

9. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2013 the breakdown and changes of property, plant and equipment are as follows

(in thousands of euro)

	12.31.2013			12.31.2012		
	Gross Amount	Accumulated Depreciation	Net Amount	Gross Amount	Accumulated Depreciation	Net Amount
Land	106,896	-	106,896	108,399	-	108,399
Buildings	1,099,434	(429,450)	669,984	1,101,203	(416,187)	685,016
Plant and machinery	3,480,584	(1,909,024)	1,571,560	3,521,488	(1,971,572)	1,549,916
Industrial and commercial equipment	691,235	(507,690)	183,545	715,488	(524,765)	190,723
Other assets	230,162	(153,699)	76,463	260,803	(171,413)	89,390
	5,608,311	(2,999,863)	2,608,448	5,707,381	(3,083,937)	2,623,444

GROSS AMOUNT (in thousands of euro)

	12.31.12	Hyperinfla- tion effect	Business combination effect	Translation differ.	Increases	Decreases	Reclassif.	Other	12.31.13
Land	108,399	1,581	5,025	(6,338)	18	(687)	1,703	(2,805)	106,896
Buildings	1,101,203	17,347	14,024	(80,097)	41,638	(12,143)	18,298	(836)	1,099,434
Plant and machinery	3,521,488	28,402	32,285	(296,000)	276,116	(89,061)	3,213	4,141	3,480,584
Industrial and commercial equipment	715,488	6,222	-	(66,510)	37,978	(26,108)	20,980	3,185	691,235
Other assets	260,803	17,152	2,948	(32,699)	46,531	(19,490)	(44,194)	(889)	230,162
	5,707,381	70,705	54,282	(481,644)	402,281	(147,489)	-	2,795	5,608,311

ACCUMULATED DEPRECIATION (in thousands of euro)

	12.31.12	Hyperinfla- tion effect	Business combination effect	Transla- tion differ.	Reclassif.	Decreases	Deprec.	Other	12.31.13
Buildings	(416,187)	(15,550)	(754)	38,040	(4,142)	3,114	(35,084)	1,115	(429,450)
Plant and machinery	(1,971,572)	(16,371)	(4,431)	167,880	688	80,908	(165,202)	(924)	(1,909,024)
Industrial and commercial equipment	(524,765)	(5,279)	-	49,595	1,792	23,554	(54,634)	2,047	(507,690)
Other assets	(171,413)	(3,268)	(690)	12,662	1,662	16,829	(14,996)	5,515	(153,699)
	(3,083,937)	(40,468)	(5,875)	268,177	-	124,405	(269,916)	7,752	(2,999,863)

NET AMOUNT (in thousands of euro)

	12.31.12	Hyperin- flation effect	Business combination effect	Trans- lation differ.	Incre- ases	Decre- ases	Reclas- sif.	Depre- ciation	Other	12.31.13
Land	108,399	1,581	5,025	(6,338)	18	(687)	1,703	-	(2,805)	106,896
Buildings	685,016	1,797	13,270	(42,057)	41,638	(9,029)	14,156	(35,084)	278	669,984
Plant and machinery	1,549,916	12,032	27,854	(128,120)	276,116	(8,153)	3,901	(165,202)	3,216	1,571,560
Industrial and commercial equipment	190,723	943	-	(16,915)	37,978	(2,554)	22,772	(54,634)	5,232	183,545
Other assets	89,390	13,884	2,258	(20,037)	46,531	(2,661)	(42,532)	(14,997)	4,627	76,463
	2,623,444	30,237	48,407	(213,467)	402,281	(23,084)	-	(269,917)	10,548	2,608,448

The changes at December 31, 2012 were as follows

GROSS AMOUNT (in thousands of euro)

	12.31.11	Restatement *	12.31.11 restated	Hyperinflation effect	Business combination effect	Translation differ.	Increases	Decreases	Reclas-sif.	Other	12.31.12
Land	93,647	(700)	92,947	721	-	(1,406)	5,037	(1,159)	867	11,392	108,399
Buildings	970,824	37,608	1,008,432	7,909	29,459	(20,512)	59,625	(4,390)	25,255	(4,575)	1,101,203
Plant and machinery	3,322,727	14,800	3,337,527	9,380	46,542	(102,764)	286,664	(42,512)	(17,420)	4,071	3,521,488
Industrial and commercial equipment	650,694	-	650,694	2,554	18,501	(21,393)	43,218	(18,329)	37,889	2,354	715,488
Other assets	272,422	(7,597)	264,825	11,201	2,748	(4,870)	61,004	(30,218)	(46,591)	2,704	260,803
	5,310,314	44,111	5,354,425	31,765	97,250	(150,945)	455,548	(96,608)	-	15,946	5,707,381

ACCUMULATED DEPRECIATION (in thousands of euro)

	12.31.11	Restatement *	12.31.11 restated	Hyperinflation effect	Business combination effect	Translation differ.	Reclas-sif.	Decreases	Deprec.	Other	12.31.12
Buildings	(391,114)	-	(391,114)	(6,960)	(234)	10,897	781	3,150	(32,940)	234	(416,187)
Plant and machinery	(1,891,612)	-	(1,891,612)	(6,945)	(929)	54,029	7,842	28,869	(163,823)	997	(1,971,572)
Industrial and commercial equipment	(499,602)	-	(499,602)	(2,301)	(8,185)	16,589	2,943	15,887	(49,920)	(176)	(524,765)
Other assets	(171,370)	-	(171,370)	(1,466)	(1,405)	2,690	(11,566)	28,785	(13,382)	(3,699)	(171,413)
	(2,953,698)	-	(2,953,698)	(17,673)	(10,752)	84,205	-	76,691	(260,065)	(2,644)	(3,083,937)

NET AMOUNT (in thousands of euro)

	12.31.11	Restatement *	12.31.11 restated	Hyperinflation effect	Business combination effect	Translation differ.	Increases	Decreases	Reclas-sif.	Depreciation	Other	12.31.12
Land	93.647	(700)	92.947	721	-	(1.406)	5.037	(1.159)	867	-	11.392	108.399
Buildings	579.710	37.608	617.318	948	29.226	(9.615)	59.625	(1.240)	26.036	(32.940)	(4.342)	685.016
Plant and machinery	1.431.115	14.800	1.445.915	2.435	45.613	(48.735)	286.664	(13.643)	(9.578)	(163.823)	5.068	1.549.916
Industrial and commercial equipment	151.092	-	151.092	253	10.316	(4.804)	43.218	(2.442)	40.832	(49.920)	2.178	190.723
Other assets	101.052	(7.597)	93.455	9.734	1.344	(2.180)	61.004	(1.433)	(58.157)	(13.382)	(995)	89.390
	2.356.616	44.111	2.400.727	14.092	86.498	(66.740)	455.548	(19.917)	-	(260.065)	13.301	2.623.444

* The amounts at 12.31.2011 have been restated to include retrospectively the effects of the final purchase price allocation related to the acquisition in Russia

The **additions in 2013** mainly refer to investments to expand the availability of premium products in Italy, Mexico, Romania and China. Work is also proceeding in Russia to align the production sites with Group processes and quality standards.

The ratio of additions to property, plant and equipment to depreciation in 2013 was 1.49 (1.75 at December 31, 2012).

The effect from business combinations refers to the acquisition of 25 retail outlets in Germany that belonged to Reifen Wagner I.S. Autoservice GmbH & Co and Tire Wagner GmbH (euro 1,540 thousand) and the full consolidation of the Chinese company Sino Italian Wire Tech. Co. Ltd (euro 46,867 thousand). For more details, refer to note 7 "Business combinations".

Construction in progress at December 31, 2013, included in the individual categories of property, plant and equipment, totalled euro 274,703 thousand (euro 241,107 thousand at December 31, 2012).

Impairment during 2013, included in the column "gross value – decreases" of the table illustrated above, totalled euro 7,559 thousand (euro 10,839 thousand in 2012) and are related to the reduction in anti-particulate filters activity (in China and Romania), also in line with the strategy of focusing on the tyre business.

With regard to the restrictions on the ownership of assets, it should be noted that:

- the subsidiary Pirelli Tyres Alexandria Co. (Egypt) pledged its plant and machinery for a total of euro 3,561 thousand (euro 5,230 thousand at December 31, 2012) as collateral for loans granted by the National Bank of Egypt;
- the subsidiary Pirelli Pneus Ltda. (Brazil) pledged its machinery and land as collateral for a total of euro 42,452 thousand (euro 50,573 thousand at December 31, 2012) against bank loans granted by BNDES (Banco Nacional de Desenvolvimento) and litigation with the national social security institution INSS (Instituto nacional de seguridade social);
- the subsidiary Pirelli Neumaticos SAIC (Argentina) pledged its own land and buildings for a total of euro 12,248 thousand as collateral for a loan granted by Banco de la Nacion Argentina (euro 11,019 thousand at December 31, 2012);
- the subsidiary Pirelli Neumaticos S.A. de C.V. (Mexico) pledged its own land, factories and plants as collateral worth euro 67,668 thousand for a loan granted by Bancomext.

9.1 FINANCE LEASE

The value of buildings and other assets for which the Group has entered into a finance leasing agreement is included in the related categories of property, plant, and equipment.

The table below sets forth the breakdown of the item

(in thousands of euro)

	12.31.2013			12.31.2012		
	Cost	Accumulated Depreciation	Net amount	Cost	Accumulated Depreciation	Net amount
Leased land	-	-	-	10,348	-	10,348
Leased buildings	2,860	(1,292)	1,568	52,537	(12,605)	39,932
Other leased assets	2,635	(2,091)	544	2,955	(2,158)	797
Leased plant and machinery	94	(94)	-	96	(96)	-
	5,589	(3,477)	2,112	65,936	(14,859)	51,077

The decrease in land and buildings held under finance lease compared to December 31, 2012 is mainly due to the redemption, occurred in July 2013, of the property and land held under finance lease, where the structures and Tyre R&D activities in Italy and the headquarter of Prelios S.p.A. are located (euro 12,562 thousand).

The payables for finance lease are included in financial payables (refer to note 23).

10. INTANGIBLE ASSETS

The breakdown and changes in intangible assets are as follows

(in thousands of euro)

	12.31.12	Translation differences	Effect of business combination	Increase	Decrease	Amortisation	Reclassif.	Other	12.31.13
Patents and intellectual property rights	19	(2)	-	-	-	(31)	63	-	49
Concessions/licenses/trademarks	52,349	(2,518)	9,770	367	-	(6,914)	(370)	-	52,683
Goodwill	918,689	(8,552)	2,880	-	-	-	-	-	913,017
Application software	18,570	(70)	-	7,583	(52)	(8,168)	307	31	18,201
Other intangible assets	32,857	(2,289)	-	2,868	-	(3,904)	-	496	30,028
	1,022,484	(13,432)	12,650	10,818	(52)	(19,016)	-	527	1,013,979

The changes occurred in 2012 were as follows

(in thousands of euro)

	12.31.11	Effect of business combination (*)	12.31.2011 restated (*)	Translation differences da conv.	Effect of business combination	Increase	Decrease	Amortisation	Other	12.31.12
Patents and intellectual property rights	31	-	31	-	-	-	-	(12)	(0)	19
Concessions/licenses/trademarks	7,898	13,000	20,898	(593)	41,417	1,158	(19)	(4,496)	(6,017)	52,349
Goodwill	915,321	(50,985)	864,336	334	54,019	-	-	-	(0)	918,689
Application software	8,376	-	8,376	21	843	12,968	-	(3,912)	275	18,570
Other intangible assets	2,673	12,200	14,873	1,670	15,750	1,288	(130)	(2,922)	2,329	32,858
	934,299	(25,785)	908,514	1,433	112,029	15,414	(149)	(11,342)	(3,414)	1,022,484

* The amounts at 31.12.2011 have been restated to include retrospectively the effects of the final purchase price allocation related to the acquisition in Russia

The addition to **software application** mainly refers to IT costs for improvement and development of business support platforms (GeoMarketing phase I, eCRM-CRM, O.E. System Evolution, B2B Platform Evolution), for business intelligence implementations (OE Aftermarket, Sell In and Out Optimisation Programme) and new, evolved functions for Forecast and Purchasing profitability – SAP SRM Enhancements.

The **business combination effect** includes euro 2,880 thousand related to the goodwill resulting from the acquisition of 25 retail outlets belonging to Reifen Wagner I.S. Autoservice GmbH & Co and Tire Wagner GmbH, plus euro 9,770 thousand for the allocation to trademarks and customer relationships (see the previous note 7 "Business Combinations").

The table below sets forth the allocation of goodwill by operating segment, the cash generating units (CGU) to which it was allocated for impairment testing, and the method used to measure the recoverable amount:

(in thousands of euro)

Operating segment	Cash generating unit	12.31.2013	12.31.2012	Recoverable amount
Consumer	Consumer	587,233	590,488	Value in use
Industrial	Industrial	325,784	328,201	Value in use
		913,017	918,689	

Goodwill was tested for impairment at December 31, 2013, relying on independent appraisals. This involved estimating the recoverable value of the CGU and comparing it with the net carrying amount of the relevant assets, including goodwill.

Value in use corresponds to the discounted value of the future cash flows that are expected to be associated with the CGU, using a discount rate that reflects the specific risks of the single CGU at the measurement date.

The key assumptions used by management are estimates of future sales increases, operating cash flows, the growth of terminal values and the weighted average cost of capital (discount rate).

The forecast income flows cover a three-year period (2014-2016), and refer to the "Industrial Plan 2014-2017", presented to the financial community on November 6, 2013. If the consensus estimates are lower, the Ebit flows of each CGU were reduced by the negative difference between the consensus flows and the Business Plan flows.

The calculation also included the hypothetical flow deriving from the disposal of CGUs at the end of the explicit period (assumed to be the discounted value of the perpetual return of the flow generated in the last year of the projection).

The discount rates, defined as the average cost of capital net of taxes, applied to prospective cash flows, and the used growth factors are shown in the following table

Operating segment	Cash Generating Unit	2013			2012		
		discount rate (WACC)	growth rate (g)	WACC - g	discount rate (WACC)	growth rate (g)	WACC - g
Consumer	Consumer	8.56%	-	8.56%	9.28%	-	9.28%
Industrial	Industrial	8.56%	-	8.56%	9.28%	-	9.28%

On the basis of these tests, no impairment loss was recognised.

A sensitivity analysis of the results for the examined CGUs was also carried out. In all cases the values in use remain higher than the carrying amounts even assuming a change in key parameters such as:

- a change in discount rates by 100 basis points;
- a change in the growth rate by 100 basis points.

Concessions, licenses and trademarks mainly include the brands deriving from acquisition in 2013 of 25 retail outlets belonging to Wagner in Germany for euro 9,770 thousand, and from the acquisitions made during 2012 in

Russia (euro 7,542 thousand), the retail chains Däckia in Sweden (euro 24,206 thousand) and Campneus in Brazil (euro 9,443 thousand).

The **Other intangible assets** are mainly composed of the fair value measurement of customer relationships and commercial partnerships resulting from the acquisitions made in 2012 in Russia and Sweden (Däckia).

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The following table sets forth the changes in investments in associates and joint ventures during the year

(in thousands of euro)

	12.31.2013	12.31.2012
Opening balance	113,171	140,114
Increases	76,780	-
Distribution of dividends	(1,947)	(3,928)
Impairment	-	(29)
Share of net income (loss)	(25,835)	(21,293)
Share of other components recognised in other comprehensive income	(3,932)	(1,701)
Reclassifications and other	(26,771)	8
Closing balance	131,466	113,171

The breakdown by individual investment is as follows

(in thousands of euro)

	12.31.2012	Increases	Distribution of dividends	Share of net income (loss)	Share of other components recognised in other comprehensive income	Reclassifications and other	12.31.2013
Eurostazioni S.p.A.	59,912	-	(1,947)	-	-	-	57,965
Prelios	-	21,523	-	(12,838)	-	313	8,998
Fenice S.r.l.	-	22,986	-	-	(4,801)	-	18,185
RCS MediaGroup S.p.A.	19,327	21,331	-	(13,573)	-	(27,085)	-
Sino Italian Wire Tech. Co Ltd	8,491	-	-	350	-	(8,841)	-
GWM Renewable Energy II S.p.A.	23,823	-	-	(191)	869	-	24,501
PT Evoluzione Tyres	-	10,338	-	637	-	8,966	19,941
Idea Granda Società Consortile r.l.	633	-	-	-	-	-	633
Other companies	985	602	-	(220)	-	(124)	1,243
Total	113,171	76,780	(1,947)	(25,835)	(3,932)	(26,771)	131,466

The investments in GWM Renewable Energy II S.p.A. (16.87%) and in Prelios S.p.A. (13.06% of voting shares, and 9.17% of total share capital), are classified as associates (although the percentage of participation in the share capital is below 20%), since the Group has a significant influence through the presence of its own managers on their Board of Directors and, with regard to Prelios, also through the investment in Fenice S.r.l. and the "convertendo" financial instrument (refer to note 12 "Other financial assets").

The fair value of the investment in Prelios S.p.A., listed on the Milan Stock Exchange, was calculated by using the quotation at December 31, 2013 (euro 0.5775 per share), and totals euro 20,912 thousand.

The **additions** during the year refer to:

- the conversion, for euro 21,523 thousand, of the financial receivable from Prelios S.p.A. (which amounted to euro 173,506 thousand at December 31, 2012) into ordinary shares of Prelios S.p.A. and from the establishment and subsequent subscription of the share capital increase of Fenice S.r.l., a special purpose vehicle that owns 117,597,496 Class B non-voting shares of Prelios S.p.A., for euro 22,986 thousand, as part of the restructuring of the financial receivable from Prelios S.p.A.;
- the subscription of the share capital increase of RCS Mediagroup S.p.A. (euro 21,331 thousand) and PT Evoluzione Tyres (euro 10,338 thousand), a joint venture operating in Indonesia.

In regard to the **share of net income (loss)**, refer to note 34.1 "Share of net income (loss) of associates and joint ventures."

In particular, it should be noted that:

- the investment in Prelios S.p.A. was acquired at the end of August 2013. At the date of preparation of this document, Prelios S.p.A. did not yet approve its draft annual report at December 31, 2013. Therefore, as provided by IAS 28, the value of the Group's share (9.17%) in the associate, accounted for under the equity method, has been calculated on the basis of the only public and available figures related to the associate that refer to the last quarter 2013, i.e. the loss announced in the press release of February 12, 2014, related to disposal of the German platform (with an impact on consolidated earnings between euro 135 and 145 million). The Group's share of loss (euro 12,838 thousand) represents the 9.17% of the estimated loss (euro 140 million);
- the share of loss related to RCS Mediagroup S.p.A. was recognised for the period up to September 30, 2013 (a loss of euro 13,573 thousand), as the investment, in the fourth quarter 2013, was reclassified as a financial asset available for sale (see the comment

below on "Reclassifications").

The share of **other components recognised in other comprehensive income** (negative for euro 3,652 thousand) mainly refers to the Group's share of the losses recognised directly in equity by Fenice S.r.l. in 4Q 2013 (euro 4,801 thousand), resulting from fair value adjustment of the Prelios S.p.A. Class B shares held by it. These shares are qualified by Fenice S.r.l. as financial assets available for sale, and the fair value of these shares was determined by applying an approximately 18% non-liquidity discount rate on the value of Prelios S.p.A. ordinary shares (euro 0.5775 per share at December 31, 2013). This discount was deemed necessary because of the nature of the Prelios S.p.A. Class B shares that will be automatically converted into ordinary shares when a sales procedure is initiated and coinciding with their transfer to third parties. The distinctive element between Class B shares and ordinary shares is thus constituted by the lock-up restriction implied by holding them.

The **reclassifications** mainly refer to:

- the investment in RCS Mediagroup S.p.A. reclassified from "associate" to "financial asset available for sale". The following indicators that Pirelli has significant influence were considered: its participation in the block voting shareholders' syndicate, intended to guarantee a stable ownership structure and unified corporate management of the RCS Group, the intensification of other forms of exercising governance rights, such as membership on the Board of Directors and other bodies. On October 31, 2013, the participants of the shareholders' block voting syndicate of RCS Mediagroup (including Pirelli) agreed not to renew the shareholders' agreement and to dissolve it prematurely, before its originally scheduled expiry date of March 14, 2014. Following this decision, it is believed that the assumptions justifying the existence of significant influence by Pirelli on RCS no longer exist. As per IAS 28, once Pirelli ceased to have significant influence, the investment was measured at its fair value (corresponding to the Stock Market quotation of RCS Mediagroup S.p.A. at

October 31, 2013 – euro 1.62 per share), and the difference between the fair value and the carrying amount of the shareholding (euro 27,085 thousand) was recognised in the Income Statement (with a positive effect of euro 10,395 thousand). The losses recognised directly in the equity of the associate were also reclassified to the Income Statement (euro 1,757 thousand). Therefore, the net impact of the reclassification to income statement was positive for euro 8,638 thousand;

- full consolidation of Sino Italian Wire Tech. Co. Ltd, domiciled in China, as described above in note 7 – Business Combinations;
- reclassification of the investment in PT Evoluzione Tyres, a joint venture operating in Indonesia, from subsidiary to joint venture.

The summarised highlights for the principal associates and joint ventures are shown as a total and not on a pro-rated basis, as follows

(in thousands of euro)

	12.31.2013	12.31.2012
Non-current assets	693,818	2,081,320
Current assets	105,449	862,926
Non-current liabilities	273,866	1,319,206
Current liabilities	100,981	969,038
Revenues from sales and services	73,838	1,260,453
Production costs	(54,968)	(1,643,793)
Net income (loss)	(87)	(396,581)

12. OTHER FINANCIAL ASSETS

Other financial assets totalled euro 289,096 thousand, compared to euro 118,125 thousand at December 31, 2012. The breakdown is as follows

(in thousands of euro)

	12.31.2013	12.31.2012
Financial assets available for sale	185,009	118,125
Financial assets at fair value through profit and loss	104,087	-
	289,096	118,125

The **financial assets at fair value through profit or loss** refer to the “convertendo” loan, a debt-for-equity financial instrument subscribed as part of the restructuring plan of the financial receivable from Prelios S.p.A. finalised in August 2013.

The financial instrument was designated as a financial asset at fair value through profit or loss (“FVTPL”) at initial recognition, and is composed of 80,880 “convertendo” debt-for-equity tranche A bonds, convertible into ordinary Prelios S.p.A. shares (Class A shares), valued at euro 1,000 each, and initially recognised on the Statement of Financial Position at a value of euro 80,880 thousand, and 67,492 “convertendo” tranche B bonds, convertible into Prelios S.p.A. Class B non-voting shares, valued at euro 1,000 each, initially recognised in the Statement of Financial Position at euro 67,492 thousand.

The number of Prelios S.p.A. shares that Pirelli will obtain at maturity (December 31, 2019) will correspond to the par value of the “convertendo” (euro 148,372 thousand) divided by the greater between the market price on conversion and the price of the capital increase (euro 0.5953 per share). The financial instrument bears interest at a rate of 1% (PIK interest rate), which is payable in shares on maturity.

For the measurement at December 31, 2013 Pirelli used the assistance of an independent professional. For measurement purposes, the instrument is essentially composed of:

- the value assigned to the long position on Prelios shares;
- net of the value of the call option sold, which Prelios implicitly holds since it may exercise the right of conversion at a fixed price.

The combination of the two effects resulted in a negative fair value adjustment, compared to the nominal value, of euro 44,285 thousand, recognised in the Income Statement. The carrying amount of the financial instrument at December 31, 2013 is thus equal to euro 104,087 thousand.

For further detail refer to the note 4.2 on the Financial Risk Management Policy – Fair value measurement.

The changes during the year in **financial assets available for sale** are the followings

(in thousands of euro)

	12.31.2013	12.31.2012
Opening balance	118,125	127,037
Exchange difference	67	-
Increases	9,931	1,981
Decreases	(29)	(1,727)
Impairment	(17,970)	(12,066)
Fair value adjustments through Equity	37,499	2,912
Transfer from investments in associated companies	37,480	-
Other	(94)	(12)
Closing balance	185,009	118,125

The breakdown by individual investment is as follows

(in thousands of euro)

	12.31.2013				12.31.2012	
	Historical cost	Cumulated FV adjustments through equity	FV adjustments through P&L		Fair value	Fair value
			Previous periods	2013		
	A	B	C	D	A+B+C+D	
Listed stock						
Mediobanca S.p.A.	90,247	37,178	(16,805)	(10,429)	100,191	73,442
Prelios S.p.A.	211	-	(201)	(10)	-	45
RCS Mediagroup S.p.A.	37,480	(6,941)	-	-	30,539	-
Other companies	134	11	(11)	-	134	115
	128,072	30,248	(17,017)	(10,439)	130,864	73,602
Unlisted stock						
Alitalia S.p.A.	27,534	-	(15,075)	(4,925)	7,534	4,925
Fin. Priv. S.r.l.	14,458	4,836	(4,217)	(1,345)	13,732	10,241
Fondo Anastasia	13,250	1,834	-	-	15,084	12,343
Istituto Europeo di Oncologia S.r.l.	4,039	999	-	-	5,038	5,532
F.C. Internazionale Milano S.p.A.	7,213	-	(6,655)	-	558	-
Euroqube	373	-	-	-	373	550
Tlcom I LP	1,319	-	(591)	(28)	700	728
Emittenti Titoli	117	2,516	-	-	2,633	1,698
Equinox Two SCA	6,653	-	-	(1,232)	5,421	5,346
Other companies	4,154	-	(34)	(1,048)	3,072	3,160
	79,110	10,185	(26,572)	(8,578)	54,145	44,523
	207,182	40,433	(43,589)	(19,017)	185,009	118,125

The **increases** mainly relate to the capital increase related to the investments in F.C. Internazionale S.p.A. (euro 558 thousand), in Alitalia S.p.A. (euro 7,534 thousand, subscribed on November 27, 2013), and in Equinox Two S.C.A. (euro 1,179 thousand).

The **impairment** mainly refer to the investments in Mediobanca S.p.A for euro 10,429 thousand, Alitalia S.p.A. for euro 4,925 thousand, Fin. Priv. S.r.l. for euro 1,345 thousand and Equinox Two S.C.A. for euro 1,232 thousand. Refer also to note 34.3 - Losses from investments.

It should also be noted that the impairments of the investments in Mediobanca S.p.A. and Fin. Priv. S.r.l. were recognised in the condensed consolidated half-yearly financial statements at June 30, 2013, since the limits on duration of the impairment loss were exceeded. Because the IFRS do not allow the reversal of the impairment losses recognised in interim financial statements, the positive fair value adjustment at December 31, 2013 has been recognised as an increase to equity.

The **fair value adjustment through equity**, amounting to a net positive value of euro 37,499 thousand, mainly refers to the equity investments in Mediobanca S.p.A (positive for euro 37,178 thousand), RCS Mediagroup S.p.A. (negative for euro 6,941 thousand and referred to the period from the reclassification date of the investment from associate to financial asset available for sale and ending December 31, 2013), Fin. Priv. S.r.l. (positive for euro 4,836 thousand), Emittenti Titoli (positive for euro 935 thousand), Istituto Europeo di Oncologia (negative for euro 494 thousand), and Fondo Comune di Investimento Immobiliare – Anastasia (positive for euro 2,741 thousand).

The **transfer from investments in associated companies** (euro 37,480 thousand) refers to the investment in RCS MediaGroup S.p.A., reclassified from "Investments in associates" to "Other financial assets" following the dissolution of the shareholders' agreement, as described in the note related to "investments in associates and joint ventures" – refer to note 11.

The fair value of listed financial instruments corresponds to their stock market price at December 31, 2013.

The fair value of unlisted financial instruments was determined by making estimates on the basis of the best information available.

13. DEFERRED TAX ASSETS AND PROVISION FOR DEFERRED TAX LIABILITIES

This breakdown is as follows

(in thousands of euro)

	12.31.2013	12.31.2012
Deferred tax assets	210,181	207,110
Provision for deferred tax liabilities	(49,956)	(56,056)
	160,225	151,054

Deferred tax assets and deferred tax liabilities are offset when a legal right exists to offset current tax receivables and current tax payables, and the deferred taxes refer to the same legal entity and the same tax authority. Their composition gross of the offsets made is as follows

(in thousands of euro)

	12.31.2013	12.31.2012
Deferred tax assets	303,911	294,026
● of which recoverable in 12 months	72,483	67,286
● of which recoverable after 12 months	231,428	226,740
Provision for deferred tax liabilities	(143,686)	(142,972)
● of which recoverable in 12 months	(27,247)	(3,947)
● of which recoverable after 12 months	(116,439)	(139,025)
	160,225	151,054

The tax effect of temporary differences and of tax losses carried forward which make up the item at December 31, 2013 and at December 31, 2012 is shown in the following table

(in thousands of euro)

	12.31.2013	12.31.2012
Deferred tax assets:		
Provisions for liabilities and charges	17,044	23,187
Employee benefit obligation	74,694	49,090
Inventories	19,161	14,402
Tax losses carried forward	123,254	151,661
Amortisation and depreciation	4,854	677
Trade receivables and other receivables	10,093	8,537
Trade payables and other payables	37,227	32,629
Derivatives	6,003	11,718
Other	11,582	2,125
Total	303,911	294,026
Provision for deferred tax liabilities:		
Amortisation and depreciation	(92,047)	(132,007)
Other	(51,639)	(10,965)
Total	(143,686)	(142,972)

At December 31, 2013 unrecognised deferred tax assets relating to temporary differences amounted to euro 53,132 thousand (euro 113,740 thousand at December 31, 2012), and those relating to tax losses amounted to euro 199,563 thousand (euro 167,087 thousand at December 31, 2012). These amounts refer to situations where recovery is not deemed likely at this time.

The breakdown by maturity of the value of tax losses, for which no deferred tax assets were recognised, are shown below

(in thousands of euro)

Year of expiry	12.31.2013	12.31.2012
2014	285	285
2015	1,414	1,424
2016	7,881	7,943
2017	5,389	5,418
2018	3,981	3,997
2019	3,148	3,159
2020	6,609	3,254
2021	6,870	6,993
2022	15,674	15,273
2027	503	503
2028	12,690	12,690
2029	878	878
2030	156	156
with no expiry	655,383	538,553
	720,861	600,527

Of the total tax losses without maturity, euro 462,995 thousand refer to losses recognised in the past by the subsidiary Pirelli Finance (Luxembourg) S.A., in relation to which no sufficient taxable income to recover those losses is expected.

The tax effect of gains and losses recognised directly in equity was positive for euro 9,279 thousand (positive for euro 3,501 thousand at December 31, 2012), and is disclosed in the Statement of Comprehensive Income. These changes were mainly due to the tax effects associated with actuarial gains/losses on employee benefits obligations and to the adjustment of derivatives in cash flow hedges to their fair value.

14. TRADE RECEIVABLES

The breakdown of trade receivables is set forth below

(in thousands of euro)

	12.31.2013			12.31.2012		
	Total	Non-current	Current	Total	Non-current	Current
Trade receivable	708,000	-	708,000	755,641	-	755,641
Provision for bad debts	(41,573)	-	(41,573)	(51,083)	-	(51,083)
	666,427	-	666,427	704,558	-	704,558

Out of the total of trade receivables amounting to euro 708,000 thousand (euro 755,641 thousand at December 31, 2012), net of invoices or credit notes to be issued, and gross of the provision for bad debts, euro 89,276 thousand are overdue (euro 105,763 thousand at December 31, 2012).

Receivables overdue and not yet due were measured in accordance with the Group accounting policies described in the section on adopted accounting standards.

Impaired receivables include both significant single positions subject to individual impairment and positions sharing similar credit risk characteristics that have been grouped together and impaired on a collective basis.

The change in the provision for bad debts is shown below

(in thousands of euro)

	12.31.2013	12.31.2012
Opening balance	51,083	68,142
Translation differences	(2,017)	(1,400)
Accruals	6,250	8,129
Decreases	(12,646)	(24,440)
Other	(1,097)	652
Closing balance	41,573	51,083

Accruals to the provision for bad debts are recognised in the Income Statement as "Other costs" (note 33).

For trade receivables, the carrying amount is considered to approximate the fair value.