apart from perfecting a capital injection for a total of € 1.5 million, the company started and has almost finished a process of sorting out its company procedures and amending its corporate governance in order to comply with the requirements of the above-mentioned order.
Furthermore, in December a partial proportional demerger was finalized in favour of Nexenti S.r.l.; with this deal the activities and equity investments not belonging to the Master Servicing business were spun off into the beneficiary company.

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

sibility of pursuing the company object) and at the same time approved a balance sheet prepared with criteria of discontinuity, which showed negative equity.
At the end of the year 2010 CIR International wrote down its investment in KTP Global Finance by € 4 million to zero.

CIR VENTURES – At December 31 2010 the portfolio of CIR Ventures, the venture capital fund of the Group, contained investments in five companies, of which four in the United States and one in Israel. These companies all operate in the sector of information and communications technology. The total fair value of these investments at December 31 2010 was € 15 million dollars.

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

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

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

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

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

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

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

Risks connected with the results of the Group

The CIR Group operates, among other things, in the automotive components sector, which is subject to cyclical factors, and in the media sector which is highly sensitive to the trend of the economic cycle.

It is difficult to forecast how far-reaching the economic cycles will be and how long they will last. However any macroeconomic event, such as a significant decline in a particular market, volatility in the financial markets, a rise in energy prices, the fluctuation of commodity prices etc. could have an effect on the prospects and the activities of the Group, as well as on its economic results and its financial position.

Risks connected with borrowing requirements

The CIR Group expects to be able to meet its borrowing requirements in terms of maturing loans and investment needs with its operating cash flows, available liquidity and by renewing or refinancing its loans and/or bonds and notes. Even in the current market context, the Group aims to maintain a sufficient capacity to generate funds from ordinary operations.

The Group invests any free cash flow, sharing out its investments over a suitable number of prime counterparties, mainly banks, matching the remaining life of the investments with the maturity of obligations on the funding side. However, in light of the current financial crisis, it cannot be ruled out that there may be banking and money market situations that could prevent normal financial transactions from being carried out.

Risks connected with the fluctuation of exchange rates and interest rates

A significant part of the financial debt of the Group involves the payment of financial expense calculated at floating interest rates, mainly linked to Euribor rates. Any rise in interest rates could, therefore, cause a rise in funding costs or a rise in the cost of refinancing debt entered into by the companies of the Group.

In order to limit the risk resulting from interest rate movements, the Group uses interest rate derivatives to keep rates within a predetermined range.

Some companies of the Group, particularly in the Sogefi group, do business in European countries not belonging to the euro area and in countries outside the European market and, therefore, operate in different currencies, which exposes them to foreign exchange risk against the euro. In line with its risk management policies, in order to limit this exchange rate risk the Group enters into transactions to hedge these risks.

Despite the hedging carried out by the Group in the financial markets, sharp movements in exchange rates or interest rates could have a negative impact on the economic and financial results of the Group.

Risks connected with relations with clients and suppliers

In relations with its clients, the Group manages the risk of concentration of demand by diversifying its client portfolio in a suitable way, both geographically and in terms of distribution channels. Regarding relations with suppliers the approaches are different in the different business sectors. The Sogefi Group, for example, diversifies its sourcing significantly by using several suppliers operating in different parts of the world, which enables the group to reduce its risk of commodity price fluctuation and avoid relying too heavily on key suppliers.

The utilities sector is an exception to this policy because especially in the construction of production plants the Group is exposed to risks of this kind, which it manages by requiring collateral guarantees from third parties.

Risks connected with competitiveness in the sectors in which the Group operates
The Group operates in markets which do objectively have barriers in place against the entry of new competitors due the existence of technological or qualitative gaps, to the need to make substantial initial investments and to the fact that it operates in sectors that are highly regulated requiring special authorizations from the competent authorities.
However, particularly in relation to the automotive components sector, should the group in the future not be able to develop and offer innovative and competitive products, then its economic and financial results could be negatively impacted.

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

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

8. OTHER INFORMATION

Information on shares held by Directors, General Managers and Statutory Auditors

The chart below gives the information required by Art. 79 of Consob Resolution no. 11971 of May 14 1999 and subsequent amendments and additions.

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

Last name and first name	*Investee company*	***Number of shares owned at end of previous year***	*Number of shares purchased*	*Number of shares sold*	*Number of shares owned at end of this year*	*Notes*
DE BENEDETTI CARLO	CIR S.p.A.	363,028,621	3,215,000	2,472,457	363,771,164	(1)
DE BENEDETTI CARLO	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	220,776,235	--	--	220,776,235	(2)
DE BENEDETTI CARLO	SOGEFI S.p.A.	65,739,962	--	--	65,739,962	(3)
DE BENEDETTI RODOLFO	CIR S.p.A.	13,062,500	--	500,000	12,562,500	
DEBENEDETTI FRANCO	CIR S.p.A.	375,000	--	--	375,000	
FERRERO PIERLUIGI	CIR S.p.A.	300,000	--	--	300,000	
FERRERO PIERLUIGI	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	20,000	--	--	20,000	
FERRERO PIERLUIGI	SOGEFI S.p.A.	15,000	--	--	15,000	
GERMANO GIOVANNI	CIR S.p.A.	300,000	--	--	300,000	
GERMANO GIOVANNI	SOGEFI S.p.A.	2,012,000	--	--	2,012,000	
GERMANO GIOVANNI	SOGEFI S.p.A.	1,004,312	--	--	1,004,312	(4)
GIRARD FRANCO	CIR S.p.A.	128,000	--	--	128,000	
GIRARD FRANCO	SOGEFI S.p.A.	10,000	--	--	10,000	
GIRARD FRANCO	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	10,000	--	--	10,000	
PARAVICINI CRESPI LUCA	CIR S.p.A.	333,333	166,667	--	500,000	(5)
PARAVICINI CRESPI LUCA	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	4,827,212	--	--	4,827,212	(5)
SEGRE MASSIMO	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	3,000	--	--	3,000	
PIASER ALBERTO	CIR S.p.A.	544,600	50,000	251,600	343,000	

(1) Owned indirectly through COFIDE S.p.A.

(2) At December 31 2010 the shares were held through the following companies:

CIR S.p.A.	*220,775,235*
ROMED S.p.A.	*1,000*

(3) Owned indirectly through CIR S.p.A.
(4) Owned indirectly through Siria S.r.l.
(5) Owned indirectly through Alpa S.r.l. and Fiduciaria Biennebi S.p.A.

Incentive plans based on financial instruments

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

Own shares

At December 31 2010 the Parent Company owned 43,074,000 of its own shares (equal to 5.44% of its capital). The Group does not own any more own shares other than those indicated above.

For further details on the subject of own shares held as treasury stock, reference should be made to the comment on equity in the Notes to the Financial Statements.

At December 31 2010 the Group did not possess any shares of its controlling company nor did it buy or sell any shares of the latter either directly or through a fiduciary or intermediary.

Transactions with companies of the Group and related parties

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

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

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

During the year CIR S.p.A. provided management and strategic support services to its subsidiaries and affiliates which involved, among other things, supplying administrative and financial services, making loans, and issuing guarantees.
Transactions with the controlling parent company consisted of providing services of an administrative and financial nature and being supplied with management support and communication services. The main concern of CIR and its counterparties in relation to these services is to ensure quality and a high level of efficiency of the services rendered, which derive from CIR's specific knowledge of the businesses of the Group.
Transactions between companies of the Group are settled at normal market conditions on the basis of the quality and the specific nature of the services rendered.
The most significant financial transactions between CIR and its subsidiaries are analysed in detail in the explanatory Notes to the separate financial statements, particularly under the item *Sundry receivables*, *Other payables* and *Borrowings from subsidiaries* in the Statement of Financial Position and under the items *Sundry revenues and income*, *Financial expense* and *Dividends* in the Income Statement.

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

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

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

The code of conduct governing transactions with related parties was defined by the Board of Directors of the Company in September 2002.

National Tax Consolidation

The Income Tax Consolidation Act (TUIR) gives the possibility for companies belonging to the same group to determine a single total income figure corresponding in principle to the algebraic sum of the taxable incomes of the various companies (parent company and subsidiaries controlled directly and/or indirectly by more than 50% according to certain requisites) and thus to calculate a single tax figure for the income of the companies of the group. In 2004 the Boards of Directors of 28 companies belonging to the Espresso, Sorgenia, Sogefi and KOS (formerly HSS) subgroups voted to take part in the "CIR Tax Consolidation" for the three years 2004-2006, signing a general agreement ("General Rules of the CIR Tax Consolidation"), which set out the rights and obligations of CIR and its subsidiaries, resulting from their taking part in the tax consolidation.
In 2007 CIR and companies of the Espresso, Sorgenia, Sogefi, Kos and Jupiter subgroups renewed their participation in the "CIR Tax Consolidation" for the three years 2007-2009.
In 2010 CIR and companies belonging to the Espresso, Sogefi, KOS and Jupiter sub-groups renewed their participation in the "CIR Tax Consolidation" for the three years 2010-2012. At December 31 2010 there were 20 companies taking part in the CIR Tax Consolidation.

Report on Corporate Governance

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

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

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

In relation to D.Lgs. 231/01, issued with the aim of bringing regulations on the subject of the administrative liability of entities into line with international agreements signed by Italy, on March 7 2003 the Board of Directors of the Company approved the adoption of a Code of Ethics of the CIR Group, published as an attachment to the "Annual Report on Corporate Governance", which defines the values which the Group follows in the achievement of its objectives and establishes binding principles of conduct for its Directors, employees and those who have a relationship with the Group. Moreover, on September 5 2003, the Board of Directors of the company approved the "Organization Model – the Organizational and Management Model as defined by D.Lgs. no. 231/01", in line with the instructions laid down in the decree which aimed to ensure correctness and transparency in the conduct of business and corporate activities.

The Organization and Management Model as per D.Lgs 231/01 is continually updated by the Board of Directors to take into account the broadening of the scope of the rules on the subject.

In relation to the obligations set out in Art. 2.6.2, paragraph 15 of the Rules of Borsa Italiana, taking into account the provisions of Articles 36 and 37 of Consob Resolution 16191, it is hereby confirmed that there are no conditions that could prevent the listing of CIR shares on the MTA market organized and managed by Borsa Italiana S.p.A. since the foreign subsidiaries not belonging to the European Union, which have particular significance for CIR, publish their own company bylaws and the composition and powers of their administrative bodies according to the legislation applicable to them or voluntarily, they provide the Company's auditors with the information necessary to carry out the audit activity on the annual and interim accounts of CIR, and they have a suitable administrative and accounting system to provide the Company's Management and its auditors with the economic, patrimonial and financial figures necessary for the preparation of the consolidated financial statements. Furthermore, in relation to the fact that the company is subject to management and coordination by its controlling company COFIDE- Gruppo De Benedetti S.p.A., the Company has fulfilled all the disclosure obligations required by Article 2497-bis of the Civil Code, it has the power to negotiate relationships with clients and suppliers independently, it has no centralized treasury function in common with COFIDE and the Board of Directors of the Company, out of a total of 14 members, 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".
Lastly it should be noted that the companies of the Group have complied with the provisions of Art. 2497-bis of the Civil Code.

Preparation of the "Security Policy Document (DPS)"

D.Lgs. no. 196/03, the Code on the subject on the protection of personal information, stipulates that by March 31 of each year the organization responsible for the treatment of personal information should draw up a formal security policy document containing, among other things, appropriate information regarding the following:
- the list of the types of use of personal information made by the organization;
- the distribution of responsibilities and tasks relating to the use of such information;
- a description of the measures to be taken to guarantee the integrity and the availability of the information and the protection of the areas set aside for storing it and making it accessible;
- the description of the criteria and the procedures for restoring access to the said information in the event of it being destroyed or damaged;
- the description of the criteria to be adopted in order to guarantee that the minimum measures of security are followed when the treatment of personal information is entrusted, in conformity with the Civil Code, to someone outside the organization of the Officer Responsible.

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

Research and development

During 2010, research and development activity at Group level was mainly focused on the utilities sector. In compliance with accounting standards, research costs are recognized to the income statement when they are incurred while development costs relating to specific projects are capital-

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

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

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

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

Other

The company CIR S.p.A. - Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, Milan, Italy.

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

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

CIR S.p.A. is subject to management and coordination by Cofide S.p.A..

PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

The Financial Statements for the year ended December 31 2010 that we are submitting to your approval closed with a net loss of € 14,715,747.79 that we propose be covered entirely by drawing on the credit balance existing under the item “Retained earnings”.

We also propose distributing a unit dividend of € 0.025 to each of the shares in circulation with dividend rights as of January 1 2010 (with the exclusion of own shares held as treasury stock), withdrawing the full amount from the item “Retained earnings”.

The proposed allocation:

- Takes into account the provisions of Art. 2357 *ter*, paragraph 2 of the Civil Code, which state that the dividend rights of own shares be distributed proportionally to the other shares;
- Will take into account the dividend rights of 4,941 shares servicing 810 former Sasib privileged shares, the conversion of which has not yet been requested.

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

THE BOARD OF DIRECTORS

Milan, March 10 2011

CIR Group

Consolidated Financial Statements as of December 31 2010

1. STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*Notes*		*31.12.2010*		*31.12.2009*
NON-CURRENT ASSETS			**4,791,833**		**4,287,814**
INTANGIBLE ASSETS	(7.a)		1,391,359		1,316,903
TANGIBLE ASSETS	(7.b)		2,553,835		2,187,369
INVESTMENT PROPERTY	(7.c)		23,890		18,115
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	(7.d)		319,469		275,899
OTHER EQUITY INVESTMENTS	(7.e)		5,041		9,629
OTHER RECEIVABLES	(7.f)		179,082		207,899
of which with related parties (*)	(7.f)	*277*		*4,480*	
SECURITIES	(7.g)		100,772		83,051
DEFERRED TAXES	(7.h)		218,385		188,949
CURRENT ASSETS			**2,829,753**		**2,362,336**
INVENTORIES	(8.a)		151,283		156,150
CONTRACTED WORK IN PROGRESS			10,421		3,464
TRADE RECEIVABLES	(8.b)		1,137,448		1,042,030
of which with related parties (*)	(8.b)	*7,992*		*18,032*	
OTHER RECEIVABLES	(8.c)		177,660		200,627
of which with related parties (*)		*1,374*		*1,727*	
FINANCIAL RECEIVABLES	(8.d)		399,064		27,229
SECURITIES	(8.e)		216,552		278,548
AVAILABLE-FOR-SALE FINANCIAL ASSETS	(8.f)		144,244		104,967
CASH AND CASH EQUIVALENTS	(8.g)		593,081		549,321
ASSETS HELD FOR DISPOSAL	(8.h)		722		700
TOTAL ASSETS			**7,622,308**		**6,650,850**

LIABILITIES AND SHAREHOLDERS' EQUITY			*31.12.2010*		*31.12.2009*
SHAREHOLDERS' EQUITY			**2,522,940**		**2,332,335**
ISSUED CAPITAL			396,059		396,059
less OWN SHARES			(21,537)		(21,537)
SHARE CAPITAL	(9.a)		374,522		374,522
RESERVES	(9.b)		321,923		295,983
RETAINED EARNINGS (LOSSES)	(9.c)		733,733		582,818
NET INCOME FOR THE YEAR			56,850		143,432
EQUITY OF THE GROUP			**1,487,028**		**1,396,755**
MINORITY SHAREHOLDERS' EQUITY			1,035,912		935,580
NON-CURRENT LIABILITIES			**3,118,360**		**2,958,552**
BONDS AND NOTES	(10.a)		547,455		718,262
OTHER BORROWINGS	(10.b)		2,171,116		1,843,359
OTHER PAYABLES			2,021		1,177
of which to related parties (*)		--		*69*	
DEFERRED TAXES	(7.h)		193,228		181,489
PERSONNEL PROVISIONS	(10.c)		124,343		137,346
PROVISIONS FOR RISKS AND LOSSES	(10.d)		80,197		76,919
CURRENT LIABILITIES			**1,981,008**		**1,359,963**
BANK OVERDRAFTS			173,671		66,290
BONDS AND NOTES	(11.a)		157,978		731
OTHER BORROWINGS	(11.b)		469,494		132,499
of which from related parties (*)	(11.b)	*2*		*2*	
TRADE PAYABLES	(11.c)		863,344		836,587
of which to related parties (*)	(11.c)	*35,496*		*28,649*	
OTHER PAYABLES	(11.d)		234,170		228,178
of which to related parties (*)	(11.d)	*4,561*		..	
PROVISIONS FOR RISKS AND LOSSES	(11.e)		82,351		95,678
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**7,622,308**		**6,650,850**

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

2. INCOME STATEMENT

(in thousands of euro)

	Notes		*2010*		*2009*
SALES REVENUES	(12)		4,805,467		4,266,865
of which from related parties (*)	(12)	*150,680*		*60,674*	
CHANGE IN INVENTORIES			2,886		(14,150)
COSTS FOR THE PURCHASE OF GOODS	(13.a)		(2,911,272)		(2,554,020)
of which from related parties (*)	(13.a)	*(282,385)*		*(258,162)*	
COSTS FOR SERVICES	(13.b)		(783,580)		(744,104)
of which from related parties *(*)*	(13.b)	*(1,244)*		*(1,531)*	
PERSONNEL COSTS	(13.c)		(681,680)		(664,835)
OTHER OPERATING INCOME	(13.d)		104,987		104,317
of which from related parties (*)	(13.d)	*1,622*		*1,295*	
OTHER OPERATING COSTS	(13.e)		(174,268)		(139,110)
of which with related parties (*)	(13.e)	*(3)*		..	
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(7.d)		37,517		39,679
AMORTIZATION, DEPRECIATION & WRITEDOWNS			(184,252)		(146,651)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)			**215,805**		**147,991**
FINANCIAL INCOME	(14.a)		54,118		53,823
of which from related parties (*)	(14.a)	*10,225*		*10,426*	
FINANCIAL EXPENSE	(14.b)		(165,021)		(157,896)
of which with related parties (*)	(14.b)	*(10,200)*		*(10,201)*	
DIVIDENDS			108		587
of which from related parties (*)		*16*			
GAINS FROM TRADING SECURITIES	(14.c)		42,170		151,518
LOSSES FROM TRADING SECURITIES	(14.d)		(5,271)		(6,936)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(14.e)		(5,937)		(4,008)
INCOME BEFORE TAXES			**135,972**		**185,079**
INCOME TAXES	(15)		(12,586)		4,334
RESULT BEFORE TAXES FROM OPERATING ACTIVITY			**123,386**		**189,413**
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL			--		--
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS			**123,386**		**189,413**
- NET INCOME MINORITY SHAREHOLDERS			(66,536)		(45,981)
- **NET INCOME OF THE GROUP**			**56,850**		**143,432**
BASIC EARNINGS PER SHARE (in euro)	(16)		0.0759		0.1917
DILUTED EARNINGS PER SHARE (in euro)	(16)		0.0758		0.1917

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

3. STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2010	*2009*
Net income for the period		123,386	189,413
Other items of comprehensive income statement			
Currency translation differences of foreign operations		11,630	17,571
Net change in fair value of available-for-sale financial assets		10,010	(32,017)
Net change in cash flow hedge reserve		15,540	85
Other items of comprehensive income statement		2,865	4,593
Taxes on other items of comprehensive income statement		(5,007)	(1,167)
Other items of comprehensive income statement for the period, net of tax		**35,038**	**(10,935)**
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD		**158,424**	**178,478**
Total comprehensive income statement attributable to:			
Shareholders of the parent company		79,189	126,407
Minority Shareholders		79,235	52,071
BASIC EARNINGS PER SHARE (in euro)	(16)	0.1057	0.1690
DILUTED EARNINGS PER SHARE (in euro)	(16)	0.1056	0.1690

4. STATEMENT OF CASH FLOW

(in thousands of euro)

	2010	2009
OPERATING ACTIVITY		
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS	123,386	189,413
ADJUSTMENTS:		
AMORTIZATION, DEPRECIATION & WRITEDOWNS	184,252	146,651
SHARE OF RESULT OF COMPANIES CONSOLIDATED AT EQUITY	(37,517)	(39,679)
ACTUARIAL VALUATION OF STOCK OPTION PLANS	9,668	10,598
CHANGE IN PERSONNEL PROVISIONS, PROV. FOR RISKS & LOSSES	(23,052)	25,770
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	10,937	4,008
CAPITAL GAIN FROM SUBSCRIPTION OF CAPITAL INCREASES BY MINORITY SHAREHOLDERS	--	(76,735)
INCREASE (REDUCTION) IN NON-CURRENT RECEIVABLES/PAYABLES	11,942	(38,217)
(INCREASE) REDUCTION IN NET WORKING CAPITAL	(41,792)	84,020
OTHER CHANGES	--	(16,246)
CASH FLOW FROM OPERATING ACTIVITY	237,824	289,583
of which:		
- interest received (paid out)	(102,422)	(62,518)
- income tax disbursements	(32,527)	(70,756)
INVESTMENT ACTIVITY		
(PURCHASE) SALE OF SECURITIES	18,536	369,039
PURCHASE OF FIXED ASSETS	(656,889)	(625,009)
CASH FLOW FROM INVESTMENT ACTIVITY	(638,353)	(255,970)
FUNDING ACTIVITY		
INFLOWS FROM CAPITAL INCREASES	39,116	187,851
OTHER EQUITY CHANGES	25,477	32,713
DRAWDOWN/(REPAYMENT) OF OTHER BORROWINGS	279,357	(200,162)
BUYBACK OF OWN SHARES	(91)	(1,160)
DIVIDENDS PAID OUT	(6,951)	(21,386)
CASH FLOW FROM FUNDING ACTIVITY	336,908	(2,144)
INCREASE (REDUCTION) IN NET CASH AND CASH EQUIVALENTS	(63,621)	31,469
NET CASH AND CASH EQUIVALENTS AT START OF PERIOD	483,031	451,562
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	419,410	483,031

5. STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)	*Attributable to the shareholders of the parent company*							*Minority*	*Total*
	Issued capital	*less own shares*	*Share capital*	*Reserves*	*Retained earnings (losses)*	*Net income (losses) for the year*	*Total*	*interests*	
BALANCE AT DECEMBER 31 2008	395,588	(21,487)	374,101	307,856	487,448	95,444	1,264,849	814,039	2,078,888
Capital increases	471	--	471	528	--	--	999	186,852	187,851
Dividends to Shareholders	--	--	--	--	--	--	--	(21,386)	(21,386)
Retained earnings	--	--	--	--	95,444	(95,444)	--	--	--
Unclaimed dividends as per Art. 23 of Bylaws	--	--	--	14	--	--	14	--	14
Adjustment for own share transactions	--	(50)	(50)	50	(74)	--	(74)	--	(74)
Notional recognition of stock options	--	--	--	5,455	--	--	5,455	--	5,455
Effects of equity changes in subsidiaries	--	--	--	(895)	--	--	(895)	(95,996)	(96,891)
Comprehensive result for the year									
Fair value measurement of hedging instruments	--	--	--	(285)	--	--	(285)	(800)	(1,085)
Fair value measurement of securities	--	--	--	7,668	--	--	7,668	(764)	6,904
Securities fair value reserve released to income statement	--	--	--	(38,918)	--	--	(38,918)	--	(38,918)
Effects of equity changes in subsidiaries	--	--	--	2,257	--	--	2,257	2,336	4,593
Currency translation differences	--	--	--	12,253	--	--	12,253	5,318	17,571
Result for the year	--	--	--	--	--	143,432	143,432	45,981	189,413
Total comprehensive result for the year	--	--	--	*(17,025)*	--	*143,432*	*126,407*	*52,071*	*178,478*
BALANCE AT DECEMBER 31 2009	396,059	(21,537)	374,522	295,983	582,818	143,432	1,396,755	935,580	2,332,335
Capital increases	--	--	--	--	--	--	--	39,116	39,116
Dividends to Shareholders	--	--	--	--	--	--	--	(6,951)	(6,951)
Retained earnings	--	--	--	--	143,432	(143,432)	--	--	--
Unclaimed dividends as per Art. 23 of Bylaws	--	--	--	15	--	--	15	--	15
Adjustment for own share transactions	--		--	--	--	--	--	--	--
Movements between reserves	--	--	--	(7,483)	7,483	--	--		--
Notional recognition of stock options	--	--	--	4,336	--	--	4,336	--	4,336
Effects of equity changes in subsidiaries	--	--	--	6,733	--	--	6,733	(11,068)	(4,335)
Comprehensive result for the year									
Fair value measurement of hedging instruments	--	--	--	5,017	--	--	5,017	5,350	10,367
Fair value measurement of securities	--	--	--	11,240	--	--	11,240	(566)	10,674
Securities fair value reserve released to income statement	--	--	--	(897)	--	--	(897)	399	(498)
Effects of equity changes in subsidiaries	--	--	--	951	--	--	951	1,914	2,865
Currency translation differences	--	--	--	6,028	--	--	6,028	5,602	11,630
Result for the year	--	--	--	--	--	56,850	56,850	66,536	123,386
Total comprehensive result for the year	--	--	--	*22,339*	--	*56,850*	*79,189*	*79,235*	*158,424*
BALANCE AT DECEMBER 31 2010	396,059	(21,537)	374,522	321,923	733,733	56,850	1,487,028	1,035,912	2,522,940

ESPLANATORY NOTES

1. STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

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

The financial statements are prepared on the basis of the principle of historical cost, modified as required for the valuation of certain financial instruments, in compliance with the matching and revenue recognition principles and on the assumption that the enterprise is a going concern. In fact, in spite of the presence of a difficult economic and financial environment, the Group has evaluated that there are no significant uncertainties, as defined in paragraph 25 of IAS 1, relating to the ongoing nature of the concern.

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

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

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

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

2. CONSOLIDATATION PRINCIPLES

2.a. **Consolidation methods**

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

Associates

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

Joint ventures:
All companies in which the Group exercises control jointly with another company according to the terms of IAS 31 are considered as joint ventures. In particular it is presumed that joint control exists when the Group owns half of the voting rights of a company.
International accounting standards give two methods for consolidating investments in joint ventures:
. the usual method, which involves pro-rata consolidation:
. the alternative method which involves consolidation using the equity method.
The Group has adopted the equity method of consolidation.

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

The translation into euro of the financial statements of foreign subsidiaries not belonging to the single currency, none of which has an economy subject to hyperinflation according to the definition given in IAS 29, is carried out at the year-end exchange rate for the balance sheet and at the period average exchange rate for the income statement. Any exchange rate differences resulting from the translation of shareholders' equity at the year-end exchange rate and from the translation of the income statement at the average rate for the period are recorded in the item "Other reserves" under shareholders' equity.

The main exchange rates used are the following:

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

2.c. **Consolidation area**

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

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

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

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

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

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

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

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

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

hospital and a diagnostic centre in Emilia Romagna. The psychiatric hospital has 81 beds, 1 temporary isolation bed, 1 day hospital bed and 5 day centre beds;
- the acquisition, through the subsidiary Istituto di Riabilitazione Santo Stefano S.r.l., of 100% of the capital of Salfo S.r.l., the real estate company which owns the building that houses the company Villa Rosa S.r.l. mentioned above;
- in November the company Duemiladue S.r.l. was merged by incorporation into its parent company Istituto di Riabilitazione Santo Stefano S.r.l.;
- in December the companies Tuga S.r.l. and Tuga 2 S.r.l. were merged by incorporation into their parent company Redancia S.r.l.;
- acquisition of almost all of the minority interests in the company La Pineta S.r.l..

In the care-home (RSA) sector

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

In the Hospital Management sector

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

For details as to the effects of the above acquisitions, reference should be made to paragraph 25 below "Company Acquisitions".

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

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

Other companies

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

3. ACCOUNTING PRINCIPLES APPLIED

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

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

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

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

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

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

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

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

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

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

Cost includes associated expenses and any direct and indirect costs incurred at the moment of acquisition and necessary to make the asset ready for use. Financial expense relating to specific loans for long-term investments are capitalized until the date when the assets start operating.
When there are contractual or compulsory obligations for decommissioning, removing or clearing sites where fixed assets are installed, the value recognized includes an estimate of costs that will be incurred on disposal of the same, discounted to present value.
Fixed assets are depreciated on a straight-line basis for each year in relation to their remaining useful life.

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

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

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

3.c. **Public entity grants**

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

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

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

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

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

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

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

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

At least once a year the Group verifies whether the carrying value of intangible and tangible assets (including capitalized development costs) are recoverable, in order to determine whether there is any indication that the assets may have lost value. If there is such an indication, the carrying value of the assets is written down to the relative recoverable value.
An intangible asset with an indefinite useful life is subjected to an impairment test every year or more frequently any time that there is an indication that it may have undergone a loss in value.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.
The recoverable value of an asset is the higher of fair value net of costs to sell and its value in use. To determine the value in use of an asset the Group calculates the present value of estimated future cash flows, at a discount rate consistent with the cash flows, which reflects the current market estimate of the time value of money and the specific risks of the business sector. An impairment loss is recognized if the recoverable value is lower than the carrying value.

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

3.g. **Other equity investments**

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

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

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

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

In accordance with IAS 32 and IAS 39 investments in companies other than subsidiaries and associates are classified as available-for-sale financial assets and are measured at fair value.
Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. When there are impairment losses or when the assets are sold, the gains and losses recognized previously to shareholders' equity are then posted to the income statement.
It should be noted that purchases and sales are recognized on the date of the trade.

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

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

Current taxes are recorded and determined on the basis of a realistic estimate of taxable income following current tax regulations of the country in which the company is based and taking into account any exemptions that may apply and any tax credits that may be claimed.
Deferred taxes are calculated on the basis of time differences, whether taxable or deductible, between the carrying values of assets and liabilities and their tax bases and are classified under non-current assets and liabilities.
A deferred tax asset is recognized if there is likely to be taxable income on which the deductible temporary difference can be used.

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

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

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

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

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

3.o. **Equity**

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

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

When a subsidiary prepares its financial statements in a currency different from the Group's functional currency, the subsidiary's financial statements are translated accounting any differences resulting from such translation in a special reserve. When the subsidiary is sold the reserve is reversed to the income statement with a detail of any gains or losses resulting from its disposal.
The item "Retained earnings (losses)" includes accumulated income and losses and the transfer of balances from other equity reserves when these become free of any restrictions to which they have been subject.
This item also shows the cumulative effect of the changes in accounting principles and/or the correction of errors which are accounted for in accordance with IAS 8.

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

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

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

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

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

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

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

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

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

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

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

Financial Law no. 296/2006 (Budget) made important changes to severance and leaving indemnity (TFR) regulations, introducing the possibility for workers to transfer their TFR maturing after January 1 2007 to selected pension schemes. Thus the TFR accruing as of December 31 2006 for employees who exercised the above option, while remaining within the sphere of defined benefit plans, was determined using actuarial methods that exclude the actuarial / financial components relating to future salary dynamics. Given that this new method of calculation reduces the volatility of actuarial gains / losses the decision was taken to abandon the corridor method and recognize all the actuarial gains and losses to the Income Statement.

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

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

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

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

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

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

The assets and liabilities of the companies within the Group whose functional currency is not the euro are valued using the following procedures:
- assets and liabilities are translated using the spot exchange rate prevailing at the balance sheet date;
- costs and revenues are translated using the average exchange rate for the period;

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

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

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

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

Basic earnings per share are determined by dividing the net income attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in circulation during the period.
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in circulation to take into account the effect of all potential ordinary shares, resulting for example from the possibility of the exercise of stock options assigned, which can have a dilutive effect.

3.x. **Business combinations**

Acquisitions of businesses are recognized using the acquisition or purchase method in compliance with the terms of IFRS 3, on the basis of which the acquisition cost is equal to the fair value on the date of exchange of the assets transferred, the liabilities incurred or assumed, plus any directly attributable acquisition costs.

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

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

3.y. **Use of estimates**

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

4. FINANCIAL INSTRUMENTS

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

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

a) Financial instruments that are valued at fair value with an offsetting entry in the income statement (“fair value through profit and loss” - FVTPL) in application of the fair value option, which are held for trading purposes;
b) Investments held to maturity (HTM);
c) Loans and receivables (L&R);
d) Available-for-sale financial assets (AFS).

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

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

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

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

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

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

Loans and receivables

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

This category includes trade receivables (and payables).

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

Available-for-sale financial assets

This is a "residual" category which includes non-derivative financial instruments that are designated as available for sale and are not included in any of the previous categories.

Financial instruments held as available for sale are recognized at their fair value plus any transaction costs.

Gains and losses are recognized to a special equity reserve until the financial instruments are sold or have been impaired. In such cases the profit or loss accrued under shareholders' equity is released to the income statement.

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

In the case of securities listed on regulated markets, the fair value is the bid price at the close of trading on the last day of the accounting period.

When no market prices are available, fair value is determined either on the basis of the fair value of another financial instrument that is substantially similar or by using appropriate financial techniques (for example the discounted cash flow method).

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

5. ACCOUNTING PRINCIPLES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

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

If the initial application of a principle affects the current year or the previous one, its effect is recognized by indicating the change resulting from any transitional rules, the nature of the change, the description of the transitional rules, which may also affect future years, and the amount of any adjustments relating to years preceding those being presented.

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

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

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

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

6. ADOPTION OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

Accounting standards, Interpretations and Amendments applied in 2010

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

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

trol, however, the Group recognized any difference between the carrying amount of the assets and liabilities of the subsidiary and the consideration received to the income statement.

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

The following amendments, improvements and interpretations, effective as from January 1 2010, relate to matters that were not applicable to the Group at the date of these financial statements, but which may affect the accounting for future transactions or arrangements:

- Improvement to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*
- Amendments to IAS 28 – *Investments in Associates* and to IAS 31 – *Interests in Joint Ventures*, resulting from the amendment to IAS 27.
- *Improvements* to *IAS/IFRS (2009).*
- Amendment to IFRS 2 – *Share based Payments: Group Cash-settled Share-based Payment Transactions*.
- IFRIC 17 – *Distributions of Non-cash Assets to Owners*.
- IFRIC 18 – *Transfers of Assets from Customers*.
- Amendment to IAS 39 – *Financial Instruments: Recognition and Measurement: Eligible Hedged Items.*

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

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

IAS 32 – On October 8 2009, the IASB issued an amendment to IAS 32 – *Financial Instruments: presentation: classification of rights issues* in order to address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applicable retrospectively from January 1 2011. When applied this amendment is not expected to have significant effects of the Group's financial statements.

- IAS 24 – On November 4 2009 the IASB issued a revised version of IAS 24 – *Related Party Disclosures* that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The standard is applicable as from January 1 2011. The adoption of this standard is not expected to have any significant effects on the financial statements of the Group.
- IFRS 9 – On November 12 2009 the IASB issued a new standard IFRS 9 – *Financial Instruments:* the same standard was then amended on October 28 2010. Applicable as from January 1 2013, the new standard represents the completion of the first part of a project to replace IAS 39 and introduces new criteria for classifying and measuring financial assets and liabilities and for derecognizing them from the financial position.

  More specifically, the new standard uses a single approach based on how financial instruments are managed and on the characteristics of the contractual cash flows of financial assets to determine how they should be measured, replacing the many different rules in IAS 39. However for financial liabilities, the main change concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through profit and loss, when such changes are due to a change in the credit rating of the same

liability. According to the new principle such changes must be recognized to Other total gains and losses and will no longer affect the income statement.
As of the date of these financial statements the new standard had not yet been endorsed by the European Union.

- IFRIC 14 – On November 26 2009 the IASB issued a minor amendment to IFRIC 14 – *Pre-payments of a Minimum Funding Requirement*, which allows entities subject to minimum funding requirements who make an early payment to cover this requirement to recognize this payment as an asset. The amendment is applicable as from January 1 2011. The adoption of this standard is not expected to have any significant effects on the financial statements of the Group.
- IFRIC 19 – On November 26 2009 the IFRIC issued interpretation IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*, which provides guidance on how to account for the extinguishment of a financial liability with the issue of equity instruments. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares to settle the financial liability, then the shares issued by the company become part of the consideration paid for the extinguishment of the financial liability and must be measured at fair value. The difference between the carrying value of the financial liability extinguished and the initial measurement amount of the equity instruments issued is posted to the income statement for the period. The interpretation is applicable as from January 1 2011. The adoption of this standard is not expected to have any significant effects on the financial statements of the Group.
- IMPROVEMENTS TO IFRS – On May 6 2010 the IASB issued a set of amendments to IFRSs ("Improvements to IFRSs") which are applicable as from January 1 2011. Below are those which will lead to a change in the presentation, recognition and measurement of financial statement items, excluding those which will involve only a change in terminology or editorial changes with a minimum effect on the accounts, and those that affect standards or interpretations not applicable to the Group:
  IFRS 3 (2008) – *Business Combinations*: this amendment clarifies that the elements of non-controlling interests that do not entitle their holders to a proportionate share of the subsidiary's net assets must be measured at fair value or as required by the applicable accounting standards. Thus, for example, a stock option plan granted to employees must be measured, in the event of a business combination, according to the rules of IFRS 2 while the equity portion of a convertible debt instrument must be measured in accordance with IAS 32. In addition, the Board goes into further detail on the question of share-based payment plans that are replaced as part of a business combination by adding specific guidance to clarify the accounting treatment.
  - IFRS 7 – *Financial Instruments: Additional Disclosures:* this amendment emphasizes the interaction between the qualitative and the quantitative disclosures required by the standard concerning the nature and extent of risks inherent in financial instruments. This should assist users of financial statements to link related disclosures and to get an overall picture of the nature and extent of the risks involved in financial instruments. In addition, the disclosure requirement has been eliminated for financial instruments which have passed their expiry date but which have been renegotiated or written down, and also that relating to the fair value of collateral.
  - IAS 1 – *Presentation of Financial Statements*: the amendment require that the reconciliation of the changes in each component of equity be presented in the Notes or in the Financial Statements themselves.
  - IAS 34 – *Interim Financial Reporting:* by providing a series of examples clarification is given regarding the additional information that must be presented in Interim Financial Reports.

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

- IFRS 7 – *Financial instruments – additional disclosures* –the amendment published on October 7 2010 is applicable for accounting periods beginning on or after July 1 2011. The amendments were issued with the intent of improving the understanding of financial asset transfer transactions, including the understanding of the possible effects of any risk remaining in the company that transferred such assets. The amendments also require greater information if an unusual amount of such transactions are entered into at the end of an accounting period. As of the date of these financial statements these amendments had not yet been endorsed by the European Union.
- IFRS 1- *First time Adoption of International Financial Reporting Standards(IFRS)*- the amendment published on December 20 2010 aimed to eliminate references to the date of January 1 2004 which was described as the date of transition to IFRS and to give a guide as to the presentation of financial statements in accordance with IFRS after a period of hyperinflation. These amendments are applicable as from July 1 2011 but as of the date of these financial statements they had not yet been endorsed by the European Union.
- IAS 12 – *Income taxes* – the amendment issued on December 20 2010 requires businesses to measure the deferred taxes resulting from a functioning asset according to the way in which the carrying value of this asset will be recovered (through continuing use or through a sale). Following this amendment SIC-21 – Income taxes – Recoverability of a non-depreciable asset at revaluation will no longer be applicable. This amendment is applicable from January 1 2012. As of the date of these financial statements these amendments had not yet been endorsed by the European Union.

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

NOTES ON THE BALANCE SHEET

7. NON-CURRENT ASSETS

7.a. INTANGIBLE ASSETS

2009	*Starting position*			*Changes in the period*							*Closing position*		
(in thousands of euro)	*Historical cost*	*Accum. amort. & writedowns*	*Balance 31.12.2008*	*Acquisitions*	*Combinations sales of businesses increases*	*Combinations sales of businesses decreases*	*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2009*
Start-up and expansion costs	75	(72)	3	2	--	--	--	(2)	--	(3)	72	(72)	--
Capitalized development costs													
- purchased	--	--	--	--	--	--	--	--	--	--	--	--	--
- produced internally	56,044	(34,067)	21,977	6,576	--	--	1,150	2,787	(11)	(7,280)	67,667	(42,468)	25,199
Industrial patents & intellectual property rights	11,084	(8,877)	2,207	27	--	(2)	(3)	192	(10)	(443)	11,608	(9,640)	1,968
Concessions, licenses, trademarks & other rights	79,484	(63,472)	16,012	12,131	52	(47)	(18)	7,972	(7)	(9,188)	86,761	(59,854)	26,907
Titles and trademarks	400,245	--	400,245	--	--	--	--	--	--	--	400,245	--	400,245
Frequencies	218,502	--	218,502	399	--	--	--	--		--	218,901	--	218,901
Goodwill	643,627	(54,693)	588,934	29,307	1,537	--	--	7	(73)	--	674,405	(54,693)	619,712
Assets in process & advance payments													
- purchased	7,658	--	7,658	7,270	13,477	--	13	(7,497)	(323)	(5,312)	20,598	(5,312)	15,286
- produced internally	4,336	(7)	4,329	2,403	--	--	(31)	(3,387)	--	--	3,321	(7)	3,314
Other	11,755	(7,123)	4,632	1,011	562	(11)	81	(117)	--	(787)	13,820	(8,449)	5,371
Total	1,432,810	(168,311)	1,264,499	59,126	15,628	(60)	1,192	(45)	(424)	(23,013)	1,497,398	(180,495)	1,316,903

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

Intangible assets rose from € 1,316,903 thousand at December 31 2009 to € 1,391,359 thousand at December 31 2010.

AMORTIZATION RATES

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

GOODWILL, TRADEMARKS AND OTHER ASSETS WITH AN INDEFINITE USEFUL LIFE

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

Titles and trademarks:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
la Repubblica	229,952	229,952
Il Piccolo / Messaggero Veneto	104,527	104,527
Local newspapers	61,222	61,222
Other titles and trademarks	4,544	4,544
Total	400,245	400,245

Frequencies:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Radio frequencies	80,618	80,618
Television frequencies	138,283	138,283
Total	218,901	218,901

Goodwill:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Utilities sector (Sorgenia group)	267,262	261,990
Media sector (Editoriale L'Espresso group)	140,038	140,038
Healthcare sector (Kos group)	164,239	121,607
Automotive sector (Sogefi group)	96,077	96,077
Total	667,616	619,712

In detail, goodwill was allocated to the cash-generating units ("CGUs") identified according to the operating sectors of the Group. The chart above shows the allocation of goodwill by operating sector of the Group.
For the purposes of testing for impairment goodwill and other intangible assets with an indefinite useful life, the estimated recoverable value of each cash generating unit, defined in accordance with the terms of IAS 36, was based on value in use, i.e. fair value less costs to sell.

Value in use was calculated by discounting to present value future cash flows generated by the unit in the production phase and at the time of its decommissioning at an appropriate discount rate (discounted cash flow method). More specifically, in accordance with what is required by international accounting standards, for checking the value cash flows were considered without taking into account the inflows and outflows generated by financial management or any cash flows relat-

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

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

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

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

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

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

Below is a description of the tests carried out.

Media sector
The impairment test on the media sector, which coincides with the Espresso Group consolidation area, was applied to intangible assets with an indefinite useful life, i.e. the titles and trademarks, the balance sheet value of which is approximately € 400.2 million, the radio and television frequencies, recognized in the balance sheet at approximately € 218.9 million, and the goodwill allocated to the sector for a total of approximately € 140.0 million. This goodwill represents the higher value of acquisition costs compared to the Group's share of the relative assets and liabilities, measured at fair value.

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

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

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

- the *Discounted Cash Flow model*, discounting the breakdown of the expected cash flows over the time frame of the business plans (2011-2015) and determining terminal value.
  The discount rate used was the average cost of invested capital (*WACC pre-tax*) of the Espresso Group which was 10% (9.1% in 2009).

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

To determine economic results and operating cash flows of the individual CGUs of the Group, reference was made to the business plans for the period 2011-2015 prepared by management on the basis of reasonable hypotheses in line with past evidence. These plans represent the best estimate of the economic conditions likely to exist in the period under consideration. The first year of the plans corresponds to the latest budget prepared for 2011, approved by the Board of Directors on January 19 2011.
Moreover, the current situation of uncertainty in the short and medium term scenario led management to reconsider carefully the expected growth rate of revenues and margins.
Regarding advertising revenues in particular, overall stability was assumed for 2011 in the amount of advertising in a market for which the main operators in the sector are still forecasting a slight decline. This is because of the improvement of commercial efficiency. As for radio and the internet, growth was assumed of 3% and of 15% respectively, in line with the expected evolution of the sector.
As for circulation revenues, the business plan 2011-2015 assumes a trend for sales of the various titles in line with the trend seen over the last two years, bearing in mind the specific market conditions in which each newspaper operates, especially at local level.
It should also be noted that to determine *terminal value* a growth rate of zero was used prudentially.

For those *cash generating units* which show a value of the titles and/or frequencies and/or goodwill that is significant for the purposes of the consolidated financial statements of the Group and for which the results of the *impairment test* indicate a positive difference between *fair value less costs to sell* and/or value in use compared to carrying value that is below 50%, a sensitivity analysis was also carried out on the results with changes in the basic assumptions, showing which combination of variables would make the recoverable value of the CGUs equal to their carrying amount.
For the publishing CGUs this analysis for the "Messaggero Veneto" and "Il Piccolo" CGUs gave the following results:

- For the "Messaggero Veneto" CGU, value in use would appear to be equal to the carrying amount assuming a decline in advertising of 4% and a decline of 6% in the number of copies sold. Alternatively, assuming that the projected circulation and advertising revenues contained in the plan 2011-2015 are correct, value in use would be equal to the carrying amount if the discount rate (*WACC pre-tax*) were 14.2% instead of the 10% currently used;
- For the "Il Piccolo" CGU, value in use would be equal to the carrying amount assuming a decline of 1% in the amount of advertising collected and a fall of 4.5% in the number of copies sold. Alternatively, assuming that the assumptions about the trend of circulation and advertising revenues contained in the plan for 2011-2015 are valid, value in use would be equal to the carrying amount if we assume a discount rate for the expected cash flows (*WACC pre-tax*) of 12.5% instead of the 10% currently used.

Furthermore, for the radio and television cash generating units it should be noted that in the determination of *fair value less costs to sell* for the radio frequencies the price range used was between 1.5 and 3 times the number of inhabitants reachable by the FM signals of the *Radio Deejay, Radio Capital* and *m2o* CGUs, while for the television frequencies a price range of between 3.4 and 3.8 times was used. In the latter case, the fair value of the "Rete A-All Music" CGU would be equal to its carrying amount with an average price multiplier 2.11 times the number of inhabitants reachable by the signal. Given the scarcity of recent transactions in Italy involving television frequencies, the value in use of the television frequencies was also calculated and this confirmed the recoverability of the values recognized in the balance sheet. To do this a rise in revenues was assumed from the rent of bandwidth relating to the changeover from analogue to digital terrestrial technology in line with the national switch-over plan.

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

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

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

Automotive sector
Goodwill allocated to the automotive sector, which coincides with the consolidation of the Sogefi Group, is equal to approximately € 96.1 million.
For the purposes of the impairment test the group identified four CGUs to which the goodwill from acquisitions was allocated:
- filters
- car suspension components
- industrial vehicle suspension components
- precision springs.

In particular, the goodwill of the Filter Division totals approximately € 77 million, while that of the Car Suspension Components Division is approximately € 17 million.
A test was carried out to check for any impairment of goodwill by comparing the carrying value of the individual CGUs with their respective value in use.
The Unlevered Discounted Cash Flow method was used, based on projections made in the budgets/multiyear business plans for the period 2011-2014, approved by management and on a discount rate of 8.3% (8% in 2009) based on the weighted average cost of capital after tax.
Lastly, terminal value was calculated using the perpetuity formula, assuming a growth rate of 2% and an operating cash flow based on the last year of the multiyear business plan (2014), adjusted to project a stable situation into perpetuity, using the following main assumptions:
- an overall balance between investments and amortization (considering a level of investment necessary to "maintain" the business);
- a zero change in working capital (assuming the improvements obtainable from the program of reducing working capital in which the group is engaged as substantially finished in the medium term).

The average cost of capital is the result of the weighted cost of debt (calculated as the benchmark rate plus a spread) and of the cost of the company's own capital, calculated on the basis of parameters for a group of companies operating in the European automotive components sector considered to be the peers of Sogefi by the main financial analysts who follow this business sector.
The values used in the calculation of the average cost of capital (extrapolated from the main financial sources) are the following:
- Financial structure of the sector: 27.7%
- Unlevered beta of the sector: 1.07
- Risk free interest rate: 2.9%
- Risk premium: 5%
- Spread: 1%

Sensitivity analyses were then carried out on two of the above variables assuming a zero growth rate and rise of two percentage points in the calculation of the average cost of capital. In none of the projected scenarios did the need for any write-down emerge.
The test carried out on the present value of projected cash flows would justify a higher level of goodwill than that recorded in this balance sheet and therefore no write-down was contemplated.
The results obtained from the analyses carried out through the determination of value in use were amply confirmed by the fair value – expressed in Sogefi's stock prices at December 31 2010 – of the assets held by the Group in the automotive sector. These values are in fact much higher than the carrying amounts in the financial statements.

Utilities sector
The goodwill allocated to the utilities sector amounts to approximately € 267.3 million, of which € 175.5 million refers to the “Renewables” CGU while approximately € 90 million refers to the Thermal CGU. This goodwill represents the higher value of acquisition costs compared to the Group’s share of the assets and liabilities acquired, measured at fair value.

The measurement of the goodwill allocated on the acquisitions made by the Sorgenia Group, for the purposes of the impairment test, is based on the cash flows of the cash generating units. These flows were discounted to present value using the current weighted average cost of capital after tax (*WACC after-tax*) as the discount rate and analysing in detail existing plants and projecting a time horizon for building new plants based on the state of advancement of the works on projects in progress and, more in general, on the time needed to complete the authorization processes.
The main assumptions used to calculate value in use are the discount rate, the expected useful life of the plants, expectations regarding the performance of investments, revenues and operating costs during the period taken for the calculation and the terminal value of the plants after their initial useful life.
Projected operating cash flows were taken from the Business Plan of the group. More specifically, the operating cash flows were calculated for the whole of the remaining useful life of the wind farms, which is estimated at 25 years.
The parameters used to carry out the impairment test are different in the various business sectors considered and in the different geographical areas of operation. The WACC applied, net of tax, took into account the specific nature of the various initiatives included in the CGUs identified. Specifically for the “Renewables” CGU the WACC varies from a minimum of 4.9% for the Solar businesses, to 8.9% for the Wind Romania initiatives, while for the Thermal CGU the WACC applied, net of tax, varies from 5.79% to 6.1%.

Investments for the construction of new wind parks were considered in line with those of the Business Plan. The trend of revenues and direct costs was based on specific assumptions regarding the amount of electricity produceable by existing plants and plants to be built as per the same Plan and were based on reasonable assumptions about electricity prices in line with the regulatory environment and the energy scenario of the Sorgenia Group.
The comparison between value in use calculated as described above and the carrying amount in the balance sheet at December 31 2010 did not reveal any loss of value.
Sensitivity analyses were carried out on the results obtained, assuming a change of +/-0.5% in the calculation of the average cost of capital.
The check carried out on the present value of expected cash flows justified a considerably higher level of goodwill than that recorded in the accounts and thus did not reveal any problematic situations but confirmed the results of the impairment test.

Healthcare sector
The goodwill allocated to the healthcare sector, which corresponds to the consolidation area of the KOS Group, amounts to approximately € 164.2 million. The Group allocated all of the goodwill to a single CGU “Healthcare” and then, from the analyses carried out for the purpose of the impairment test, identified specific CGUs according to the management logic adopted by the KOS sub-holding. In order to check for any impairment of the value of goodwill and other fixed assets recorded in the balance sheet, the value in use was calculated of the cash generating units to which the goodwill was allocated at KOS sub-holding level.

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

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

Given that the group operates, as already explained, in four different operating sectors (nursing homes for the elderly (RSAs), rehabilitation, acute medicine and hi-tech services), the CGUs and the groups of CGUs identified by management are as follows:
- In the "RSA" sector CGUs were identified, at a first level, in the individual care-homes, mainly identified by the brand "Anni Azzurri". They were then grouped together, at a second level, by region. The third level of grouping included the whole operating sector;
- The "rehabilitation" sector includes two subgroups: Redancia (psychiatric rehabilitation) and IRSS (Functional rehabilitation identified mainly by the brand "S. Stefano Riabilitazione"). The CGUs were identified, at the first level, as the individual facilities (in "IRSS", one of the CGUs consists of the out-patient centres/day hospitals); subsequently, the individual CGUs are grouped together, at a second level, by region; the third level of grouping includes all the clinics of the same subgroup (Redancia or IRSS). The Sanatrix group, which was recently acquired, constitutes a single first level CGU; although Sanatrix's business relates to several business sectors (the elderly, rehabilitation and acute), because of the way in which the operation is controlled, it is classified by management as belonging to the "Rehabilitation " sector and thus follows the second and third level of grouping in the test on "IRSS";
- In the "acute medicine" sector, the only CGU identified is the company Ospedale di Suzzara;
- In the sector "hi-tech services" (brand: Medipass) a first level grouping consists of the individual contracts outstanding (9) and of the Giordani group (also recently acquired) which consists of a single CGU despite being formed of three legal entities; the third level of grouping includes the whole operating sector.

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

(in thousands of euro)	*31.12.2010*	*%*
Goodwill allocated by KOS sub-holding		
RSAs	80,566	49
Rehabilitation	69,390	42
Hi-tech services	13,341	8
Acute	--	--
Further goodwill allocated to *Healthcare* CGU	942	1
Total	164,239	100

In developing the impairment test the KOS group used the latest budget forecasts relating to the economic and financial trend forecast for the period 2011-2015 (as described in the paragraph on the use of estimates), assuming that the situations take place and the targets are reached. In calculating the projections, management made various hypotheses based on past experience and expectations regarding the development of the operating sectors in which the group is present.

To calculate terminal value a growth rate (*g rate*) of 1.5% was used (1% in 2009) which is close to the inflation rate even though there are some estimates of a growth rate for the sector that are above inflation.

The discount rate used reflects the current market valuations of the cost of money and takes into account the specific risks of the business. This rate, net of taxes (WACC after-tax), was 6.9% (6.8% in 2009).

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

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

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

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

7.b. TANGIBLE ASSETS

2009	Opening position			Changes in the period								Closing position		
	Historical cost	Accum. deprec. & writedowns	Balance 31.12.2008	Acquisitions	Combinations sales of businesses		Capitalized financial expense	Exchange rate differences	Other changes	Net disposals cost	Depreciation & writedowns	Historical cost	Accum. deprec. & writedowns	Balance 31.12.2009
(in thousands of euro)					increases	decreases								
Land	54,495	--	54,495	1,618	--	(16)	--	246	3,245	(2,690)	--	56,898	--	56,898
Buildings used for business	343,792	(109,820)	233,972	6,714	8,213	(347)	560	2,035	23,219	(923)	(11,403)	384,242	(122,202)	262,040
Plant and machinery	1,564,354	(772,990)	791,364	43,735	286	(351)	26,133	4,567	490,387	(3,391)	(86,137)	2,071,740	(805,147)	1,266,593
Industrial & commercial equipment	106,603	(80,607)	25,996	2,568	48	(3)	--	246	2,077	(193)	(6,106)	110,861	(86,228)	24,633
Other assets	231,874	(164,257)	67,617	10,232	167	(249)	--	32	4,451	(299)	(16,719)	237,444	(172,212)	65,232
Assets under construction & adv. payments	618,852	(2,311)	616,541	446,439	168	(2)	(12,344)	1,019	(535,942)	(1,205)	(2,701)	516,985	(5,012)	511,973
Total	2,919,970	(1,129,985)	1,789,985	511,306	8,882	(968)	14,349	8,145	(12,563)	(8,701)	(123,066)	3,378,170	(1,190,801)	2,187,369

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

ALIQUOTE DI AMMORTAMENTO

Descrizione	*%*
Fabbricati strumentali	3.00%
Impianti e macchinari	10,00-25,00%
Altri beni:	
- Macchine elettroniche d'ufficio	20,00%
- Mobili e dotazioni	12,00%
- Automezzi	25,00%

7.c. INVESTMENT PROPERTY

2009	*Opening position*			*Changes in the period*								*Closing position*		
	Historical cost	*Accum. deprec. & writedowns*	*Net balance 31.12.2008*	*Acquisitions*	*Combinations sales of businesses*		*Capitalized financial expense*	*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Depreciation & writedowns*	*Historical cost*	*Accum. depreciation & writedowns*	*Balance 31.12.2009*
(in thousands of euro)					*increases*	*decreases*								
Properties	20,299	(1,612)	18,687	--	--	--	--	--	--	--	(572)	20,299	(2,184)	18,115
Total	20,299	(1,612)	18,687	--	--	--	--	--	--	--	(572)	20,299	(2,184)	18,115

2010	*Opening position*			*Changes in the period*								*Closing position*		
	Historical cost	*Accum. deprec. & writedowns*	*Net balance 31.12.2009*	*Acquisitions*	*Combinations sales of businesses*		*Capitalized financial expense*	*Exchange rate differences*	*Other changes*	*Net disposals cost*	*Depreciation & writedowns*	*Historical cost*	*Accum. depreciation & writedowns*	*Balance 31.12.2010*
(in thousands of euro)					*increases*	*decreases*								
Properties	20,299	(2,184)	18,115	368	5,341	--	--	--	746	--	(680)	28,211	(4,321)	23,890
Total	20,299	(2,184)	18,115	368	5,341	--	--	--	746	--	(680)	28,211	(4,321)	23,890

Investment property rose from € 18,115 thousand at December 31 2009 to € 23,890 thousand at December 31 2010. The market value is significantly higher than the carrying value

ALIQUOTE DI AMMORTAMENTO

Descrizione	*%*
Fabbricati	3.00%

LEASING

The position of assets under leasing as of December 31 2010 and of restrictions applied to tangible assets on account of guarantees and commitments is as follows:

(in thousands of euro)	*Gross leasing amount*		*Accrued depreciation*		*Restrictions for guarantees and commitments*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*
Land	1,287	2,515		--	3,139	3,139
Buildings	60,280	58,901	9,599	7,475	122,156	68,471
Plant and machinery	19,933	34,992	2,362	21,234	541,397	584,601
Other assets	2,564	2,521	2,094	1,652	1,656	1,132
Assets under constr. & advance payments		--	--	--	--	10,851

7.d. INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY

(in thousands of euro)

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

(in thousands of euro)

2010	*%*	*Balance 31.12.2009*	*Increases*	*Decreases*	*Dividends*	*Pro-rata share of result*		*Other changes*	*Balance 31.12.2010*
						Loss	*Income*		
Tirreno Power S.p.A.	39.00	235,844	2,349	--	--	--	37,262	--	275,455
Le Scienze S.p.A.	50.00	358	--	--	(284)	--	273	--	347
Editoriale Libertà S.p.A.	35.00	24,207	--	--	(350)	--	631	--	24,488
Editoriale Corriere di Romagna S.r.l.	49.00	2,992	--	--	--	(3)	--	--	2,989
Altrimedia S.p.A.	35.00	757	--	--	(105)	--	126	--	778
Premium Publisher Network Consorzio	--	20	--	--	--	--	--	(20)	--
Allevard Ressorts Composites S.a.s.	--	101	--	(101)	--	--	--	--	--
KTP Global Finance S.C.A.	47.54	--	--	--	--	--	--	--	--
Resource Energy B.V.	--	156	--	(156)	--	--	--	--	--
GICA S.A.	25.00	484	165	--	--	(226)	--		423
Fin Gas S.r.l.	50.00	7,644	300	--	--	(159)	--		7,785
Parc Éolien d'Epense S.a.s.	24.99	2,279	--	(130)	--	(65)	--		2,084
Parc Éolien de la Voie Sacrée S.a.s.	24.86	43	116	--	--	--	--	--	159
Saponis Investments SP Zoo	26.76	1,014	2,307	--	--	(104)	--	--	3,217
PAF Agricola S.r.l.	50.00	--	205	--	--	(27)	--	--	178
Volterra A.E.	50.00	--	1,757	--	--	(191)	--	--	1,566
Total		275.899	7.199	(387)	(739)	(775)	38.292	(20)	319.469

7.e. OTHER EQUITY INVESTMENTS

(in thousands of euro)	*%*	*31.12.2010*	*31.12.2009*
Ansa S. Coop. A.R.L.	18.48	2,209	2,209
Tecnoparco Valbasento	20.00	516	516
Emittenti Titoli S.p.A.	5.44	132	132
Sanatrix S.r.l.	--	--	5,105
Fidia S.r.l.	--	--	104
Others	--	2,184	1,563
Total		5,041	9,629

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

7.f. OTHER RECEIVABLES

The item "Other receivables" at December 31 2010 had a balance of € 179,082 thousand, down from € 207,899 thousand at December 31 2009.
At December 31 2010 the item included € 111,455 thousand (€ 126,660 thousand at December 31 2009) of receivables (unsecured and mortgage-based) of the securitization companies Zeus Finance S.r.l. and Urania Finance S.A., € 20,211 thousand (€ 12,892 thousand at December 31 2009) of tax credits with Inland Revenue in relation to CO2 rights that the Sorgenia group should have been assigned. Since the national plan for assignation of CO2 rights for this year did not have enough capacity, for the new plants that started operating in 2010 it was not possible to credit the rights to their accounts. Therefore, in order not to create disparity of treatment between the various market operators and following a resolution by the electricity market watchdog, these operators were given a tax credit equal to the value of the CO2 rights not assigned. Since the procedures for using or obtaining repayment of this credit are not yet known, it was accounted for under non-current receivables. This item also includes € 16,345 thousand (€ 16,787 thousand at December 31 2009) of security deposits made as guarantees to suppliers of the wind plant equipment and as deposits paid to the GSE and electricity and natural gas distributors.

7.g. SECURITIES

"Securities" amounted to € 100,772 thousand at December 31 2010, up from € 83,051 thousand at December 31 2009 and refer mainly to investments in private equity funds. These funds were measured at fair value recognizing to the fair value reserve an amount, net of tax, of € 15,493 thousand (€ 6,619 thousand at December 31 2009). At December 31 2010 the remaining commitment for investment in private equity funds stood at € 25 million.

7.h. DEFERRED TAXES

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

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

(in thousands of euro)	*2010*		*2009*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Temporary difference liabilities from:				
- write-down of current assets	152,193	48,907	126,013	39,629
- write-down of fixed assets	67,982	21,640	56,511	18,289
- revaluation of current liabilities	40,268	12,441	27,127	8,730
- revaluation of personnel provisions	39,327	11,926	31,510	9,837
- revaluation of provisions for risks and losses	51,446	15,896	82,948	24,933
- revaluation of long-term debt	40	13	406	130
- write-down of financial instruments	50,162	16,837	35,851	11,625
- tax losses from prior periods	293,689	90,725	235,621	75,776
Total deferred tax assets	**695,107**	**218,385**	**595,987**	**188,949**

Temporary difference assets from:				
- revaluation of current assets	3,265	886	3,500	1,115
- revaluation of fixed assets	532,349	170,147	518,739	163,586
- write-down of current liabilities	16,571	5,163	3,646	1,171
- valuation of personnel provisions	22,454	6,321	23,815	6,846
- write-down of provisions for risks and losses	1,226	357	895	774
- revaluation of financial instruments	30,983	10,354	25,476	8,497
Total deferred tax liabilities	**606,848**	**193,228**	**576,071**	**181,489**
Net deferred taxes		**25,157**		**7,460**

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

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

2010 (in thousands of euro)	*Balance at 31.12.2009*	*Use of deferred taxes from prior periods*	*Deferred taxes arising in period*	*Exch. rate differences*	*Other changes*	*Balance at 31.12.2010*
Deferred tax assets:						
- income statement	184,022	(26,031)	54,582	--	(506)	212,067
- shareholders' equity	4,927	(588)	508	341	1,130	6,318
Deferred tax liabilities:						
- income statement	(180,882)	5,704	(7,056)	--	1,261	(180,973)
- shareholders' equity	(607)	298	(5,065)	(775)	(6,106)	(12,255)
Net deferred taxes	7,460					25,157

2009 *(in thousands of euro)*	*Balance at 31.12.2008*	*Use of deferred taxes from prior periods*	*Deferred taxes arising in period*	*Exch. rate differences*	*Balance at 31.12.2009*
Deferred tax assets:					
- income statement	114,310	(13,457)	82,501	668	184,022
- shareholders' equity	3,791	(2,113)	3,249	--	4,927
Deferred tax liabilities:					
- income statement	(174,916)	11,621	(16,286)	(1,301)	(180,882)
- shareholders' equity	13	(13)	(607)	--	(607)
Net deferred taxes	(56,802)	(3,962)	68,857	(633)	7,460

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

8. CURRENT ASSETS

8.a. INVENTORIES

Inventories can be broken down as follows:

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

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

8.b. TRADE RECEIVABLES

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

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

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

8.c. OTHER RECEIVABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Receivables – associated companies	1,371	1,727
Tax receivables	114,154	139,550
Receivables - others	62,135	59,350
Total	177,660	200,627

8.d. FINANCIAL RECEIVABLES

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

8.e. SECURITIES

This item consists of the following categories of securities:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Italian Government securities or equivalent securities	10,233	4,010
Investments funds or similar funds	33,364	20,218
Bonds and notes	60,675	131,578
Certificates of deposit and miscellaneous securities	112,280	122,742
Total	216,552	278,548

The measurement at fair value of the item "Securities" involved a negative adjustment to the income statement of € 4.7 million.

8.f. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This item totals € 144,244 thousand and refers for € 84,047 thousand to shares in hedge funds and redeemable shares in asset management companies held by CIR International S.A.. The degree of liquidity of the investment is a function of the time required for the redemption of the funds, which normally varies from one to three months.
The fair value measurement of these funds involved a total value adjustment of € 15,049 thousand (€ 13,256 thousand at December 31 2009). The item also includes € 60,197 thousand of government securities and bonds held by the Espresso group. The effects of the change in these bonds on

CIR's equity for the part pertaining to the group and net of tax amounted to a negative € 240 million.

8.g. CASH AND CASH EQUIVALENTS

Cash and cash equivalents rose from € 549,321 thousand at December 31 2009 to € 593,081 thousand at December 31 2010.
A breakdown of the change during the period is given in the cash flow statement.

8.h. ASSETS HELD FOR DISPOSAL

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

9. EQUITY

9.a. SHARE CAPITAL

The share capital stood at € 396,058,633.50 at December 31 2010, unchanged from December 31 2009 and consisted of 792,117,267 shares each with a nominal value of € 0.50.
At December 31 2010 the Company owned 43,074,000 of its own shares (5.44% of capital) for a total value of € 98,657 thousand, unchanged from December 31 2009.
In application of IAS 32, as from January 1 2005 the treasury stock held by the Parent Company is being deducted from shareholders' equity.

The share capital is fully subscribed and paid up. No shares carry any rights, privileges or restrictions on the distribution of dividends, except for the own shares held a treasury stock.

It should be noted that Board of Directors was given the power for a period of five years starting from April 30 2009 to increase the share capital either in one or several tranches up to a maximum of € 500 million (nominal value) and for a further maximum of € 20 million (nominal value) in favour of employees of the Company and its subsidiaries and parent companies.

Regarding stock option plans, at December 31 2010 there were 43,660,300 options in circulation, corresponding to the same number of shares.
The total notional cost of the stock options assigned to employees, which was posted to a special equity reserve, totalled € 4,336 thousand at December 31 2010.

9.b. RESERVES

The evolution and breakdown of the item "Reserves" is given below:

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Fair value reserve*	*Translation reserve*	*Reserve for treasury stock held*	*Stock option reserve*	*Other reserves*	*Total reserves*
Balance at December 31 2008	33,602	115,969	38,003	(18,409)	21,487	12,699	104,505	307,856
Capital increases	528	--	--	--	--	--	--	528
Dividends unclaimed as per Art. 23 of the Bylaws	--	--	--	--	--	--	14	14
Fair value measurement of hedging instruments	--	--	(285)	--	--	--	--	(285)
Fair value measurement of securities	--	--	7,668	--	--	--	--	7,668
Securities fair value reserve recognized to income statement	--	--	(38,918)	--	--	--	--	(38,918)
Adjustment for own share transactions	--	--	--	--	50	--	--	50
Recognition of notional cost of stock options	--	--	--	--	--	5,455	--	5,455
Effects of equity changes in subsidiaries	--	--	9,204	3	--	--	(7,845)	1,362
Currency translation differences	--	--	(1,248)	13,501	--	--	--	12,253
Balance at December 31 2009	34,130	115,969	14,424	(4,905)	21,537	18,154	96,674	295,983
Capital increases	--	--	--	--	--	--	--	--
Dividends unclaimed as per Art. 23 of the Bylaws	--	--	--	--	--	--	15	15
Fair value measurement of hedging instruments	--	--	5,017	--	--	--	--	5,017
Fair value measurement of securities	--	--	11,240	--	--	--	--	11,240
Securities fair value reserve recognized to income statement	--	--	(897)	--	--	--	--	(897)
Adjustment for own share transactions	--	--	--	--	--	--	--	--
Movements between reserves	--	--	--	--	--	(7,483)	--	(7,483)
Recognition of notional cost of stock options	--	--	--	--	--	4,336	--	4,336
Effects of equity changes in subsidiaries	--	--	(125)	3	--	--	7,806	7,684
Currency translation differences	--	--	88	5,940	--	--	--	6,028
Balance at December 31 2010	34,130	115,969	29,747	1,038	21,537	15,007	104,495	321,923

The "Fair value reserve" stood at € 29,747 thousand at December 31 2010 net of tax and referred for the positive amounts of € 15,493 thousand to the valuation of "Securities" in item 7.g. and for € 14,808 thousand to the valuation of "Available-for-sale financial assets" in item 8.f. and to the negative change of € 554 thousand from the valuation of hedging instruments.

The “Translation reserve” had a balance of € 1,038 thousand at December 31 2010 with the following breakdown:

(in thousands of euro)	*31.12.2009*	*Increases*	*Decreases*	*31.12.2010*
Sogefi group	(1,462)	6,130		4,668
CIR Ventures	(3,166)	809		(2,357)
CIR International	--	--	(1,363)	(1,363)
Sorgenia	(369)	367		(2)
Others	92	--	--	92
Total	(4,905)	7,306	(1,363)	1,038

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

(in thousands of euro)	
Reserve for capital increases	3
Statutory Reserve	118
Reserve as per Art. 6 of D.Lgs no. 38 of 28/02/2005	(74)
Reserve for the difference between the carrying values of investee companies and the respective portions of consolidated shareholders’ equity	104,448
Total	104,495

The changes in treasury stock during the year were as follows:

(in thousands of euro)	*Number of shares*	*Value*
Balance at December 31 2009	43,074,000	98,657
Increases	--	--
Balance at December 31 2010	43,074,000	98,657

9.c. RETAINED EARNINGS (LOSSES)

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

10. NON-CURRENT LIABILITIES

10.a. BONDS AND NOTES

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

(in thousands of euro)	*Effective rate*	*31.12.2010*	*31.12.2009*
Gruppo Editoriale L'Espresso S.p.A. 5.125% Note 2004/2014	4.82%	278,015	291,720
CIR S.p.A. 5.75% Note 2004/2024	5.87%	268,146	266,911
Société Française d'Eoliennes (SFE) 6.5% Note 2006/2016	7.50%	1,294	2,070
CIR International S.A. 6.375% Note 2003/2011	--	--	157,561
Total		547,455	718,262

In application of IAS 32 and 39, at January 1 2005 the original values of bond and note issues were written down to account for expenses incurred and bond issuance discounts.

At December 31 2010 CIR International was holding a nominal € 30,000 thousand (unchanged from December 31 2009) of the CIR 5.75% Note issue 2004/2024.

The CIR International S.A. 6.375% 2003/2011 note was classified in current liabilities under item 11.a Bonds and Notes.

10.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Collateralized bank loans	138,154	128,316
Other bank loans	1,856,814	1,547,810
Leasing	85,868	80,210
Other borrowings	90,280	87,023
Total	2,171,116	1,843,359

The item "Other bank loans" consists mainly of the following:

- € 452,000 thousand lent to Sorgenia Power by Banca Monte dei Paschi di Siena at a floating rate and maturity 2019, the interest rate being Euribor 3/6M + spread;
- € 287,500 thousand lent to Sorgenia by Intesa Sanpaolo at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;
- € 100,000 thousand lent to Sorgenia by Intesa Sanpaolo at a floating rate and maturity 2014, the interest rate being Euribor 3/6M + spread;
- € 295,000 thousand lent to Sorgenia by Banca Monte dei Paschi di Siena at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;
- € 178,000 thousand lent to Sorgenia Power by Banca Monte dei Paschi di Siena at a floating rate and maturity 2019, the interest rate being Euribor 3/6M + spread;

- € 244,282 thousand lent to Sorgenia Puglia S.p.A. by Banca Monte dei Paschi di Siena at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;

- € 59,665 thousand lent to Soluxia Sarda II S.r.l. and Sorgenia Solar Power S.r.l. by Banca Monte dei Paschi di Siena at a floating rate and maturity 2028, the interest rate being Euribor 3/6M + spread;

- € 13,000 thousand lent to Sorgenia Idro S.r.l. by Banca Popolare di Milano at a floating rate and maturity 2015, the interest rate being Euribor 3/6M + spread;

- € 39,732 thousand lent to Société Française d'Eoliennes by Banco Sabadell at a floating rate and maturity 2021, the interest rate being Euribor 3/6M + spread;

- € 19,305 thousand as partial drawdown of a loan agreement of € 50,000 thousand, signed by Sogefi S.p.A. with maturity 2013 at a floating rate, the interest rate being Euribor 3/6M + spread;

- € 44,044 thousand as partial drawdown of a loan agreement of € 100,000 thousand, signed by Sogefi S.p.A. with maturity 2013 at a floating rate, the interest rate being Euribor 3/6M + spread;

- € 69,702 thousand as partial drawdown of a syndicated loan agreement signed by Sogefi S.p.A. with maturity 2013, for a total amount of € 160,000 thousand with banks lead-managed by ING Bank N.V. and Intesa Sanpaolo S.p.A., the interest rate being Euribor 3/6M + spread.

10.c. PERSONNEL PROVISIONS

The detail of this item is the following:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Employee leaving indemnity (TFR)	92,070	105,494
Retirement funds and similar obligations	32,273	31,852
Total	124,343	137,346

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Opening balance	137,346	147,482
Provisions made for work done during the period	23,484	21,705
Increases for interest	6,153	6,230
Actuarial income or expense	39	(111)
Benefits paid out	(24,367)	(19,582)
Increases or decreases due to changes in consolidation area	(1,267)	(237)
Other changes	(17,045)	(18,141)
Closing balance	124,343	137,346

TFR and Defined Benefit Provision

Annual technical discount rate	4.0% - 4.75%
Annual inflation rate	2%
Annual rate of pay increases	0.5% - 3%
Annual rate of TFR increase	3%
Annual probability of making advance payouts	2% - 3%
Voluntary resignation rate	3% - 10% of staff

Pension funds

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

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

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

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

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

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

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

11. **CURRENT LIABILITIES**

11.a. BONDS AND NOTES

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

11.b. OTHER BORROWINGS

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Collateralized bank loans	25,850	22,481
Other bank loans	45,058	68,735
Finance leases	11,173	10,127
Other borrowings	387,413	31,156
Total	469,494	132,499

The item “Other borrowings” includes the fair value measurement, for the Sorgenia group, of hedging derivatives and those entered into for hedging purposes for an amount of € 8,932 thousand and forward purchases and sales of electricity for € 345,175 thousand.

11.c. TRADE PAYABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Payables – subsidiaries and joint ventures	33,525	27,266
Payables – associated companies	1,971	1,383
Payables - suppliers	820,346	796,591
Advance payments	7,502	11,343
Payables in the form of notes	--	4
Total	863,344	836,587

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

11.d. OTHER PAYABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Due to employees	72,423	66,964
Tax payables	50,011	57,891
Social security payables	50,023	47,302
Other payables	61,713	56,021
Total	234,170	228,178

NOTES ON THE INCOME STATEMENT

12. **REVENUES**

BREAKDOWN BY BUSINESS SECTOR

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

BREAKDOWN BY GEOGRAPHICAL AREA

(in millions of euro)

2010	*Total revenues*	*Italy*	*Rest of Europe*	*North America*	*South America*	*Asia*	*Other countries*
Utilities	2,668.5	2,602.1	66.4	--	--	--	--
Media	885.0	885.0	--	--	--	--	--
Automotive components	924.7	71.5	587.8	18.6	219.4	25.4	2.0
Healthcare	325.4	325.4	--	--	--	--	--
Other	1.9	--	1.9	--	--	--	--
Total consolidated revenues	4,805.5	3,884.0	656.1	18.6	219.4	25.4	2.0
Percentages	100.0%	80.8%	13.7%	0.4%	4.6%	0.5%	0.0%

(in millions of euro)

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

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

13. **OPERATING COSTS AND REVENUES**

13.a. COSTS FOR THE PURCHASE OF GOODS

This item rose from € 2,554,020 thousand in 2009 to € 2,911,272 thousand in 2010. The costs include € 282.4 million paid to related parties of which € 275.5 million for transactions outstanding with the affiliate Tirreno Power.

13.b. COSTS FOR SERVICES

This item rose from € 744,104 thousand in 2009 to € 783,580 thousand in 2010, as can be seen from the following breakdown:

(in thousands of euro)	*2010*	*2009*
Technical and professional consulting	148,370	139,973
Distribution and transportation costs	42,478	41,576
Outsourcing	65,884	56,385
Other expenses	526,848	506,170
Total	783,580	744,104

13.c. PERSONNEL COSTS

Personnel costs totalled € 681,680 thousand in 2010 (€ 664,835 thousand in 2009).

The Group had an average of 12,880 employees in 2010 (12,659 in 2009).

(in thousands of euro)	*2010*	*2009*
Salaries and wages	460,788	442,504
Social security contributions	149,448	142,239
Employee leaving indemnity	22,364	21,924
Retirement and similar benefits	1,136	(187)
Valuation of stock option plans	9,668	10,598
Other costs	38,276	47,757
Total	681,680	664,835

13.d. OTHER OPERATING INCOME

This item can be broken down as follows:

(in thousands of euro)	*2010*	*2009*
State grants and contributions	2,907	4,776
Capital gains on disposals	3,668	1,103
Non-recurring gains and other income	98,412	98,438
Total	104,987	104,317

13.e. OTHER OPERATING COSTS

This item can be broken down as follows:

(in thousands euro)	*2010*	*2009*
Write-downs and losses on receivables	61,281	43,467
Provisions made for risks and losses	17,070	20,167
Indirect taxes	27,453	22,757
Restructuring charges	12,022	17,162
Capital losses on disposal of assets	1,115	3,980
Non-recurring losses and other charges	55,327	31,577
Total	174,268	139,110

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

14. FINANCIAL INCOME AND EXPENSE

14.a. FINANCIAL INCOME

This item has the following breakdown:

(in thousands of euro)	*2010*	*2009*
Interest income on bank accounts	3,551	3,698
Interest on securities	8,177	8,539
Other interest income	21,497	22,160
Interest rate derivatives	9,362	2,357
Exchange rate gains	11,230	16,468
Other financial income	301	601
Total	54,118	53,823

14.b. FINANCIAL EXPENSE

This item includes the following:

(in thousands of euro)	*2010*	*2009*
Interest expense on bank accounts	54,632	42,880
Interest expense on bonds	38,746	43,116
Other interest expense	26,257	21,405
Interest rate derivatives	15,414	9,088
Exchange rate losses	13,654	26,442
Other financial expenses	16,318	14,965
Total	165,021	157,896

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

14.c. GAINS FROM TRADING SECURITIES

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

(in thousands of euro)	*2010*	*2009*
Shares and options - subsidiaries	3,868	76,735
Shares and options - associates	146	--
Shares and options - other companies	1,776	7
Other securities and other gains	36,380	74,776
Total	42,170	151,518

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

14.d. LOSSES FROM TRADING SECURITIES

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

(in thousands of euro)	*2010*	*2009*
Shares and options - subsidiaries	365	360
Shares and options - other companies	1,135	1,436
Other securities and other losses	3,771	5,140
Total	5,271	6,936

14.e. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

This item, amounting to € 5,937 thousand, refers essentially for € 4,696 thousand to the fair value measurement of the “Securities” recorded in Current assets.

15. **INCOME TAXES**

Income taxes can be broken down as follows:

(in thousands of euro)	*2010*	*2009*
Current taxes	35,322	50,752
Deferred taxes	(25,767)	(66,441)
Tax expense from prior periods	3,040	11,355
Total	12,586	(4,334)

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

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

(in thousands of euro)	*2010*
Pre-tax income resulting from financial statements	135,972
Theoretical income taxes	38,045
Tax effect of non-deductible costs	11,027
Tax effect of losses of prior periods which generate deferred tax assets in the period	(63,260)
Tax effect of losses of prior periods which did not generate deferred tax assets	(9,076)
Tax effect on interest rate differentials of foreign companies	1,498
Non-taxable grants	--
Other	6,485
Income taxes	(15,281)
Average effective tax rate	(11,2)
Theoretical tax rate	28,0
IRAP and other taxes	24,827
Tax charges from prior periods	3,040
Total taxes from financial statements	12,586

16. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of shares in circulation. The diluted earnings per share is calculated by dividing the net income for the period attributable to ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the capital dilution effects of any options outstanding. The calculation of the shares in circulation does not include own shares held as treasury stock.
The company has only one category of potential ordinary shares, which are those shares resulting from the stock options assigned to employees.
The dilutive effect of the ordinary shares to be issued or assigned in favour of stock options plans on earnings per share is not significant.
To determine the average number of options, the average fair value of the shares for the period under examination (the financial year) was used. The average fair value of CIR ordinary shares in 2010 was € 1.5474 compared to an average fair value of € 1.2073 in 2009.

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

Basic earnings per share

	2010	2009
Net income attributable to the Shareholders (in thousands of euro)	56,850	143,432
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Earnings per share (euro)	**0.0759**	**0.1917**

	2010	2009
Net income from the comprehensive income statement attributable to the Shareholders (in thousands of euro)	79,189	126,407
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Earnings per share (euro)	**0.1057**	**0.1690**

Diluted earnings per share

	2010	2009
Net income attributable to the Shareholders (in thousands of euro)	56,850	143,432
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Weighted average number of options	3,306,530	41,658,983
No. of shares that could have been issued at fair value	(2,486,629)	--
Adjusted weighted average number of shares circulation	749,863,168	748,117,934
Diluted earnings per share (euro)	**0,0758**	**0,1917**

	2010	2009
Net income from the comprehensive income statement attributable to the Shareholders (in thousands of euro)	79,189	126,407
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Weighted average number of options	3,306,530	41,658,983
No. of shares that could have been issued at fair value	(2,436,629)	--
Adjusted weighted average number of shares circulation	749,863,168	748,117,934
Diluted earnings per share (euro)	**0.1056**	**0.1690**

17. **DIVIDENDS PAID OUT**

The Company did not distribute any dividends during the year.

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

The CIR Group operates in different sectors of industry and services both at national and at international level and thus its business is exposed to various kinds of financial risk, including market risk (exchange rate risk and price risk), credit risk, liquidity risk and interest rate risk.
To minimize these risks the Group uses financial derivative instruments for hedging purposes.

Risk management is carried out by the central finance and treasury function on the basis of policies approved by the Management of CIR and transmitted to the subsidiaries on July 25 2003.

Market risk

Foreign currency risk

Operating internationally and buying commodities denominated in USD the Group is subject to the risk that fluctuations in foreign exchange rates may affect the fair value of some of its assets and liabilities. Although the Group produces and sells mainly in the euro area it is subject to exchange rate risk especially in relation to the British pound, the Brazilian real, the US dollar, the Argentine peso, the Chinese renminbi and the Indian rupee.
The Group uses forward contracts to reduce the risk of fluctuations in the EUR/USD exchange rate. As described in the paragraph on Price risk, in some cases it covers its purchase and sales formulae directly and the price of this cover depends on the EUR/USD exchange rate. By fixing its formulae in euro, the exchange rate is indirectly hedged too.
Regarding the exchange rate risk of translating the financial statements of foreign operations, the operating companies generally have a degree of convergence between their sourcing costs and their sales revenues and this kind of risk is also limited by the fact that the companies operate in their local currencies, are active in their own domestic markets and abroad and, in the event of need, can raise funding locally.
In order to show the potential effect in the financial statements of the exposure to exchange rate risk, a sensitivity analysis was carried out, assuming shifts in the exchange rate.
For the purposes of comparison, the results of the analysis at December 31 2009 are also shown.

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

Price risk

Through the activity in the utilities sector of the Sorgenia group, the Group is exposed to the risk of fluctuations in energy commodity prices on the purchase of fuels for its power production plants and on its purchases and sales of gas and electricity (where contracts stipulate specific indexing to baskets of fuels). Moreover since almost all of the commodities in question are priced in US dollars, the Group is also exposed to fluctuations in the EUR/USD exchange rate.
Sorgenia continually monitors this exposure by breaking its contractual formulae down into the underlying risk factors and managing the exposure using a two-stage procedure.
First, taking part in the negotiation of contracts for the purchase of electricity and gas and in the definition of pricing policies enables the Group to verify rates used and thus achieve a high level of natural hedging, minimizing the impact on margins of the factors of uncertainty mentioned above not only at business line level but also at consolidated portfolio level.
Secondly, monitoring net remaining exposure after the action described above.
Sorgenia trades derivative instruments with prime financial institutions in order to minimize counterparty risk. The derivatives in question are traded over the counter (OTC), directly with the counterparties, and are mainly fixed to floating swaps or vice versa for commodity price hedges, and outright forwards for exchange rate hedges.

Since 2008, in view of the greater liquidity in the derivatives markets, in order to reduce basis risk on the hedges as far as possible, the group has been negotiating with its financial counterparties contracts where the underlying is the whole formula for the purchase or sale of natural gas or electricity. These hedges make it possible to eliminate the change in costs and revenues due to the commodity risk factor and the exchange rate risk factor by entering into just one contract.
As from this year these commodity derivative contracts, being entered into exclusively for hedging purposes, are managed according to the rules of hedge accounting as set out in IAS 39. Therefore the effects in terms of profit and loss of the changes in their fair value are recognized directly to a special equity reserve (Cash flow hedge reserve).
Should the effectiveness test show that the hedges have some degree of non-effectiveness, the non-effective part will be recognized immediately to the income statement.
The fair value of derivatives contracts is calculated using market forward prices as of the balance sheet date, when the underlying commodities are traded in markets where there is a forward price structure. Otherwise the fair value is calculated using internal models based on data and information available in the market, supplied by recognized and reliable third party sources.
Regarding the hierarchical form of classification introduced by the recent Amendment to IFRS 7 which is based on three levels according to the method and the input used to determine fair value, it should be pointed out that the financial instruments used for managing commodity risk belong to level 2 of the fair value hierarchy.
The valuation techniques for derivatives outstanding at the end of the year were the same as those adopted last year.
For commodities the maturity of the swap contracts is generally no longer than 18 months.
At December 31 there were no open positions in liquid fuel derivatives; the fair value for this kind of instrument was therefore zero.
There were however open positions in derivatives on price formulae maturing in 2011 and 2012.
In order to measure the exposure to the group to the risk of changes in the prices of commodities and gas and electricity price formulae, a sensitivity analysis was carried out based on the revaluation of the fair value of derivative contracts outstanding at December 31 2010 in the event of shifts in commodity prices.
In order to revalue these financial instruments and quantify the effect on the accounts of shifts in the price curve of liquid fuels, guaranteeing the highest possible degree of accuracy of measurement, the same financial models were used as those used to produce the reports for management showing how exposure is constantly monitored.

The following chart shows the sensitivity analysis results for commodities:

(amounts in thousands of euro)	*31.12.2010*		*31.12.2009*	
Shifts	-5%	+5%	-5%	+5%
Effect on the income statement	(1,228)	1,228	(5,660)	5,988
Effect on shareholders' equity	(7,207)	7,207	(5,660)	5,988

The higher exposure to the risk of changes in commodity prices, which is however offset by physical purchases and sales of fuels on the spot markets, is due to the fact that hedges were put in place using financial contracts over a longer time horizon than in the previous year and that there were more contracts outstanding at December 31 2010 compared to December 31 2009. In fact at that date all the positions were closed.

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

Credit risk
Credit risk can be valued both in commercial terms relating to client type, the terms of the contract and the concentration of sales, and in financial terms connected with the type of counterparty dealt with in financial transactions. Within the Group there is no significant concentration of credit risk.
Some time ago adequate policies were put in place to ensure that sales are made to clients with an appropriate credit history. Counterparties for derivative products and cash transactions are exclusively financial institutions with a high credit rating. The Group has policies that limit credit exposure to individual financial institutions.
Credit risk is different for the various sectors of business in which it occurs. In the energy sector, for example, the assessment of exposure to credit risk is made using internal processes and with the aid of companies with expertise both in the sector of assessment and granting credit lines and in credit recovery. The number of clients and their diversification make exposure to a concentration of credit risk irrelevant.
In the "Automotive components" sector there is no excessive concentration of risk since the Original Equipment and After-market distribution channels through which it operates are car manufacturers or large purchasing groups.

The “Media” sector has no areas of risk for trade receivables of a significant entity and in any case the Group adopts operating procedures that prevent the sale of products or services to clients without an adequate credit profile or a collateral guarantee.
The healthcare sector does not present any concentration of credit risk because credit exposure is spread over a large number of clients and counterparties especially in the sector of residences for the elderly. The hospital sector, however, has a higher concentration of risk because the most significant counterparties are the local health authorities.
Since 2006 the CIR Group has been acquiring and managing non-performing loans and has put in place procedures for evaluating and establishing the fair value of its portfolios. On one of the following pages there is a chart showing the breakdown of credit risk and the changes in the provision for the write-down of receivables.

Liquidity risk

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

Interest rate risk (fair value risk and cash flow risk)

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

Sensitivity analysis

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

(amounts in thousands of euro)	*31.12.2010*		*31.12.2009*	
Percentage shifts	-1%	+1%	-1%	+1%
Change in Income Statement	(9,780)	7,936	1,656	(5,485)
Change in Shareholders’ Equity	(34,379)	35,836	(13,941)	20,128

Derivative instruments

Derivative instruments are recognized at their fair value.

For accounting purposes hedging transactions are classified as:

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

For derivative instruments classified as fair value hedges gains and losses resulting from both the determination of their market value and the adjustment to fair value of the element underlying the hedge are posted to the income statement.
For instruments classified as cash flow hedges (for example interest rate swaps) gains and losses from marking them to market are posted directly to shareholders' equity for the part which "effectively" covers the risk they are intended to cover, while any "non-effective" part is posted to the income statement.

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

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

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

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

Capital parameters

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

Leverage is calculated as the ratio between net financial debt (represented by bond or notes issued net of free cash flow and investments in financial instruments considered as liquid, according to parameters agreed on with the rating agency) and the total investment assets measured at fair value (including equity investments and the remaining part of investments in financial instruments).

Management's objective is to maintain a sold and flexible financial structure in order to maintain this ratio below 30%. Today it stands at 8%.

Contractual clauses of loan agreements

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

At December 31 2010 all the contractual clauses relating to medium and long term financial liabilities were fully complied with by the Group.

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

Sogefi group

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

- a syndicated loan of € 160 million: ratio of consolidated net financial position to consolidated EBITDA of 3.5 or lower; ratio of EBITDA to net financial expense no lower than 4;
- a loan of € 100 million: ratio of consolidated net financial position to consolidated EBITDA lower than 4;
- a loan of € 50 million: ratio of consolidated net financial position to consolidated EBITDA lower than 3.5;
- a loan of € 40 million from the European Investment Bank (EIB); ratio of consolidated net financial position to consolidated EBITDA 3.5 or lower; ratio of consolidated EBITDA to consolidated net financial expense no lower than 4.

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

Sorgenia group

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

These commitments were entered into on a total credit facility amount of approximately € 1,250 million.

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

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

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

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

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

In particular, for the measurement of certain investments in bond instruments where there is no regular market for them, i.e. where there is not a sufficient number of transactions on an ongoing basis with a bid-offer spread and a sufficiently limited volatility, then the fair value of these instruments is mainly calculated using quotes provided by prime international brokerage houses at the request of the Company, which are then validated through a comparison with the prices present in the market, albeit of a limited number of deals, or with those observable for other instruments with similar characteristics.
In measuring investments in private equity funds, the fair value is determined on the basis of the NAV communicated by the respective fund administrators at the balance sheet date. In cases where this information is not available at the balance sheet date, the last official communication available is used, which must not however be more than three months old at the balance sheet date and should be validated with subsequent information made available to investors by the fund managers.

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

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

Balance sheet items *(in thousands of euro)*	*Level 1*	*Level 2*	*Level 3*	*Total in Balance Sheet*
NON-CURRENT ASSETS				
Financial assets				
(at fair value with offset in equity)				
- Other equity investments (item 7.e.)	--	--	--	--
- Other receivables (item 7.f.)	--	9,954	--	9,954
- Securities in non-current assets (item 7.g.)	--	74,955	25,667	100,622
Financial assets				
(at fair value through profit and loss)				
- Other equity investments (item 7.e.)	--	--	--	--
- Securities in non-current assets (item 7.g.)	150	--	--	150
CURRENT ASSETS				
Financial assets				
(at fair value through profit and loss))				
Financial receivables (item 8.d.)				
- derivatives	--	11,941	--	11,941
Securities in current assets (item 8.f.)				
- Equity investments	15,759	--	--	15,759
- Ital. Government securities & similar instruments	10,233	--	--	10,233
- Investment funds and similar instruments	14,025	19,339	--	33,364
- Bonds and notes	60,675	--	--	60,675
- Certificates of deposit and sundry securities	17	96,504	--	96,521
Total Securities in current assets (item 8.f.)	100,709	115,843	--	216,552
Financial assets				
(at fair value with offset in equity)				
Financial receivables (voce 8.d.)				
- derivatives	--	386,574	--	386,574
Available-for-sale financial assets (item 8.f.)				
- Equity investments	--	--	--	--
- Ital. Government securities & similar instruments	60,197	--	--	60,197
- Investment funds and similar instruments	--	84,047	--	84,047
- Bonds and notes	--	--	--	--
- Certificates of deposit and sundry securities	--	--	--	--
Total available-for-sale financial assets (item 8.f.)	60,197	84,047	--	144,244
NON-CURRENT LIABILITIES				
Financial liabilities				
(at fair value with offset in equity)				
Other borrowings (items 10.b.)				
- derivatives	--	(7,707)	--	(7,707)
Financial liabilities				
(at fair value through profit and loss)				
Other borrowings (item 10.b.)				
- derivatives	--	(1,318)	--	(1,318)
CURRENT LIABILITIES				
Financial liabilities				
(at fair value with offset in equity)				
Other borrowings (item 10.b.)				
- derivatives	--	(373,755)	--	(373,755)
Financial liabilities				
(at fair value through profit and loss)				
Other borrowings (item 11b.)				
- derivatives	--	(5,558)	--	(5,558)

During 2010 no transfers were made between the different levels of fair value in the hierarchy. As far as the financial assets classified as level 3 are concerned, these are investments in venture capital which are measured using some market information that is not observable. They are held by the Group through CIR Ventures and where they refer to investments in companies operating in the information technology and communication sector (for a total amount of approximately € 11.2 million), and through Noventi Ventures, where they are investments in companies operating in the sector of innovative generation technologies and energy efficiency (for a total amount of approximately € 14.4 million).

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

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

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

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Assets at FV through P&L designated as such on initial recognition*	*Assets at FV through P&L classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such from initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other equity investments	7.e	5,041	--	--	968	--	4,073	--	--	--	5,041	16	--
Other receivables (*)	7.f	157,453	--	--	157,453	--	--	--	--	--	157,453	11,707	--
Securities	7.g	100,772	--	--	--	150	100,622	--	--	--	100,772	23,456	7,732
CURRENT ASSETS													
Trade receivables	8.b	1,137,448	--	--	1,137,448	--	--	--	--	--	1,137,448	(59,747)	--
Other receivables (**)	8.c	63,506	--	--	63,506	--	--	--	--	--	63,506	--	--
Financial receivables	8.d	399,064	397,247	--	1,817	--	--	--	--	--	399,064	4,422	
Securities	8.e	216,552	216,535		--	--	17	--	--	--	216,552	7,543	--
Available-for-sale financial assets	8.f	144,244	--	--	--	--	144,244	--	--	--	144,244	3,917	1,211
Cash & cash equivalents	8.g	593,081	--	--	593,081	--	--	--	--	--	593,081	3,981	--
NON-CURRENT LIABILITIES													
Bonds and notes	10.a	(547,455)	--	--	--	--	--	--	--	(547,455)	(504,729)	(28,095)	--
Other borrowings	10.b	(2,171,116)	--	--	--	--	--	--	--	(2,171,116)	(2,126,270)	(60,685)	(2,426)
Trade payables		(422)	--	--	--	--	--	--	--	(422)	(422)	--	
CURRENT LIABILITIES													
Bank overdrafts		(173,671)	--	--	--	--	--	--	--	(173,671)	(173,671)	(5,694)	--
Bonds and notes	11.a	(157,978)	--	--	--	--	--	--	--	(157,978)	(157,978)	(9,692)	--
Other borrowings	11.b	(469,494)	--	--	--	--	--	(373,315)	--	(96,179)	(459,429)	(4,337)	218
Trade payables	11.c	(863,344)	--	--	--	--	--	--	--	(863,344)	(863,344)	(32)	--

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

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

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Assets at FV through P&L designated as such on initial recognition*	*Assets at FV through P&L classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such from initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other equity investments	7.e	9,629	--	--	1,091	10	8,528	--	--	--	9,629	85	--
Other receivables (*)	7.f	193,469	--	--	193,469	--	--	--	--	--	193,469	15,128	--
Securities	7.g	83,051	--	--	--	10,914	72,137	--	--	--	83,051	(6,859)	555
CURRENT ASSETS													
Trade receivables	8.b	1,042,030	--	--	1,042,030	--	--	--	--	--	1,042,030	31,256	--
Other receivables (**)	8.c	61,077	--	--	61,077	--	--	--	--	--	61,077	4,180	--
Financial receivables	8.d	27,229	1,503	--	25,726	--	--	--	--	--	27,229	4,145	1,085
Securities	8.e	278,548	278,548		--	--	--	--	--	--	278,548	45,757	--
Available-for-sale financial assets	8.f	104,967	--	--	--	--	104,967	--	--	--	104,967	44,864	(23,527)
Cash & cash equivalents	8.g	549,321	--	--	549,321	--	--	--	--	--	549,321	5,732	--
NON-CURRENT LIABILITIES													
Bonds and notes	10.a	(718,262)	--	--	--	--	--	--	--	(718,262)	(638,703)	(28,786)	--
Other borrowings	10.b	(1,843,359)	--	--	--	--	--	--	--	(1,843,359)	(1,936,011)	(38,404)	(3,720)
Trade payables		(703)	--	--	--	--	--	--	--	(703)	(703)	--	
CURRENT LIABILITIES													
Bank overdrafts		(66,290)	--	--	--	--	--	--	--	(66,290)	(66,290)	(4,134)	--
Bonds and notes	11.a	(731)	--	--	--	--	--	--	--	(731)	(731)	(14,396)	--
Other borrowings	11.b	(132,499)	--	--	--	--	--	(4,768)	--	(127,731)	(168,285)	(9,628)	
Trade payables	11.c	(836,587)	--	--	--	--	--	--	--	(836,587)	(836,587)	(5,187)	--

(*) Not including € 14,430 thousand of tax receivables
(**) Not including € 139,550 thousand of tax receivables

CLASSES OF RISK - FINANCIAL YEAR 2010

(in thousands of euro)

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

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

CLASSES OF RISK - FINANCIAL YEAR 2009

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Liquidity risk*	*Int. rate risk*	*Exch. rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other equity investments	7.e	9,629	--	--	--	9,629
Other receivables (*)	7.f	193,469	--	--	--	193,469
Securities	7.g	83,051	--	--	--	83,051
CURRENT ASSETS						
Trade receivables	8.b	1,042,030	--	--	--	1,042,030
Other receivables (**)	8.c	61,077	--	--	--	61,077
Financial receivables	8.d	27,229	--	--	--	27,229
Securities	8.e	278,548	--	--	--	278,548
Available-for-sale financial assets	8.f	104,967	--	--	--	104,967
Cash & cash equivalents	8.g	549,321	--	549,321	--	--
NON-CURRENT LIABILITIES						
Bonds and notes	10.a	(718,262)	(718,262)	--	--	--
Other borrowings	10.b	(1,843,359)	(1,843,359)	--	--	--
Trade payables		(703)	(703)	--	--	--
CURRENT LIABILITIES						
Bank overdrafts		(66,290)	(66,290)	--	--	--
Bonds and notes	11.a	(731)	(731)			
Other borrowings	11.b	(132,499)	(132,499)	--	--	--
Trade payables	11.c	(836,587)	(836,587)	--	--	--

(*) Not including € 14,430 thousand of tax receivables
(**) Not including € 139,550 thousand of tax receivables

CREDIT RISK

(in thousands of euro)

Position at December 31 2010	*Bal. Sheet items*	*Total receivable*	*Not yet due*	*Overdue by >*	*0 - 30 days*	*30 - 60*	*60 - 90*	*over 90*	*Amt. due settled*	*Writedowns*
Other receivables (non-current assets) (*)	7.f	157,453	17,338	140,115	--	--	--	140,115	--	
Gross receivable		324,192	184,077	140,115	--	--	--	140,115	--	
Provision for writedown		(166,739)	(166,739)	--	--	--	--	--	--	(14,200)
Trade receivables	8.b	1,137,448	654,808	482,640	93,300	30,429	21,975	323,901	13,035	
Gross receivable		1,269,622	667,130	602,492	111,269	36,639	27,124	414,425	13,035	
Provision for writedown		(132,174)	(12,322)	(119,852)	(17,969)	(6,210)	(5,149)	(90,524)	--	(45,129)
Other receivables (current assets) (**)	8.c	63,506	39,864	23,642	16	--	--	23,626	--	
Gross receivable		63,923	40,281	23,642	16	--	--	23,626	--	
Provision for writedown		(417)	(417)	--	--	--	--	--	--	--
Total		1,358,407	712,010	646,397	93,316	30,429	21,975	487,642	13,035	(59,329)

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

(in thousands of euro)

Position at December 31 2009	*Bal. Sheet items*	*Total receivable*	*Not yet due*	*Overdue by >*	*0 - 30 days*	*30 - 60*	*60 - 90*	*over 90*	*Amt. due settled*	*Writedowns*
Other receivables (non-current assets) (*)	7.f	193,469	61,462	132,007	--	--	--	132,007	--	
Gross receivable		346,008	214,001	132,007	--	--	--	132,007	--	
Provision for writedown		(152,539)	(152,539)	--	--	--	--	--	--	(26,392)
Trade receivables	8.b	1,042,030	706,937	335,093	87,502	29,939	29,604	188,048	--	
Gross receivable		1,141,116	716,573	424,543	89,708	32,303	31,754	270,778	--	
Provision for writedown		(99,086)	(9,636)	(89,450)	(2,206)	(2,364)	(2,150)	(82,730)	--	(37,717)
Other receivables (current assets) (**)	8.c	61,077	59,792	1,285	--	989	296	--	--	
Gross receivable		61,612	60,276	1,336	--	1,040	296	--	--	
Provision for writedown		(535)	(484)	(51)	--	(51)	--	--	--	(171)
Total		1,296,576	828,191	468,385	87,502	30,928	29,900	320,055	--	(64,280)

(*) Not including € 14,430 thousand of tax receivables
(**) Not including € 139,550 thousand of tax receivables

PROVISION FOR WRITEDOWN OF RECEIVABLES

(in thousands of euro)

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

(in thousands of euro)

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

LIQUIDITY RISK - FINANCIAL YEAR 2010

(in thousands of euro)

	<1 year	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-derivative financial liabilities							
Bonds and notes	187,845	30,403	29,820	299,752	15,557	409,725	973,102
Other borrowings:							
- Loans from banks	108,509	181,194	836,245	190,810	269,048	542,128	2,127,934
- From leasing companies	13,608	14,423	12,780	11,680	10,256	62,576	125,323
- From other lenders	5,822	7,298	9,093	822	586	85,342	108,963
Bank overdrafts	173,671	--	--	--	--	--	173,671
Trade payables	863,344	422	--	--	--	--	863,766
Derivative financial liabilities							
Hedging derivatives	17,066	4,272	829	1,719	49	7,598	31,533
Non-hedging derivatives	354,175	--	--	--	--	--	354,175
TOTAL	1,724,040	238,012	888,767	504,783	295,496	1,107,369	4,758,467

LIQUIDITY RISK - FINANCIAL YEAR 2009

(in thousands of euro)

	<1 year	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-derivative financial liabilities							
Bonds and notes	40,517	188,498	31,063	30,480	315,786	425,282	1,031,626
Other borrowings:							
- Loans from banks	166,687	146,137	630,468	286,960	211,188	439,791	1,881,231
- From leasing companies	8,294	8,154	8,010	6,176	5,180	46,610	82,424
- From other lenders	6,053	8,273	80,845	1,031	620	4,396	101,218
Bank overdrafts	66,290	--	--	--	--	--	66,290
Trade payables	837,221	--	--	--	--	--	837,221
Derivative financial liabilities							
Hedging derivatives	8,898	776	472	274	113	(71)	10,462
Non-hedging derivatives	1,140	527	290	92	4	--	2,053
TOTAL	1,135,100	352,365	751,148	325,013	532,891	916,008	4,012,525

19. GUARANTEES AND COMMITMENTS

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

CIR and financial holding companies

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

Other guarantees and commitments of CIR are as follows:
- Commitments for investment in private equity funds by CIR International for € 25 million;
- An annual commitment to cover just the running costs of the company KTP Global Finance SCA, the holding company of the KTP group.

Sorgenia group

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

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

3. Commitments
   Commitments outstanding as of the balance sheet date refer mainly to guarantees issued by Sorgenia S.p.A. in favour of banks lending to Sorgenia Power S.p.A. for € 195,800 thousand for the Termoli power plant and € 660,000 thousand for the Aprilia and Bertonico-Turano Lodigiano sites. Sorgenia S.p.A. has signed an undertaking to capitalize Sorgenia Power for up to

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

Espresso Group

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

Sogefi group

Operating leases

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

The rental payments for operating leases are recognized to the income statement in line with the underlying contracts.

The main operating leases outstanding at December 31 2010 refer to the following subsidiaries:
- Allevard Sogefi U.S.A. Inc. for the lease of the production site situated in Prichard (West Virginia). The contract terminates in March 2019 and the remaining instalments total USD 3,434 thousand, of which USD 444 thousand in up to one year.
  Against this contract Sogefi S.p.A. has issued a guarantee for approximately 54% of the remaining lease instalments which is renewed at the end of each year on the basis of the remaining amount. There are no restrictions of any kind connected with this kind of leasing and at the end of the contract the US company will have the right to buy the property at a market price.
- Allevard Federn GmbH for the lease of the production site located at Volklingen. At March 2010 the company renewed the lease until May 2020. The instalments remaining

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

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

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

Commitments for investments

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

Guarantees issued

The detail of these guarantees is as follows:

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

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

Other risks

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

<u>Kos group</u>

Below is the breakdown of the bank guarantees and other guarantees issued by the company Kos S.p.A. for a total of approximately € 2,421 thousand:
- A guarantee in favour of the Sanremo Town Council as a security deposit for urbanization works for € 226 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of Santegidio S.r.l. (Scarnafigi) for € 100 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Rivarolo building for € 75 thousand;

- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Rivarolo business arm for € 35 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the nursing home to be built at Montanaro to guarantee signing of the future lease agreement for € 550 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Peveragno building, for € 235 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Dorzano building, for € 121 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of the Dormelletto building, for € 200 thousand;
- A guarantee on behalf of Residenze Anni Azzurri S.r.l. for the lease of a building, for € 180 thousand;
- An omnibus guarantee on behalf of Medipass S.p.A. in its relations with the Venice Health Authority for € 700 thousand.

Bank guarantees made by other companies of the group for an amount of € 7,656 thousand which has the following breakdown:

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

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

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

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

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

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

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

20. INFORMATION ON THE BUSINESS SECTORS

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

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

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

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

(in thousands of euro)	*Assets*	*Investments*	*Depreciation/ Write-downs*
Italy	8,120,455	565,629	121,535
Other European countries	1,162,374	55,485	50,107
North America	54,359	1,061	946
South America	137,749	12,939	6,424
Asia	36,573	4,283	1,042
Consolidation adjustments	(1,899,202)	(592)	4,198
Total assets	7,622,308	638,805	184,252

21. JOINTLY CONTROLLED COMPANIES

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

International accounting standards give two methods for consolidating holdings in joint ventures:

. the usual method, which involves pro-rata consolidation;
. the alternative method which involves use of the equity method.

The Group has adopted the equity method for the sake of consistency with the way the accounts were presented previously.

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

Tirreno Power

(in millions of euro)	*Financial year 2010*	*Financial year 2009*	*Change in absolute terms*	*Change %*
Income statement				
Electricity sold (TWh)	15.3	14.4	0.9	6.3
Revenues from sales and services	1,288.5	1.240.9	47.6	3.8
Gross operating margin	249.4	261.4	(12.0)	(4.6)
Net income	74.5	79.8	(5.3)	(6.6)

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

The pertinent part of the earnings of Tirreno Power, consolidated using the equity method on the basis of values determined by the application of IAS/IFRS accounting standards, totalled € 37.7 million in 2010, down from € 39.9 million in 2009.

KTP

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Assets		
- Current	140,900	131,832
- Non-current	441,729	482,303
Total assets	582,629	614,135
Liabilities and equity		
- Current	559,641	566,791
- Non-current	262,115	267,667
Shareholders' equity	(239,127)	(220,263)
Total liabilities and equity	582,629	614,135
Income statement		
Interest income	33,732	47,425
Commission income	98,493	107,241
Total income	132,225	154,666
Interest expense	(43,132)	(63,542)
Commission expense	(45,470)	(58,334)
Operating costs and other	(59,665)	(100,862)
Taxes	(5,087)	(5,894)
Total costs	(153,354)	(228,632)
Net result	(21,129)	(73,966)

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

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

22. NET FINANCIAL POSITION

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

(in thousands of euro)			*31.12.2010*	*31.12.2009*
A.	Cash and bank deposits		593,081	549,321
B.	Other free cash flow		144,244	104,967
C.	Securities held for trading		216,552	278,548
D.	**Cash and cash equivalents (A) + (B) + (C)**		953,877	932,836
E.	**Current financial receivables**		399,064	27,229
F.	Current bank borrowings	(*)	(244,579)	(157,506)
G.	Bonds and notes issued		(157,978)	(731)
H.	Current part of non-current debt		(398,584)	(41,281)
I.	Other current borrowings		(2)	(2)
J.	**Current financial debt (F) + (G) + (H) + (I)**		(801,143)	(199,520)
K.	**Net current financial position (J) + (E) + (D)**		551,798	760,545
L.	Non-current bank borrowings	(**)	(1,994,968)	(1,676,126)
M.	Bonds and notes issued		(547,455)	(718,262)
N.	Other non-current borrowings	(**)	(176,148)	(167,233)
O.	**Non-current financial debt (L) + (M) + (N)**		(2,718,571)	(2,561,621)
P.	**Net financial position (K) + (O)**		(2,166,773)	(1,801,076)

(*) The amount of € 70,908 thousand (€ 244,579 - € 173,671) is classified in the Balance Sheet in the item "Other borrowings".

(**) Classified under the item "Other borrowings" – Non-current liabilities

23. DISCLOSURES REGARDING SHARE-BASED INCENTIVE PLANS

The chart below shows the incentive plans of the Parent Company of the CIR Group:

STOCK OPTION PLANS OUTSTANDING AT DECEMBER 31 2010

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

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

SORGENIA

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

Stock Option Plans

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

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

ESPRESSO

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

STOCK OPTION PLANS FOR EMPLOYEES AT DECEMBER 31 2010

	Options in circulation at start of year		Options awarded during the year		Options cancelled during the year		Options exercised during the year			Options which expired in 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	Average market price on exercise date	No. of options	Weighted average strike price	No. of options	Average strike price	Average duration (years)	No. of options	Weighted average strike price
Stock Option Plan 2000	1,145,000	25.60			1,145,000	25.60										
Stock Option Plan April 24 2001	480,000	6.25										480,000	6.25	0.75	480,000	6.25
Stock Option Plan October 24 2001	100,600	2.51										100,600	2.51	1.25	100,600	2.51
Stock Option Plan March 6 2002	258,200	3.30										258,200	3.30	1.75	258,200	3.30
Stock Option Plan July 24 2002	288,950	3.36										288,950	3.36	2.00	288,950	3.36
Stock Option Plan February 26 2003	392,500	2.86										392,500	2.86	2.75	392,500	2.86
Stock Option Plan July 23 2003	501,550	3.54										501,550	3.54	3.00	501,550	3.54
Stock Option Plan February 25 2004	1,047,500	4.95			20,000	4.95						1,027,500	4.95	3.75	1,027,500	4.95
Stock Option Plan July 28 2004	1,057,500	4.80			20,000	4.80						1,037,500	4.80	4.00	1,037,500	4.80
Stock Option Plan February 23 2005	1,132,100	4.75			69,600	4.75						1,062,500	4.75	4.75	1,062,500	4.75
Stock Option Plan July 27 2005	1,154,900	4.65			67,400	4.65						1,087,500	4.65	5.00	1,087,500	4.65
Stock Option Plan 2006 - I tranche	1,179,800	4.33			59,800	4.33						1,120,000	4.33	6.00	1,120,000	4.33
Stock Option Plan 2006 - II tranche	1,171,400	3.96			51,400	3.96						1,120,000	3.96	6.50	1,075,200	3.96
Extraord. Stock Option Plan 2009 - I tranche	1,495,600	3.84			40,600	3.84						1,455,000	3.84	6.75	1,309,500	3.84
Extraord. Stock Option Plan 2009 - II tranche	1,489,000	3.60			34,000	3.60						1,455,000	3.60	7.25	1,134,900	3.60
Extraord. Stock Option Plan 2009 - III tranche	1,752,400	2.22			27,400	2.22						1,725,000	2.22	7.75	1,138,500	2.22
Extraord. Stock Option Plan 2009 - IV tranche	1,553,500	1.37			29,800	1.37	55,200	1.37				1,468,500	1.37	8.25	675,000	1.37
Ord. Stock Option Plan 2009 - I tranche	2,341,500	1.00					102,300	1.00				2,239,200	1.00	8.75	789,200	1.00
Ord. Stock Option Plan 2009 - II tranche	2,500,000	1.86					6,300	1.86				2,493,700	1.86	9.25	743,700	1.86
Ord. Stock Option Plan 2010 - I tranche			2,795,000	2.25								2,795,000	2.25	9.75	503,100	2.25
Ord. Stock Option Plan 2010 - II tranche			2,795,000	1.58								2,795,000	1.58	10.25		1.58
Total	21,042,000	4.38	5,590,000	1.92	1,565,000	19.80	163,800	1.09				24,903,200	2.88	7.27	14,725,900	3.61

SOGEFI

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

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

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

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

Except what is shown above and what is stated in the following paragraph "*Phantom stock option plans*", the Group has not entered into any other transaction involving the purchase of goods or services payments based on shares or with any other instrument representing shares of capital and therefore it is not necessary to give the fair value of any such goods or services.
According to the provisions of accounting standard IFRS 2, only plans assigned after November 7 2002 should be taken into consideration (it should be noted that the Company has no plans introduced before that date) and thus the main features of the ones issued in 2004, 2005, 2006, 2007, 2008 and 2009 are given together with those issued in 2010:
• Stock Option Plan 2004 for a maximum of 1,880,000 ordinary shares (1.61% of the share capital at December 31 2010) at € 2.64 each exercisable every four months from September 30 2004 to September 30 2014;
• Stock Option 2005 reserved for executives of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.66% of share capital at December 31 2010) with a strike price of € 3.87, exercisable from September 30 2005 to September 30 2015;
• Stock Option Plan 2006 reserved for executives of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of share capital at December 31 2010) with a strike price of € 5.87, exercisable from September 20 2006 to September 30 2016;
• Stock Option Plan 2007 reserved for executives of the foreign subsidiaries for a maximum of 715,000 shares (0.61% of share capital at December 31 2010) with an initial strike price of € 6.96, exercisable between September 30 2007 and September 30 2017. On April 22 2008, on the strength of the powers assigned by the Shareholders' Meeting, the Board of Directors amended the strike price from € 6.96 to € 5.78 to take into account the extraordinary part of the dividend distributed by the Shareholders' Meeting held on that same date;
• Stock Option Plan 2008 reserved for executives of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of share capital at December 31 2010) with a strike price of € 2.1045, exercisable from September 30 2008 to September 30 2018;

• Stock Option Plan 2009 reserved for executives of the Company and its subsidiaries for a maximum of 2,335,000 shares (2.01% of share capital at December 31 2010) with a strike price of € 1.0371, exercisable from September 30 2009 to September 30 2019;
• Extraordinary Stock Option Plan 2009 reserved for individuals who were already beneficiaries of *Phantom Stock Option* Plans 2007 and 2008, who are still employees of the Company or of its subsidiaries, provided they renounce the rights resulting from the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (equal to 0.87% of the share capital at December 31 2010), of which 475,000 (Tranche I options) with a strike price of € 5.9054, exercisable from June 30 2009 to September 30 2017 and 540,000 (Tranche II options) with a strike price of € 2.1045, exercisable from June 30 2009 and September 30 2018.

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

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

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

The line “Not exercised/not exercisable at the end of the year” refers to the total amount of the options net of those exercised or cancelled in the year under examination or in previous years.
The line “Exercisable at the end of the year” refers to the total amount of the options which had vested at the end of the year but had not yet been exercised.

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

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

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

in the vesting period of the option and the value of the Sogefi share at the moment of assignation of the option.

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

Below are the main features of the plans outstanding:

- *Phantom Stock Option Plan* 2007 reserved for the Chief Executive, executives and staff of the Parent Company, as well as executives of the Italian subsidiaries, for a maximum of 1,760,000 options with an initial award value of € 7,0854 adjusted during the year 2008 to € 5.9054, exercisable from September 30 2007 to September 30 2017. Following the reorganization of the plan as described above, 475,000 options were given up;
- *Phantom Stock Option Plan* 2008 reserved for the Chief Executive and executives of the Parent Company, as well as executives of the Italian subsidiaries, for a maximum of 1,700,000 options with an award value of € 2.1045, exercisable from September 30 2008 to September 30 2018. Following the reorganization of the plan as described above, 540,000 options were given up.

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

	2010
Not exercised/not exercisable at the start of the year	1,830,000
Awarded during the year	--
Cancelled during the year	--
Exercised during the year	--
Not exercised/not exercisable at the end of the year	1,830,000
Exercisable at the end of the year	1,409,400

<u>KOS</u>

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

STOCK OPTION PLANS AT DECEMBER 31 2010

	Options in circulation at start of year		*Options awarded during the period*		*Options exercised during the year*		*Options which expired during the year*		*Options in circulation at end of year*			*Options exercisable at end of period*		*Option maturities*	
	No. of options	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Weighted average strike price*	*No. of options*	*Average strike price*	*Average duration (years)*	*No. of options*	*Weighted average strike price*	*Vesting date (100%)*	*Expiry date*
Stock Option Plan '02	24,000	0.4925	--	--	24,000	0.493	--	--	0			0		31/12/2006	31/03/2013
Stock Option Plan '03	632,000	0.5000	--	--	632,000	0.500	--	--	0			0		31/12/2007	31/03/2014
Stock Option Plan '05	2,397,320	1.7000	--	--	2,297,320	1.700	100,000	1.7000	0			0		30/06/2009	30/09/2015
Investment & Stock Option Plan '05	884,060	1.7000	--	--	884,060	1.700	--		0			0		30/06/2009	30/09/2015
Stock Option Plan '06	1,186,800	2.2000	--	--	1,086,800	2.200	100,000	2.2000	0			0		30/06/2010	30/09/2016
Investment & Stock Option Plan '06	78,840	2.2000	--	--	78,840	2.200	--		0			0		30/06/2010	30/09/2016
Stock Option Plan June '06	1,662,200	2.2000	--	--	1,587,200	2.200	75,000	2.2000	0			0		31/12/2010	31/03/2017
Stock Option Plan '07	610,000	3.4000	--	--	140,000	3.400	50,000	3.4000	420,000	3.4000	9.80	420,000	3.4000	30/09/2010	30/09/2020
Total	**7,475,220**	**1.9292**	--	--	6,730,220	1.8229	325,000	2.2308	**420,000**	**3.4000**	**9.80**	**420,000**	**3.4000**		

24. LEGAL DISPUTES

It should be remembered that certain companies of the Group have disputes in progress against which their respective Boards have set aside risk provisions for amounts considered appropriate, taking into account the opinion of their consultants and based on the degree of likelihood that significant liabilities will actually occur.
With a deed notified on October 23 2009, Fininvest S.p.A. appealed against ruling no. 11786 of October 3 2009 of the Milan Law Court which sentenced Fininvest S.p.A. to pay CIR patrimonial damages for the sum of € 749,955,611.93 plus interest at the legal interest rate on the above sum from the date of the ruling until payment is made. With this ruling, the Court also sentenced Fininvest to pay compensation for the non-patrimonial damage suffered by CIR, postponing settlement of this until a later verdict; lastly it sentenced Fininvest to reimburse CIR's legal costs including € 981.80 of advances, € 6,394.86 of expenses, € 16,148.00 of taxes and € 2,000,000.00 of legal fees plus general expenses of 12.50% of the duties and fees plus IVA and CPA as per the terms of the law.
At the hearing of 22.12.2009 fixed by the Court of Appeal for the discussion of the appeal made by Fininvest for suspension of the executive efficacy of the above mentioned verdict, Fininvest gave CIR a bank guarantee at the first request for the sum of € 806 million. On receipt of this, CIR said that it would not have the first degree ruling executed until the Court of Appeal has published its verdict.

On 3.2.2010, CIR filed an appearance in the Court of Appeal, requesting the rejection of the impugnment proposed by Fininvest. It also proposed an incidental appeal against certain clauses of the first degree verdict and petitioned that Fininvest be sentenced to pay the compensation for patrimonial damage, quantified in the sum of € 342,259,187.26, plus revaluation and interest as from 24.1.1991.

During the proceedings the Court ordered an official technical opinion, which was filed on September 23 2010.

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

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

25. COMPANY ACQUISITIONS

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

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

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

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

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

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

26. **OTHER INFORMATION**

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

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

(in thousands of euro)	*2010*
Fees charged to the Parent Company of the Group:	
a) by the firm of auditors, for auditing services	132
b) by the firm of auditors:	
- for auditing services for the purposes of certification	2
- for other services	--
c) by entities belonging to the network of the firm of auditors, for providing other services	--
Fees charged to the subsidiaries:	
a) by the firm of auditors, for auditing services	2,619
b) by the firm of auditors:	
- for auditing services for the purposes of certification	482
- for other services	119
c) by entities belonging to the network of the firm of auditors, for providing other services	190
– of which for tax consulting	12

RELATED PARTY TRANSACTIONS

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

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	*Sales revenues*	*Costs for purchase of goods*	*Costs for services*	*Other operating costs*	*Other operating income*	*Financial income*	*Financial expense*	*Dividends*
Parent companies	--	--	(1,238)	--	426	--	--	--
Subsidiaries	--	--	--	--	--	22	--	--
Asociates	430	(2,563)	--	--	21	--	--	16
Jointly controlled companies	148,773	(275,747)	(6)	--	826	10,203	(10,200)	--
Other (*)	1,477	(4,075)	--	(3)	28	--	--	--
Other related parties	--	--	--	--	321	--	--	--
Total	150,680	(282,385)	(1,244)	(3)	1,622	10,225	(10,200)	16

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

CONSOLIDATED BALANCE SHEET

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

27. CHART SHOWING THE KEY FIGURES OF THE FINANCIAL STATEMENTS FOR 2009 OF THE PARENT COMPANY COFIDE S.p.A.

(Art. 2497-bis paragraph 4 Civil Code)

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*31.12.2009*
NON-CURRENT ASSETS	579,513,313
CURRENT ASSETS	108,462,938
TOTAL ASSETS	687,976,251

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2009*
SHAREHOLDERS' EQUITY	565,701,804
NON-CURRENT LIABILITIES	60,234,150
CURRENT LIABILITIES	62,040,297
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	687,976,251

INCOME STATEMENT

(in euro)

		%(**)	*2009*
SUNDRY REVENUES AND INCOME			1,572,426
of which from related parties (*)	*1,531,360*	97.4	
COSTS FOR PURCHASE OF GOODS			(57,570)
COSTS FOR SERVICES			(2,657,383)
of which from related parties (*)	*(634,800)*	23.9	
PERSONNEL COSTS			(1,057,823)
OTHER OPERATING COSTS			(470,177)
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS			(75,861)
OPERATING RESULT			(2,746,388)
FINANCIAL INCOME			1,468,532
of which from related parties (*)	*365,852*	24.9	
FINANCIAL EXPENSE			(3,959,074)
DIVIDENDS			7,271,548
of which from related parties (*)	*7,271,548*	100.0	
GAINS FROM TRADING SECURITIES			333,661
of which: from related parties (*)	*172,661*	51.7	
LOSSES FROM TRADING SECURITIES			(766,483)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			(224,508)
INCOME / LOSS BEFORE TAXES			1,377,288
INCOME TAXES			--
NET INCOME (LOSS) FOR THE YEAR			1,377,288

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

The financial highlights of the parent company COFIDE S.p.A. are shown in the chart above, which is required by Article 2497-bis of the Civil Code. The figures were extrapolated from the financial statements of that company for the year ended December 31 2009. For a correct and full understanding of the equity and financial situation of COFIDE S.p.A. at December 31 2009, and of the results the company obtained in the year ended as of that date, we would refer readers to the financial statements in question which of course include the Report of the Statutory Auditors and that of the Independent Auditors and are available at the Company offices or from Borsa Italiana.

CIR Group

Consolidated Financial Statements of direct subsidiaries as of December 31 2010

SORGENIA GROUP

ESPRESSO GROUP

SOGEFI GROUP

KOS GROUP

SORGENIA GROUP

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

ASSETS	*31.12.2010*	*31.12.2009*
NON-CURRENT ASSETS		
Intangible assets	237,794	213,654
Tangible assets	1,910,663	1,573,078
Investments in companies consolidated at equity	290,867	247,308
Other equity investments	968	1,091
Non-current financial assets	24,705	19,444
Other non-current assets	38,600	40,224
Deferred tax assets	138,278	99,356
TOTAL NON-CURRENT ASSETS	**2,641,875**	**2,194,155**
CURRENT ASSETS		
Inventories	29,359	48,226
Current trade assets	666,823	612,332
Current financial assets	10,899	9,470
Other current assets	476,703	108,278
Cash and cash equivalents	43,378	62,366
TOTAL CURRENT ASSETS	**1,227,162**	**840,671**
TOTAL ASSETS	**3,869,037**	**3,034,826**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
SHAREHOLDERS' EQUITY		
Share capital	9,148	9,080
Total other reserves, Minority capital and reserve	750,131	724,533
Retained earnings/losses of the group	289,695	230,085
Dividend payment on account	--	(10,029)
Income/loss for period group, Income/loss for period minority interests	58,799	80,149
TOTAL EQUITY	**1,107,773**	**1,033,818**
of which:		
EQUITY OF THE GROUP	1,019,921	954,608
MINORITY SHAREHOLDERS' EQUITY	87,853	79,210
NON-CURRENT LIABILITIES		
Non-current bonds	1,294	2,070
Non-current financial liabilities	1,701,072	1,365,394
Non-current trade liabilities	--	634
Other non-current liabilities	3,419	36
Deferred taxes	34,400	31,639
Personnel provisions	1,951	1,986
Provisions for non-current risks and losses	24,196	15,966
TOTAL NON-CURRENT LIABILITIES	**1,766,332**	**1,417,725**
CURRENT LIABILITIES		
Current financial liabilities	97,963	50,664
Current bonds	776	731
Current trade liabilities	499,769	489,186
Other current liabilities	386,229	31,571
Provisions for current risks and losses	10,194	11,131
TOTAL CURRENT LIABILITIES	**994,931**	**583,283**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,869,037**	**3,034,826**

SORGENIA GROUP

INCOME STATEMENT
(in thousands of euro)

	2010	*2009*
TRADE REVENUES	2,668,496	2,325,825
Inventories	(4,822)	(10,600)
Costs for the purchase of goods	(2,336,880)	(2,036,436)
Costs for services	(143,338)	(136,912)
Personnel costs	(38,814)	(38,846)
Other operating income	51,116	90,015
Other operating costs	(81,154)	(114,691)
Adjustments to the value of investments consolidated at equity	36,490	39,462
Amortization, depreciation & writedown of intangible & tangible assets	(82,808)	(46,897)
OPERATING income	68,287	70,921
Financial income	11,278	13,343
Financial expense	(71,551)	(51,311)
Dividends	16	22
Adjustments to the value of financial assets	(514)	14
INCOME/LOSS BEFORE TAXES FROM OPERATING ACTIVITY	7,515	32,988
Income taxes	51,284	47,161
INCOME/LOSS AFTER TAXES FROM OPERATING ACTIVITY	58,799	80,149
Income (loss) from assets held for disposal	--	--
NET INCOME (LOSS) FOR THE PERIOD	58,799	80,149
of which:		
- NET INCOME/LOSS OF THE GROUP	50,362	66,850
- NET INCOME/LOSS OF MINORITY SHAREHOLDERS	8,438	13,299

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

ASSETS	31.12.2010	31.12.2009
Intangible assets with an indefinite useful life	656,419	656,419
Other intangible assets	2,230	3,119
Intangible assets	658,649	659,538
Tangible assets	181,730	203,617
Investments consolidated at equity	28,602	28,334
Other equity investments	2,530	2,486
Non-current receivables	1,286	1,272
Deferred tax assets	33,884	48,561
NON-CURRENT ASSETS	**906,681**	**943,808**
Inventories	17,044	23,243
Trade receivables	234,738	229,945
Securities	60,390	25,179
Tax receivables	10,898	20,630
Other receivables	18,771	17,368
Cash & cash equivalents	134,957	135,012
CURRENT ASSETS	**476,798**	**451,377**
TOTAL ASSETS	**1,383,479**	**1,395,185**

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2010	31.12.2009
Share capital	61,463	61,439
Reserves	196,118	217,096
Retained earnings (losses)	231,705	201,245
Net income (loss) for the year	50,123	5,825
Shareholders' Equity of the Group	539,409	485,605
Minority Shareholders' equity	3,906	9,824
SHAREHOLDERS' EQUITY	**543,315**	**495,429**
Borrowings	313,339	348,582
Provisions for risks and losses	40,117	40,407
TFR and other personnel provisions	71,957	83,907
Deferred tax liabilities	114,362	110,999
NON-CURRENT LIABILITIES	**539,775**	**583,895**
Borrowings	17,013	19,804
Provisions for risks and losses	35,555	48,844
Trade payables	143,856	147,553
Tax payables	22,058	12,735
Other payables	81,907	86,925
CURRENT LIABILITIES	**300,389**	**315,861**
TOTAL LIABILITIES	**840,164**	**899,756**
TOTAL LIABILITIES AND EQUITY	**1,383,479**	**1,395,185**

INCOME STATEMENT
(in thousands of euro)

	2010	*2009*
Revenues	885,036	886,649
Change in product inventories	(1,351)	(771)
Other operating income	14,000	19,829
Purchase costs	(90,758)	(120,165)
Costs for services	(346,572)	(340,818)
Other operating costs	(25,406)	(23,056)
Value of investments consolidated at equity	1,027	1,013
Personnel costs	(288,731)	(316,018)
Amortization and valuations	(38,158)	(42,728)
Operating result	**109,087**	**63,935**
Net financial income/(expense)	(14,054)	(19,621)
Result before taxes	**95,033**	**44,314**
Taxes	(44,794)	(38,826)
NET RESULT	**50,239**	**5,488**
Net income Minority Shareholders	(116)	337
Net income of the Group	50,123	5,825
Basic earnings per share	0.125	0.015
Diluted earnings per share	0.117	0.014

SOGEFI GROUP

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*31.12.2010*	*31.12.2009*
CURRENT ASSETS		
Cash and cash equivalents	66,760	111,583
Other financial assets	200	46
Working capital		
Inventories	98,456	85,915
Trade receivables	138,815	126,549
Other receivables	10,232	5,545
Tax receivables	12,178	9,911
Other assets	2,485	3,055
TOTAL NET WORKING CAPITAL	262,166	230,975
TOTAL CURRENT ASSETS	329,126	342,604
NON-CURRENT ASSETS		
FIXED ASSETS		
Land	14,423	14,175
Real estate, plant and equipment	208,445	211,623
Other tangible assets	4,278	5,731
of which finance leases	*13,753*	*13,723*
Intangible assets	133,489	131,372
TOTAL FIXED ASSETS	360,635	362,901
OTHER NON-CURRENT ASSETS		
Investments in associates	--	101
Other available-for-sale financial assets	440	472
Financial receivables	--	68
Other receivables	10,146	9,029
Deferred tax assets	38,247	35,001
TOTAL OTHER NON-CURRENT ASSETS	48,833	44,671
TOTAL NON-CURRENT ASSETS	409,468	407,572
NON-CURRENT ASSETS HELD FOR DISPOSAL	722	700
TOTAL ASSETS	**739,316**	**750,876**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
CURRENT LIABILITIES		
Current bank payables	35,958	4,327
Current part of long term loans and other loans	42,773	67,378
of which finance leases	*1,866*	*1,679*
TOTAL SHORT-TERM BORROWINGS	78,731	71,705
Other short-term financial liabilities - derivatives	164	1,023
TOTALE SHORT-TERM BORROWINGS AND DERIVATIVES	78,895	72,728
Trade payables and other payables	210,019	199,818
Tax payables	6,235	2,727
Other current liabilities	2,121	1,971
TOTAL CURRENT LIABILITIES	297,270	277,244
NON-CURRENT LIABILITIES		
MEDIUM-LONG TERM BORROWINGS AND DERIVATIVES		
Bank loans	141,406	196,169
Other medium-long term loans	9,562	10,902
of which finance leases	*7,187*	*8,034*
TOTAL MEDIUM-LONG TERM BORROWINGS	150,968	207,071
Other medium-long term financial liabilities for derivatives	2,042	2,124
TOTAL MEDIUM-LONG TERM BORROWINGS AND DERIVATIVES	153,010	209,195
OTHER LONG-TERM LIABILITIES		
Long-term provisions	41,777	51,033
Other payables	410	382
Deferred taxes	32,447	30,847
TOTAL OTHER LONG-TERM LIABILITIES	74,634	82,262
TOTAL NON-CURRENT LIABILITIES	227,644	291,457
SHAREHOLDERS' EQUITY		
Share capital	60,546	60,397
Reserves and retained earnings (losses)	117,874	114,053
Net income (loss) for the year of the group	18,821	(7,639)
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY	197,241	166,811
Minority interests	17,161	15,364
TOTAL SHAREHOLDERS' EQUITY	214,402	182,175
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**739,316**	**750,876**

SOGEFI GROUP

INCOME STATEMENT

(in thousands of euro)

	2010	*2009*
Sales revenues	924,713	780,987
Variable sales costs	622,963	529,832
CONTRIBUTION MARGIN	301,750	251,155
Fixed costs for production, research and development	98,586	90,370
Amortization and depreciation	44,924	42,150
Fixed costs for sales and distribution	32,367	31,059
Administrative costs and overheads	58,346	53,891
OPERATING INCOME	67,527	33,685
Restructuring costs	12,022	17,162
Capital losses (gains) from disposals	(509)	1,222
Exchange rate (gains) losses	220	781
Other non-operating costs (income)	14,021	9,445
- of which non-recurring	*187*	*(11)*
EBIT	41,773	5,075
Net financial expense (income)	9,554	10,783
Expense (income) from equity investments	(200)	(75)
INCOME BEFORE TAXES AND MINORITY INTERESTS	32,419	(5,633)
Income taxes	11,570	700
NET INCOME BEFORE MINORITY INTERESTS	20,849	(6,333)
Net loss (income) of Minority Shareholders	(2,028)	(1,306)
NET INCOME OF THE GROUP	18,821	(7,639)
Earnings per share (Euro):		
Basic	0.165	(0.067)
Diluted	0.165	(0.067)

KOS GROUP

STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	*31.12.2010*	*31.12.2009*
NON-CURRENT ASSETS	**404,817**	**309,328**
INTANGIBLE ASSETS	165,287	122,494
TANGIBLE ASSETS	224,830	175,898
INVESTMENT PROPERTY	5,978	--
EQUITY INVESTMENTS	908	5,413
OTHER RECEIVABLES	311	441
SECURITIES	150	150
DEFERRED TAXES	7,353	4,932
CURRENT ASSETS	**174,026**	**111,370**
INVENTORIES	2,583	1,885
RECEIVABLES WITH PARENT COMPANY	1,656	1,578
TRADE RECEIVABLES	103,452	80,762
OTHER RECEIVABLES	7,917	10,749
FINANCIAL RECEIVABLES	483	318
CASH AND CASH EQUIVALENTS	57,935	16,078
TOTAL ASSETS	**578,843**	**420,698**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
SHAREHOLDERS' EQUITY	**180,567**	**139,730**
SHARE CAPITAL	7,747	6,480
RESERVES	175,750	143,804
RETAINED EARNINGS (LOSSES)	(6,565)	(12,723)
SHAREHOLDERS' EQUITY OF THE GROUP	**176,932**	**137,561**
MINORITY SHAREHOLDERS' EQUITY	3,635	2,169
NON-CURRENT LIABILITIES	**217,397**	**156,311**
OTHER BORROWINGS	182,647	129,306
TRADE PAYABLES	75	69
OTHER PAYABLES	66	56
DEFERRED TAXES	12,019	7,678
PERSONNEL PROVISIONS	19,083	17,477
PROVISIONS FOR RISKS AND LOSSES	3,507	1,725
CURRENT LIABILITIES	**180,879**	**124,657**
BANK OVERDRAFTS	33,831	28,128
OTHER BORROWINGS	31,215	22,499
PAYABLES TO PARENT COMPANY	4,147	1,924
TRADE PAYABLES	53,545	42,991
OTHER PAYABLES	45,667	23,038
PROVISIONS FOR RISKS AND LOSSES	12,474	6,077
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**578,843**	**420,698**

KOS GROUP

INCOME STATEMENT
(in thousands of euro)

	2009	*2009*
SALES REVENUES	325,370	273,404
COSTS FOR THE PURCHASE OF GOODS	(24,544)	(19,621)
COSTS FOR SERVICES	(126,039)	(107,637)
PERSONNEL COSTS	(122,193)	(103,973)
OTHER OPERATING INCOME	3,330	2,413
OTHER OPERATING COSTS	(13,802)	(11,560)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	--	--
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	(18,651)	(16,505)
OPERATING RESULT (EBIT)	**23,471**	**16,521**
FINANCIAL INCOME	1,072	512
FINANCIAL EXPENSE	(9,435)	(8,789)
DIVIDENDS	1	301
GAINS FROM TRADING SECURITIES	--	--
LOSSES FROM TRADING SECURITIES	--	--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(200)	(331)
INCOME/(LOSS) BEFORE TAXES	**14,909**	**8,214**
INCOME TAXES	(10,457)	(8,210)
INCOME/(LOSS) FROM DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISPOSAL	--	--
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	**4,452**	**4**
- NET INCOME/LOSS OF MINORITY SHAREHOLDERS	460	358
- **NET INCOME/LOSS OF THE GROUP**	**3,992**	**(354)**
Basic earnings per share	0.061	(0.005)
Diluted earnings per share	0.058	--

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

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

- that the administrative and accounting procedures for the preparation of the Financial Statements during financial year 2010 were adequate in relation to the size and nature of the business and
- that they were effectively applied.

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

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

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

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

Milan, March 10 2011

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed by
Alberto Piaser
Officer Responsible

CIR S.p.A.

Financial Statements as of December 31 2010

1. STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	Notes		%(**)	31.12.2010		%(**)	31.12.2009
NON-CURRENT ASSETS				**1,040,482,201**			**1,012,090,877**
INTANGIBLE ASSETS	(4.a)			230,753			213,639
TANGIBLE ASSETS	(4.b)			2,865,389			3,018,487
INVESTMENT PROPERTY	(4.c)			17,542,778			18,114,599
EQUITY INVESTMENTS	(4.d)			918,632,223			856,680,271
SUNDRY RECEIVABLES	(4.e)			101,211,058			133,296,990
of which with related parties (*)		*101,188,090*	100.0		*133,272,790*	100.0	
DEFERRED TAXES	(4.f)			--			766,891
CURRENT ASSETS				**250,539,877**			**307,202,505**
SUNDRY RECEIVABLES	(5.a)			18,249,799			31,587,092
of which with related parties (*)	(5.a)	*10,075,867*	55.2		*1,155,601*	3.7	--
FINANCIAL RECEIVABLES	(5.b)			--			1,418,000
SECURITIES	(5.c)			60,674,692			101,584,046
CASH & CASH EQUIVALENTS	(5.d)			171,615,386			172,613,367
TOTAL ASSETS				**1,291,022,078**			**1,319,293,382**

LIABILITIES AND SHAREHOLDERS' EQUITY			%(**)	31.12.2010		%(**)	31.12.2009
SHAREHOLDERS' EQUITY				**968,540,558**			**978,905,531**
ISSUED CAPITAL				396,058,634			396,058,634
less OWN SHARES				(21,537,000)			(21,537,000)
SHARE CAPITAL	(6.a)			374,521,634			374,521,634
RESERVES	(6.b)			348,901,164			352,032,278
RETAINED EARNINGS / (LOSSES)	(6.c)			259,833,508			254,341,399
RESULT FOR THE YEAR				(14,715,748)			(1,989,780)
NON-CURRENT LIABILITIES				**298,949,593**			**297,733,880**
BONDS AND NOTES	(7.a)			297,404,251			296,168,462
PERSONNEL PROVISIONS	(7.b)			1,545,342			1,565,418
CURRENT LIABILITIES				**23,531,927**			**42,653,971**
BANK OVERDRAFTS				68			--
OTHER PAYABLES	(8.a)			9,792,512			28,513,339
of which with related parties (*)	(8.a)	*5,002,177*	51.1		*12,961,083*	45.5	
PROVISIONS FOR RISKS AND LOSSES	(8.b)			13,739,347			14,140,632
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				**1,291,022,078**			**1,319,293,382**

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

2. INCOME STATEMENT

(in euro)

	Notes		*%(**)*	*2010*		*%(**)*	*2009*
SUNDRY REVENUES AND INCOME	(9)			7,115,840			7,139,502
of which from related parties (*)	(9)	*6,135,885*	86.2		*6,047,127*	84.7	
COSTS FOR SERVICES	(10)			(11,747,397)			(14,771,383)
of which from related parties (*)	(10)	*(1,563,000)*	13.3		*(1,805,000)*	12.2	
PERSONNEL COSTS	(11)			(9,312,839)			(9,202,151)
OTHER OPERATING COSTS	(12)			(5,692,888)			(2,138,073)
AMORTIZATION, DEPRECIATION & WRITEDOWNS				(862,179)			(865,553)
OPERATING RESULT				**(20,499,463)**			**(19,837,658)**
FINANCIAL INCOME	(13)			12,136,221			10,207,930
of which from related parties (*)		*2,915,301*	24.0		*3,302,156*	32.3	
FINANCIAL EXPENSE	(14)			(19,977,508)			(17,533,720)
of which with related parties (*)					--		
DIVIDENDS	(15)			5,870,438			11,392,025
of which from related parties (*)		*5,849,122*	99.6		*11,361,610*	99.7	
GAINS FROM TRADING SECURITIES	(16)			6,801,249			6,910,176
LOSSES FROM TRADING SECURITIES	(17)			(684,176)			(942,498)
ADJUSTMENT TO VALUE OF FINANCIAL ASSETS	(18)			(1,517,902)			2,527,965
INCOME / (LOSS) BEFORE TAXES				**(17,871,141)**			**(7,275,780)**
INCOME TAXES	(19)			3,155,393			5,286,000
NET RESULT FOR THE YEAR				**(14,715,748)**			**(1,989,780)**
BASIC EARNINGS PER SHARE (in euro)	(20)			(0.0196)			(0.0027)
DILUTED EARNINGS PER SHARE (in euro)	(20)			(0.0196)			(0.0027)

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

3. STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2010	2009
Result for the period		(14,715,748)	(1,989,780)
Other items of comprehensive income statement		--	--
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD		**(14,715,748)**	**(1,989,780)**
BASIC EARNINGS PER SHARE (in euro)	(20)	(0.0196)	(0.0027)
DILUTED EARNINGS PER SHARE (in euro)	(20)	(0.0196)	(0.0027)

4. STATEMENT CASH FLOW

(in euro)

		2010		2009
OPERATING ACTIVITY				
NET INCOME FOR YEAR INCLUDING MINORITY INTERESTS		(14,715,748)		(1,989,780)
ADJUSTMENTS:				
AMMORT. DEPREC. & WRITEDOWNS		862,179		865,553
LOSSES/(GAINS) ON SALE OF EQUITY INVESTMENTS AND CURRENT SECURITIES		(1,105,913)		(4,630,177)
ACTUARIAL VALUATION OF STOCK OPTION PLANS		4,335,313		4,324,835
PROVISIONS MADE TO TFR FUND		276,562		287,329
ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS		1,517,902		(2,527,965)
(INCREASE) REDUCTION IN NET WORKING CAPITAL		(2,699,898)		35,896,586
of which with related parties	*(14,316,325)*		*10,903,845*	
CASH FLOW FROM OPERATING ACTIVITY		**(11,529,603)**		**32,226,381**
of which:				
- interest inflows (disbursements)		(4,898,357)		4,677,352
- dividends received		6,680,438		10,582,025
- receipts(payments) of income taxes *		929,483		8,342,358
INVESTMENT ACTIVITY				
(PURCHASE)/SALE OF CURRENT SECURITIES		40,509,313		128,061,387
(PURCHASE)/SALE OF FIXED ASSETS		(62,118,274)		129,325,474
CASH FLOW FROM INVESTMENT ACTIVITY		**(21,608,961)**		**257,386,861**
FUNDING ACTIVITY				
INFLOWS FROM CAPITAL INCREASES		--		999,389
PAYMENT OF LEAVING INDEMNITY		(296,639)		(241,648)
BUYBACK OF OWN SHARES		--		(74,255)
REPAYMENT (DRAWDOWN) LOANS TO SUBSIDIARIES		32,437,154		(130,000,000)
DIVIDENDS PAID OUT		--		--
CASH FLOW FROM FUNDING ACTIVITY		**32,140,515**		**(129,316,514)**
INCREASE (REDUCTION) IN NET CASH & CASH EQUIVALENTS		**(998,049)**		**160,296,728**
NET CASH & CASH EQUIVALENTS AT START OF PERIOD		**172,613,367**		**12,316,639**
NET CASH & CASH EQUIVALENTS AT END OF PERIOD		**171,615,318**		**172,613,367**

** The amounts refer to current tax receivables received following participation in tax consolidation*

5. STATEMENTS OF CHANGES IN EQUITY

(in euro)	*Issued capital*	*less own shares*	*Share capital*	*Reserves*	*Retained earnings (losses)*	*Net income for year*	*Total*
BALANCE AT DECEMBER 31 2008	395,587,634	(21,487,000)	374,100,634	345,985,148	221,164,387	33,251,267	974,501,436
Capital increases	471,000	--	471,000	528,389	--	--	999,389
Dividends to Shareholders	--	--	--	--	--	--	--
Net income posted to reserve	--	--	--	--	33,251,267	(33,251,267)	--
Dividends unclaimed as per Art. 23 of Bylaws	--	--	--	14,253	--	--	14,253
Adjustment for own share transactions	--	(50,000)	(50,000)	50,000	(74,255)	--	(74,255)
Notional recognition of stock options	--	--	--	5,454,488	--	--	5,454,488
Result for the year	--	--	--	--	--	(1,989,780)	(1,989,780)
BALANCE AT DECEMBER 31 2009	396,058,634	(21,537,000)	374,521,634	352,032,278	254,341,399	(1,989,780)	978,905,531
Capital increases	--	--	--	--	--	--	--
Dividends to Shareholders	--	--	--	--	--	--	--
Net income posted to reserve	--	--	--	--	(1,989,780)	1,989,780	--
Dividends unclaimed as per Art. 23 of Bylaws	--	--	--	15,462	--	--	15,462
Adjustment for own share transactions	--	--	--	--	--	--	--
Notional recognition of stock options	--	--	--	4,335,313	--	--	4,335,313
Movements between reserves	--	--	--	(7,481,889)	7,481,889	--	--
Result for the year	--	--	--	--	--	(14,715,748)	(14,715,748)
BALANCE AT DECEMBER 31 2010	396,058,634	(21,537,000)	374,521,634	348,901,164	259,833,508	(14,715,748)	968,540,558

EXPLANATORY NOTES

1. STRUCTURE OF THE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES APPLIED

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

The balance sheet is based on the principle of historical cost, modified as required for the measurement of certain financial instruments, in compliance with the time principle and matching principles and the assumption that the business is an ongoing concern. In spite of the difficult economic and financial context, the Company has established that there are no significant uncertainties, as defined in paragraph 24 of IAS 1, regarding the fact that the business is an ongoing concern.

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

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

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

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

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

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

Intangible assets are recognized 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 accumulated amortization and impairment.
Intangible assets are initially recognized at purchase or production cost. Purchase cost is represented by the fair value of payments and any additional cost directly incurred for preparing the asset for use. The purchase cost is the equivalent price in cash as of the date of recognition and therefore, where payment is deferred beyond normal terms of credit, the difference compared with the cash price is recognized as interest for the whole period of deferment.

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

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

Development costs are recognized as intangible assets when their cost can be measured reliably, when there is a reasonable assumption that the asset can be made available for use or for sale and that it is able to generate future benefits. Once a year or any time there are reasons which justify it, capitalized costs are subjected to an impairment test.
Research costs are charged to the income statement as and when they are incurred.

Trademarks and licenses, which are initially recognized at cost, are subsequently accounted for net of amortization and any impairment. The period of amortization is defined as the lower of the contractual duration for use of the license and the useful life of the asset.
Software licenses, including associated costs, are recognized at cost and are recorded net of amortization and of any accumulated impairment.

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

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

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

Fixed assets are depreciated on a straight-line basis each year in relation to the remaining useful life of the various assets.

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

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

Should there be any events which one can assume will cause a lasting reduction in the value of an asset, its carrying value is checked against its recoverable value, which is the higher of fair value and value in use.

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

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

Where there is a negative difference between the values stated above and the carrying value then the asset is written down, while as soon as the reasons for such loss in value cease to exist then the asset is revaluated. Write-downs and revaluations are posted to the income statement.

1.c. **Investment property (IAS 40)**

An investment property is a property, either land or building – or part of a building – or both, owned by the owner or by the lessee, even with a financial leasing agreement, for the purpose of receiving lease payments or for obtaining a gain on the capital invested or for both of these reasons, rather than for the purpose of directly using it for the production or supply of goods or services or for the administration of the company or for sales, in ordinary business activities.

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

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

1.d. **Impairment of assets (IAS 36)**

At least once a year the Company verifies the recoverability of the carrying value of intangible assets, tangible assets and investments in subsidiaries and associates in order to determine whether these assets have suffered any loss of value. If there is evidence of such a loss, the carrying value of the asset is reduced to its recoverable value.
The recoverable value of an asset is the higher of fair value less costs to sell and its value in use.
In detail, in valuing the presence of any losses in the value of investments in subsidiaries and associates, since these are investments for which a market value (i.e. fair value less costs to sell) is in some cases unreliable, the recoverable value was defined as its value in use, meaning the present value of estimated cash flows in relation to the expected results of investee companies and to the estimated value of a hypothetical ultimate disposal in line with the terms set out in IAS 28 (paragraph 33).

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

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

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

1.f. Other equity investments

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

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

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

1.h. Securities (IAS 32 and 39)

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

Gains and losses resulting from fair value adjustments are recorded in a special equity reserve. In the event of permanent losses of value or of disposal, the gains and losses recognized previously to shareholders' equity are then posted to the income statement.
It should be noted that purchases and sales are recognized on the trading date of the transaction.

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

1.i. **Income taxes (IAS 12)**

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

Deferred taxes are calculated on the basis of time differences, which are taxable or deductible, between the carrying values of assets and liabilities and their tax bases and are classified under non-current assets and liabilities.
A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.
The carrying value of deferred tax assets is subject to periodic analysis and is reduced to the extent to which it is no longer probable that there will be sufficient taxable income to allow the benefit of the deferred asset to be utilized.

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

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

1.m. **Shareholders' equity**

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

Own shares are classified in a special item and are deducted from reserves; any subsequent transaction of sale, re-issuance or cancellation will have no impact on the income statement but will affect only shareholders' equity.
Unrealized gains and losses, net of tax, on financial assets classified as "available for sale" are recorded in shareholders' equity in the fair value reserve.
The reserve is reversed to the income statement when the asset is realized or when a permanent impairment loss to the said asset is recognized.
The item "Retained earnings (losses)" includes accumulated earnings and balances transferred from other reserves when these become free of any limitations to which they have been subject. This item also shows the cumulative effect of the changes in accounting principles and/or the correction of errors which are accounted for in accordance with IAS 8.

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

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

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

Provisions for risks and losses refer to liabilities which are extremely likely but where the amount and/or maturity is uncertain. These are the result of past events which will cause a future disbursement. Provisions are recognized exclusively in the presence of a current obligation, either legal or constructive, towards third parties which implies an outflow and when a reliable estimate of the amount involved can be made. The amount recognized as a provision is the best estimate of the disbursement required to fulfil the obligation as of the balance sheet date. The provisions recognized are re-examined at the closing date of each accounting period and are adjusted to represent the best current estimate. Changes in the estimate are recognized to the income statement.
When the estimated disbursement relating to the obligation is expected in a time horizon longer than normal payment terms and the discount factor is significant, the provision represents the present value, discounted at a risk-free interest rate, of the expected future payments necessary to discharge the obligation.

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

1.p. **Revenue recognition (IAS 18)**

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

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

1.q. **Employee benefits (IAS 19)**

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

Financial Law no. 296/2006 (Budget 2007) introduced some important changes to the way the TFR is regulated and introduced the possibility for workers to transfer their TFR maturing as from January 1 2007 to pension schemes of their choice. All TFR that had accumulated as of December 31 2006 for employees who exercised this choice, while still remaining as a defined benefit plan, was determined using actuarial methods which, however, excluded the actuarial/financial elements that refer to future salaries. In view of the fact that this new calculation method reduces the fluctuation of actuarial gains/losses, the decision was made to abandon the so-called corridor method and to recognize all actuarial gains and losses to the Income Statement.

Accounting standard IFRS 2 “Share-based payments” issued in February 2005 with validity as form January 1 2005 requires in its transitional instructions that application should be retrospective in all cases where stock options were assigned after November 7 2002 and for which on the date on which this condition took effect the vesting conditions of the plans had not yet matured.
In accordance with this principle the CIR Group now measures and recognizes the notional cost of stock options to the income statement under personnel costs and apportions them throughout the vesting period of the benefit, with an offset in the appropriate reserve of shareholders’ equity.
The cost of the option is determined at the moment when the plan is awarded using special models and multiplying by the number of options exercisable in the reporting period, which are determined using the aid of appropriate actuarial variables.

1.r. **Derivative instruments (IAS 32 and 39)**

Derivative instruments are measured at fair value.
Derivatives not for hedging purposes are classified as financial instruments at fair value through profit and loss (FVTPL).

The classification of a derivative as a hedge must be formally documented and the degree of “effectiveness” of the hedge must be specified.

For accounting purposes hedging transactions are classified as:

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

Specifically, for instruments classified as cash flow hedges (interest rate swaps), gains and losses from marking them to market are posted directly to shareholders’ equity for the part which “effectively” hedges the risk for which it was entered into, while any “non-effective” part is recognized to the income statement.

1.s. **Foreign currency translation (IAS 21)**

The Company’s functional currency is the euro, which is the currency in which its financial statements are prepared and published.

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

At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rate prevailing on that date.

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

Non-monetary items measured at fair value are translated using the spot exchange rate at the date on which the measurements are determined for the financial statements.

1.t. **Use of estimates**

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

1.u. **Earnings per share (IAS 33)**

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

Adoption of new accounting standards, interpretations and amendments

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

2. FINANCIAL INSTRUMENTS

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

a) Financial instruments that are valued at fair value through profit and loss (FVTPL) in application of the fair value option, which are held for trading purposes;
b) Investments held to maturity (HTM);
c) Loans and receivables (L&R);

d) Available-for-sale financial assets (AFS).

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

Financial instruments at fair value through profit and loss

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

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

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

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

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

a) Designation according to the fair value option eliminates or significantly reduces accounting mismatches;
b) A group of financial assets, financial liabilities or both are managed and their performance is measured on the basis of their fair value following a documented investment risk strategy, and
c) An instrument contains an implicit derivative which meets particular conditions.

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

Investments held to maturity

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

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

Amortized cost is determined by applying the effective interest rate of the financial instrument, taking into account any discounts or premiums received or paid at the moment of purchase, and recognizing them throughout the whole life of the instrument until its final maturity.

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

The effective interest rate method is a calculation criterion used to assign financial expenses to their appropriate time period.

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

If even one single instrument belonging to this category is sold before maturity, for a significant amount and where there is no special justification for this, the tainting rule is applicable and requires that the whole portfolio of securities classified as Held To Maturity be reclassified and measured at fair value, and this category cannot then be used in the two following years.

Loans and receivables

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

This category includes trade receivables (and payables).

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

Available-for-sale financial assets

This is a “residual” category which includes non-derivative financial instruments that are designated as available for sale and are not included in any of the previous categories.

Financial instruments held for trading are recognized at their fair value plus any transaction costs.

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

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

In the case of securities listed on regulated markets, the fair value is the bid price at the close of trading on the last day of the accounting period.

Where no market prices are available, fair value is determined either on the basis of the fair value of another financial instrument that is substantially similar or by using appropriate financial techniques (for example the discounted cash flow method).

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

3. ACCOUNTING PRINCIPLES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

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

If the initial application of a principle affects the current year or the previous one, its effect is recognized by indicating the change resulting from any transitional rules, the nature of the change, the description of the transitional rules, which may also affect future years, and the amount of any adjustments relating to years preceding those being presented.

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

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

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

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

4. NON-CURRENT ASSETS

4.a INTANGIBLE ASSETS

2009	*Starting position*			*Changes in the year*					*Closing position*		
	Historical	*Accum. amort.*	*Balance*	*Acquisitions*	*Reclassified*	*Disposals*		*Amort. &*	*Historical*	*Accum. amort.*	*Balance*
(in thousands of euro)	*cost*	*& writedowns*	*31.12.2008*			*cost*	*acc. amort.*	*writedowns*	*cost*	*& writedowns*	*31.12.2009*
Concessions, licenses, trademarks & similar rights	629	(486)	143	85		--	--	(62)	714	(548)	166
Assets in process and advance payments	48	--	48	--		--	--	--	48	--	48
Total	677	(486)	191	85	--	--	--	(62)	762	(548)	214

2010	*Starting position*			*Changes in the year*					*Closing position*		
	Historical	*Accum. amort.*	*Balance*	*Acquisitions*	*Reclassified*	*Disposals*		*Amort. &*	*Historical*	*Accum.amort.*	*Balance*
(in thousands of euro)	*cost*	*& writedowns*	*31.12.2009*			*cost*	*accum. amort.*	*writedowns*	*cost*	*& writedowns*	*31.12.2010*
Concessions, licenses, trademarks & similar rights	714	(548)	166	107	48	--	--	(90)	869	(638)	231
Assets in process and advance payments	48	--	48	--	(48)	--	--	--	--	--	--
Total	762	(548)	214	107	--	--	--	(90)	869	(638)	231

AMORTIZATION RATES

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

4.b. TANGIBLE ASSETS

2009	*Starting position*			*Changes in the year*					*Closing position*		
(in thousands of euro)	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2008*	*Acquisitions*	*Reclassified*	*Disposals cost*	*Disposals acc. dep.*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2009*
Land	723	--	723	--	--	--	--	--	723	--	723
Buildings	4,251	(4,116)	135	--	--	--	--	(6)	4,251	(4,122)	129
Plant and machinery	995	(892)	103	11	--	--	--	(66)	1,006	(958)	48
Other assets	4,477	(2,261)	2,216	62	--	--	--	(160)	4,539	(2,421)	2,118
Assets under construction & advance payments	--	--	--	--	--	--	--	--	--	--	--
Total	10,446	(7,269)	3,177	73	--	--	--	(232)	10,519	(7,501)	3,018

2010	*Starting position*			*Changes in the year*					*Closing position*		
(in thousands of euro)	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2009*	*Acquisitions*	*Reclassified*	*Disposals cost*	*Disposals acc. dep.*	*Depreciation & writedowns*	*Historical cost*	*Accum. deprec. & writedowns*	*Balance 31.12.2010*
Land	723	--	723	--	--	--	--	--	723	--	723
Buildings	4,251	(4,122)	129	--	--	--	--	(6)	4,251	(4,128)	123
Plant and machinery	1,006	(958)	48	11	--	(44)	44	(38)	973	(952)	21
Other assets	4,539	(2,421)	2,118	38	--	(202)	200	(156)	4,375	(2,377)	1,998
Assets under construction & advance payments	--	--	--	--	--	--	--	--		--	--
Total	10,519	(7,501)	3,018	49	--	(246)	244	(200)	10,322	(7,457)	2,865

Tangible assets declined from € 3,018 thousand at December 31 2009 to € 2,865 thousand at December 31 2010.

DEPRECIATION RATES

Description	*%*
Buildings and investment property	3.00%
Plant and machinery	10.00-25.00%

Other assets:

- Electronic office equipment	20.00%
- Furniture and fittings	12.00%
- Motor vehicles	25.00%

4.c. INVESTMENT PROPERTY

2009	*Starting position*			*Changes in the year*					*Closing position*		
	Historical	*Accum. deprec.*	*Balance*	*Acquisitions*	*Reclassified*	*Disposals*		*Depreciation*	*Historical*	*Accum. deprec.*	*Balance*
(in thousands of euro)	*cost*	*& writedowns*	*31.12.2008*			*cost*	*acc. dep.*	*& writedowns*	*cost*	*& writedowns*	*31.12.2009*
	20,299	(1,612)	18,687	--	--	--	--	(572)	20,299	(2,184)	18,115

2010	*Starting position*			*Changes in the year*					*Closing position*		
	Historical	*Accum. deprec.*	*Balance*	*Acquisitions*	*Reclassified*	*Disposals*		*Depreciation*	*Historical*	*Accum. deprec.*	*Balance*
(in thousands of euro)	*cost*	*& writedowns*	*31.12.2009*			*cost*	*acc. dep.*	*& writedowns*	*cost*	*& writedowns*	*31.12.2010*
	20,299	(2,184)	18,115	--	--	--	--	(572)	20,299	(2,756)	17,543

Investment property declined from € 18,115 thousand at December 31 2009 to € 17,543 thousand at December 31 2010.
The market value is considerably higher than the carrying value in the statement of financial position.

4.d. EQUITY INVESTMENTS 2009

(in thousands of euro)	*Starting position*				*Changes in the year*					*Closing position*	
									Writedowns/ Revals Recovery		
	31.12.2008		*Reclassified*		*Increases*		*Decreases*			*31.12.2009*	
	no. shares	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*no. shares*	*amount*	*amount*	*no. shares*	*amount*
Subsidiaries											
SORGENIA HOLDING S.p.A.	88,555,309	189,527	--	--	--	--	--	--	--	88,555,309	189,527
GRUPPO EDITORIALE L'ESPRESSO S.p.A.	220,775,235	341,680	--	--	--	--	--	--	--	220,775,235	341,680
SOGEFI S.p.A.	65,739,962	106,784	--	--	--	--	--	--	--	65,739,962	106,784
KOS S.p.A. (formerly Holding Sanità e Servizi S.p.A.	4,239,139	93,543	--	--	--	--	--	--	--	4,239,139	93,543
DRY PRODUCTS S.p.A.	55,000	--	--	--	4,945,000	109,380	--	--	--	5,000,000	109,380
CIR INTERNATIONAL S.A.	100,000	--	--	--	900,000	47,000	--	--	(35,888) (*)	1,000,000	11,112
COFIDEFIN SERVICOS LDA	93,000	180	--	--	32,000	204	(125,000)	(384)	--	--	--
INTERGEFI S.r.l.	500,000	512	--	--	--	--	--	(300)	--	500,000	212
CIR VENTURE S.r.l.	10,000	1	--	--	--		(10,000)	(1)		--	--
CIRINVEST S.p.A.	121,750	122	--	--	--	--	--	--	(14)	121,750	108
JUPITER FINANCE S.p.A.	592,800	6,482	--	--	1,482,000	--	--	(3,071)	(429)	2,074,800	2,982
CIGA LUXEMBOURG S.A.R.L.	318,200	278,981	--	--	--	--	(317,200)	(281,000)	3,193	1,000	1,174
NEXENTI S.r.l.	50,000	47	--	--			--	--		50,000	47
Total subsidiaries		1,017,859		--		156,584		(284,756)	(33,138)		856,549
Other companies											
C IDC S.p.A. *(in liquidation and settlement with creditors)*	1,231,319	--	--	--	--	--	--	--	--	1,231,319	--
EMITTENTI TITOLI S.p.A.	232,000	132	--	--	--	--	--	--	--	232,000	132
FILIPPO FOCHI S.p.A. *(in administration)*	409,520	--	--	--	--	--	--	--	--	409,520	--
IST. EDIL. ECONOM. POPOLARE S.r.l.	1,350	--	--	--	--	--	--	--	--	1,350	--
Total other companies		132		--		--		--	--		132
TOTAL EQUITY INVESTMENTS		1,017,991		--		156,584		(284,756)	(33,138)		856,681

(*) *Through use of the provision for the cover of equity investments set aside in the previous year* .

IFRS7 - Additional information: It should be noted that this information is given only for the investments in other companies.

4.d. EQUITY INVESTMENTS 2010

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

IFRS7 - Additional information: it should be noted that this information is given only for the investments in other companies.

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

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

The increase in the item refers essentially to the capital increase with a share premium in the subsidiary Dry Products S.p.A. which took place in III Quarter 2010

LIST OF INVESTMENTS IN SUBSIDIARIES AS OF DECEMBER 31 2010
(ART. 2427 no. 5 Civil Code)

(in thousands of euro) *Name*	*Head Office*	*Share Capital*	*Total Equity*	*Result for the year*	*Percentage owned*		*Carrying value*
GRUPPO EDITORIALE L'ESPRESSO S.p.A.	Rome	61,463	442,203	58,266	53.88	(*)	341,680
SORGENIA HOLDING S.p.A.	Turin	136,177	620,727	7,971	65.03		189,527
SOGEFI S.p.A.	Mantua	60,546	177,592	12,445	56.46	(**)	106,784
DRY PRODUCTS S.p.A.	Milan	6,375	168,625	3,990	100.00		164,380
CIR INTERNATIONAL S.A.	Luxembourg	10,000	6,595	7,022	100.00		11,112
KOS S.p.A.	Milan	7,747	163,116	(5,026)	56.67		99,205
JUPITER FINANCE S.p.A.	Milan	2,700	2,694	(98)	98.80		2,701
CIRINVEST S.p.A.	Milan	120	104	(4)	100.00		108
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000	6,020	(109)	100.00		1,174
NEXENTI S.r.l.	Milan	50	1,788	(52)	98.80		1,829

(*) 54.96% of voting rights
(**) 57.43% of voting rights

As required by IFRS the investments were subjected to an impairment test to see whether there was objective evidence that their carrying value could not be fully recovered.
For the purposes of carrying out the impairment test for the separate financial statements, the individual investments held by CIR were divided into those which have the role of holding company for their sector, which given the nature of the sub-group are not significant individually but are part of the impairment test of CGUs carried out at consolidated level, and the other investments.
Regarding the controlling investments in the holdings of the sectors, the impairment tests carried out at consolidated level did not result in the need to make any adjustments to the value of the assets.
Moreover, it should be noted the impairment test conducted on the sub-holdings was further backed up by the prices on the stock Exchange at December 31 2010, for the listed companies heading the groups, or in the values at which recent transactions were carried out on minority interests, for the non-listed companies, all of which were well above the carrying values expressed in the financial statements.

As for the other investments, the impairment tests did show that there was the need to make adjustments to the value of some of the investee companies.

4.e. SUNDRY RECEIVABLES

The balance at December 31 2010 of € 101,211 thousand (€ 133,297 at December 31 2009) mainly refers to the loan of € 101,188 thousand made to the subsidiary CIR International S.A.. It should be noted that in December 2010 the maturity of this loan, which was originally March 2011, was extended until March 2014. The interest rate on this loan is currently 2.247% (Euribor 1Y + spread). During the year repayments were made for € 35,000 thousand.

4.f. DEFERRED TAXES

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

(in thousands of euro)	*31.12.2010*		*31.12.2009*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Deferred tax assets:				
Risk provisions and other	--	--	2,789	767
Total deferred tax assets:		**--**		**767**

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

(in thousands of euro)	*Balance at 31.12.2009*	*Utilization of deferred taxes from prior periods*	*Deferred taxes arising in period*	*Balance at 31.12.2010*
Deferred tax assets:				
- in income statement	767	(767)	--	--
- in shareholders' equity	--	--	--	--

There are no prior losses for which the company has set aside deferred taxes.

5. <u>CURRENT ASSETS</u>

5.a. SUNDRY RECEIVABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Tax receivables	5,889	27,159
Other receivables with related parties	10,076	1,156
Receivables with others	2,285	3,272
Total	18,250	31,587

The item "Tax receivables" declined from € 27,159 thousand at December 31 2009 to € 5,889 thousand mainly as a result of the sale, for an amount of € 13,276 thousand, of tax credits from the tax consolidation for the year 2009 to companies of the Sorgenia group, which at the end of the three-year maturity did not then renew the option to take part in the tax consolidation of the Group.

The item "Other receivables with related parties" refers for € 10,065 thousand to the receivables with companies that took part in the tax consolidation (€ 7,173 thousand to companies of the Espresso group, € 2,606 thousand to companies of the KOS group, € 263 thousand to companies of the Sogefi group and € 23 thousand to companies of the Sorgenia group) and for € 11 thousand to the receivable with Jupiter Finance for rented premises.

IFRS7 – Additional disclosures: it should be noted that the information required does not include the item "Tax receivables".

5.b. FINANCIAL RECEIVABLES

The balance at December 31 2009 of € 1,418 thousand referred to the net interest accrued (€ 333 thousand) and to the fair value measurement (€ 1,085 thousand) of the interest rate swap hedging the interest on the CIR Bond maturing in 2024, which was closed out early in the first half of 2010.

5.c. SECURITIES

The item "Securities" includes the following categories of securities:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Bonds	60,675	101,584
Italian Government securities or similar securities	--	--
Sundry securities	--	--
Investment funds and similar funds	--	--
Total	60,675	101,584

The measurement at fair value of the item "securities" involved a negative adjustment to the income statement of € 1,518 thousand.

Starting from the financial statements as of December 31 2009 the company must indicate whether fair values are determined, entirely or partly, with reference to prices quoted by an active market ("Level 1"), whether they are estimated using prices quoted in a market for similar instruments or using directly observable market inputs ("Level 2") or whether valuation methods based substantially on significant data not directly observable in the market are used, which thus involve estimates and assumptions being made by management ("Level 3").
The following chart shows the breakdown of the item "Securities" and "Other financial assets" valued at fair value:

Financial year 2009

Balance sheet items	*Level 1*	*Level 2*	*Level 3*	*Total in balance sheet*
Securities – 5.c.				
(measured at fair value through profit and loss)				
- Bonds	99,581	2,003	--	101,584
- Italian Government securities and similar securities	--	--	--	--
- Sundry securities	--	--	--	--
- Investment funds and similar funds	--	--	--	--
Total securities	99,581	2,003	--	101,584
Financial receivables – 5.b.				
(valued at fair value through profit and loss)				
- Derivatives	--	1,085	--	1,085
Total financial receivables	--	1,085	--	1,085
Total assets	99,581	3,088	--	102,669

Financial year 2010

Balance sheet items	*Level 1*	*Level 2*	*Level 3*	*Total in balance sheet*
Securities – 5.c.				
(measured at fair value through profit and loss)				
- Bonds	60,675	--	--	60,675
- Italian Government securities and similar securities	--	--	--	--
- Sundry securities	--	--	--	--
- Investment funds and similar funds	--	--	--	--
Total securities	60,675	--	--	60,675

5.d. CASH AND CASH EQUIVALENTS

Cash and cash equivalents declined by € 998 thousand from € 172,613 thousand at December 31 2009 to € 171,615 thousand at December 31 2010. A breakdown of the changes is shown in the cash flow statement.

6. EQUITY

6.a. SHARE CAPITAL

The share capital stood at € 396,058,633.50 at December 31 2010, unchanged from December 31 2009, and comprised 792,117,267 shares each with a nominal value of € 0.50.
At December 31 2010 the Company owned 43,074,000 of its own shares (5.44% of capital) for a value of € 98,657 thousand, unchanged from December 31 2009.
In application of IAS 32, the own shares held by the Parent Company of the Group are deducted from equity.

The share capital is fully subscribed and paid up. No shares have any rights, privileges or limitations on the distribution of dividends with the exception of the own shares held as treasury stock.

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

The Board of Directors also has the right for a period of five years from April 30 2010 to issue, once or more than once, convertible bonds or bonds with warrants attached, up to an amount which, taking into account the bonds in circulation at the date on which the issuance is approved, shall not exceed the maximum limits set out in current regulations at the moment when the resolution is adopted by the Board.

6.b. RESERVES

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

(in thousands of euro)	*Share premium reserve*	*Legal reserve*	*Statutory reserves*	*Reserve for own shares held*	*Reserve Art. 6 D.Lgs. no. 38 of 28/02/2005*	*Fair value reserve*	*First adoption of IFRS reserve*	*Stock option reserve*	*Reserve for future capital increases*	*Total reserves*
Balance at December 31 2008	33,602	115,969	89	21,487	(74)	--	162,210	12,699	3	345,985
Capital increases	528	--	--	--	--	--	--	--	--	528
Unclaimed dividends as per Art. 23 of Company Bylaws	--	--	14	--	--	--	--	--	--	14
Adjustment for own share transactions	--	--	--	50		--	--	--	--	50
Notional cost of stock options credited	--	--	--	--	--	--	--	5,455	--	5,455
Balance at December 31 2009	34,130	115,969	103	21,537	(74)	--	162,210	18,154	3	352,032
Capital increases	--	--	--	--	--	--	--	--	--	--
Unclaimed dividends as per Art. 23 of Company Bylaws	--	--	16	--	--	--	--	--	--	16
Adjustment for own share transactions	--	--	--	--	--	--	--	--	--	
Notional cost of stock options credited	--	--	--	--	--	--	--	4,335	--	4,335
Movements between reserves	--	--	--	--	--	--	--	(7,482)	--	(7,482)
Balance at December 31 2010	34,130	115,969	119	21,537	(74)	--	162,210	15,007	3	348,901

It should be remembered that on April 30 2010 the Ordinary General Meeting of the Shareholders voted to cancel the previous resolution of April 30 2009 to buy back own shares and to give a new authorization for eighteen months from that date to buy back a maximum of 30,000,000 own shares for a nominal value of € 15,000,000, which shall not in any case exceed one tenth of the share capital of CIR and with a maximum disbursement limit of € 50,000,000.

The "S*tock option reserve*" refers to the value of the notional cost of the stock options assigned to employees, which were approved after November 7 2002. It should be noted that during the year the amount of € 7,482 thousand referring to the notional cost of options exercised, expired or annulled was reclassified to the item "Retained earnings"

6.c. RETAINED EARNINGS (LOSSES)

The change in Retained earnings (losses) was due to the cover of the loss of the previous year and to the reclassification described above.

INFORMATION AS PER ART. 2427 – 7BIS – CIVIL CODE

The following chart gives a breakdown of the items of shareholders' equity and shows how they can be utilized:

(in thousands of euro)

	Amount at December 31 2010	*Possible uses*	*Part available*	*Summary of uses made in the last three periods (*)*		
				For covering losses	*For distributing as dividends*	*Other*
CAPITAL	396,059	--	--	--	--	--
Capital reserves:						
Share premium reserve	34,130	ABC		--	--	--
Legal reserve	12,678	B		--	--	--
Capital reserve	3	A		--	--	--
Earnings reserves:						
Legal reserve	103,291	B		--	--	--
Statutory reserve	119	ABC		--	--	--
Art. 6 D.Lgs no. 38 reserve	(74)	ABC		--	--	--
First adoption of IFRS reserve	162,210	ABC		--	--	--
Stock Option reserve	15,007	ABC		--	--	--
Retained earnings	259,834	ABC		--	(21,847)	(1,463)
TOTAL	983,257			--	(21,847)	(1,463)

Key = A: for capital increases; B: for covering losses; C: for distribution to shareholders

(*)The uses shown are those that caused a reduction in total equity

7. NON CURRENT LIABILITIES

7.a. BONDS AND NOTES

The item “Bonds and notes” had a balance of € 297,404 thousand at December 31 2010, up from € 296,169 thousand at December 31 2009 and referred to the Bond issued by the Company in December 2004 for a nominal principal of € 300 million with maturity in 2024 at a fixed interest rate of 5.75%. Using the amortized cost method this loan was recognized including the accrued interest for the period and deducting the issuance discount and transaction costs and including the fair value of the derivative deal closed in the first half of 2010 which was hedging it. The effective interest rate is 5.87%. The bonds are listed on the Luxembourg Bourse.

7.b. PERSONNEL PROVISIONS

Changes in the provision “Employee Leaving Indemnity (TFR)” are shown in the chart below:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Starting balance	1,565	1,520
Amount accrued	277	287
Sums paid out	(297)	(242)
Total	1,545	1,565

8. CURRENT LIABILITIES

8.a. OTHER PAYABLES

(in thousands of euro)	*31.12.2010*	*31.12.2009*
Tax payables	676	2,362
Payables related parties	5,002	12,961
Payables suppliers	384	604
Other payables	3,731	12,586
Total	9,793	28,513

The item “Payables related parties” refers to payables to companies which took part in the tax consolidation (€ 3,237 thousand to companies of the Sogefi group, € 942 thousand to companies of the Sorgenia group, € 708 thousand to companies of the Espresso group and € 115 thousand to companies of the Kos group.

IFRS7 - Additional disclosures: it should be noted that the information required refers to the items “Payables related parties” and “Payables suppliers”.

8.b. PROVISIONS FOR RISKS AND LOSSES

The breakdown of these provisions and the changes during the year are as follows:

(in thousands of euro)	*Balance at 31.12.2009*	*Paid in*	*Withdrawn*	*Balance at 31.12.2010*
Other	14,141	2,500	(2,902)	13,739
Total	14,141	2,500	(2,902)	13,739

There are various disputes outstanding for which CIR has set aside specific risk provisions for an amount deemed appropriate, in agreement with its legal counsel, to cover the likely emergence of significant potential liabilities.

With a deed notified on October 23 2009, Fininvest S.p.A. appealed against ruling no. 11786 of October 3 2009 of the Milan Law Court which sentenced Fininvest S.p.A. to pay CIR patrimonial damages for the sum of € 749,955,611.93 plus interest at the legal interest rate on the above sum from the date of the ruling until payment is made. With this ruling, the Court also sentenced Fininvest to pay compensation for the non-patrimonial damage suffered by CIR, postponing settlement of this until a later verdict; lastly it sentenced Fininvest to reimburse CIR's legal costs including € 981.80 of advances, € 6,394.86 of expenses, € 16,148.00 of taxes and € 2,000,000.00 of legal fees plus general expenses of 12.50% of the duties and fees plus IVA and CPA as per the terms of the law.
At the hearing of 22.12.2009 fixed by the Court of Appeal for the discussion of the appeal made by Fininvest for suspension of the executive efficacy of the above mentioned verdict, Fininvest gave CIR a bank guarantee at the first request for the sum of € 806 million. On receipt of this, CIR said that it would not have the first degree ruling executed until the Court of Appeal has published its verdict.

On 3.2.2010, CIR filed an appearance in the Court of Appeal, requesting the rejection of the impugnment proposed by Fininvest. It also proposed an incidental appeal against certain clauses of the first degree verdict and petitioned that Fininvest be sentenced to pay the compensation for patrimonial damage, quantified in the sum of € 342,259,187.26, plus revaluation and interest as from 24.1.1991.

During the proceedings the Court ordered an official technical opinion, which was filed on September 23 2010.

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

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

INCOME STATEMENT

9. MISCELLANEOUS REVENUES AND INCOME

This item contains the following:

(in thousands of euro)	*2010*	*2009*
Services to subsidiaries	5,190	5,180
Services to parent company	426	529
Services to affiliated companies	20	20
Income from real estate	575	655
Real estate income from subsidiaries	178	--
Real estate income from related parties	321	318
Other income and recovery of costs	386	362
Other non-recurring income	20	75
Total	7,116	7,139

Revenues from services provided to subsidiaries and affiliated companies are the chargeback of fees for strategic and management support and special administrative, financial and tax assistance supplied to them. The services provided to the parent company were mainly of an administrative and financial nature.

Income from services to companies of the Group in 2010 can be broken down as follows:

(in thousands of euro)	*31.12.2010*	*31.12.2009*
COFIDE S.p.A.	426	529
Gruppo Editoriale L'Espresso S.p.A.	2,300	2,300
Sorgenia S.p.A.	900	900
Sogefi S.p.A.	1,860	1,850
KOS S.p.A.	110	110
Jupiter Finance S.p.A.	20	20
Euvis S.p.A.	20	20
Total	5,636	5,729

The real estate income from subsidiaries refers for € 171 thousand to Kos S.p.A. and for € 7 thousand to Jupiter Finance S.p.A..
The real estate income from related parties refers to lease contracts signed with individuals who hold strategic positions in the company.

10. COSTS FOR SERVICES

This item can be broken down as follows:

(in thousands of euro)	*2010*	*2009*
Administrative, fiscal, legal and corporate governance consulting fees	6,656	9,223
Services provided by the parent company COFIDE S.p.A.	1,238	1,495
Services provided by the subsidiary Dry S.p.A.	325	310
Directors' and Statutory Auditors' fees	1,673	1,721
Other expenses	1,855	2,022
Total	11,747	14,771

"Costs for services" declined from the previous year by an amount of approximately € 3 million as a result of lower expense for legal consulting.

11. PERSONNEL COSTS

Personnel costs went up from € 9,202 thousand in 2009 to € 9,313 thousand in 2010 with a rise of € 111 thousand. The item includes the notional cost of € 4,335 thousand (€ 5,455 thousand in 2009) of the valuation of the stock options of the plans currently in existence approved after November 7 2002. It should be noted that last year this item included income of € 1,130 thousand from the release of a provision made at December 31 2008 from the conversion of the Phantom stock options assigned on May 15 2007, October 15 2007, May 16 2008 and October 16 2008 into stock option plans as per the AGM resolution adopted on April 30 2009.

The chart below shows the changes in the number of employees in the different categories during the year:

	31.12.2009	*Hires*	*Departures*	*31.12.2010*	*Average for the year*
Executives	12	--	1	11	12
Managers and Office Staff	17	--	-	17	17
Total	29	--	1	28	29

12. OTHER OPERATING COSTS

(in thousands of euro)	*2010*	*2009*
Non-deductible IVA and other taxes	1,481	1,259
Other costs and non-operating charges	4,212	879
Total	5,693	2,138

13. **FINANCIAL INCOME**

This item consists of the following:

(in thousands of euro)	*2010*	*2009*
Interest income from securities	2,248	1,626
Interest income from deposits	758	389
Interest income from subsidiaries	2,915	3,302
Interest rate derivatives	6,162	3,487
Other interest income	53	1,404
Total	12,136	10,208

The breakdown of the interest income from subsidiaries is as follows:

(in thousands of euro)	*2010*	*2009*
CIR International S.A.	2,915	3,273
CIGA Luxembourg S.A.R.L.	--	29
Total	2,915	3,302

14. **FINANCIAL EXPENSE**

This item consists of the following:

(in thousands of euro)	*2010*	*2009*
Interest expense on bonds and notes	17,381	17,374
Other interest expense and bank charges	2,596	160
Total	19,977	17,534

The rise in the item "Other interest expense and bank charges" refers mainly to the prudential provision of an amount of € 2,500 thousand as interest expense relating to the tax disputes currently outstanding.

15. **DIVIDENDS**

This item consists of the following:

(in thousands of euro)	*2010*	*2009*
Dividends from related parties: Sorgenia Holding S.p.A.	5,313	5,491
Intergefi S.r.l.	536	924
Cofidefin Serviços de Consultoria	--	4,137
Dry Products S.p.A.	--	810
Total dividends from related parties	5,849	11,362
Dividends from other companies	21	30
Total dividends	5,870	11,392

16. GAINS FROM TRADING SECURITIES

These amounted to € 6,801 thousand (€ 6,910 thousand in 2009) and refer for € 1,076 thousand to bond trading, for € 348 thousand to trading investment funds and similar instruments, for € 369 to options and equity trading and for € 5,008 thousand to trading in derivatives contracts.

17. LOSSES FROM TRADING SECURITIES

These amounted to € 684 thousand (€ 942 thousand in 2009) and refer for € 268 thousand to bond trading, for € 39 thousand to trading investment funds and for € 377 to trading securities and equity options.

18. ADJUSTMENTS TO FINANCIAL ASSETS

This item consists of the following:

(in thousands of euro)	*2010*	*2009*
Write-down of bonds	(1,550)	(802)
Write-down of investments in subsidiaries	--	(443)
Write-down of investments in other companies	--	--
Revaluation of bonds and notes	32	580
Revaluation of investments in subsidiaries	--	3,193
Revaluation of investment funds and similar funds	--	--
Total	(1,518)	2,528

The item revaluation of investments in subsidiaries for the year 2009 referred to a recovery of the value of the company CIGA Luxembourg after a surplus compared to its carrying value emerged following the repayment during that year of almost all of its capital.

19. INCOME TAXES

This item consists of the following:

(in thousands of euro)	*2010*	*2009*
Current taxes	4,443	5,602
Deferred taxes	(767)	(316)
Income (expense) from participation in tax consolidation	(521)	--
Total	3,155	5,286

RECONCILIATION OF THE THEORETICAL AND EFFECTIVE TAX LIABILITY

	Taxable income	*Tax rate %*	*Amount of tax*
RESULT BEFORE TAXES	(17,871)	27.5	(4,914)
Effect of increases (decreases) compared to ordinary tax rate - Dividends	(5,537)	27.5	(1,523)
- Temporary differences deductible in subsequent periods	338	27.5	93
- Deductible temporary differences from prior periods	(374)	27.5	(103)
- Non-deductible costs	12,703	27.5	3,493
Other sundry permanent differences	(81)	27.5	(22)
SUB-TOTAL	(10,822)	27.5	(2,976)
Adjustments to taxable income for participation in national tax consolidation	(5,336)	27.5	(1,467)
Taxable income / Income tax for the year	(16,158)	27.5	(4,443)

Note: Because of its specific characteristics, IRAP was not considered for the purposes of this chart, which refers just to IRES

20. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net income for the period attributable to the ordinary Shareholders by the weighted average number of shares in circulation. The diluted earnings per share is calculated by dividing the net income for the period attributable to the ordinary Shareholders by the weighted average number of ordinary shares in circulation during the period, adjusted for the dilutive effects of outstanding options. Own shares held as treasury stock are not included in the shares in circulation.
The company has only one category of potential ordinary shares, those deriving from stock options awarded to employees.
The dilutive effect that these ordinary shares to be issued or assigned to stock option plans will have on earnings per share is not significant.
In calculating the average number of options, the average fair value of the shares for each financial year was used. The average fair value of each CIR ordinary share in financial year 2010 was € 1.5474 compared to an average fair value of € 1.2073 in 2009.

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

Basic earnings per share

	2010	*2009*
Net income attributable to the Shareholders (in euro)	(14,715,748)	(1,989,780)
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Earnings per share (euro)	**(0.0196)**	**(0.0027)**

	2010	2009
Net income of comprehensive income statement attributable to the Shareholders (in euro)	(14,715,748)	(1,989,780)
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Earnings per share (euro)	**(0.0196)**	**(0.0027)**

Diluted earnings per share		
	2010	*2009*
Net income attributable to the Shareholders (in euro)	(14,715,748)	(1,989,780)
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Weighted average number of options	3,306,530	--
No. of shares that could have been issued at fair value	(2,486,629)	--
Adjusted weighted average number of shares in circulation	749,863,168	748,117,934
Diluted earnings per share (euro)	**(0.0196)**	**(0.0027)**

	2010	*2009*
Net income of comprehensive income statement attributable to the Shareholders (in euro)	(14,715,748)	(1,989,780)
Weighted average number of ordinary shares in circulation	749,043,267	748,117,934
Weighted average number of options	3,306,530	--
No. of shares that could have been issued at fair value	(2,486,629)	--
Adjusted weighted average number of shares in circulation	749,863,168	748,117,934
Diluted earnings per share	**(0.0196)**	**(0.0027**

21. GUARANTEES AND COMMITMENTS

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

- A guarantee of € 157.2 million issued to banks on behalf of CIR International to cover note issues.

For the incentive plans for directors and employees, CIR has undertaken together with Verbund, to buy back any shares of Sorgenia S.p.A. resulting from the exercise of options by employees who are beneficiaries of stock option plans outstanding as of December 31 2010.

22. RELATED PARTY TRANSACTIONS

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

The paragraph “Other information” in the Report on Operations shows the different types of related party transactions, the amounts of which are given in the Notes to the Financial Statements.

23. NET FINANCIAL POSITION

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

(in thousands of euro)		*31.12.2010*	*31.12.2009*
A.	Cash and bank deposits	171,615	172,613
B.	Other cash equivalents	--	--
C.	Securities held for trading	60,675	101,584
D.	**Cash and cash equivalents (A) + (B) + (C)**	232,290	274,197
E.	**Current financial receivables**	--	1,418
F.	Current bank borrowings	--	--
G.	Current part of non-current borrowings	--	--
H.	Other current borrowings from related parties	--	--
I.	**Current financial debt (F) + (G) + (H)**	--	--
J.	**Net current financial position (I) + (E) + (D)**	232,290	275,615
K.	Non-current bank borrowings	--	--
L.	Bonds and notes issued	(297,404)	(296,169)
M.	Other non-current payables	--	--
N.	**Non-current financial debt (K) + (L) + (M)**	(297,404)	(296,169)
O.	**Net financial position (J) + (N)**	(65,114)	(20,554)

24. OTHER INFORMATION

IFRS7 – FINANCIAL RISK MANAGEMENT: ADDITIONAL INFORMATION

Regarding the risks of the business, the main financial risks identified, monitored and actively managed by the company are the following:

a) The interest rate risk from exposure to movement in interest rates;
b) The credit risk from the possibility of a counterparty defaulting;
c) The 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 expense.

The company continuously monitors its exposure to interest rate risk and manages this risk by investing in financial instruments that are consistent with its long-term funding through the CIR bond 5.75%/2024.

Sensitivity analysis

A parallel shift of one percentage point up or down of the 3 month Euribor rate would have the following effects on floating rate assets:

(amounts in thousands of euro)	*31.12.2010*	
Shifts	-1%	+1%
Change in Income Statement	(629)	624
Change in Equity	485	(465)

Credit risk

Credit risk means the exposure of the company to potential losses resulting from the failure of a counterparty to meet its obligations. In relation in particular to the financial counterparty risk resulting from the investment of liquidity and from derivatives positions, counterparties are selected according to guidelines which set out the characteristics of the counterparties suitable for financial transactions. The list of possible counterparties includes both national and international companies with a high credit rating.

The company has not had any cases of default of its counterparties.

At December 31 2010 there were no significant concentrations of credit risk.

Valuation of financial assets and liabilities

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

- The fair value of financial assets and liabilities with standard terms and conditions listed on an active market is measured based on prices quoted in the active market;
- The fair value of other financial assets and liabilities (excluding derivative instruments) is measured using generally accepted valuation techniques based on discounted cash flows and using variables such as prices seen in recent market transactions and broker quotes for similar instruments.

More specifically, for valuing certain investments in bond instruments in the absence of a regularly functioning market, i.e. a sufficient ongoing number of deals, a bid-offer spread and a reduced level of volatility, the determination of the fair value of these instruments is mainly based on quotations supplied by prime international brokers at the request of the Company, which are validated by comparing them with prices in the market, albeit for a modest number of deals, or prices observable for instruments with similar characteristics.

Liquidity risk

Liquidity risk is the risk that financial resources may not be available or may be available only at a monetary cost. The company's long-term debt, which refers to the note issued in December 2004 for a nominal 300 million with maturity in 2024, was given a rating of BBB- by Standard & Poor's. As things stand today the company believes that it will be able to fulfil its expected financial needs on the basis of its free cash flow and expected future cash inflows. The objective of liquidity risk management is not only that of guaranteeing sufficient available financial resources to cover short term commitments, but also to ensure where necessary a sufficient level of operating flexibility for the development programs within the Group.

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

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

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Assets at FV through P&L designated as such on initial recognition*	*Assets at FV through P&L classified as held for trading*	*Loans & receivables*	*Investments held to maturity*	*Available for sale financial assets*	*Liabilities at FV through P&L designated as such on initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other equity investments	4.d	132	--	--	--	--	132	--	--	--	132	22	--
Other receivables	4.e	101,211	--	--	101,211	--	--	--	--	--	101,211	2,915	--
CURRENT ASSETS													
Sundry receivables	5.a	12,361	--	--	12,361	--	--	--	--	--	12,361	--	--
Financial receivables	5.b	--	--	--	--	--	--	--	--	--	--	--	--
Securities	5.c	60,675	60,675	--	--	--	--	--	--	--	60,675	6,847	--
Available-for-sale financial assets	5.c	--	--	--	--	--	--	--	--	--	--	--	--
Cash and cash equivalents	5.d	171,615	--	--	171,615	--	--	--	--	--	171,615	758	--
NON-CURRENT LIABILITIES													
Bonds and notes	7.a	(297,404)	--	--	--	--	--	--	--	(297,404)	(252,061)	(17,381)	--
CURRENT LIABILITIES													
Trade payables	8.a	(5,386)	--	--	--	--	--	--	--	(5,386)	(5,386)	--	--

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

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Assets at FV through P&L designated as such on initial recognition*	*Assets at FV through P&L classified as held for trading*	*Loans and receivables*	*Investments held to maturity*	*Available for sale assets*	*Liabilities at FV through P&L designated as such on initial recognition*	*Liabilities at FV through P&L classified as held for trading*	*Liabilities at amortized cost*	*Fair value*	*Effect on income statement*	*Effect on equity*
NON-CURRENT ASSETS													
Other equity investments	4.d	132	--	--	--	--	132	--	--	--	132	30	--
Other receivables	4.e	133,297	--	--	133,297	--	--	--	--	--	133,297	3,273	--
CURRENT ASSETS													
Sundry receivables	5.a	4,428	--	--	4,428	--	--	--	--	--	4,428	48	--
Financial receivables	5.b	1,418	1,418								1,418	3,487	1,085
Securities	5.c	101,584	101,584	--	--	--	--	--	--	--	101,584	5,667	--
Available-for-sale financial assets	5.c	--	--	--	--	--	--	--	--	--	--	--	--
Cash and cash equivalents	5.d	172,613	--	--	172,613	--	--	--	--	--	172,613	389	--
NON-CURRENT LIABILITIES													
Bonds and notes	7.a	(296,169)	--	--	--	--	--	--	--	(296,169)	(228,991)	(17,440)	--
CURRENT LIABILITIES													
Trade payables	8.a	(13,565)	--	--	--	--	--	--	--	(13,565)	(13,565)	--	--

CLASSES OF RISK - FINANCIAL YEAR 2010

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Liquidity risk*	*Int. rate risk*	*Exch. rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other equity investments	4.d	132	--	--	--	132
Other receivables	4.e	101,211	--	--	--	101,211
CURRENT ASSETS						
Sundry receivables	5.a	12,361	--	--	--	12,361
Financial receivables	5.b	--	--	--	--	--
Securities	5.c	60,675	--	--	--	60,675
Available-for-sale financial assets	5.c	--	--	--	--	--
Cash and cash equivalents	5.d	171,615	--	171,615	--	--
NON-CURRENT LIABILITIES						
Bonds and notes	7.a	(297,404)	(297,404)	--	--	--
CURRENT LIABILITIES						
Trade payables	8.a	(5,386)	(5,386)	--	--	--

CLASSES OF RISK - FINANCIAL YEAR 2009

(in thousands of euro)

	Bal. Sheet items	*Value in Bal. Sheet*	*Liquidity risk*	*Int. rate risk*	*Exch. rate risk*	*Credit risk*
NON-CURRENT ASSETS						
Other equity investments	4.d	132	--	--	--	132
Other receivables	4.e	133,297	--	--	--	133,297
CURRENT ASSETS						
Sundry receivables	5.a	4,428	--	--	--	4,428
Financial receivables	5.b	1,418	--	1,418	--	--
Securities	5.c	101,584	--	--	--	101,584
Available-for-sale financial assets	5.c	--	--	--	--	--
Cash and cash equivalents	5.d	172,613	--	172,613	--	--
NON-CURRENT LIABILITIES						
Bonds and notes	7.a	(296,169)	(296,169)	--	--	--
CURRENT LIABILITIES						
Trade payables	8.a	(13,565)	(13,565)	--	--	--

CREDIT RISK

(in thousands of euro)

Position at December 31 2010	*Bal. Sheet items*	*Total receivable*	*Not yet due*	*Overdue by >*	*0 - 30 days*	*30 - 60*	*60 - 90*	*over 90*	*Amt. due settled*	*Write-downs*
Other receivables	4.c			--	--	--	--	--	--	
Gross receivable		101,211	101,211	--	--	--	--	--	--	
Provision for write-down		--	--	--	--	--	--	--	--	--
Sundry receivables	5.a			--	--	--	--	--	--	
Gross receivable		12,361	12,224	137	4	115	--	18	--	
Provision for write-down		--	--	--	--	--	--	--	--	--
Total		113,572	113,435	137	4	115	--	18	--	--

(in thousands of euro)

Position at December 31 2009	*Bal. Sheet items*	*Total receivable*	*Not yet due*	*Overdue by >*	*0 - 30 days*	*30 - 60*	*60 - 90*	*over 90*	*Amt. due settled*	*Write-downs*
Other receivables	4.c	133,297	133,297	--	--	--	--	--	--	
Gross receivable		133,297	133,297	--	--	--	--	--	--	
Provision for write-down		--	--	--	--	--	--	--	--	--
Sundry receivables	5.a	4,428	4,422	6	6	--	--	--	--	
Gross receivable		4,428	4,422	6	6	--	--	--	--	
Provision for write-down		--	--	--	--	--	--	--	--	--
Total		137,725	137,719	6	6	--	--	--	--	--

LIQUIDITY RISK - FINANCIAL YEAR 2010

(in thousands of euro)

	<1 year	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-derivative financial liabilities							
Bonds and notes	17,250	17,250	17,250	17,250	17,250	455,250	541,500
Trade payables	5,386	--	--	--	--	--	5,386
TOTAL	22,636	17,250	17,250	17,250	17,250	455,250	546,886

LIQUIDITY RISK - FINANCIAL YEAR 2009

(in thousands of euro)

	<1 year	*>1 <2 years*	*>2 <3 years*	*>3 <4 years*	*>4 <5 years*	*>5 years*	*Total*
Non-derivative financial liabilities							
Bonds and notes	17,250	17,250	17,250	17,250	17,250	472,500	558,750
Trade payables	13,565	--	--	--	--	--	13,565
TOTAL	30,815	17,250	17,250	17,250	17,250	472,500	572,315

EMOLUMENTS PAID TO DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

The chart below shows the information required by Article 78 of Consob Resolution no. 11971 of May 14 1999 and subsequent amendments and additions.

(in thousands of euro)

Last name and first name	*Position*	*Dates position held*	*Expiry of mandate*	*Emoluments for position in company preparing Financial Statements*	*Non monetary benefits*	*Bonuses and other incentives*	*Other fees*	Notes
DE BENEDETTI CARLO	Honorary Chairman *	1.1.10-31-12-10	Appr. F. Stat. 2010	135	--	--	430	*(1)(2)(3) (7)*
MICOSSI STEFANO	Chairman	1.1.10-31.12.10	Appr. F. Stat. 2010	220	--	--	--	*(1)(2)*
DE BENEDETTI RODOLFO	Chief Executive & General Manager	1.1.10-31-12-10	Appr. F. Stat. 2010	720	--	--	771	*(1)(2)(7) (8)*
PIASER ALBERTO	General Manager	1.1.10-31-12-10	--	--	--	--	393	*(7) (8)*
BRACCHI GIAMPIO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	35	--	--	--	*(1) (4)*
DEBENEDETTI FRANCO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	20	--	--	--	*(1)*
FERRERO PIERLUIGI	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	70	--	30	49	*(1)(2)(6) (7)*
GERMANO GIOVANNI	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	50	--	--	20	*(1)(3)(4) (7)*
GIRARD FRANCO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	30	--	--	7	*(1)(5) (7)*
MANCINELLI PAOLO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	30	--	--	--	*(1)(5)*
PARAVICINI CRESPI LUCA	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	35	--	--	40	*(1)(4) (7)*
RECCHI CLAUDIO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	20	--	--	--	*(1)*
SEGRE MASSIMO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	20	--	--	248	*(1)(11)*
TABELLINI GUIDO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	45	--	--	--	*(1) (3) (5)*
ZANNI UMBERTO	Director	1.1.10-31-12-10	Appr. F. Stat. 2010	35	--	--	--	*(1) (3)*
MANZONETTO PIETRO	Chairman of the Board of Statutory Auditors	1.1.10-31-12-10	Appr. F. Stat. 2010	60	--	--	--	
NANI LUIGI	Statutory Auditor	1.1.10-31-12-10	Appr. F. Stat. 2010	40	--	--	--	
ZINGALES RICCARDO	Statutory Auditor	1.1.10-31-12-10	Appr. F. Stat. 2010	40	--	--	235	*(10)*

* *All fees are paid to Romed Sp.A.*

*(1) **Fees for the position** include the fees of € 20,000 approved by the AGM.*

*(2) **Fees for the position** include fees for special positions as per Art. 2389 parag. 3 approved by the Board in favour of:*

De Benedetti Carlo	*€ 100,000*
Micossi Stefano	*€ 200,000*
De Benedetti Rodolfo	*€ 700,000*
Ferrero Pierluigi	*€ 50,000*

*(3) **Fees for the position** include fees for members of Compensation Committee approved by the Board of € 15,000.*

*(4) **Fees for the position** include fees for members of Internal Control Committee approved by the Board of € 15,000.*

*(5) **Fees for the position** include fees for members of Appointments Committee approved by the Board of € 10,000.*

*(6) **Bonuses and other incentives** approved by the Board of Directors.*

*(7) **Other fees** include fees for positions held in other companies of the Group.*

*(8) **Other fees** include employee salary.*

*(9) **Other fees** include fees for professional services in the company preparing these financial statements and in companies directly and indirectly controlled by the same.*

*(10) **Other fees** include fees for the position of Statutory Auditor in other companies of the Group.*

*(11) **Other fees** include fees for professional services in the company preparing these financial statements and in companies directly or indirectly controlled by the same.*

Stock Option Plans

As required by Consob Resolution no. 11971 of May 14 1999 and subsequent amendments and additions, it should be stated that CIR has set up stock option plans for employees of the Group.

At December 31 2010 stock option plans issued as from the year 2000 were still valid for a total of 43,660,300 options, as can be seen from the chart in note 23 of the Notes to the Consolidated Financial Statements.

With reference to the plans issued in the last three years, it should be said that:

- On April 29 2008 the Shareholders Meeting voted to assign to the Chief Executive Officer and executives of the Company options, each of which will give the right to receive a gross sum equal to the difference between the market value of the share in the vesting period and the market value of the share at time the option was assigned, according to terms and conditions set out in the Regulations of "Incentive Plan (phantom stock options) 2008", which was approved at the same time.
  These options were assigned in 2 equal tranches for a total of 6,250,000 options.
  The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the Company as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death.
  The subscription price was set at € 1.6806 per share for the first tranche options and at € 1.0718 per share for the second tranche options.
  The first tranche options can be exercised by each beneficiary as from September 30 2008, every three months, up to the final maturity of September 30 2018, while the second tranche options can be exercised by each beneficiary from March 31 2010, every three months, until the final maturity of March 31 2019.

- On April 30 2009 the Shareholders Meeting voted to assign options to the Chief Executive Officer, executives of the Company, of the parent company and of the subsidiaries for the subscription of shares according to the terms and conditions set out in the Regulations of "Extraordinary Stock Option Plan 2009", which was approved at the same time. The plan gives the beneficiaries the right to exercise options at a set price and within a predefined time horizon to subscribe newly issued shares for a total of 15,575,000 shares. The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the Company, its parent company or its subsidiary as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death. It should be noted that the approval of this plan had the purpose of reorganizing the "Phantom stock option" plans approved by the Shareholders on April 27 2007 and April 29 2008. Therefore the subscription price corresponds to the so-called "initial value" of the options awarded to beneficiaries under the "Phantom stock option" plans, as defined in their respective Regulations. The options may be exercised by each beneficiary as from June 30 2009, every three months, until the final maturity previously established in the regulations of the "Phantom stock option" plans.

- On April 30 2009 the Shareholders Meeting voted to assign to the Chief Executive Officer and executives of the Company, of its parent company and of its subsidiaries options for the subscription of shares according to the terms and conditions set out in the Regulations of "Stock Option Plan 2009", which were approved at the same time. The plan gives the beneficiaries the right to exercise the options at a set price and within a predefined time frame to subscribe a total of 7,980,000 newly issued shares subdivided into different tranches - the first tranche of 4,090,000 options and the second of 3,890,000 options. The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the Company, its parent company or a subsidiary as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death. The subscription price was set at € 0.9907 per share for the first tranche options and at € 1.5449 per share for the second tranche options. The first tranche options may be exercised by each beneficiary as from September 30 2009, every three months, until the final maturity of September 30 2019, while the second tranche options may be exercised by each beneficiary as from February 28 2010, every three months, until the final maturity of February 28 2020.

- On April 30 2010 the Shareholders Meeting voted to assign to the Chief Executive Officer and executives of the Company, of its parent company and of its subsidiaries options for the subscription of shares according to the terms and conditions set out in the Regulations of "Stock Option Plan 2010", which were approved at the same time. The plan gives the beneficiaries the right to exercise the options at a set price and within a predefined time frame to subscribe a total of 7,790,000 newly issued shares subdivided into different tranches. The first tranche of 3,895,000 options and the second of 3,895,000 options. The Regulations also stipulate that the essential condition for exercise of the options is that the assignee must be permanently employed by the Company, its parent company or a subsidiary as of the date of exercise of the options, except in cases of retirement, permanent invalidity or death. The subscription price was set at € 1.6208 per share for the first tranche options and at € 1.4982 per share for the second tranche options. The first tranche option can be exercised by each beneficiary as from September 30 2010, every three months, until the final maturity of September 30 2020, while the second tranche options may be exercised by each beneficiary as from February 28 2011, every three months, until the final maturity of February 28 2021.

The following chart shows information regarding stock options assigned to Directors and General Managers.

STOCK OPTIONS ASSIGNED TO DIRECTORS AND GENERAL MANAGERS

		Options held at start of the year			*Options assigned during the year*			*Options exercised during the year*			*Options expired in the year*	*Options held at end of the year*		
Last name and first name	*Position held*	*No. of options*	*Average strike price*	*Average maturity (years)*	*No. of options*	*Average strike price*	*Average maturity (years)*	*No. of options*	*Average strike price*	*Average market price*	*No. of options*	*No. of options*	*Average strike price*	*Average maturity (years)*
DE BENEDETTI RODOLFO	**CEO & GM**													
Stock Option Plan 7/3/2000		1,500,000	3.70								1,500,000	--		
Stock Option Plan 30/1/2001		1,000,000	2.62									1,000,000	2.62	
Stock Option Plan 5/9/2003		112,500	1.13									112,500	1.13	
Stock Option Plan 12/3/2004		275,000	1.60									275,000	1.60	
Stock Option Plan 6/9/2004		1,250,000	1.56									1,250,000	1.56	
Stock Option Plan 11/1/2005		10,000,000	2.15								10,000,000	--		
Stock Option Plan 11/3/2005		1,350,000	2.34									1,350,000	2.34	
Stock Option Plan 6/9/2005		1,250,000	2.49									1,250,000	2.49	
Stock Option Plan 2006 1st tranche		1,250,000	2.50									1,250,000	2.50	
Stock Option Plan 2006 2nd tranche		1,250,000	2.47									1,250,000	2.47	
Extraordinary Stock Option Plano 2009 1st tranche (*)		1,750,000	3.0877									1,750,000	3.0877	
Extraordinary Stock Option Plan 2009 2nd tranche (*)		1,750,000	2.7344									1,750,000	2.7344	
Extraordinary Stock Option Plan 2009 3rd tranche (*)		1,750,000	1.6806									1,750,000	1.6806	
Extraordinary Stock Option Plan 2009 4th tranche (*)		1,750,000	1.0718									1,750,000	1.0718	
Stock Option Plan 2009 1st tranche		1,750,000	0.9907									1,750,000	0.9907	
Stock Option Plan 2009 2nd tranche		1,750,000	1.5449									1,750,000	1.5449	
Stock Option Plan 2010 1st tranche					1,750,000	1.6208						1,750,000	1.6208	
Stock Option Plan 2010 2nd tranche					1,750,000	1.4982	9.96					1,750,000	1.4982	
TOTAL		**29,737,500**	**2.156**	**6.08**	**3,500,000**	**1.5595**					**11,500,000**	**21,737,500**	**1.9562**	**6.38**
PIASER ALBERTO	**G.M.**													
Stock Option Plan 12/3/2004		12,000	1.60									12,000	1.60	
Stock Option Plan 6/9/2004		48,000	1.56									48,000	1.56	
Stock Option Plan 11/3/2005		400,000	2.34									400,000	2.34	
Stock Option Plan 6/9/2005		300,000	2.49									300,000	2.49	
Stock Option Plan 2006 1st tranche		300,000	2.50									300,000	2.50	
Stock Option Plan 2006 2nd tranche		300,000	2.47									300,000	2.47	
Extraordinary Stock Option Plan 2009 1st tranche (*)		420,000	3.0877									420,000	3.0877	
Extraordinary Stock Option Plan 2009 2nd tranche (*)		420,000	2.7344									420,000	2.7344	
Extraordinary Stock Option Plan 2009 3rd tranche (*)		420,000	1.6806									420,000	1.6806	
Extraordinary Stock Option Plan 2009 4th tranche (*)		294,000	1.0718									294,000	1.0718	
Stock Option Plan 2009 1st tranche		344,400	0.9907									344,400	0.9907	
Stock Option Plan 2009 2nd tranche		420,000	1.5449									420,000	1.5449	
Stock Option Plan 2010 1st tranche					420,000	1.6208						420,000	1.6208	
Stock Option Plan 2010 2nd tranche					420,000	1.4982	9.96					420,000	1.4982	
TOTAL		**3,678,400**	**2.0999**	**7.52**	**840,000**	**1.5595**						**4,518,400**	**1.9950**	**7.01**

(*) Plans resulting from the transformation of Phantom Stock Option Plans

Financial Statements of direct subsidiaries as of December 31 2010

SORGENIA HOLDING S.p.A.

GRUPPO EDITORIALE L'ESPRESSO S.p.A.

SOGEFI S.p.A.

KOS S.p.A.

DRY PRODUCTS S.p.A.

CIR INTERNATIONAL S.A.

CIGA LUXEMBOURG S.A.

JUPITER FINANCE

CIRINVEST S.p.A.

NEXENTI S.r.l.

SORGENIA HOLDING S.p.A.
Headquarters: TURIN
Share capital at 31.12.2010: € 136,176,747.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	31.12.2010	31.12.2009
A - RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE	--	--
B - FIXED ASSETS		
I Intangible assets		
Concessions, licenses & trademarks	649	865
Total intangible assets	649	865
II Tangible assets	--	--
III Financial assets		
Investments in:		
Subsidiaries	620,774,244	606,934,662
Total financial assets	620,774,244	606,934,662
TOTAL FIXED ASSETS	620,774,893	606,935,527
C - CURRENT ASSETS		
I Inventories	--	--
II Accounts receivable		
Subsidiaries - up to one year	--	13,417,908
Tax receivables - up to one year	7,719	7,959
Total receivables	7,719	13,425,867
III Financial assets not classified as fixed assets	--	--
IV Cash & cash equivalents		
Bank & Post Office deposits	128,522	813,207
Total cash & cash equivalents	128,522	813,207
TOTAL CURRENT ASSETS	136,241	14,239,074
D - ACCRUED INCOME AND PREPAID EXPENSE	--	--
TOTAL ASSETS	620,911,134	621,174,601

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2010	31.12.2009
A - EQUITY		
I Capital	136,176,747	136,176,747
II Share premium reserve	470,328,327	470,328,327
III Revaluation reserve	--	--
IV Legal reserve	2,792,229	2,226,457
V Statutory reserves	--	--
VI Reserve for own shares held	--	--
VII Other reserves	10,173	10,173
VIII Retained earnings (losses)	3,447,615	868,562
IX Net income (loss) for the year	7,971,428	11,315,430
TOTAL SHAREHOLDERS' EQUITY	620,726,519	620,925,696
B - PROVISIONS FOR RISKS AND LOSSES	--	--
C - EMPLOYEE LEAVING INDEMNITY (TFR)	--	--
D - ACCOUNTS PAYABLE		
Suppliers - up to one year	100,384	146,811
Subsidiaries	4,515	--
Parent companies - up to one year	79,516	102,094
Tax payables	200	--
TOTAL PAYABLES	184,615	248,905
E - ACCRUED EXPENSE AND DEFERRED INCOME	--	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	620,911,134	621,174,601

SORGENIA HOLDING S.p.A.
Headquarters: TURIN
Share capital at 31.12.2010: € 136,176,747.00

INCOME STATEMENT
(in euro)

	2010	2009
A - VALUE OF PRODUCTION		
Other revenues and income	2	8,478
TOTAL VALUE OF PRODUCTION	2	8,478
B - COSTS OF PRODUCTION		
Raw materials, secondary materials, consumables & goods	--	--
Services	134,527	187,957
Lease and rental expenses	--	--
Personnel costs	--	--
Amortization, depreciation & writedowns		
Amortization of intangible assets	216	875
Change in inventories of raw materials, secondary materials, consumables & goods	--	--
Risk provisions	--	--
Other provisions	--	--
Sundry operating costs	53,451	31,131
TOTAL COSTS OF PRODUCTION	188,194	219,963
OPERATING INCOME (LOSS)	(188,192)	(211,485)
C - FINANCIAL INCOME AND EXPENSE		
Income from equity investments		
Subsidiaries	8,156,876	11,387,858
Other financial income		
Receivables included in fixed assets		
Subsidiaries	80,908	331,261
Income other than the above		
Other	1,869	8,064
Interest and other financial expense		
Other	12	16
Total financial expense	12	16
TOTAL FINANCIAL INCOME AND EXPENSE	8,239,641	11,727,167
D - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
Revaluations	--	--
Writedowns	--	--
E - EXTRAORDINARY INCOME AND EXPENSE		
Income	--	--
Expense	--	--
RESULT BEFORE TAXES	8,051,449	11,515,682
Income taxes for the year	(80,021)	(200,252)
NET INCOME (LOSS) FOR THE YEAR	7,971,428	11,315,430

GRUPPO EDITORIALE L'ESPRESSO S.p.A.
Headquarters: ROME
Share capital at 31.12.2010: € 61,463,308.20

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
Intangible assets with an indefinite useful life	220,660,859	220,660,859
Other intangible assets	1,354,831	1,760,161
Intangible assets	222,015,690	222,421,020
Tangible assets	38,052,531	50,965,058
Equity investments	408,102,945	408,443,617
Non-current receivables	456,431	425,136
Deferred tax assets	15,370,013	21,515,014
NON-CURRENT ASSETS	**683,997,610**	**703,769,845**
Inventories	13,876,665	19,226,237
Trade receivables	100,852,606	101,319,095
Securities	60,338,972	25,127,285
Tax receivables	9,518,635	14,700,529
Other receivables	9,888,814	9,775,554
Cash and cash equivalents	176,606,397	182,438,739
CURRENT ASSETS	**371,082,089**	**352,587,439**
TOTAL ASSETS	**1,055,079,699**	**1,056,357,284**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
Share capital	61,463,308	61,438,738
Reserves	90,769,262	86,854,917
Retained earnings (losses)	231,704,927	201,243,666
Net income (loss) for the year	58,265,692	30,386,900
SHAREHOLDERS' EQUITY	**442,203,189**	**379,924,221**
Borrowings	288,319,312	307,331,958
Provisions for risks and losses	34,152,921	34,452,040
TFR and other personnel provisions	28,965,988	36,592,580
Deferred tax liabilities	48,766,432	45,600,769
NON-CURRENT LIABILITIES	**400,204,653**	**423,977,347**
Borrowings	72,498,918	86,139,303
Provisions for risks and losses	11,720,967	25,993,927
Trade payables	78,842,926	91,486,396
Tax payables	10,714,367	7,317,326
Other payables	38,894,679	41,518,764
CURRENT LIABILITIES	**212,671,857**	**252,455,716**
TOTAL LIABILITIES	**612,876,510**	**676,433,063**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,055,079,699**	**1,056,357,284**

GRUPPO EDITORIALE L'ESPRESSO S.p.A.
Headquarters: ROME
Share capital at 31.12.2010: € 61,463,308.20

INCOME STATEMENT
(in euro)

	2010	*2009*
Revenues	462,711,477	494,150,812
Change in product inventory	(1,352,074)	(651,934)
Other operating income	5,441,362	9,952,982
Costs for purchases	(60,330,420)	(79,772,239)
Costs for services	(213,429,134)	(248,335,709)
Other operating costs	(12,127,468)	(9,248,086)
Personnel costs	(120,244,253)	(129,927,169)
Amortization, depreciation & writedowns	(12,356,933)	(14,027,059)
Operating result	**48,312,557**	**22,141,598**
Net financial income/(expense)	(2,517,075)	(12,772,311)
Dividends	31,513,962	41,982,641
Result before taxes	**77,309,444**	**51,351,928**
Taxes	(19,043,752)	(20,965,028)
NET RESULT	**58,265,692**	**30,386,900**

SOGEFI S.p.A.
Headquarters: MANTUA
Share capital at 31.12.2010: € 60,397,475.84

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
CURRENT ASSETS		
Cash and cash equivalents	14,801,682	62,703,224
Centralized treasury accounts with subsidiaries	3,377,956	8,770,246
Other financial assets	85,769	12,519
Loans and financial receivables classifiable as loans to subsidiaries	9,400,000	2,300,000
WORKING CAPITAL		
Trade receivables	4,188,363	3,746,442
of which with subsidiaries	*2,234,817*	*1,915,019*
of which with parent company	*1,953,546*	*1,831,423*
Other receivables	59,887	60,871
Tax receivables	278,986	240,025
Other assets	932,137	837,603
of which with subsidiaries	--	*97,214*
TOTAL WORKING CAPITAL ASSETS	5,459,373	4,884,941
TOTAL CURRENT ASSETS	33,124,780	78,670,930
NON-CURRENT ASSETS		
FIXED ASSETS		
Investment property: land	12,154,000	12,154,000
Investment property: other properties	14,865,000	14,865,000
Other tangible assets	34,191	48,966
Intangible assets	115,181	108,937
TOTAL FIXED ASSETS	27,168,372	27,176,903
OTHER NON-CURRENT ASSETS		
Investments in subsidiaries	268,888,918	271,865,092
Other available-for-sale financial assets	1,766	2,553
Loans and financial receivables classifiable as loans to subsidiaries	101,279,050	108,551,466
of which with subsidiaries	*101,279,050*	*108,491,425*
of which other medium long term assets - derivatives	--	*60,041*
Other receivables	18,798	19,918
Deferred tax assets	1,334,779	1,419,383
TOTAL OTHER NON-CURRENT ASSETS	371,523,311	381,858,412
TOTAL NON-CURRENT ASSETS	398,691,683	409,035,315
TOTAL ASSETS	**431,816,463**	**487,706,245**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
CURRENT LIABILITIES		
Current bank borrowings	30,160,449	1,904
Centralized treasury accounts with subsidiaries	49,196,825	63,757,056
Current part of long-term loans and other loans	33,817,361	55,543,919
of which with subsidiaries	--	*21,050*
TOTAL SHORT-TERM BORROWINGS	113,174,635	119,302,879
Other financial liabilities - derviatives	153,573	1,000,039
TOTAL SHORT-TERM BORROWINGS AND DERIVATIVES	113,328,208	120,302,918
Trade payables and other payables	3,954,081	3,748,089
of which with subsidiaries	*78,094*	*44,383*
of which with parent company	*262,673*	--
Tax payables	254,104	182,139
Other current liabilities	48,018	37,885
TOTAL CURRENT LIABILITIES	117,584,411	124,271,031
NON-CURRENT LIABILITIES		
MEDIUM LONG TERM BORROWINGS AND DERIVATIVES		
Bank borrowings	133,050,501	196,020,895
TOTAL MEDIUM LONG TERM BORROWINGS	133,050,501	196,020,895
Other medium long term financial liabiities - derivatives	2,042,215	2,123,891
TOTAL MEDIUM LONG TERM BORROWINGS AND DERIVATIVES	135,092,716	198,144,786
OTHER LONG TERM LIABILITIES		
Long term provisions	1,052,016	1,094,761
Deferred taxes	495,535	510,089
TOTAL OTHER LONG TERM LIABILITIES	1,547,551	1,604,850
TOTAL NON-CURRENT LIABILITIES	136,640,267	199,749,636
SHAREHOLDERS' EQUITY		
Share capital	60,546,196	60,397,476
Reserves and retained earnings (losses)	104,600,842	69,886,976
Net income (loss) for the year	12,444,747	33,401,126
TOTAL SHAREHOLDERS' EQUITY	177,591,785	163,685,578
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**431,816,463**	**487,706,245**

SOGEFI S.p.A.
Headquarters: MANTUA
Share capital at 31.12.2010: € 60,397,475.84

INCOME STATEMENT
(in euro)

	2010	*2009*
FINANCIAL INCOME AND EXPENSE		
1) Income from investments		
- dividends and other income from subsidiaries	12,072,992	40,013,682
- dividends and other income from other companies	--	27
TOTAL	12,072,992	40,013,709
2) Other financial income		
- from securities recorded in current assets as available for trading	--	--
- income other than the above		
interest and commissions from subsidiaries	4,284,340	3,941,743
interest and commissions from others and sundry income	79,812	121,400
foreign exchange gains	1,563,164	1,682,693
TOTAL	5,927,316	5,745,836
3) Interest expense and other financial expense		
- with subsidiaries	224,987	369,151
- with others	6,916,111	8,132,466
- foreign exchange losses	1,442,174	1,707,963
TOTAL	8,583,272	10,209,580
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
4) Write-ups	--	--
5) Write-downs	--	--
TOTAL VALUE ADJUSTMENTS	--	--
6) OTHER OPERATING INCOME	11,708,728	9,764,019
of which from subsidiaries	*11,638,323*	*9,699,875*
OTHER OPERATING COSTS		
7) Non-financial services	5,375,238	4,151,548
of which from subsidiaries	*41,603*	*66,935*
of which from parent company	*1,860,000*	*1,850,000*
8) Lease and rental costs	3,979,642	3,811,286
9) Personnel costs	6,259,452	4,741,075
10) Amortization, depreciation & write-downs	41,634	34,017
11) Risk provisions	--	--
12) Other provisions	--	--
13) Miscellaneous operating costs	1,016,286	892,383
TOTAL OTHER OPERATING COSTS	16,672,252	13,630,309
INCOME FROM OPERATING ACTIVITIES	4,453,512	31,683,675
NON-OPERATING INCOME AND EXPENSE		
14) Income	6,529,441	100,000
15) Expense	--	--
of which non-recurring expense with third parties	--	--
of which non-recurring expense with parent company	--	--
NON-OPERATING INCOME (LOSS)	6,529,441	100,000
RESULT BEFORE TAXES	10,982,953	31,783,675
16) Income taxes for the year	(1,461,794)	(1,617,451)
NET INCOME FOR THE YEAR	12,444,747	33,401,126

KOS S.p.A.
Headquarters: MILAN
Share capital at 31.12.2010: € 7,747,160.00

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
NON-CURRENT ASSETS	**126,473,994**	**116,066,903**
INTANGIBLE ASSETS	140,278	212,928
TANGIBLE ASSETS	12,950,913	13,605,651
EQUITY INVESTMENTS	113,093,136	102,127,082
OTHER RECEIVABLES	13,128	14,936
DEFERRED TAXES	276,539	106,306
CURRENT ASSETS	**88,180,875**	**42,599,458**
RECEIVABLES WITH PARENT COMPANY	1,635,021	1,567,684
TRADE RECEIVABLES	--	21,000
TRADE RECEIVABLES - PARENT COMPANY	2,406,978	3,101,670
OTHER RECEIVABLES	765,036	4,857,120
FINANCIAL RECEIVABLES	3,132,220	3,268,787
FINANCIAL RECEIVABLES - PARENT COMPANY	36,812,186	27,208,190
CASH & CASH EQUIVALENTS	43,429,434	2,575,007
TOTAL ASSETS	214,654,869	158,666,361

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
SHAREHOLDERS' EQUITY	**163,116,414**	**133,616,563**
SHARE CAPITAL	7,747,161	6,479,972
RESERVES	178,541,376	146,213,487
RETAINED EARNINGS (LOSSES)	(18,146,267)	(12,612,005)
RESULT FOR THE YEAR NET INCOME/(LOSS)	(5,025,856)	(6,464,891)
NON-CURRENT LIABILITIES	**37,893,761**	**19,557,513**
OTHER BORROWINGS	37,737,677	19,431,917
DEFERRED TAXES	1,112	--
PERSONNEL PROVISIONS	154,972	125,596
CURRENT LIABILITIES	**13,644,694**	**5,492,285**
OTHER BORROWINGS	5,916,248	3,990,968
TRADE PAYABLES - SUBSIDIARIES	13,179	91,392
TRADE PAYABLES	1,300,083	701,064
OTHER PAYABLES	6,415,184	708,861
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	214,654,869	158,666,361

KOS S.p.A.
Headquarters: MILAN
Share capital at 31.12.2010: € 7,747,160.00

INCOME STATEMENT
(in euro)

	2010	*2009*
REVENUES	886,352	817,286
COSTS FOR PURCHASE OF GOODS	(15,033)	(25,528)
COSTS FOR SERVICES	(3,675,383)	(2,177,698)
PERSONNEL COSTS	(2,119,548)	(3,209,374)
OTHER OPERATING INCOME	71,833	47,711
OTHER OPERATING EXPENSE	(367,327)	(216,833)
AMORTIZATION, DEPRECIATION & WRITEDOWNS OF FIXED ASSETS AND OTHER WRITEDOWNS	(902,029)	(1,056,825)
OPERATING RESULT (EBIT)	**(6,121,135)**	**(5,821,261)**
FINANCIAL INCOME	2,510,509	5,445,286
FINANCIAL EXPENSE	(2,934,717)	(5,328,899)
DIVIDENDS	1,000,000	287,662
ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	(1,268,946)	(2,638,825)
INCOME / (LOSS) BEFORE TAXES	**(6,814,289)**	**(8,056,037)**
INCOME TAXES	1,788,433	1,591,146
NET INCOME/(LOSS) FOR THE YEAR	**(5,025,856)**	**(6,464,891)**

Statement of comprehensive income	(5,025,856)	(6,464,891)
INCOME (LOSS) recognized to Reserve (fv hedging derivatives)	(22,514)	(32,696)
COMPREHENSIVE INCOME (LOSS)	**(5,048,370)**	**(6,497,587)**

DRY PRODUCTS S.p.A.
Headquarters in Milan: Via Ciovassino 1
Share capital at December 31 2010: € 6,375,000.00

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS				31.12.2010	31.12.2009
A)	RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE			--	--
B)	FIXED ASSETS				
	I	Intangible assets		--	--
	II	Tangible assets			
		Plant and machinery		159	225
		Other assets		1,357	--
	Total tangible assets			1,516	225
	III	Financial assets			
		Investments in subsidiaries		--	--
	Total financial assets			--	--
TOTAL FIXED ASSETS				1,516	225
C)	CURRENT ASSETS				
	I	Inventories		--	--
	II	Receivables	**		
		Subsidiaries	--	--	--
		Parent companies	--	--	--
		Others	--	61,152	48,550
	Total receivables		--	61,152	48,550
	III	Financial assets not classified as fixed assets			
		Other equity investments		14,848,836	--
		Other securities		94,732,471	109,647,851
	Total financial assets			109,581,307	109,647,851
	IV	Cash & cash equivalents			
		Bank and Post Office deposits		59,678,125	965,945
		Cash and valuables on hand		237	135
	Total cash and cash equivalents			59,678,362	966,080
TOTAL CURRENT ASSETS				169,320,821	110,662,481
D)	ACCRUED INCOME AND PREPAID EXPENSE				
		Other accrued income & prepaid expense		2,958	1,905
TOTAL ACCRUED INCOME AND PREPAID EXPENSE				2,958	1,905
TOTAL ASSETS				169,325,295	110,664,611

LIABILITIES AND SHAREHOLDERS' EQUITY				31.12.2010	31.12.2009
A)	SHAREHOLDERS' EQUITY				
	I	Capital		6,375,000	5,000,000
	II	Share premium reserve		157,105,000	103,480,000
	III	Revaluation reserves		--	--
	IV	Legal reserve		146,908	102,576
	V	Reserve for own shares held		--	--
	VI	Statutory reserves		--	--
	VII	Other reserves		--	--
	VIII	Retained earnings (losses)		1,007,961	165,642
	IX	Net income (loss) for the year		3,989,623	886,651
TOTAL SHAREHOLDERS' EQUITY				168,624,492	109,634,869
B)	PROVISIONS FOR RISKS AND LOSSES				
		Other		177,003	44,644
TOTAL PROVISIONS FOR RISKS AND LOSSES				177,003	44,644
C)	EMPLOYEE LEAVING INDEMNITY (TFR)			34,373	26,679
D)	ACCOUNTS PAYABLE		**		
		Suppliers	--	1,504	1,159
		Parent companies	--	--	810,000
		Tax payables	--	25,130	85,877
		Social security payables	--	16,924	15,745
		Other payables	--	445,869	45,638
TOTAL PAYABLES			--	489,427	958,419
E)	ACCRUED EXPENSE AND DEFERRED INCOME			--	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				169,325,295	110,664,611

* *of which amounts due in over one year*

DRY PRODUCTS S.p.A.
Headquarters in Milan: Via Ciovassino 1
Share capital at December 31 2010: € 6,375,000.00

INCOME STATEMENT

(in euro)

		2010		*1/4/2009-31/12/2009*
A) VALUE OF PRODUCTION				
Other revenues and income		327,716		234,464
TOTAL VALUE OF PRODUCTION		327,716		234,464
B) COSTS OF PRODUCTION				
Services		81,674		56,968
Lease and rental expense		14,982		11,218
Personnel costs:				
Salaries and wages	200,379		144,925	
Social contributions	67,174		46,849	
Leaving indemnity	13,904		12,348	
Total personnel costs		**281,457**		**204,122**
Amortization, depreciation & writedowns		261		99
Risk provisions		132,359		44,644
Miscellaneous operating costs		36,689		24,882
TOTAL COSTS OF PRODUCTION		547,422		341,933
OPERATING INCOME (LOSS)		(219,706)		(107,469)
C) FINANCIAL INCOME AND EXPENSE				
Income from equity investments:				
from other companies	18,100		--	
Total income from equity investments		**18,100**		--
Other financial income:				
From securities recorded in current assets which are not equity investments	4,951,803		1,364,679	
Income other than the above				
Interest and commissions from others & sundry income	94,668		12,731	
Total other financial income		5,046,471		1,377,410
Interest and other financial expense:				
Others	74,300		739	
Total interest and other financial expense		74,300		739
Foreign exchange gains and losses		378,518		6
TOTAL FINANCIAL INCOME AND EXPENSE		5,368,789		1,376,677
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS				
Write-ups:				
of equity investments	--		--	
Write-downs:				
of equity investments	512,538		--	
of securities recorded in current assets which are not equity investments	642,096		358,489	
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		(1,154,634)		(358,489)
E) EXTRAORDINARY INCOME AND EXPENSE				
Income:				
Other income	3,242		--	
Expense:				
Capital losses on disposals	--		--	
Other expenses	--		18,557	
TOTAL EXTRAORDINARY INCOME AND EXPENSE		3,242		(18,557)
RESULT BEFORE TAXES		3,997,691		892,162
Income taxes for the year		(8,068)		(5,511)
Net income (loss) for the year		3,989,623		886,651

CIR INTERNATIONAL S.A.
Headquarters: LUXEMBOURG
Share capital at 31.12.2010: € 10,000,000.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
Fixed assets		
- tangible assets	7,750	8,272
- financial assets	136,660,713	136,646,947
	136,668,463	136,655,219
Current assets		
- receivables	2,261,698	15,649,183
- marketable securities	122,501,289	144,960,429
- cash at banks and in hand	9,979,172	17,541,775
	134,742,159	178,151,387
Prepayments and accrued income	9,438,372	1,462,418
Total assets	**280,848,994**	**316,269,024**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
Share capital	10,000,000	10,000,000
Legal reserve	1,000,000	1,000,000
Retained earnings (losses)	(11,426,899)	112,094
Net income (loss) for the year	7,021,729	(11,538,993)
Total shareholders' equity	**6,594,830**	**(426,899)**
Provisions for risks and charges	10,389,822	15,389,822
Long term debt	100,835,636	278,000,000
CURRENT LIABILITIES		
- short term debt	148,000,000	--
- other payables	1,322,641	9,355,817
	149,322,641	9,355,817
Accruals and deferred income	13,706,065	13,950,284
Total liabilities	**274,254,164**	**316,695,923**
Total liabilities and shareholders' equity	**280,848,994**	**316,269,024**

CIR INTERNATIONAL S.A.
Headquarters: LUXEMBOURG
Share capital at 31.12.2010: € 10,000,000.00

INCOME STATEMENT

(in euro)

	2010	*2009*
INCOME		
Income from fixed assets	28,815,048	12,082,116
Income from current assets	58,809,394	77,416,117
Value adjustments on marketable securities	12,369,702	29,280,221
Operating income	47,963	77,775
Loss for the year	--	11,538,993
Total income	**100,042,107**	**130,395,222**
EXPENSES		
Value adjustment on		
- tangible assets	4,611	4,221
- financial assets	13,319,713	36,442,769
	13,324,324	36,446,990
Interest payable and similar charges	77,777,037	92,308,243
Operating charges	1,919,017	1,639,989
Profit for the year	7,021,729	--
Total expenses	**100,042,107**	**130,395,222**

CIGA LUXEMBOURG S.A.r.l.
Headquarters: LUXEMBOURG
Share capital at 31.12.2010: € 1,000,000.00

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
Fixed assets		
- tangible assets	--	238
- financial assets	263,016	5,352,067
	263,016	5,352,305
Current assets		
- receivables	22,128	17,103
- marketable securities	5,632,653	730,921
- cash at bank and in hand	158,181	107,737
	5,812,962	855,761
Prepayments and accrued income	527	--
GRAND TOTAL	6,076,505	6,208,066

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
Share capital	1,000,000	1,000,000
Legal reserve	100,000	173,717
Profit (loss) brought forward	5,028,981	(3,192,764)
Profit (loss) for the year	(108,852)	8,148,028
Total shareholders' equity	6,020,129	6,128,981
Current liabilities	56,376	79,084
Total liabilities	56,376	79,084
GRAND TOTAL	6,076,505	6,208,065

CIGA LUXEMBOURG S.A.r.l.
Headquarters: LUXEMBOURG
Share capital at 31.12.2010: € 1,000,000.00

INCOME STATEMENT

(in euro)

	2010	*2009*
INCOME		
Income from current assets	640	12,550
Value adjustments on marketable securities	--	8,403,738
Extraordinary income	160,222	555,421
Loss for the year	108,852	--
Total income	**269,713**	**8,971,709**
EXPENSES		
Value adjustment on		
- tangible assets	238	3,207
- financial assets	715	189,228
	953	192,435
Interest payable and similar charges	10,231	30,374
Operating charges	258,529	600,871
Profit for the year	--	8,148,028
Total expenses	**269,713**	**8,971,709**

JUPITER FINANCE S.p.A.
Headquarters: MILAN
Share capital at 31.12.2010: € 2,700,000.00

STATEMENT OF FINANCIAL POSITION

(in euro)

ASSETS		*31.12.2010*		*31.12.2009*
Cash and cash equivalents		1,765		1,424
Receivables		4,543,705		9,432,029
Equity investments		--		915,243
Tangible assets		100,816		138,920
Intangible assets		238,353		326,604
Tax assets		340,799		325,369
a) current	*26,277*			
b) deferred	*314,522*		*325,369*	
Other assets		197,755		328,038
TOTAL ASSETS		**5,423,193**		**11,467,627**

LIABILITIES AND SHAREHOLDERS' EQUITY		*31.12.2010*		*31.12.2009*
Payables		724,331		5,395,759
Tax liabilities		--		20,649
a) current	--		*9,275*	
b) deferred	--		*11,374*	
Other liabilities		1,926,495		2,837,367
Employee leaving indemnity (TFR)		77,918		158,511
Capital		2,700,000		2,100,000
Issuance premiums		--		900,000
Reserves		92,711		40,772
Net income (loss) for the year		(98,262)		14,569
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY		**5,423,193**		**11,467,627**

JUPITER FINANCE S.p.A.
Headquarters: MILAN
Share capital at 31.12.2010: € 2,700,000.00

INCOME STATEMENT
(in euro)

		2010		*2009*
Interest income and similar income		229		1,124
Interest expense and similar expense		(354,206)		(127,953)
INTEREST MARGIN		**(353,977)**		**(126,829)**
Commission income		3,958,514		4,188,783
Commission expense		--		--
NET COMMISSIONS		**3,958,514**		**4,188,783**
BROKERAGE MARGINS		**3,604,537**		**4,061,954**
Net adjustments to value for impairment of:		--		(10,113)
a) receivables	--		*(10,113)*	
Administrative costs:		(3,826,002)		(3,763,735)
a) personnel costs	*(1,961,621)*		*(1,983,203)*	
b) other administrative costs	*(1,864,381)*		*(1,780,532)*	
Net adjustments to the value of tangible assets		(53,087)		(38,613)
Net adjustments to the value of intangible assets		(202,302)		(170,797)
Other operating income		447,136		80,824
RESULT OF OPERATING ACTIVITY		**(29,718)**		**159,520**
Net income (loss) from sale of investments		--		571
INCOME (LOSS) FROM CURRENT ACTIVITY GROSS OF TAXES		**(29,718)**		**160,091**
Income taxes for the year on current operations		(68,544)		(145,522)
NET INCOME (LOSS) ON CURRENT ACTIVITY NET OF TAXES		**(98,262)**		**14,569**
NET INCOME (LOSS) FOR THE YEAR		**(98,262)**		**14,569**

CIRINVEST S.p.A.
Headquarters: MILAN
Share capital at 31.12.2010: € 119,764.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	*31.12.2010*	*31.12.2009*
A - RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE	--	--
B - FIXED ASSETS	--	--
I INTANGIBLE ASSETS	--	--
Start-up and expansion costs	--	--
Historical cost	--	11,694
- Accumulated amortization	--	(11,694)
Concessions, licenses, trademarks & similar rights	--	--
Historical cost	--	13,800
- Accumulated amortization	--	(13,800)
II TANGIBLE ASSETS	--	--
III FINANCIAL ASSETS	--	--
Receivables from others	--	--
C - CURRENT ASSETS	**106,305**	**113,124**
I INVENTORIES	--	--
II RECEIVABLES	**2,336**	**2,631**
Tax receivables of which due in over one year	2,336	2,631
Other receivables of which due in over one year	--	--
III FINANCIAL ASSETS NOT CLASSIFIED AS FIXED ASSETS	--	--
IV CASH AND CASH EQUIVALENTS	**103,969**	**110,493**
D - ACCRUED INCOME AND PREPAID EXPENSE	--	--
TOTAL ASSETS	**106,305**	**113,124**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.12.2010*	*31.12.2009*
A - SHAREHOLDERS' EQUITY	**103,601**	**108,054**
I Capital	119,764	119,764
II Share premium reserve	--	--
III Revaluation reserves	--	--
IV Legal reserve	--	--
V Statutory reserves	--	--
VI Reserve for own shares held	--	--
VII Other reserves	--	--
VIII Retained earnings (losses)	(11,710)	--
IX Net income (loss) for the year	(4,453)	(11,710)
B - PROVISIONS FOR RISKS AND LOSSES	--	--
C - EMPLOYEE LEAVING INDEMNITY (TFR)	--	--
D - ACCOUNTS PAYABLE	**2,704**	**5,070**
Payables - suppliers up to one year	--	--
Tax payables up to one year	--	--
Social security payables up to one year	--	--
Other payables up to one year	2,704	5,070
E - ACCRUED EXPENSE AND DEFERRED INCOME	--	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**106,305**	**113,124**

CIRINVEST S.p.A.
Headquarters: MILAN
Share capital at 31.12.2010: € 119,764.00

INCOME STATEMENT
(in euro)

		2010	*2009*
A -	**VALUE OF PRODUCTION**	--	--
	Other revenues and income	--	--
B -	**COSTS OF PRODUCTION**	**(5,234)**	**(12,283)**
	Services	**(3,653)**	**(7,398)**
	- Consulting	(3,224)	(6,109)
	- Directors' and Auditors' fees	--	(910)
	- Other	(429)	(379)
	Lease and rental costs		--
	Personnel costs	--	--
	a) Salaries and wages	--	--
	b) Social contributions	--	--
	c)Employee leaving indemnity (TFR)	--	--
	e) Other costs	--	--
	Amortization, depreciation & writedowns	--	**(2,339)**
	a) Amort. of intangible assets	--	(2,339)
	b) Deprec. of tangible assets	--	--
	c) Other writedowns of fixed assets	--	--
	Miscellaneous operating costs	**(1,581)**	**(2,546)**
OPERATING INCOME (LOSS)		**(5,234)**	**(12,283)**
C -	**FINANCIAL INCOME AND EXPENSE**	**781**	**573**
	Other financial income	1,074	1,265
	Interest and other financial expense	(293)	(692)
D -	**ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS**	--	--
E -	**EXTRAORDINARY INCOME AND EXPENSE**	--	--
	Income	--	--
RESULT BEFORE TAXES		**(4,453)**	**(11,710)**
	Income taxes for the year	--	--
NET INCOME (LOSS) FOR THE YEAR		**(4,453)**	**(11,710)**

NEXENTI S.r.l.
Headquarters: MILAN
Share capital at 31.12.2010: € 50,000.00

STATEMENT OF FINANCIAL POSITION
(in euro)

ASSETS	31.12.2010	31.12.2009
A - RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL DUE	--	--
B - FIXED ASSETS		
I Intangible assets	4,329	--
II Tangible assets	--	--
III Financial assets	1,945,243	--
TOTAL FIXED ASSETS	1,949,572	--
C - CURRENT ASSETS		
I Inventories	--	--
II Receivables		
of which in up to one year	8,879,448	--
of which over one year	1,732,438	218
Total receivables	10,611,886	218
III Financial assets not classified as fixed assets	--	--
IV Cash and cash equivalents	41,592	62,823
TOTAL CURRENT ASSETS	10,653,478	63,041
D - ACCRUED INCOME AND PREPAID EXPENSE	--	--
TOTAL ASSETS	12,603,050	63,041

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2010	31.12.2009
A - SHAREHOLDERS' EQUITY		
I Capital	50,000	50,000
II Share premium reserve	--	--
III Revaluation reserves	--	--
IV Legal reserve	541	--
V Statutory reserves	--	--
VI Reserve for own shares held	--	--
VII Other reserves	1,782,629	--
VIII Retained earnings (losses)	7,023	(3,260)
IX Net income (loss) for the year	(52,487)	10,824
TOTAL EQUITY	1,787,706	57,564
B - PROVISIONS FOR RISKS AND LOSSES	--	--
C - EMPLOYEE LEAVING INDEMNITY	50,746	--
D - ACCOUNTS PAYABLE		
up to one year	10,742,487	--
over one year	--	5,477
TOTAL PAYABLES	10,742,487	5,477
E - ACCRUED EXPENSE AND DEFERRED INCOME	22,111	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,603,050	63,041

NEXENTI S.r.l.
Headquarters: MILAN
Share capital at 31.12.2010: € 50,000.00

INCOME STATEMENT

(in euro)

	2010	*2009*
A - VALUE OF PRODUCTION		
Revenues from sales and services	21,436	--
Other revenues and income	--	18,671
TOTAL VALUE OF PRODUCTION	21,436	18,671
B - COSTS OF PRODUCTION		
Costs for services	(58,014)	(6,660)
Lease and rental costs	(1,460)	--
Personnel costs	(25,066)	--
salaries and wages	(24,647)	--
social contributions	(433)	--
employee leaving indemnity	14	--
Ammort. deprec. & writedowns	(12)	--
Amortization of intangible assets	(12)	--
Miscellaneous operating costs	(5,339)	(1,583)
TOTAL COSTS OF PRODUCTION	(89,891)	(8,243)
OPERATING INCOME (LOSS)	(68,455)	10,428
C - FINANCIAL INCOME AND EXPENSE		
Other financial income	304	807
Interest and other financial expense	(4,185)	(294)
TOTAL FINANCIAL INCOME AND EXPENSE	(3,881)	513
D - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	--	--
E - EXTRAORDINARY INCOME AND EXPENSE	(3)	--
RESULT BEFORE TAXES	(72,339)	10,941
Income taxes for the year	19,852	(117)
NET INCOME (LOSS) FOR THE YEAR	(52,487)	10,824

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

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

- that the administrative and accounting procedures for the preparation of the Statutory Financial Statements during financial 2010 were adequate in relation to the size and nature of the business and
- that they were effectively applied.

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

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

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

The Report on Operations includes a reliable analysis of performance and of the result of operations as well as the position of the issuer together with a description of the principal risks and uncertainties to which it is exposed.

Milan, March 10 2011

Signed by
Rodolfo De Benedetti
Chief Executive Officer

Signed by
Alberto Piaser
Officer Responsible

LIST OF EQUITY INVESTMENTS
AT DECEMBER 31 2010

as per the terms of Art. 38.2 of D.Lgs. no. 127/91 and
of Art. 126 of Consob Resolution no. 11971 of May14 1999

SUBSIDIARIES CONSOLIDATED USING THE FULL INTEGRATION METHOD

(in euro or foreign currency)

Name of company	***Registered office***	***Share capital***	***Currency***	***Parent companies***	***% of ownership***
CIR GROUP					
CIR INTERNATIONAL S.A.	Luxembourg	10,000,000.00	€	CIR S.p.A.	100.00
CIRINVEST S.r.l.	Italy	119,764.00	€	CIR S.p.A.	100.00
CIGA LUXEMBOURG S.A.r.l.	Luxembourg	1,000,000.00	€	CIR S.p.A.	100.00
NEXENTI S.r.l.	Italy	50,000.00	€	CIR S.p.A.	98.80
JUPITER FINANCE S.p.A.	Italy	2,700,000.00	€	CIR S.p.A.	98.80
JUPITER MARKETPLACE S.p.A.	Italy	1,000,000.00	€	NEXENTI S.r.l..	100.00
JUPITER ASSET MANAGEMENT S.r.l.	Italy	10,000.00	€	NEXENTI S.r.l.	100.00
JUPITER IUSTITIA S.r.l.	Italy	50,000.00	€	NEXENTI S.r.l.	100.00
DEVIL PEAK S.r.l.	Italy	60,687.35	€	NEXENTI S.r.l.	83.07
RESOLUTION S.r.l.	Italy	50,000.00	€	NEXENTI S.r.l.	60.00
FOPPOLO RISORSE S.r.l.	Italy	10,000.00	€	DEVIL PEAK S.r.l.	76.50
SORGENIA GROUP					
SORGENIA HOLDING S.p.A.	Italy	136,176,747.00	€	CIR S.p.A.	65.03
SORGENIA S.p.A.	Italy	9,148,175.00	€	SORGENIA HOLDING S.p.A.	79.87
ENERGIA ITALIANA S.p.A.	Italy	26,050,000.00	€	SORGENIA S.p.A.	78.00
SORGENIA IDRO S.r.l.	Italy	50,000.00	€	SORGENIA S.p.A.	100.00
ENERGIA LUCANA S.p.A.	Italy	750,000.00	€	SORGENIA S.p.A.	80.00
				TECNOPARCO VALBASENTO S.p.A.	20.00
					100.00
SORGENIA POWER S.p.A.	Italy	20,100,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA CASTELNUOVO DI CONZA S.r.l.	Italy	15,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA SAN GREGORIO MAGNO S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA MINERVINO S.p.A.	Italy	1,700,000.00	€	SORGENIA S.p.A.	75.00
SAN MARTINO IN PENSILIS S.r.l.	Italy	120,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA PUGLIA S.p.A.	Italy	11,150,778.00	€	SORGENIA S.p.A.	92.24
SORGENIA BIOENERGY	Italy	2,700,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA ROMANIA S.r.l.	Romania	12,098,759.00	RON	SORGENIA S.p.A.	100.00
SORGENIA VENTO S.p.A.	Italy	1,343,156.00	€	SORGENIA S.p.A.	100.00
SORGENIA MENOWATT S.r.l.	Italy	136,050.00	€	SORGENIA S.p.A.	70.00
RACOON S.r.l.	Italy	20,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA TRADING S.p.A.	Italy	5,000,000	€	SORGENIA S.p.A.	100.00
SORGENIA SOLAR S.r.l.	Italy	670,000.00	€	SORGENIA S.p.A.	100.00
SOLUXIA SARDA S.r.l.	Italy	85,200.00	€	SORGENIA SOLAR S.r.l.	90.00
SOLUXIA SARDA II S.r.l.	Italy	60,000.00	€	SORGENIA SOLAR S.r.l.	90.00
SOLUXIA SARDA III S.r.l.	Italy	60,000.00	€	SORGENIA SOLAR S.r.l.	90.00
SORGENIA SOLAR POWER S.r.l.	Italy	340,000.00	€	SORGENIA SOLAR S.r.l.	100.00
SORGENIA E&P S.p.A.	Italy	32,000,000.00	€	SORGENIA S.p.A.	100.00
SORGENIA INTERNATIONAL B.V.	Netherlands	2,004,000.00	€	SORGENIA E&P S.p.A.	100.00
SORGENIA E&P COLOMBIA B.V.	Netherlands	6,518,000.00	€	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P UK LTD	UK	2,487,761	GBP	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA E&P BULGARIA EOOD	Bulgaria	3,525,400	BGN	SORGENIA INTERNATIONAL B.V.	100.00
SORGENIA USA LLC	USA	18,184,968.00	USA	SORGENIA S.p.A.	100.00
NOVENTI VENTURES II LP	USA	26,724,999.00	USD	SORGENIA USA LLC	69.47
MPX ENERGY LTD	UK	364,632.7	GBP	SORGENIA INTERNATIONAL B.V	53.37

Name of company	*Registered office*	*Share Capital*	*Currency*	*Parent companies*	*% of ownership*
MPX (Oil & Gas) Limited	UK	100	GBP	MPX ENERGY LTD	100.00
MPX RESOURCES Limited	UK	10	GBP	MPX ENERGY LTD	100.00
MPX NORTH SEA Limited	UK	10	GBP	MPX ENERGY LTD	100.00
HANNU NORTH SES Limited	UK	10	GBP	MPX ENERGY LTD	100.00
HANNU EXPLORATION Limited	UK	10	GBP	MPX ENERGY LTD	100.00
SORGENIA FRANCE S.A.	France	10,602,360.00	€	SORGENIA S.p.A.	99.99
SOCIÉTÉ FRANÇAISE DES ALIZÉS SARL	France	580,125.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE SAINT CRÉPIN S.a.s.	France	1,657,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE L'ARGONNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE SUD S.a.s.	France	802,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE CÔTE DE CHAMPAGNE S.a.s.	France	2,179,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE BERNAY ST MARTIN S.a.s.	France	2,987,400.00	€	SORGENIA FRANCE S.A.	100.00
HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	France	9,757,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE LONGEVILLE SUR MER S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE L'ORME CHAMPAGNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIENS DU NORD PAS-DE-CALAIS S.a.s.	France	400,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE MAURECHAMPS S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE RAIVAL S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE LA VALETTE S.a.s.	France	1,117,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE VILLER S.a.s.	France	577,000.00	€	HOLDING DES PARCS ÉOLIENS DE LA VOIE SACRÉE S.a.s.	100.00
PARC ÉOLIEN DE BOUILLANCOURT EN SÉRY S.a.s.	France	537,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE LEFFINCOURT S.a.s.	France	4,537,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC D'AULNAY L'AÎTRE S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE BUSSY LE REPOS S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE LA TIERACHE S.a.s.	France	10,000.00	€	SORGENIA FRANCE S.A.	100.00
PARC ÉOLIEN DE PLAINCHAMP S.a.s.	France	3,037,000,00	€	SORGENIA FRANCE S.A.	100.00
PHOTOVOLTAIQUE DE CHAVANNES S.a.s.	France	5,000.00	€	SORGENIA FRANCE S.A.	100.00
PHOTOVOLTAIQUE DE MARVILLE S.a.s.	France	5,000.00	€	SORGENIA FRANCE S.A.	100.00
SORGENIA GEOTHERMAL S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
TORRE MAGGIORE WIND POWER S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	75.00
AZZURRO S.p.A.	Italy	1,100,000.00	€	SORGENIA S.p.A.	90.00
TIRRENO SOLAR S.r.l.	Italy	100,000.00	€	TIRRENO POWER S.p.A.	100.00
ILIOFANIA A.E.	Greece	300,000.00	€	VOLTERRA A.E.	100.00

ESPRESSO GROUP

GRUPPO EDITORIALE L'ESPRESSO S.p.A. (*)	Italy	61,463,308.20	€	CIR S.p.A.	53.88
FIN.E.GI.L. EDITORIALE S.p.A.	Italy	128,512,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
EDITORIALE LA NUOVA SARDEGNA S.p.A.	Italy	775,500.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	100.00
S.E.T.A. S.p.A.	Italy	774,750.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	71.00
A. MANZONI & C. S.p.A.	Italy	15,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ROTOCOLOR S.p.A.	Italy	23,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
SOMEDIA S.p.A.	Italy	500,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
ELEMEDIA S.p.A.	Italy	25,000,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00
EDITORIALE FVG S.p.A.	Italy	87,959,976.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	97.53
RETE A S.p.A.	Italy	13,198,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	100.00

(*) 54.96% net of own shares held

Name of company	*Registered office*	*Share capital*	*Currency*	*Parent companies*	*% o ownership*
ALL MUSIC S.p.A.	Italy	6,500,000.00	€	RETE A S.p.A.	100.00

SOGEFI GROUP

Name of company	*Registered office*	*Share capital*	*Currency*	*Parent companies*	*% o ownership*
SOGEFI S.p.A. (**)	Italy	60,397,475.84	€	CIR S.p.A.	56.46
SOGEFI REJINA S.p.A.	Italy	21,978,316.00	€	SOGEFI S.p.A.	99.88
FILTRAUTO S.A.	France	5,750,000.00	€	SOGEFI S.p.A.	99.99
SOGEFI FILTRATION Ltd	UK	5,126,737	GBP	SOGEFI S.p.A.	100.00
SOGEFI FILTRATION B.V.	Netherlands	1,125,000.00	€	FILTRAUTO S.A.	100.00
SOGEFI FILTRATION A.B.	Sweden	100,000	SEK	FILTRAUTO S.A.	100.00
SOGEFI FILTRATION S.A.	Spain	12,953,713.60	€	SOGEFI S.p.A.	86.08
				FILTRAUTO S.A.	13.92
					100.00
SOGEFI FILTRATION d.o.o.	Slovenia	10,291,798.00	€	SOGEFI S.p.A.	100.00
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	France	36,000,000.00	€	SOGEFI S.p.A.	99.98
SOGEFI PURCHASING S.a.s.	France	100,000.00	€	SOGEFI S.p.A.	100.00
ALLEVARD SOGEFI U.S.A. Inc.	USA	20,055,000	USD	SOGEFI S.p.A.	100.00
FILTRAUTO GmbH *(in liquidation)*	Germany	51,130.00	€	SOGEFI FILTRATION B.V.	100.00
SOGEFI FILTRATION DO BRASIL Ltda	Brazil	29,857,374	BRL	SOGEFI FILTRATION S.A.	99.99
SOGEFI FILTRATION ARGENTINA S.A.	Argentina	10,691,607	ARS	SOGEFI FILTRATION DO BRASIL Ltda	91.90
				FILTRAUTO S.A.	7.28
				SOGEFI REJNA S.p.A.	0.81
					99.99
SHANGHAI SOGEFI AUTO PARTS Co., Ltd	China	13,000,000.00	USD	SOGEFI S.p.A.	100.00
ALLEVARD SPRINGS Ltd	UK	4,000,002	GBP	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.99
ALLEVARD FEDERN GmbH	Germany	50,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	100.00
ALLEVARD REJNA ARGENTINA S.A.	Argentina	600,000	ARS	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.97
IBERICA DE SUSPENSIONES S.L. (ISSA)	Spain	10,529,668.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	50.00
ALLEVARD MOLAS DO BRAZIL Ltda	Brazil	37,161,683	BRL	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.99
				ALLEVARD SPRINGS Co. Ltd	0.01
					100.00
UNITED SPRINGS Ltd	UK	6,500,000	GBP	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	100.00
UNITED SPRINGS B.V.	Netherlands	254,979.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	100.00
SHANGHAI ALLEVARD SPRING Co. Ltd	China	5,335,308.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	60.58
UNITED SPRINGS S.A.S.	France	10,218,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	99.99
LUHN & PULVERMACHER – DITTMANN & NEUHAUS GmbH	Germany	50,000.00	€	ALLEVARD FEDERN GmbH	100.00
S.ARA COMPOSITE S.a.S.	France	6,000,000.00	€	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	83.33
SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd	India	15,893,480	INR	FILTRAUTO S.A.	60.00
EMW ENVIRONMENTAL TECHNOLOGIES Pvt Ltd	India	475,000	INR	FILTRAUTO S.A.	60.00
ALLEVARD IAI SUSPENSIONS PRIVATE Ltd	India	112,000,000	INR	ALLEVARD REJNA AUTOSUSPENSIONS S.A.	51.00

(**) 57.43% net of own shares held

Name of company	*Registered office*	*Share capital*	*Currency*	*Parent companies*	*% of ownership*
KOS GROUP					
KOS S.p.A.	Italy	7,747,160.00	€	CIR S.p.A.	56.70
REDANCIA S.r.l.	Italy	100,000.00	€	KOS S.p.A.	100.00
OSPEDALE DI SUZZARA S.p.A.	Italy	120,000.00	€	KOS S.p.A	99.90
MEDIPASS S.p.A.	Italy	700,000.00	€	KOS S.p.A	100.00
GIORDANI S.r.l.	Italy	10,400.00	€	MEDIPASS S.p.A.	100.00
ELSIDA S.r.l.	Italy	100,000.00	€	MEDIPASS S.p.A.	100.00
IMAGING S.r.l.	Italy	46,800.00	€	MEDIPASS S.p.A.	100.00
RESIDENZA ANNI AZZURRI S.r.l.	Italy	27,079,034.00	€	KOS S.p.A	100.00
HSS REAL ESTATE S.p.A.	Italy	2,064,000.00	€	KOS S.p.A	100.00
PARCO IMMOBILIARE S.r.l.	Italy	100,000.00	€	KOS S.p.A	100.00
ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	Italy	2,550,000.00	€	KOS S.p.A	100.00
ABITARE IL TEMPO S.r.l.	Italy	99,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	55.00
CASA ARGENTO S.r.l.	Italy	1,096,500.00	€	ABITARE IL TEMPO S.r.l.	51.00
ARIEL TECHNOMEDICAL S.r.l.	Italy	10,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	51.00
SANATRIX S.r.l.	Italy	843,700.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	76.93
VILLALBA S.r.l.	Italy	1,598,952.00	€	SANATRIX S.r.l.	98.95
LA PINETA S.r.l.	Italy	5,537,650.00	€	VILLALBA S.r.l.	59.19
				SANATRIX S.r.l.	38.38
					97.57
SANATRIX GESTIONI S.p.A.	Italy	300,000.00	€	VILLALBA S.r.l.	50.00
				LA PINETA S.r.l.	50.00
					100.00
SANITECH SOCIETÀ CONSORTILE S.r.l.	Italy	100,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	84.00
				SANATRIX GESTIONI S.p.A.	3.00
				ABITARE IL TEMPO S.r.l.	7.00
				RESIDENZA ANNI AZZURRI S.r.l.	3.00
				OSPEDALE DI SUZZARA S.p.A.	3.00
					100.00
HEALTH EQUITY S.r.l.	Italy	100,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	60.00
JESILAB S..r.l.	Italy	80,000.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	80.00
FIDIA S.r.l.	Italy	10,200.00	€	HEALTH EQUITY S.r.l.	100.00
VILLA ROSA S.r.l.	Italy	10,400.00		ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
SALFO S.r.l.	Italy	1,467,530.00	€	ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	100.00
HSS SERVIZI SOCIETÀ CONSORTILE a r.l.	Italy	50,000.00	€	KOS S.p.A	56.00
				RESIDENZA ANNI AZZURRI S.r.l.	15.00
				ISTITUTO DI RIABILITAZIONE S. STEFANO S.r.l.	13.00
				MEDIPASS S.p.A.	10.00
				OSPEDALE DI SUZZARA S.p.A.	1.00
				CASA ARGENTO S.r.l.	1.00
				SANATRIX GESTIONI S.p.A.	1.00
				ABITARE IL TEMPO S.r.l.	1.00
				SANITECH SOCIETÀ CONSORTILE S.r.l.	1.00
				REDANCIA S.r.l.	1.00
					100.00

Name of company	*Registered office*	*Share Capital*	*Currency*	*Parent companies*	*% of ownership*
DRY PRODUCTS GROUP					
DRY PRODUCTS S.p.A.	Italy	6,375,000.00	€	CIR S.p.A.	100.00
FOOD MACHINERY MEDIUM VOLUME S.p.A. *(in liquidation)*	Italy	3,000,000.00	€	DRY PRODUCTS S.p.A.	100.00
CIR INTERNATIONAL GROUP					
CIR VENTURES L.P.	USA	23,530,000.00	USD	CIR INTERNATIONAL S.A.	99.00
CIR INVESTMENT AFFILIATE S.A.	Luxembourg	278,588.00	€	CIR INTERNATIONAL S.A.	96.00
FOOD CONCEPTS HOLDING S.A.	Luxembourg	1,759,527.00	€	CIR INTERNATIONAL S.A.	79.46
FOOD CONCEPTS GERMANY GmbH	Germany	100,000	€	FOOD CONCEPTS HOLDING S.A.	100.00

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES
CONSOLIDATED USING THE EQUITY METHOD

(in euro or foreign currency)

Name of company	***Registered office***	***Share capital***	***Currency***	***Parent companies***	***% of ownership***
SORGENIA GROUP					
TIRRENO POWER S.p.A.	Italy	91,130,000.00	€	ENERGIA ITALIANA S.p.A.	50.00
GICA S.A.	Switzerland	7,400,000.00	CHF	SORGENIA S.p.A.	25.00
LNG MED GAS TERMINAL S.r.l.	Italy	22,440,655.00	€	FIN GAS S.r.l	70.00
PARC ÉOLIEN DE LA VOIE SACRÉE S.a.s.	France	2,197,000.00	€	SORGENIA FRANCE S.A.	24.86
PARC ÉOLIEN D'EPENSE S.a.s.	France	802,000.00	€	SORGENIA FRANCE S.A.	25.00
FIN GAS S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
OTA S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	50.00
PARC ÉOLIEN DE HERBISSONNE S.a.s.	France	37,000.00	€	SORGENIA FRANCE S.A.	50.00
P&F Società Agricola S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	50.00
SAPONIS INVESTMENTS SP ZOO	Poland	106,500	PLN	SORGENIA E&P S.p.A.	26.76
VOLTERRA A.E.	Greece	1,109,400	€	SORGENIA S.p.A.	50.00
ESPRESSO GROUP					
LE SCIENZE S.p.A.	Italy	103,400.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	50.00
EDITORIALE CORRIERE ROMAGNA S.r.l.	Italy	2,856,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	49.00
EDITORIALE LIBERTÀ S.p.A.	Italy	1,000,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
ALTRIMEDIA S.p.A.	Italy	517,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
CIR INTERNATIONAL GROUP					
KTP GLOBAL FINANCE S.C.A.	Luxembourg	566,573.75	€	CIR INTERNATIONAL S.A.	35.86
				CIR INVESTMENT AFFILIATE S.A.	11.68
					47.55

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of company	***Registered office***	***Share capital***	***Currency***	***Parent companies***	***% of ownership***
SORGENIA GROUP					
TECNOPARCO VALBASENTO S.p.A.	Italy	945,000.00	€	SORGENIA S.p.A.	20.00
E-ENERGY S.r.l.	Italy	15,000.00	€	SORGENIA S.p.A.	20.00
EOLICA BISACCIA S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	20.00
SORGENIA NEXT S.r.l.	Italy	10,000.00	€	SORGENIA S.p.A.	100.00
OWP PARC ÉOLIENNE DU BANC DEL OLIVES SARL	France	10,000.00	€	SORGENIA FRANCE S.A.	20.00
EAL COMPOST S.r.l.	Italy	3,470,261.00	€	SORGENIA BIOENERGY S.p.A.	8.99
ESPRESSO GROUP					
ENOTRYA S.r.l. *(in liquidation)*	Italy	78,000.00	€	ELEMEDIA S.p.A.	70.00
CELLULARMANIA.COM S.r.l. *(in liquidation)*	Italy	10,400.00	€	ELEMEDIA S.p.A.	100.00
KSOLUTIONS S.p.A. *(in liquidation)*	Italy	1,000,000.00	€	ELEMEDIA S.p.A.	100.00
BENEDETTINE S.r.l. *(in liquidation)*	Italy	255,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	35.00
PREMIUN PUBLISHER NETWORK CONSORZIO	Italy	57,684.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	24.49
CLUB D.A.B. ITALIA – CONSORTILE S.p.A.	Italy	120,000.00	€	ELEMEDIA S.p.A.	27.50
KOS GROUP					
OSIMO SALUTE S.p.A.	Italy	750,000.00	€	ABITARE IL TEMPO S.r.l.	25.50
CONSORZIO OSPEDALE DI OSIMO	Italy	20,000.00	€	ABITARE IL TEMPO S.r.l.	24.70
CIR INTERNATIONAL GROUP					
DUMENIL LEBLE (SUISSE) S.A. *(in liquidation)*	Switzerland	102,850	CHF	CIR INTERNATIONAL S.A.	100.00
PHA – Participations Hotelieres Astor	France	12,150.00	€	CIR INTERNATIONAL S.A.	99.99
CIR VENTURES MANAGEMENT CO. L.L.C.	United States	7,100	USD	CIR INTERNATIONAL S.A.	20.00
KTP GLOBAL FINANCE MANAGEMENT S.A.	Luxembourg	31,000.00	€	CIR INTERNATIONAL S.A.	34.69
				CIR INVESTMENT AFFLILIATE S.A.	11.31
					46.00

(*) Investments that are non-significant, non-operational or recently acquired, unless specified otherwise

INVESTMENTS IN OTHER COMPANIES
CONSOLIDATED AT COST (*)

(in euro or foreign currency)

Name of company	***Registered office***	***Share capital***	***Currency***	***Parent companies***	***% of ownership***
ESPRESSO GROUP					
A.G.F. S.r.l.	Italy	30,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	10.00
AGENZIA A.N.S.A. S. COOP. A.r.l.	Italy	11,921,162.64	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	3.81
				FIN.E.GI.L. EDITORIALE S.p.A.	5.69
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	3.17
				EDITORIALE FVG S.p.A.	3.28
				S.E.T.A. S.p.A.	2.53
					18.48
CONSULEDIT S. CONSORTILE a.r.l.	Italy	20,000.00	€	GRUPPO EDITORIALE L'ESPRESSO S.p.A.	6.64
				FIN.E.GI.L. EDITORIALE S.p.A.	4.39
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.62
				S.E.T.A. S.p.A.	0.49
				EDITORIALE FVG S.p.A.	0.47
					12.61
IMMOBILIARE EDITORI GIORNALI S.r.l.	Italy	830,462.00	€	S.E.T.A. S.p.A.	0.17
				EDITORIALE LA NUOVA SARDEGNA S.p.A.	0.12
					0.29
TRENTO PRESS SERVICE S.r.l.	Italy	260,000.00	€	S.E.T.A. S.p.A.	14.40
AGENZIA INFORMATIVA ADRIATICA d.o.o.	Slovenia	12,767.75	Sit.	EDITORIALE FVG S.p.A.	19.00
AUDIRADIO S.r.l.	Italy	258,000.00	€	A. MANZONI & C. S.p.A.	3.63
PRESTO TECHNOLOGIES Inc. *(non-operational)*	United States	7,663,998.4	USD	ELEMEDIA S.p.A.	7.83
CERT – CONSORZIO EMITTENTI RADIO TELEVISIVE	Italy	177,531.00	€	RETE A S.p.A.	6.67
CONSORZIO COLLE MADDALENA	Italy	62,224.08	€	RETE A S.p.A.	4.17
TELELIBERTÀ S.p.A.	Italy	500,000.00	€	FIN.E.GI.L. EDITORIALE S.p.A.	19.00
SOGEFI GROUP					
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd	Sudan	900,000	SDG	SOGEFI REJNA S.p.A.	25.00
AFICO FILTERS S.A.E.	Egypt	11,000,000	EGP	SOGEFI REJNA S.p.A.	22.62

(*) Investments of less than 20%

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AND IN OTHER COMPANIES
NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

(in euro or foreign currency)

Name of company	***Registered office***	***Share capital***	***Currency***	***Parent companies***	***% of ownership***
CIR GROUP					
C.B.D.O. - COMPAGNIE BOURGUIGNONNE DES OENOPHILES SARL	France	9,000.00	€	CIGA LUXEMBOURG S.A.r.l.	100.00
SO.GE.LOC. S.a.r.l. *(in liquidation)*	France	7,622.45	€	C.B.D.O. SARL	99.80
FINAL S.A. *(in liquidation)*	France	2,324,847.00	€	C.B.D.O. SARL	47.73
SOGEFI GROUP					
INTEGRAL S.A. *(in liquidation)*	Argentina	2,515,600	ARS	FILTRAUTO S.A.	93.50
				SOGEFI FILTRATION ARGENTINA S.A.	6.50
					100.00

Report of the Board of Statutory Auditors

C.I.R. S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS IN ACCORDANCE WITH THE TERMS OF ARTICLE 153 D. LGS. NO. 58/1998

(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

To the Meeting of the Shareholders of C.I.R. S.p.A.

During financial year ended December 31 2010 we performed the surveillance activities required of us by law and by the Company Bylaws, according to the Principles of Conduct for Statutory Auditors recommended by the National Councils of Business Consultants and Accountants. In the preparation of this report we took into account both the aforesaid principles and the indications given by Consob in its Communiqué no. 1025564 of April 6 2001 and subsequent updates.

In relation to the way in which the duties contained in our mandate were carried out, we hereby attest that:

– We attended the Shareholders' Meetings and the Meetings of the Board of Directors that were held during the year under examination and obtained from the Directors timely and suitable information on performance for the year and the outlook for the future and also on the most significant transactions from the economic, financial and equity points of view entered into by the Company and by the Group of companies that the latter controls, in accordance with the Law and the Bylaws; we also confirm that the Board of Statutory Auditors always took part, through the presence of one or more of its members, in the meetings of the Internal Control Committee and read the minutes of the meetings of the Compensation Committee;

– We obtained a degree of knowledge necessary to carry out the duties contained in our mandate regarding compliance with the law and with the Bylaws, with the principles of sound administration and on the degree of adequacy of the organizational structure of the Company through direct investigation, collecting data and information from the heads of the departments involved and from an exchange of data and significant information with the firm of auditors mandated to carry out the legal audit of the annual and consolidated accounts;

- We updated the responsibilities of the Board of Statutory, to which Art. 19 of D. Lgs no. 39/2010 assigned the role of "*Committee for internal control and audit of the accounts*", according to the instructions given in the above-cited legislation;
- As per the terms of the above measure, we carried out the surveillance activity contained in it with reference: a) to the process of financial disclosure; b) to the effectiveness of the systems of internal control, internal audit and risk management; c) to the legal audit of the annual and consolidated accounts; d) to the independence of the firm carrying out the legal audit, by means of direct investigation, obtaining information for the heads of department, and analysing the results of the work carried out by the firm of auditors;
- In this context, more specifically: we duly acknowledged and adopted the results of the quarterly checks by the firm of auditors holding the audit mandate that the accounts were being kept correctly; we received from the same firm of auditors the Reports as per the terms of Art. 14 and Art. 19, 3rd paragraph, of D.Lgs. no. 39/2010; we received from the same auditing firm the "*Annual Confirmation of Independence*" in accordance with Art. 17, parag. 9, letter a) of D.Lgs. no. 39/2010; we analysed as per the terms of Art. 17, parag. 9, letter b) of D.Lgs. no 39/2010, the risks relating to the independence of the firm carrying out the legal audit of the accounts and the measures that it adopts to limit such risks;
- We monitored the functionality of the system of control over the investee companies and the adequacy of the instructions given to them, even as per the terms of Art. 114, paragraph 2 of D.Lgs. no. 58/1998;
- We checked that the rules of corporate governance as set out in the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A. had been adopted by the Company and were being put into practice;
- We checked that the Organization, Management and Control Model, as per D.Lgs. no 231/2001 and subsequent amendments, had been updated to bring it into line with recent legislative changes on the subject of "the stipulated crimes and offences";
- We verified that the changes in the Company Bylaws complied with the rules contained in D.Lgs. no. 27/2010 and D.Lgs. no. 39/2010 on the subject of the

exercise of certain rights of shareholders in listed companies and of the legal audit of annual and consolidated accounts respectively;

- We monitored, to the extent of our competence, the process of introducing the Procedure for transactions with related parties, approved by the Board of Directors on October 28 2010 with the favourable opinion of the Committee for the same. On this subject, we checked that the said Procedure complied with the principles given in the Regulation approved by Consob with its Resolution no. 17221 of March 12 2010 and subsequent amendments, as well as its compliance with Art. 4, parag. 6, of the same Regulation;
- We verified that there were no issues of any importance to be notified by the control functions of the subsidiaries of CIR S.p.A.;
- We checked that the provisions of the law and of regulations were being complied with in relation to the preparation, the organization and the layout of the Statutory Financial Statements and the Consolidated Financial Statements and the documents accompanying them, which contain among other things the information as per the Document issued jointly by Bank of Italy, Consob and Isvap;
- We verified that the impairment test procedure set up to check whether assets in the balance sheet had lost any value were adequate from the methodological viewpoint;
- We checked that the Reports on Operations for financial year 2010 accompanying the separate financial statements of the Company and the consolidated financial statements of the Group conformed to current laws and regulations and were consistent with the resolutions adopted by the Board of Directors.

In the course of our surveillance activity, carried out as above, no significant facts emerged requiring notification to the Surveillance Bodies nor do we have any proposals to make regarding the financial statements, the approval thereof or any other matter relating to our mandate.

* * *

The specific indications that this report must provide are listed below, in accordance with the above-cited Consob Communiqué of April 6 2001 and subsequent updates.

1. We obtained sufficient information on the most significant transactions from the economic, financial and equity viewpoint which were entered into by C.I.R. S.p.A. and its subsidiaries, checking that they were in accordance with the law and the company Bylaws; the Directors have given adequate information on these transactions in the Report on Operations; we also obtained information and ensured that the transactions approved and/or put in place were not clearly imprudent, rash, in contrast with resolutions adopted or in potential conflict of interest or in any way such as to compromise the integrity of the Company's capital and assets.
2. Adequate information was given to us regarding intercompany and related-party transactions. Based on the information gathered, we ascertained that these transactions complied with the law and with the Company Bylaws, were in the interests of the Company and did not give rise to any doubts as to the correctness and completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the company capital and assets and safeguarding minority shareholders; the periodic checks and controls carried out in the Company offices did not reveal that any atypical and/or unusual transactions had been carried out;
3. In the Report on Operations the Directors have given adequate information on the main transactions entered into between CIR S.p.A., the companies belonging to the group and/or related parties, stating that these transactions took place at normal market conditions, considering also the quality and type of services provided; the transactions in question were mainly loans, guarantees and administrative and financial services; suitable financial and economic details of these deals were given in the documents which accompany the statutory financial statements for 2010;
4. On March 31 2011 the firm of auditors appointed to carry out the legal audit of the accounts, Deloitte & Touche S.p.A., issued the audit reports as per Art. 14 of D.Lgs no. 39/2010 for the Statutory Financial Statements and the Consolidated Financial Statements for the year ended December 31 2010, which included their opinion regarding the consistency of the same as required by Art. 14, 2nd parag., letter e) of

D.Lgs. no. 39/2010 and Art. 123-*bis* of D. Lgs. No. 58/1998, without any objections or requests for further information;

5.-6. We did not receive any complaints as per Article 2408 of the Civil Code or any petitions, nor did we hear of any such complaints being made to others;

7.-8. During financial year 2010, C.I.R. S.p.A. gave further mandates to the firm of auditors, in addition to the legal audit mandate, for other services for the purposes of certification for fees of euro 2,000. In the same year the subsidiaries gave further mandates to the firm of auditors, apart from the legal audit mandate, for the issue of certification for an amount of euro 525,000 and mandates for other services for euro 119,000. The subsidiaries of C.I.R. S.p.A. also gave mandates to companies belonging to the network of the firm of auditors for other services for a total of euro 248,000.

9. During the year under examination we issued opinions as per the terms of Art. 2389 of the Civil Code;

10. During financial year 2010, the Board of Directors met 7 times, the Internal Control Committee met 7 times and the Compensation Committee met twice. During the year the Board of Statutory Auditors also held 8 meetings;

11. – 12. We have no particular observations to make either concerning compliance with the principles of correct administration, because these appear to have been constantly observed, or concerning the adequacy of the organizational structure, which we found to be suitable to meet the operating, managerial and control needs of the Company;

13. The system of internal control appeared to be adequate for the size and type of operations of the Company as we also ascertained at the meetings of the Internal Control Committee which, on the basis of the rules of governance adopted, are attended by the Chairman of the Board of Statutory Auditors (or another Statutory Auditor designated by the latter). Moreover, the Internal Audit Manager of the Group and the Officer responsible for Internal Control made sure that there was the necessary functional and information link regarding the way in which their institutional control duties were carried out and the outcome of the checks carried out, even by attending the meetings of the Board of Statutory Auditors.

14. We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly.

Regarding the accounting details contained in the statutory and consolidated financial statements as of December 31 2010, these were certified by the Chief Executive Officer and by the Executive responsible for the preparation of the company's financial statements in accordance with Art. 154-*bis*, paragraph 5 of D.Lgs. 58/1998 and Art. 81-*ter* of Consob Regulation no. 11971 of May 14 1999 and subsequent amendments and additions.

15. We have no observations to make regarding the adequacy of information flows from the subsidiaries to the Parent Company to ensure the timely fulfilment of communication obligations required by law.
16. During the regular exchanges of information and data between the Board of Statutory Auditors and the external Auditors, in accordance also with Art. 150, paragraph 3, of D.Lgs. 58/1998, no aspects emerged that needed to be highlighted in this report.
17. The Company has substantially adhered to the recommendations contained in the Code of Conduct prepared by the Committee for the Corporate Governance of Listed Companies, and has illustrated its corporate governance model in the Report on this subject, prepared also in accordance with Art. 123-*bis* of D.Lgs. no. 58/1998. To the extent of our responsibility we have monitored the way in which the rules of corporate governance required by the above-mentioned Code of Conduct, as adopted by the Company, are actually being implemented, ensuring among other things that the Corporate Governance Report of CIR S.p.A. contained the results of the regular check that the Board of Statutory Auditors has the necessary requisites of independence, which are determined on the same basis as those for the Members of the Board of Directors. In relation to the provisions of D.Lgs. 231/2001, the Company has adopted and implemented an "Organizational Model" for conducting and regulating the business, making sure that it is kept updated, and has set up a Surveillance Body as required by regulations. The Company has also adopted a Code of Ethics regulating conduct;
18. Our surveillance activity was carried out on a routine basis during 2010 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note;

19. On completion of the surveillance activity we carried out during the year we have no proposals to make as per Art. 153, paragraph 2. of D.Lgs. 58/1998 regarding the separate financial statements of C.I.R. S.p.A. as of December 31 2010, on the approval thereof or on any other matter within our jurisdiction, just as we have no observations to make on the proposed cover of the net loss for the year or on the proposed dividend distribution put forward by the Board of Directors.

Milan, April 4 2011

THE BOARD OF STATUTORY AUDITORS

Prof. Pietro Manzonetto – Chairman of the Board of Statutory Auditors

Dott. Riccardo Zingales – Statutory Auditor

Dott. Luigi Nani – Statutory Auditor

Relazioni della Società di Revisione

Deloitte.

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

**To the Shareholders of
CIR S.p.A.**

1. We have audited the consolidated financial statements of CIR S.p.A. and subsidiaries (the "CIR Group"), which comprise the statement of financial position as of December 31, 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 1, 2010.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the CIR Group as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of CIR S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the section "governance" of CIR S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the CIR Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
March 31, 2011

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

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

To the Shareholders of
CIR S.p.A.

1. We have audited the financial statements of CIR S.p.A., which comprise the statement of financial position as of December 31, 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 1, 2010.

3. In our opinion, the financial statements give a true and fair view of the financial position of CIR S.p.A. as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of CIR S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the section "governance" of CIR S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of CIR S.p.A. as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
March 31, 2011

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