

15. OTHER RECEIVABLES

The breakdown of other receivables is as follows

(in thousands of euro)

| | 12.31.2013 | | | 12.31.2012 | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Total | Non-current | Current | Total | Non-current | Current |
| Financial receivables | 77,198 | 59,460 | 17,738 | 327,617 | 261,327 | 66,290 |
| Accrued income and prepaid expenses | 17,166 | 573 | 16,593 | 25,878 | 526 | 25,352 |
| Receivables from employees | 11,722 | 2,265 | 9,457 | 11,978 | 1,889 | 10,089 |
| Receivables from social security and welfare institutions | 11,910 | - | 11,910 | 5,015 | - | 5,015 |
| Receivables from tax authorities non related to income taxes | 135,209 | 7,857 | 127,352 | 171,819 | 7,158 | 164,661 |
| Other receivables | 184,415 | 99,308 | 85,107 | 169,595 | 99,310 | 70,285 |
| | 437,620 | 169,463 | 268,157 | 711,902 | 370,210 | 341,692 |
| Provision for bad debts | (622) | - | (622) | (288) | - | (288) |
| | 436,998 | 169,463 | 267,535 | 711,614 | 370,210 | 341,404 |

Non-current financial receivables (euro 59,460 thousand) principally include euro 47,317 thousand (euro 77,434 thousand at December 31, 2012) of amounts in escrow accounts in connection with tax and legal disputes of the subsidiary Pirelli Pneus Ltda (Brazil), bearing interests at market rates. The reduction is related to the release and subsequent collection of about euro 19 million related to amounts previously in escrow by the Brazilian subsidiary Pirelli Pneus Ltda.

In 2012 this item also included the loan to Prelios S.p.A. for euro 173,506 thousand. In 3Q 2013 euro 21,523 thousand of this receivable was converted into Prelios ordinary shares, and euro 148,372 thousand was converted into equity instruments (the "convertendo"), while the remaining euro 3,611 thousand was repaid by Prelios S.p.A. and collected.

Current financial receivables (euro 17,738 thousand) mainly include euro 8,225 thousand of loans to the associate company GWM Renewable Energy II S.p.A., euro 2,657 thousand of the Alitalia S.p.A. subordinated convertible bond issued on February 26, 2013 at a gross annual interest rate of 8%, and euro 4,223 thousand of the accrued coupon of the interest rate swap on the unrated bond placed by Pirelli & C. S.p.A. on the eurobond market in February 2011 for a total face value of euro 500 million, with a fixed coupon of 5.125% and maturity in February 2016.

The decrease compared to December 31, 2012 (euro 48,552 thousand) is mainly due to the effects of the full consolidation of the Chinese subsidiary Sino Italian Wire Technology Co Ltd, operating in the steel cord business. At December 31, 2013 it was fully consolidated, while at December 31, 2012 it was classified as an associate, and towards which at December 31, 2012 was recognised a financial receivable for euro 32,538 thousand.

Other non-current receivables (euro 99,308 thousand) mainly refer to amounts in escrow in connection with lawsuits and tax litigation involving the Brazilian units (for euro 72,200 thousand), receivables for guarantees to Pirelli (for euro 8,213 thousand) that may be exercised if contingent liabilities materialise in relation to the acquired company Campneus Lider de Pneumaticos Ltda (Brazil), and receivables relating to a cash contribution (for euro 8,250 thousand) in connection with the execution of a partnership agreement.

Other current receivables (euro 85,107 thousand) mainly include euro 33,997 thousand of advances paid to suppliers, euro 12,688 thousand of receivables deriving from the settlement of the Eletrobras lawsuit in Brazil, euro 3,099 thousand of receivables from the disposal of property not used for the industrial operations in Brazil, and euro 4,437

thousand of contributions for research and development to be received from the Region of Piedmont.

For other current and non-current receivables the carrying amount is considered to approximate their fair value.

16. TAX RECEIVABLES

Tax receivables relate to income taxes and total euro 63,494 thousand (of which euro 7,890 thousand included in non-current assets, mainly related to amounts in escrow for tax litigation by the Brazilian subsidiary), compared to euro 37,543 thousand at December 31, 2012 (of which euro 9,297 thousand included in non-current assets). This amount mainly refers to receivables for tax prepayments made during the year, receivables for tax withholding paid to foreign entities and IRES (corporate income tax) for euro 15,551 thousand and receivables from previous years recognised in favour of Pirelli & C. S.p.A. for about euro 5,000 thousand.

17. INVENTORIES

The breakdown of inventories is as follows

(in thousands of euro)

| | 12.31.2013 | 12.31.2012 |
|---|-------------------|-------------------|
| Raw and auxiliary materials and consumables | 205,033 | 255,517 |
| Sundry materials | 7,029 | 6,448 |
| Work in progress and semi-finished products | 77,473 | 81,756 |
| Finished products | 691,781 | 747,724 |
| Goods for resale | 2,827 | 6,769 |
| Advances to suppliers | 3,175 | 4,346 |
| | 987,318 | 1,102,560 |

All components of inventories at December 31, 2013 were lower compared to December 31, 2012.

The impairment of inventories recognised at December 31, 2013 amounted to euro 5,337 thousand (euro 12,518 thousand at December 31, 2012).

Inventories are not subject to any collateral pledges.

18. SECURITIES HELD FOR TRADING

Securities held for trading amounted to euro 48,090 thousand, compared to euro 224,717 thousand at December 31, 2012, reflecting a decrease of euro 176,627 thousand essentially due to the reclassification of securities having a maturity lower than three months to the item "cash and cash equivalents".

They were comprised of:

- unlisted floating-rate bonds for euro 25,309 thousand (euro 134,808 thousand at December 31, 2012);
- unlisted fixed-rate bonds for euro 21,613 thousand (euro 80,413 thousand at December 31, 2012);
- equities for euro 1,166 thousand (euro 8,347 thousand at December 31, 2012), including euro 1,130 thousand in listed stock (euro 755 thousand at December 31, 2012);
- other securities for euro 2 thousand (euro 1,149 thousand at December 31, 2012).

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.

Changes in fair value are recognised in the Income Statement as "Financial expenses".

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents increase by euro 200,103 thousand, from euro 679,794 thousand at December 31, 2012 to euro 879,897 thousand at December 31, 2013. This was mainly due to the reclassification of securities having a maturity shorter than three months from "securities held for trading" and to the collection by the Brazilian subsidiary Pirelli Pneus Ltda of amounts previously in escrow totalling about euro 19,000 thousand.

Cash and cash equivalents are concentrated in the Group's holding companies and at companies that generate cash and invest it locally. They are essentially invested on the market for short-term maturity deposits with major banking counterparties at interest rates in line with the prevailing market terms.

In the statement of cash flows, the balance of cash and cash equivalents is net of bank overdrafts amounting to euro 73,041 thousand at December 31, 2013 (euro 14,790 thousand at December 31, 2012).

20. EQUITY

20.1 EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

The **equity attributable to owners of the Parent** rose from euro 2,337,403 thousand at December 31, 2012 to euro 2,376,066 thousand at December 31, 2013.

The change from December 31, 2012 (positive for euro 38,663 thousand) is substantially due to the net result of the year (positive for euro 303,574 thousand), the combined effect of inflation/devaluation deriving from the application of inflation accounting in Venezuela (positive for euro 49,470 thousand), the fair value adjustment of derivative financial instruments in cash

flow hedges net of its tax effect (positive for euro 14,472 thousand), the fair value adjustment of financial assets available for sale (positive for euro 33,631 thousand), actuarial gains on pension funds net of the related tax effect (positive for euro 22,823 thousand), offset by the negative changes related to dividend payouts (euro 156,743 thousand), and exchange differences from translation into euro of the financial statements of subsidiaries which have functional currencies other than euro (euro 226,695 thousand).

The subscribed and paid-up **share capital** at December 31, 2013 (including treasury shares) is represented by 475,740,182 ordinary shares and 12,251,311 savings shares, without par value and having normal entitlements, for a total of euro 1,345,381 thousand. The share capital is presented net of the value of treasury shares (351,590 ordinary shares and 408,342 savings shares), for a net total of euro 1,343,285 thousand. Total treasury shares represents 0.16% of share capital.

The **equity per share** was euro 4.869, compared to euro 4.790 at December 31, 2012.

20.2 EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The equity attributable to non-controlling interests rose from euro 52,026 thousand at December 31, 2012 to euro 60,523 thousand at December 31, 2013. The net increase of euro 8,497 thousand is mainly due to the net result for the year (positive for euro 2,918 thousand) and to the 51% shareholding in Sino Italian Wire Tech. Co. Ltd, fully consolidated beginning on December 31, 2013 (euro 9,494 thousand), which is offset by the decrease due the dividends paid out (euro 2,921 thousand) and by the acquisition of 40% of Yanzhou Hixih Ecotech Environment Co. Ltd. raising the Group shareholding from 60% to 100% (euro 3,003 thousand, equal to its carrying amount).