

EDIZIONE S.r.l.

Financial statements at December 31, 2010

## Financial statements at December 31, 2010

### **Edizione S.r.l.**

Calmaggiore, 23 - 31100 Treviso, Italy

Share capital: EUR 1,500,000,000.00 fully paid-in

Tax identification, VAT and Treviso Companies Register no. 00778570267

Treviso Chamber of Commerce (REA) no. 148942

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## Corporate officers

### Board of Directors

Gilberto Benetton	Chairman
Carlo Benetton	Deputy Chairman
Gianni Mion	Managing Director
Alessandro Benetton	Directors
Christian Benetton	
Giuliana Benetton	
Luciano Benetton	
Sabrina Benetton	
Franca Bertagnin Benetton	
Fabio Cerchiai	
Giovanni Costa	

### Board of Statutory Auditors

Angelo Casò	Chairman
Giovanni Pietro Cunial	Auditors
Aldo Laghi	
Augusto Clerici Bagozzi	Alternate auditors
Andrea Amaduzzi	

### Independent auditors

KPMG S.p.A.

## Directors' Report

Dear Shareholders,

Edizione S.r.l.'s financial statements for the year ended December 31, 2010, which we submit for your approval, show net income of Euro 79,570,939 compared with Euro 35,884,492 in 2009.

The **reclassified income statement** below provides a more immediate view of 2010 versus the previous year:

<b>(Millions of Euro)</b>	<b>2010</b>	<b>2009</b>
Dividends and other income from equity investments	86.9	51.7
Revenues and other income	8.4	15.4
Capital gains and income from equity investments, net of capital losses	0.3	0.3
Operating costs	(18.0)	(17.4)
Net financial income/(charges)	(11.6)	(12.0)
Value adjustments of equity investments	12.0	(5.0)
Value adjustments of securities under current assets	-	(1.0)
Non-recurring income/(losses)	(2.6)	-
Income tax for the year	4.2	3.9
<b>Income/(loss) for the year</b>	<b>79.6</b>	<b>35.9</b>

The financial structure at the end of 2010 and 2009 can be summarized as follows:

<b>(Millions of Euro)</b>	<b>12.31.2010</b>	<b>12.31.2009</b>
Equity investments	2,612.9	2,660.7
Other non-current securities and receivables	23.3	21.7
Property, plant and equipment and intangible assets	137.0	140.0
<b>Non-current assets</b>	<b>2,773.2</b>	<b>2,822.4</b>
Current receivables	44.3	43.3
Current payables	(31.7)	(33.6)
Other current financial assets	5.0	5.0
<b>Net working capital</b>	<b>2,790.8</b>	<b>2,837.1</b>
Provisions and medium-term liabilities	(1.7)	(2.2)
<b>Capital employed</b>	<b>2,789.1</b>	<b>2,834.9</b>
Net financial indebtedness	293.9	379.3
Shareholders' equity	2,495.2	2,455.6
<b>Source of fund</b>	<b>2,789.1</b>	<b>2,834.9</b>

We shall now present the main events taking place during the year.

## Equity investments

The more important movements in 2010 in the equity investments held directly by Edizione are briefly described below.

### **Edizione Realty Corp.**

This company was liquidated during the year, generating a capital gain of Euro 0.3 million.

### **Maccarese S.p.A.**

In 2010, Maccarese S.p.A. spun off assets worth Euro 58.2 million to the affiliate **Edizione Property S.p.A.** and assets worth Euro 10 million to the affiliate **San Giorgio S.r.l.** (formerly Alfa S.r.l.).

### **Schematrentaquattro S.r.l.**

This company reimbursed part of the **Share premium reserve** to the shareholder Edizione S.r.l., in the amount of Euro 44.0 million.

### **Pirelli & C. S.p.A.**

Pirelli & C. reduced its share capital by assigning one Prelios S.p.A. share for every Pirelli & C. share possessed.

Below is a summary of the operations affecting equity investments during the year.

<b>(Millions of Euro)</b>	
<b>Value of equity investments at December 31, 2009</b>	<b>2,660.7</b>
Liquidation of Edizione Realty Corp.	(10.3)
Reimbursement of Schematrentaquattro S.r.l. share premium reserve	(44.0)
Partial reversal of impairment of Pirelli & C. S.p.A.	59.0
Impairment of Assicurazioni Generali S.p.A.	(44.5)
Impairment of Il Sole 24 Ore S.p.A.	(2.4)
Other movements	(5.6)
<b>Value of equity investments at December 31, 2010</b>	<b>2,612.9</b>

The carrying values of the investments in Pirelli & C. S.p.A., Assicurazioni Generali S.p.A. and Il Sole 24 Ore S.p.A. were adjusted to the average stock market price of ordinary shares during the course of 2010. The revised amounts are prudently considered to represent the value of these investments.

### **Other non-current securities and receivables**

In 2010 further capital call payments were made by Edizione S.r.l. in favour of the French investment fund **2I Centrale Partners III**, for Euro 1.0 million, and in favour of the Italian closed-end fund **2I Investimenti II**, for Euro 1.2 million. After the sale of Valbart, a partial redemption was made by 2I Investimenti II to its investors, which in Edizione's case, amounted to Euro 2.4 million. At December 31, 2010, the residual commitments came to Euro 12.5 million.

During the year Edizione S.r.l. acquired an additional no.107,546 convertible **Club Méditerranée** bonds for Euro 1.7 million. At year end it recognized a total of Euro 7.9 million in Club Méditerranée bonds.

## Other current financial assets

Details of investments listed as current assets and their carrying values at the close of the year are as follows:

	2010	2009
<b>(Millions of Euro)</b>		
no. 2,799,000 shares Caltagirone Editore S.p.A.	5.0	5.0

## Dividends, revenues, costs and financial position

The items discussed below refer to the reclassified financial statements at the beginning of this report.

The following is a list of dividends received by Edizione S.r.l. in 2010:

<b>(Millions of Euro)</b>	<b>2010</b>	<b>2009</b>
Benetton Group S.p.A.	28.2	34.3
Sintonia S.A.	39.5	-
Assicurazioni Generali S.p.A.	5.1	11.0
Schemaquattordici S.p.A.	4.1	2.5
Mediobanca S.p.A.	3.2	-
Pirelli & C. S.p.A.	3.6	-
Eurostazioni S.p.A.	1.5	1.5
Edizione Realty Corp.	1.1	-
Telecom Italia S.p.A.	-	1.5
Other minor equity investments	0.6	0.9
<b>Total</b>	<b>86.9</b>	<b>51.7</b>

**Revenues and other income** came to Euro 8.4 million (Euro 15.4 million in 2009, including capital gains of Euro 5.8 million from the sale of properties), of which Euro 7.5 million consists of rents (Euro 8.4 million the previous year).



The residual amount was earned mostly from the reimbursement by Group companies of the emoluments paid to Edizione's directors and employees for serving on those companies' boards of directors.

**Operating costs** are summarized below in comparison with the previous year:

<b>(Millions of Euro)</b>	<b>2010</b>	<b>2009</b>
Cost of services	10.4	10.0
Amortization and depreciation	3.7	3.8
Other operating costs and provisions	1.6	1.5
Personnel costs	2.3	2.1
<b>Total</b>	<b>18.0</b>	<b>17.4</b>

The cost of services consists mainly of:

- i) the amount paid to the subsidiary Edizione Property for its property management services;
- ii) legal, tax and corporate advisory fees;
- iii) consulting fees for special projects; and
- iv) emoluments to directors and statutory auditors.

**Net financial charges** amounted to Euro 11.6 million for the year (Euro 12.0 million in 2009).

**Net financial indebtedness**, at December 31, 2010, stood at Euro 293.9 million (Euro 379.3 million the previous year).

The structure of Edizione's financial indebtedness can be summarized as follows:

<b>(Millions of Euro)</b>	
Cash and cash equivalent	1.9
Financial receivables from subsidiaries	9.0
Medium and long-term loans	(300.1)
Financial payables to subsidiaries	(3.8)
Financial accrued income and pre-paid expenses	(0.9)
<b>Total</b>	<b>(293.9)</b>

**Medium and long-term loans** from banks all charge floating-rate interest.

To hedge the risk of interest rate fluctuations, the Company has taken out interest rate swaps expiring in November 2015, for a total nominal amount of Euro 350 million.

The weighted average cost of gross bank debt, taking account of the hedges described, is 3.89%.

**Value adjustments of equity investments** refers to impairment of the investments in Assicurazioni Generali S.p.A. (Euro 44.5 million) and Il Sole 24 Ore S.p.A. (Euro 2.5 million) and to the partial reversal of impairment for Pirelli & C. S.p.A. (Euro 59.0 million).

In 2007, Edizione opted for National Consolidated Taxation System, with other companies in the Group, for the three years 2007, 2008 and 2009. This allows for the offsetting of positive and negative taxable income among participating companies. The specific transactions and procedures involving those companies are defined in a set of regulations signed by the parties, while risks and responsibilities are governed by law. In 2010, the option was renewed for 2010, 2011 and 2012 under essentially the same conditions. The positive amount shown for **Income taxes**, Euro 4.2 million, consists of Euro 3.7 million as the estimated compensation for Edizione's tax loss pertaining to 2010 and Euro 0.5 million in deferred tax assets.

At December 31, 2010, Edizione's **shareholders' equity** amounted to Euro 2,495.2 million (Euro 2,455.6 million the previous year). A total of Euro 40.0 million in dividends was paid in 2010.

## Performance of the main subsidiaries and associates

The performance of Edizione's principal direct holding is briefly described below.

### Subsidiaries

#### **Benetton Group S.p.A. (controlling interest: 67.08%)**

Key figures from the separate and consolidated financial statements of Benetton Group S.p.A. for the year ended December 31, 2010 are summarized below, with comparative figures from 2009.

	Benetton Group S.p.A. separate financial statements		Benetton Group consolidated financial statements	
(Millions of Euro)	2010	2009	2010	2009
Revenues	39.2	37.7	2,053.0	2,049.3
Income/(loss) for the year	51.4	43.1	102.0	121.7
Shareholders' equity	919.9	908.1	1,498.6	1,455.6

Consolidated net revenues in 2010 came to Euro 2,053.0 million, compared with Euro 2,049.3 million the previous year. On the one hand, this trend reflects the difficult economy in some of the group's most important markets, and on the other hand, it demonstrates a drive for development in regions with the greatest opportunities for growth. More specifically, it is the combined result of:

- a positive contribution by the collection mix, featuring merchandise categories of higher unit value;
- the favourable trend in foreign currencies with respect to the Euro, in particular the Korean won, the Indian rupee, the Japanese yen and the Turkish lira, which was especially beneficial to the results of directly operated stores;
- the commercial policies adopted in support of the sales network.

The gross operating profit came to Euro 948 million, or 46.2% of revenues, with little change on 2009.

Net of non-recurring items, which weakened results for 2010, the operating profit from recurring operations would amount to Euro 208 million (10.1% of revenues), compared with Euro 229 million (11.1% of revenues) in 2009.

The drop in the operating profit reduced net income to Euro 102.0 million.

During the year, dividends were paid in the amount of Euro 41.4 million.

#### **Edizione Property S.p.A. (controlling interest: 100%)**

This company provides technical/real estate services, including to Edizione S.r.l., and closed the year with a loss of Euro 2.1 million (loss of Euro 2.5 million the previous year).

Equity amounts to Euro 62.5 million (Euro 6.4 million at the end of 2009). The increase is due to the spin-off of Maccarese S.p.A., previously described.

Edizione Property's main subsidiary, Compañía de Tierras Sud Argentino S.A., closed the year with net income of Ars 31.9 million (approximately Euro 5.8 million), compared with Ars 3.8 million the previous year.

#### **Edizione Realty Czech S.r.o. – Czech Republic (controlling interest: 100%)**

The financial statements of this Prague-based company closed with net income of Czk 1.3 million (about Euro 53), versus Czk 2.3 million the previous year.

#### **Maccarese S.p.A. (controlling interest: 100%)**

Key figures for this agricultural company are shown below, for the years ended December 31, 2010 and 2009.

	Financial statements	
<b>(Millions of Euro)</b>	<b>2010</b>	<b>2009</b>
Revenues	6.5	7.4
Income/(loss) for the year	1.4	(1.7)
Shareholders' equity	32.3	99.1

The value of equity was influenced by the partial, non-proportional spin-off that led to the assignment of Euro 68.2 million in equity to the beneficiary companies.

**Schematrentaquattro S.r.l. (controlling interest: 100%)**

The 2010 financial statements of Schematrentaquattro S.r.l., parent of Autogrill S.p.A., show a net income of Euro 0.1 million (Euro 0.5 million in 2009).

At the end of the year, equity came to Euro 1,662.3 million, compared with Euro 1,706.2 million at December 31, 2009.

Key figures from the separate and consolidated financial statements of Autogrill S.p.A. for the year ended December 31, 2010 are summarized below, with comparative figures from the previous year.

	Autogrill S.p.A. separate financial statements		Autogrill group consolidated financial statements	
<b>(Millions of Euro)</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues	1,352.7	1,324.1	5,703.5	5,325.4
Net income for the year	164.4	62.7	103.4	37.0
Shareholders' equity	774.1	610.2	711.4	563.4

In accordance with IFRS 5, the Autogrill group's income statement balances for 2009 have been adjusted, with respect to the originally published figures, to reflect the reclassification of the Flight segment's results to "Profit/(loss) from discontinued operations".

Autogrill closed the year with consolidated revenues of Euro 5,703.5 million, showing an increase of 7.1% (+4.5% on an exchange adjusted basis) with respect to 2009.

Autogrill's earnings and financial performance improved on the previous year, in an economy that showed signs of recovery by way of growth in international trade and mobility. Although the trend was not linear, the year stood out for an upturn in airport traffic that was greater than the rise in motorway traffic. This favoured the performance of Travel retail & duty-free business, concentrated solely at airports, while Food & beverage has a more extensive network along motorways and elsewhere.

In 2010 Autogrill reported consolidated Ebitda of Euro 605 million, an increase of 7.3% for the year (+4.4% on a like-for-like basis).

Net financial charges decreased since 2009 and reflect a reduction in debt, thanks to the strong generation of cash by all of the group's operating units. Taxes also went down, despite the improved

results, as taxable income was less polarized than in 2009 and the recoverability of tax losses generated during the year appears more probable.

The sale of the Flight segment to Dnata, the leading airport services company in the Middle East, was finalized at the end of 2010. This reduced the group's debt by around Euro 165.4 million.

**Schemaquattordici S.p.A. (controlling interest: 58.99%)**

Key figures from the financial statements at December 31, 2010 and 2009 are presented below:

	Financial statements	
<b>(Millions of Euro)</b>	<b>2010</b>	<b>2009</b>
Net income for the year	7.3	2.7
Other securities and non-current receivables	31.8	39.3
Shareholders' equity	35.7	35.3

Net income for the year includes Euro 6 million in gains from the liquidation of the Belgian subsidiary.

**Sintonia S.A. (controlling interest: 75.02%)**

Key figures for the year ended December 31, 2010 are presented below with comparative figures from 2009:

Financial statements		
(Millions of Euro)	2010	2009
Dividends and other income from equity investments	105,8	156,5
Operating costs	(5,9)	(5,8)
Net financial income/(charges)	(44,3)	(42,7)
Capital losses on disposal of equity investments	-	(1,8)
Impairment of equity investments	-	(303,7)
Income/(loss) for the year	55,6	(197,5)
Shareholders' equity	1.925,6	1.612,5
Net financial indebtedness	815,4	1.101,0

In early 2010, Sintonia S.A. sold all of its Telecom Italia shares in the open market. This had no impact on 2010 income, as Sintonia had recognized impairment of its Telecom Italia shares in the 2009 financial statements and their carrying value was therefore in line with the proceeds of the sale.

Net income in 2010 came to Euro 56 million, compared with a heavy loss in 2009 caused by non-recurring impairment losses.

Net financial indebtedness at the close of the year stood at Euro 815 million, a reduction of Euro 286 million due to the receipt, early in the year, of Euro 302 million from the sale of the Telecom Italia shares.

During the year Sintonia acquired 0.96% of Atlantia in the open market, at a price of Euro 14.89 per share, for a total of Euro 82.8 million. Its subsidiary Schemaventotto S.p.A. also increased its stake in Atlantia by acquiring from Aabar Infrastructure GmbH a total of 19,350,000 Atlantia ordinary shares (a 3.22% interest), at a price of Euro 16.00 per share for a total outlay of Euro 309.6 million. At December 31, 2010, therefore, Sintonia S.A. directly and indirectly owned 42.248% of Atlantia.

During the year, the shareholders Elmbridge Investment Pte Ltd. and Mediobanca S.p.A. paid in a capital increase totaling Euro 307.5 million, raising their respective interests to 6.99% and 6.72%. Edizione's controlling share now amounts to 75.02%. Elmbridge has remaining commitments of Euro 567 million.

**Verde Sport S.p.A. (controlling interest: 100%)**

This company is active in competitive sports (basketball, volleyball and rugby) and in the organization of sporting events. It closed the year with a loss of Euro 0.9 million (loss of Euro 0.7 million in 2009).

Equity amounts to Euro 12.7 million (Euro 13.7 million at the end of the previous year).



## Related party transactions

Below is a summary of transactions during the year with direct and indirect subsidiaries and with associates:

(Thousands of Euro)	Receivables	Payables	Interest charges	Interest income	Costs for services received	Income from services rendered	Rental income	Other income and revenues
AdR - Aereoporti di Roma S.p.A.	14					14		
Alpha Retail S.r.l.	24	127						
Allevamento San Giorgio S.r.l.	32							
Atlantia S.p.A.	3					55		
Autogrill S.p.A.	9,055	13,266			90	124	23	
Benair S.p.A.	650	491			642			
Bentec S.p.A.	2,946	6			6			
Bencom S.r.l.	12,237	335						
Benetton Group S.p.A.	61	6,982			49	50	255	6
Benetton Retail Italia S.r.l.		1,069						
Benind S.r.l.	4,024	577						
Compañía de Tierras S.A.		27						
Edizione Alberghi S.r.l.	2	2						
Edizione Property S.p.A.	4,616	46		198	2,200			
Edizione Realty Czech S.r.o.	1,252							
Fabrica S.p.A.	71	306			10			5
Investimenti Infrastrutture S.p.A.	116	888				53		
Maccarese S.p.A.		608						
Milano Report S.p.A.	2						408	2
Nuova Sidap S.r.l.		478						
Olimpias S.p.A.		2,954						
Ponzano Children S.r.l.		114						
San Giorgio S.r.l. (già Alfa)	46	215	11					
Schemaquattordici S.p.A.		203				5		
Schemaventotto S.p.A.	49					40		
Schematrentaquattro S.r.l.	265	3,625	273			50		
S.I.G.I. S.p.A.	641	558						
Sintonia S.A.						140		
Verde Sport S.p.A.	4,354			133				
<b>Total</b>	<b>40,460</b>	<b>32,877</b>	<b>284</b>	<b>331</b>	<b>2,997</b>	<b>531</b>	<b>686</b>	<b>13</b>

**Interest income and charges** concern Group intercompany accounts that charge interest at going market rates.

As in previous years, the **cost of services** received from Edizione Property S.p.A. refers to the subsidiary's management of the real estate portfolio in 2010.

**Income from services** rendered consists primarily of the rechargeable fees for directorships held in affiliate companies by Edizione's managing director and employees

**Rental income** paid by Bencom S.r.l. and Benetton Group S.p.A. derives from the rental of properties and commercial assets. The remainder concerns the rental of real estate properties used as hotels by Edizione Alberghi S.r.l.

## Other information

No research and development costs, in the current meaning of the term, were incurred during the year, given Edizione's activities as a holding company.

At December 31, 2010 Edizione S.r.l. owned no treasury shares, either directly or through trust companies or other intermediaries, and did not buy or sell any such shares during the course of the year.

The directors have opted for the extended deadline of 180 days from the end of the year to hold the annual general meeting, as permitted by Art. 7 of the by-laws and by Art. 2364 of the Civil Code. The extension was taken so that all information needed to prepare the consolidated financial statements would be available.

Regarding the Legislative Decree 196/2003 (Privacy Code), the Company's Data Protection Plan has been duly updated.

## Financial risk management

As mentioned earlier, the Company has decided to limit its exposure to interest rate risk by taking out interest rate swaps with a notional amount of Euro 350 million against estimated average medium-term exposure; total exposure at December 31, 2010 was Euro 300 million.

There is essentially no exposure to liquidity risk, as given its cash flow generation, highly diversified sources of funding, and committed and uncommitted lines of credit, the Company believes that it has access to funds which meet the financial needs (amounts and timing) outlined in its investment plans.

Nor is there any significant credit risk, since the Company's receivables are due essentially from subsidiaries and present no collection problems.

## Significant subsequent events

No significant events have taken place since the close of the year.

## Outlook

On the basis of resolutions taken by Edizione's subsidiaries and associates, dividends are expected to increase in 2011, while operating costs and financial charges are likely to remain stable.

## Proposed resolution

Dear Shareholders,

To conclude our report, we propose that you:

- approve the financial statements at and for the year ended December 31, 2010, as submitted to you, which show net income of Euro 79,570,939;
- allocate Euro 3,978,547 of net income to the legal reserve;
- allocate Euro 40,000,000 of net income to dividends to be paid to the Shareholders;
- carry forward the remaining share of net income.

Treviso, May 30, 2011

Gilberto Benetton  
Chairman of the Board of Directors

## Financial statements at December 31, 2010

- Balance sheet
- Income statement
- Explanatory notes
- Annexes

**BALANCE SHEET**

## ASSETS

(in Euro)	12.31.2010	12.31.2009
<b>A) UNPAID SUBSCRIBED CAPITAL</b>	-	-
<b>B) NON-CURRENT ASSETS</b>		
<b>I INTANGIBLE ASSETS</b>		
3) Industrial patent rights and intellectual property rights	3,988	5,977
5) Goodwill	-	341,490
7) Other intangible assets	771,438	669,301
<b>Total intangible assets</b>	<b>775,426</b>	<b>1,016,768</b>
<b>II PROPERTY, PLANT AND EQUIPMENT</b>		
1) Land and buildings	133,279,375	136,057,898
2) Plant and machinery	1,633,930	2,080,633
3) Industrial and commercial equipment	226,920	294,533
4) Other assets	45,492	14,113
5) Assets under construction and advances	1,073,116	548,038
<b>Total property, plant and equipment</b>	<b>136,258,833</b>	<b>138,995,215</b>
<b>III NON-CURRENT FINANCIAL ASSETS</b>		
<b>1) Equity investments in:</b>		
a) Subsidiaries	2,008,277,165	2,062,613,911
b) Associates	52,333,826	52,333,826
c) Other companies	552,268,523	545,734,354
<b>Total equity investments</b>	<b>2,612,879,514</b>	<b>2,660,682,091</b>
<b>2) Non-current receivables:</b>		
d) From third parties	15,549	15,142
<b>Total non-current receivables</b>	<b>15,549</b>	<b>15,142</b>
<b>3) Other securities</b>	<b>23,272,589</b>	<b>21,690,477.00</b>
<b>Total non-current financial assets</b>	<b>2,636,167,652</b>	<b>2,682,387,710</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,773,201,911</b>	<b>2,822,399,693</b>
<b>C) CURRENT ASSETS</b>		
<b>I INVENTORIES</b>	-	-
<b>II RECEIVABLES:</b>		
1) Trade receivables	1,072,621	1,322,231
2) From subsidiaries:		
- falling due in the next year	21,197,748	24,168,293
- falling due after the next year	19,250,021	13,791,858
	<b>40,447,769</b>	<b>37,960,151</b>
3) From associates	14,414	250
4bis) Tax receivables	11,482,864	12,446,729
5) Other receivables	92,989	627,156
<b>Total receivables</b>	<b>53,110,657</b>	<b>52,356,517</b>
<b>III CURRENT FINANCIAL ASSETS</b>		
4) Other equity investments	5,001,939	5,001,939
<b>Total current financial assets</b>	<b>5,001,939</b>	<b>5,001,939.00</b>
<b>IV CASH AND CASH EQUIVALENTS:</b>		
1) Bank and postal accounts	1,947,074	1,707,008
3) Cash in hand	5,811	7,736
<b>Total cash and cash equivalents</b>	<b>1,952,885</b>	<b>1,714,744.00</b>
<b>TOTAL CURRENT ASSETS</b>	<b>60,065,481</b>	<b>59,073,200</b>
<b>D) ACCRUED INCOME AND PRE-PAID EXPENSES</b>	<b>230,474</b>	<b>207,773.00</b>
<b>TOTAL ASSETS</b>	<b>2,833,497,866</b>	<b>2,881,680,666</b>

SHAREHOLDERS' EQUITY AND LIABILITIES

(in Euro)		12.31.2010	12.31.2009
<b>A) SHAREHOLDERS' EQUITY</b>			
I	Share capital	1,500,000,000	1,500,000,000
II	Share premium reserve	-	-
III	Revaluation reserve	1,230,192	1,230,192
IV	Legal reserve	1,898,225	104,000
V	Statutory reserve	-	-
VI	Treasure share reserve	-	-
VII	Other reserves:		
	- Extraordinary reserve	5,179,444	5,179,444
	- Reserve under Art. I Law 169/83	79,923,421	79,923,421
	- Merger surplus reserve	826,024,989	831,934,722
	- Reserve under Law 904/77	1,368,640	1,368,640
	- Roundings	(1)	2
	<b>Total other reserves</b>	<b>912,496,493</b>	<b>918,406,229</b>
VIII	Retained earnings	-	-
IX	Income/(loss) for the year	79,570,939	35,884,492
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,495,195,849</b>	<b>2,455,624,913</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>			
	2) Deferred tax liabilities	1,265,125	1,740,900
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>		<b>1,265,125</b>	<b>1,740,900</b>
<b>C) PROVISION FOR EMPLOYEE TERMINATION INDEMNITIES</b>		<b>486,065</b>	<b>517,222</b>
<b>D) PAYABLE</b>			
	4) Amounts due to banks		
	- falling due in the next year	95,111,650	109,490
	- falling due after the next year	205,000,000	340,000,000
	<b>Total amounts due to banks</b>	<b>300,111,650</b>	<b>340,109,490</b>
	7) Trade payables	457,994	619,936
	9) Amounts due to subsidiaries		
	- falling due in the next year	25,077,711	66,012,703
	- falling due after the next year	7,808,881	14,862,884
	<b>Total amounts due to subsidiaries</b>	<b>32,886,592</b>	<b>80,875,587</b>
	12) Tax payables	1,718,473	344,817
	13) Amounts due to social security institutions	123,110	161,029
	14) Other payables	282,550	309,614
<b>TOTAL PAYABLES</b>		<b>335,580,369</b>	<b>422,420,473</b>
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>		<b>970,458</b>	<b>1,377,158</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,833,497,866</b>	<b>2,881,680,666</b>
<b>MEMORANDUM ACCOUNTS</b>			
<b>GUARANTEES GRANTED BY THE COMPANY</b>			
	Sureties granted on behalf of subsidiaries	17,473,440	17,473,440
		<b>17,473,440</b>	<b>17,473,440</b>
<b>GUARANTEES GRANTED BY THIRD PARTIES</b>			
	Sureties granted by third parties	579,900	548,242
		<b>579,900</b>	<b>548,242</b>
<b>OTHER COMMITMENTS</b>			
	Currency forward purchases	723,694	-
	Residual commitments in investment funds	12,501,820	14,383,256
		<b>13,225,514</b>	<b>14,383,256</b>
<b>TOTAL MEMORANDUM ACCOUNTS</b>		<b>31,278,854</b>	<b>32,404,938</b>

# INCOME STATEMENT

(in Euro)		2010	2009
<b>A) VALUE OF PRODUCTION</b>			
1)	Revenues from sales and services	7,496,456	8,417,717
2)	Changes in inventories of finished products	-	-
3)	Changes in inventories of work in progress	-	-
4)	Increases in non-current assets from internally generated costs	-	-
5)	Other revenues and income	948,085	6,959,546
<b>TOTAL VALUE OF PRODUCTION</b>		<b>8,444,541</b>	<b>15,377,263</b>
<b>B) COST OF PRODUCTION</b>			
6)	Raw materials, consumables and goods	-	-
7)	Services	10,164,064	9,792,301
8)	Leases, rentals and royalties	255,920	204,354
9)	Personnel costs:		
a)	wages and salaries	1,748,950	1,507,569
b)	social security contribution	463,252	461,813
c)	employee termination indemnities	116,886	112,590
e)	other costs	25,754	5,790
Total personnel costs		<b>2,354,842</b>	<b>2,087,762</b>
10)	Amortization, depreciation and impairment:		
a)	amortization of intangible assets	275,341	375,910
b)	depreciation of property, plant and equipment	3,383,574	3,433,239
Total amortization, depreciation and impairment		<b>3,658,915</b>	<b>3,809,149</b>
11)	Change in inventories of raw materials, consumables and goods	-	-
12)	Provisions for risk	-	-
13)	Other provisions	-	-
14)	Other operating costs	1,592,402	1,523,907
<b>TOTAL COST OF PRODUCTION</b>		<b>18,026,143</b>	<b>17,417,473</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COST</b>		<b>(9,581,602)</b>	<b>(2,040,210)</b>
<b>C) FINANCIAL INCOME AND CHARGES</b>			
15)	Income from equity investments:		
-	income from subsidiaries	73,128,798	36,830,081
-	income from associates	1,522,900	1,460,100
-	income from other companies	12,270,684	13,449,020
<b>Total income from equity investments</b>		<b>86,922,382</b>	<b>51,739,201</b>
16)	Other financial income:		
b)	income from securities held as financial fixed assets	710,425	-
d)	income other than above:		
-	from subsidiaries	331,000	251,268
-	other income	75,574	861,560
<b>Total other financial income</b>		<b>1,116,999</b>	<b>1,112,828</b>
17)	Financial interests and other charges:		
-	from subsidiaries	(283,543)	(878,417)
-	other interest financial charges	(12,597,284)	(12,245,253)
<b>Total financial interests and other charges</b>		<b>(12,880,827)</b>	<b>(13,123,670)</b>
17bis)	Foreign exchange gains and losses	145,755	-
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>		<b>75,304,309</b>	<b>39,728,359</b>
<b>D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>			
18)	Impairment reversals:		
a)	equity investments	58,957,800	-
19)	Impairment losses:		
a)	equity investments	(46,968,436)	(5,986,522)
<b>TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS</b>		<b>11,989,364</b>	<b>(5,986,522)</b>
<b>E) EXTRAORDINARY INCOME AND EXPENSES</b>			
20)	Income:		
-	gains on disposals	334,690	314,224
-	other extraordinary income	25,698	76,843
<b>Total extraordinary income</b>		<b>360,388</b>	<b>391,067</b>
21)	Expenses:		
-	other	(2,727,295)	(136,102)
<b>Total extraordinary expenses</b>		<b>(2,727,295)</b>	<b>(136,102)</b>
<b>TOTAL EXTRAORDINARY ITEMS</b>		<b>(2,366,907)</b>	<b>254,965</b>
<b>Income before taxes</b>		<b>75,345,164</b>	<b>31,956,592</b>
22)	Income taxes for the year, current, deferred and prepaid		
-	current taxes	3,750,000	4,900,000
-	deferred taxes	475,775	(972,100)
-	prepaid taxes	-	-
<b>Total taxes</b>		<b>4,225,775</b>	<b>3,927,900</b>
<b>23) NET INCOME/(LOSS) FOR THE YEAR</b>		<b>79,570,939</b>	<b>35,884,492</b>



# Explanatory notes

## Company profile

Edizione S.r.l. holds long-term equity investments in companies active in Textile & clothing, Food & beverage, Travel retail & duty-free, real estate, agriculture, and other minor businesses.

See the directors' report for information on the performance of subsidiaries and associates, significant events after the close of the year and related party transactions.

## Form and content of the financial statements

The financial statements have been prepared in accordance with the Italian Civil Code and consist in the balance sheet, the income statement and these explanatory notes.

Annexed to the notes are the statements of changes in property, plant and equipment, intangible assets and equity investments, the list of equity investments in subsidiaries and associates pursuant to Civil Code Art. 2427, the statement of changes in shareholders' equity, the equity reserve statement pursuant to Civil Code Art. 2427 (7 bis) and the statement of cash flows.

All amounts are expressed in Euro, unless otherwise specified. Any differences produced by rounding are recognized:

- in "Other reserves" under equity, where the balance sheet is concerned;
- in "Extraordinary income" or "Extraordinary expenses" where the income statement is concerned.

## Accounting standards and evaluation criteria

The accounting standards and evaluation criteria comply with the provisions of Italian Civil Code governing the preparation of financial statements, interpreted and supplemented by the standards issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian accounting profession), as amended by the Organismo Italiano di Contabilità (OIC).

The accounting policies and criteria were agreed upon with the statutory auditors, where required by law, and do not differ from those used in previous years unless otherwise specified.

The Company has made no exceptions to standard rules pursuant to Civil Code Art. 2423 (4).

The most significant accounting policies used in the financial statements are reported below.

### **Intangible assets**

Intangible assets are carried at cost including ancillary expenses. They are shown net of amortization, calculated on a straight-line basis depending on the nature of the asset and its estimated useful life.

Intangible assets have never been revalued or impaired.

### **Property, plant and equipment**

These are recognized at purchase cost, including ancillary expenses and net of depreciation. The cost of certain assets includes economic and monetary revaluation made in previous years, in accordance with specific laws.

Depreciation is charged on a straight-line basis at rates deemed to reflect their estimated useful lives; the depreciation rate is halved for assets placed in service during the year. The annual depreciation rate for buildings is 3%, while most plant and equipment depreciates at 8% per year.

Costs for maintenance and repairs that generate an increase in value are allocated to the related assets and depreciated over their residual useful lives; costs for ordinary maintenance and repairs are recognized in the income statement.

No depreciation is charged on residential buildings, as regular maintenance ensures that their original utility is preserved.

Grants for plant and equipment are recognized the year they are approved by the grantor, and reduce the historical cost of the asset to which they refer. Depreciation is charged on the asset's historical cost, net of the grant received.

### **Non-current financial assets - equity investments**

These are recognized at purchase or subscription cost, including directly attributable charges, and are impaired for permanent loss in value in accordance with Civil Code Art. 2426. The original value is reinstated in future accounting periods should the reasons for such impairment cease to apply.

The investment in Benetton Group S.p.A. was revalued in 1983 in compliance with Law 72 of March 19, 1983, using the indirect method. The remaining revaluation amounts to Euro 431,218.

### **Receivables and payables**

Receivables are recognized at their estimated realizable value, while payables are recorded at nominal value. There are no receivables or payables with a residual maturity of more than five years.

### **Current financial assets**

Equity investments in other companies classified under Current financial assets are recognized at the lower of purchase cost and estimated realizable value, as deduced from stock market prices.

### **Accrued income, prepaid expenses, accrued expenses and deferred income**

Costs and income common to two or more financial years, the extent of which varies over time, are recognized in these items on an accruals basis.

**Provisions for risks and charges**

Provisions for risks and charges cover certain or probable liabilities the amount or timing of which was unknown at the end of the year. Provisions reflect the best possible estimate on the basis of available information, even if acquired after the end of the financial period.

**Provision for employee termination indemnities**

This covers the liability at year end, calculated by means of special indices, accrued to all employees in accordance with laws and collective employment contracts.

**Dividends**

Dividends are recognized in profit or loss the year their payment is approved, which generally coincides with the year of receipt.

**Hedges against interest and exchange rate risk**

The measurement basis of hedging contracts is consistent with that of the hedged liabilities and the relative cash flows are recognized in the income statement on an accruals basis throughout the life of the individual contract.

The main factor considered when determining whether the derivatives outstanding at year end qualify as hedges is the correlation between the derivatives and the underlying liabilities' notional value and exchange or interest rates.

**Recognition of income and costs**

Revenues, other income, costs and charges are recognized on an accruals basis.

**Foreign currency transactions**

Receivables and payables originally expressed in foreign currency are translated into Euro on the transaction date. Any foreign currency receivables and payables outstanding at year end are shown at the exchange rate in force on the balance sheet date. Exchange gains and losses are recognized on a separate line of the income statement under the item "Foreign exchange gain and losses". Any unrealized gains are recognized in a separate equity reserve, which cannot be distributed until realization takes place.

## Taxes

Income taxes reflect the tax charge forecast on the basis of current tax regulations.

Deferred tax assets and liabilities are recognized if the relevant conditions apply. Deferred tax assets accrue on costs and expenses not yet deductible at the close of the year, and are recognized when they are probable to be recovered in subsequent periods. Deferred tax liabilities are calculated on transactions to be taxed in future years, which may be the case for capital gains on the disposal of non-current financial assets.

Since 2007, Edizione S.r.l. has adopted, as the consolidating company, the National Consolidated Taxation System. This group taxation option was renewed during the year and is currently binding for the three-year period 2010, 2011 and 2012. Transactions among the companies participating in the group tax election are governed by a set of regulations signed by all parties. Among other matters, the regulations require that compensation for the tax losses contributed to group taxation be paid by the ordinary deadline for paying the balance of taxes due for the year following that in which the losses are used.

At December 31, 2010, the following companies participated in the National Consolidated Taxation System (in alphabetical order):

1	Allevamento San Giorgio S.r.l.	12	La Cantina delle nostre Ville Venete società agricola a r.l.
2	Alpha Retail Italia S.r.l.	13	Maccarese S.p.A.
3	Autogrill S.p.A.	14	Nuova Sidap S.r.l.
4	Benair S.p.A.	15	Olimpias S.p.A.
5	Bencom S.r.l.	16	Ponzano Children S.r.l.
6	Benetton Group S.p.A.	17	S.I.G.I. S.r.l.
7	Benetton Retail Italia S.r.l.	18	San Giorgio S.r.l.
8	Benind S.p.A.	19	Schemaquattordici S.p.A.
9	Bentec S.p.A.	20	Schematrentaquattro S.r.l.
10	Fabrica S.p.A.	21	Schematrentatre S.r.l.
11	Investimenti Infrastrutture S.p.A.		

## Comments on financial statement items

### Assets (all figures in thousands of Euro)

#### Non-current assets

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Intangible assets	775	1,017	(242)

The breakdown of this item and movements during the year are reported in an annex to these notes.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Property, plant and equipment	136,259	138,995	(2,736)

The breakdown of this item and movements during the year are reported in an annex to these notes, while the revaluations carried out on properties are listed in the "Other information" section.

**Land and buildings** are comprised of stores and offices (25%), industrial lands and buildings (74%) and residential properties (1%).

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Non-current financial assets: equity investments	2,612,880	2,660,682	(47,802)

Equity investments held at December 31, 2010 are listed in full, in accordance with Civil Code Art. 2427 (2), in an annex to these notes. That list is supplemented by the following additional information:

- **Edizione Realty Corp.:** this company was liquidated during the year, generating a capital gain of Euro 0.3 million;
- **Maccarese S.p.A.:** the decrease concerns a partial, non-proportional spin-off carried out through the assignment of assets to the affiliate **San Giorgio S.r.l.** (formerly Alfa S.r.l.) and **Edizione Property S.p.A.;**
- **Schematrentaquattro S.r.l.:** the decrease of Euro 44.0 million refers to the partial distribution of the share premium reserve;
- **Assicurazioni Generali S.p.A.** and **Il Sole 24 Ore S.p.A.:** these investments were impaired by Euro 44.5 million and Euro 2.4 million, respectively, taking account of stock market prices in 2010;
- **Gruppo Banca Leonardo S.p.A.:** the decrease of Euro 5.5 million pertains to an extraordinary distribution of the share premium reserve;
- **Pirelli & C. S.p.A.:** this company carried out a reverse stock split during the year at the ratio of one new share for every eleven held; it subsequently reduced the share capital by assigning one **Prelios S.p.A.** share for every Pirelli & C. share possessed. At year end, considering the persistent increase in stock prices, the impairment loss charged in 2008 was partially reversed in the amount of Euro 59.0 million.

The information required by Civil Code Art. 2427 (5) is provided in an annex to these notes. It shows that some equity investments are recognized in the balance sheet at a carrying value exceeding Edizione's share of the net equity presented in their financial statements. In this regard, the value recognized for the investments in **Compañía de Tierras Sud Argentino S.A.** and **Edizione Property S.p.A.** is supported by confirmation of the value of their assets held.

The table below contains the disclosures required by Civil Code Art. 2427 bis regarding equity investments whose fair value, determined on the basis of average stock market prices in December 2010, was less than their carrying value.

(Thousands of Euro)	Carrying value	Fair Value
<b>Non-current financial assets: equity investments</b>		
ACEGAS-APS S.p.A.	5,325	4,079
Assicurazioni Generali S.p.A.	231,316	213,985
Il Sole 24 Ore S.p.A.	3,973	3,308
Mediobanca S.p.A.	136,743	126,082
Prelios S.p.A.	9,962	9,686
RCS Mediagroup S.p.A.	39,716	38,680
<b>Current financial assets: equity investments</b>		
Caltagirone Editore S.p.A.	5,002	4,676

For these investments, it is believed that the negative difference between the fair value and the carrying amount does not represent a permanent loss in value, given the high volatility of recent stock prices.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Non-current financial assets: other securities	23,273	21,691	1,582

These are made up as follows:

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Club Méditerranée bonds	7,931	6,171	1,760
2I Centrale Partners III investment fund shares	13,247	12,197	1,050
2I Investimenti II investment fund shares	2,095	3,323	(1,228)
<b>Total</b>	<b>23,273</b>	<b>21,691</b>	<b>1,582</b>

During the year, the fund "2I Investimenti II" distributed Euro 2.4 million to Edizione, following the divestment of a company in the portfolio, which generated a capital gain of Euro 0.3 million.



## Current assets

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Trade receivables	1,073	1,322	(249)

These consist almost exclusively of rent receivable on commercial properties; they include a provision for doubtful accounts of Euro 42.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Receivables due from subsidiaries	40,448	37,960	2,488

These are comprised as follows:

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Edizione Property S.p.A.	4,616	4,664	(48)
Verde Sport S.p.A.	4,354	4,470	(116)
Edizione Realty Czech S.r.o.	1,252	1,502	(250)
Receivables due from other subsidiaries	382	304	78
Receivables from tax consolidation: 2008	-	13,228	(13,228)
Receivables from tax consolidation: 2009	10,594	13,792	(3,198)
Receivables from tax consolidation: 2010	19,250	-	19,250
<b>Total</b>	<b>40,448</b>	<b>37,960</b>	<b>2,488</b>

**Receivables from tax consolidation** are the sum of amounts due from the individual companies participating in the group tax consolidation which, for each of the tax periods covered above, had a net tax liability to the consolidating company Edizione S.r.l.

In detail:

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Autogrill group	8,947	-	8,947
Benetton group	20,555	25,866	(5,311)
Schematrentaquattro S.r.l.	264	1,149	(885)
Other subsidiaries	78	5	73
<b>Total</b>	<b>29,844</b>	<b>27,020</b>	<b>2,824</b>

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Tax receivables	11,483	12,447	(964)

They consist of:

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Tax receivables from tax consolidation	7,130	8,231	(1,101)
Tax receivables from the mergee Edizione Holding S.p.A.	1,228	1,228	-
IRES refund due under Art. 6 of Decree Law 185/2008	2,974	2,974	-
Interest income accrued on tax receivables	30	-	30
Others	121	14	107
<b>Total</b>	<b>11,483</b>	<b>12,447</b>	<b>(964)</b>

The **IRES** (corporate income tax) **refund due under Art. 6 of Decree Law 185/2008** concerns the option for companies to request the refund of the amount of tax corresponding to the IRAP (regional business tax) not deducted in fiscal years 2004 through 2007. Edizione S.r.l., as the consolidating company, has applied for a refund only of the IRAP not deducted by subsidiaries participating in the tax consolidation; when the refund is received, it will distribute it to the various subsidiaries, with which it has recognized a payable of the same amount.

**Tax receivables from the mergee Edizione Holding S.p.A.** consist mostly of corporate income tax (IRPEG) to be refunded, and the related interest accrued.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Current financial assets	5,002	5,002	-

These consist of 2,799,000 shares of the company **Caltagirone Editore S.p.A.**

## Liabilities (all figures in thousands of Euro)

### Shareholders' equity

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Share capital	1,500,000	1,500,000	-

No changes took place during the year.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Revaluation reserve	1,230	1,230	-

These consist of Euro 1,215 in revaluation reserve pursuant to Law 72/83 and Euro 15 in revaluation reserve pursuant to Law 576/75. They originate from the reconstitution of reserves held by two merged companies, Edizione Holding S.p.A. (Euro 1,079) and Sintonia S.p.A. (Euro 151).

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Legal reserve	1,898	104	1,794

The increase refers to the allocation of one fifth of 2009 net income. The reserve consists entirely of income.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Extraordinary reserve	5,179	5,179	-

There have been no changes since December 31, 2009.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Reserve under Art. 1 Law 169/83	79,923	79,923	-

This reserve was reconstituted from the merged companies Edizione Holding S.p.A. (Euro 70,137) and Sintonia S.p.A. (Euro 9,786) and concerns the allocation made in accordance with Art. 1 of Law 169/1983, when part of the interest in the subsidiary **Benetton Group S.p.A.** was placed on the stock market in 1986.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Merger surplus reserve	826,025	831,935	(5,910)

The decrease for the year relates to the dividend distribution, as resolved by the annual general meeting of June 2010.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Reserve under Law 904/77	1,369	1,369	-

This reserve was reconstituted from the merged companies Edizione Holding S.p.A. (Euro 1,201) and Sintonia S.p.A. (Euro 168).

The statement of changes in equity and the equity reserve statement pursuant to Civil Code Art. 2427 (7 bis) are annexed to these notes.

## Provision for employee termination indemnities

Movements during the year were as follows:

(Thousands of Euro)	2010	2009
Opening balance	517	475
Uses	(146)	(71)
Provisions	115	113
<b>Closing balance</b>	<b>486</b>	<b>517</b>

Uses refer to the amount paid to an executive who resigned during the year and to contributions to pension funds.

## Payables

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Amounts due to banks	300,112	340,109	(39,997)

These are made up as follows:

(Thousands of Euro)	12.31.2010			12.31.2009			Change
	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months	Total	
Current accounts and short-term borrowings	112	-	112	109	-	109	3
Unsecured medium/long-term loans	95,000	205,000	300,000	-	340,000	340,000	(40,000)
<b>Total</b>	<b>95,112</b>	<b>205,000</b>	<b>300,112</b>	<b>109</b>	<b>340,000</b>	<b>340,109</b>	<b>(39,997)</b>

Debt of Euro 300 million refers to the following credit lines:

- for Euro 10 million, drawdown of a revolving credit line totalling Euro 300 million, maturing in July 2012;
- for Euro 95 million, drawdown of an "evergreen" credit line totalling Euro 150 million, maturing in June 2011;

- for Euro 195 million, drawdown of a revolving credit line totalling Euro 250 million, maturing in June 2013.

The revolving credit lines require a certain ratio between Edizione S.r.l.'s net indebtedness (including the debt of certain subholding companies) and the fair value of its equity investments. In 2010 this covenant was consistently satisfied.

At December 31, 2010 Edizione S.r.l. had committed credit lines of Euro 950 million, of which Euro 800 million maturing after June 30, 2011 and uncommitted credit lines of around Euro 200 million. It also had interest rate swaps with a notional amount of Euro 350 million, maturing on November 30, 2015, which had a negative market value of Euro 27 million at the end of the year.

Taking account of those hedging instruments, the yearly weighted average cost of gross bank debt was 3.89%.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Amounts due to subsidiaries	32,887	80,876	(47,989)

These are made up as follows:

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Payables to companies participating in tax consolidation	25.885	29.088	(3.203)
Schematrentaquattro S.r.l. - intercompany account	3.625	48.376	(44.751)
IRES refunds per Art. 6 of Decree Law 185/2008	2.974	2.974	-
Other payables	403	438	(35)
<b>Total</b>	<b>32.887</b>	<b>80.876</b>	<b>(47.989)</b>

Payables to subsidiaries for **IRES refunds per Art. 6 of Decree Law 185/2008** concern the companies participating in the tax consolidation which, jointly with the consolidating company Edizione S.r.l., have filed for an IRES refund in accordance with that provision of law. More specifically, Euro 2.0 million refers to **Autogrill S.p.A.** and Euro 0.9 million to companies in the **Benetton group**.

Edizione S.r.l.'s payment of these sums to the companies in the tax consolidation is subordinate to its collection of the receivable of the same amount (listed under tax receivables) from the Treasury.

Below are the details of **payables to companies participating in tax consolidation**:

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Autogrill group	11,842	9,540	2,302
Benetton group	12,343	18,090	(5,747)
Maccarese group	608	177	431
Investimenti Infrastrutture S.p.A.	888	904	(16)
Others	204	377	(173)
<b>Total</b>	<b>25,885</b>	<b>29,088</b>	<b>(3,203)</b>

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Tax payables	1,718	345	1,373

Of the total, Usd 1.8 million (the equivalent of Euro 1.3 million) consists of the amount due to the U.S. tax authorities for liquidation of the subsidiary Edizione Realty Corp.; the residual amount is made up of withholding tax charged in December 2010 and paid over the following January.

#### **Accrued expenses and deferred income**

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Accrued expenses	970	1,377	(407)

These consist mainly of premiums on interest rate swaps and interest on bank loans accrued at December 31, 2010.

## Commitments, risks and other memorandum accounts

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Sureties granted on behalf of subsidiaries	17,473	17,473	-

These consist almost entirely of the surety given in 2009 on behalf of the indirect subsidiary **Benetton Rugby Treviso S.r.l.** so it would allowed to participate in the Celtic League for three years, starting with the 2010-2011 season.

(Thousands of Euro)	12.31.2010	12.31.2009	Change
Commitments	13,226	14,383	(1,157)

These are the residual commitments in investment funds subscribed and not yet paid in.

### **Guarantees granted upon the sale of Olimpia S.p.A. by the mergee Sintonia S.p.A.**

When the interest in Olimpia S.p.A. was sold to Telco S.p.A., all tax risks concerning periods up to the date of sale remained the sellers' responsibility by contract.

The tax disputes currently in progress can be summarized as follows:

- in 2006, an assessment for fiscal year 2001 was received in relation to IRAP (regional business tax); the assessment was then cancelled by the Provincial Tax Commission. The Revenue Office appealed the decision with the Regional Tax Commission; in the second-instance decision of May 29, 2009, the Regional Commission once again rejected the claims of the Revenue Office. The State Attorney's Office has appealed that decision to the Court of Cassation, and the Company has filed its own counterappeal;
- in 2007 an assessment was received for fiscal year 2002, qualifying Olimpia as a "dummy company"; an appeal to the Provincial Tax Commission received a favourable ruling in early 2009 and the Revenue Office was also ordered to pay for the legal expenses. Nevertheless, the Revenue Office filed its own appeal with the Regional Tax Commission, whose decision is currently pending;



- in 2008 an assessment was received for fiscal year 2003, again alleging that Olimpia was a "dummy company"; this, too, was appealed to the Provincial Tax Commission with a favourable outcome;
- in 2009 the Revenue Office issued yet another assessment for fiscal year 2004, on the same "dummy company" grounds. In February 2010 an appeal was filed with the Provincial Tax Commission; the following October the Commission once again found in favour of the claimant.

In light of the numerous favourable findings, it is unlikely that any fiscal liabilities will emerge from these disputes.

## Income statement (all amounts in thousands of Euro)

(Thousands of Euro)	2010	2009	Change
Revenues from sales and services	7,496	8,418	(922)

Revenues are broken down as follows:

(Thousands of Euro)	2010	2009	Change
Rents	7.193	8.033	(840)
Other real estate income	303	385	(82)
<b>Total</b>	<b>7.496</b>	<b>8.418</b>	<b>(922)</b>

(Thousands of Euro)	2010	2009	Change
Other revenues and income	948	6,960	(6,012)

These originate mainly from services to subsidiaries and associates. In 2009 they included Euro 5.8 million in capital gains from the sale of properties.

(Thousands of Euro)	2010	2009	Change
Cost of services	10,164	9,792	372

These are made up as follows:

(Thousands of Euro)	2010	2009	Change
Consulting and professional services	602	856	(254)
Company officers' emoluments	5.113	4.866	247
Property management and maintenance expenses	3.151	2.726	425
Travel and transfers	786	788	(2)
Telephones and other costs	146	161	(15)
Maintenance and cleaning	89	83	6
Other	277	312	(35)
<b>Total</b>	<b>10.164</b>	<b>9.792</b>	<b>372</b>

Property management costs include Euro 1.7 million paid to the subsidiary **Edizione Property S.p.A.** for managing the real estate business and an additional Euro 0.5 million for supervising the renovation of the "Fondaco dei Tedeschi" building.

(Thousands of Euro)	2010	2009	Change
Personell costs	2,355	2,088	267

At December 31, 2010 the Company had a workforce of 14 (15 at the end of the previous year). The average number of employees by category was as follows:

(in units)	2010	2009
Executives	5	5
White collar	10	9

(Thousands of Euro)	2010	2009	Change
Other operating costs	1,592	1,524	68

In detail:

(Thousands of Euro)	2010	2009	Change
Donations	640	620	20
Non-deductible VAT	302	383	(81)
Real estate tax (ICI)	271	276	(5)
Other real estate operating cost	128	26	102
Membership fees	30	58	(28)
Stationery and office supplies	20	32	(12)
Other expenses	201	129	72
<b>Total</b>	<b>1,592</b>	<b>1,524</b>	<b>68</b>

<b>(Thousands of Euro)</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Income from equity investments	86,922	51,739	35,183

Details are as follows:

<b>(Thousands of Euro)</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Dividends from:			
- Benetton Group S.p.A.	28,184	34,311	(6,127)
- Sintonia S.A.	39,539	-	39,539
- Assicurazioni Generali S.p.A.	5,131	10,979	(5,848)
- Schemaquattordici S.p.A.	4,131	2,519	1,612
- Pirelli & C. S.p.A.	3,621	-	3,621
- Mediobanca S.p.A.	3,166	-	3,166
- Eurostazioni S.p.A.	1,523	1,460	63
- Edizione Realty Corp.	1,274	-	1,274
- Telecom Italia S.p.A.	-	1,504	(1,504)
Other dividends and income from equity investments	353	966	(613)
<b>Total</b>	<b>86,922</b>	<b>51,739</b>	<b>35,183</b>

<b>(Thousands of Euro)</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Other financial income	1,117	1,113	4

This is made up of:

<b>(Thousands of Euro)</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Financial income from Interest Rate Swap	17	586	(569)
Income from investment funds	383	-	383
Interest income from bonds	328	171	157
Financial income from subsidiaries	331	251	80
Other financial income	58	105	(47)
<b>Total</b>	<b>1,117</b>	<b>1,113</b>	<b>4</b>

Income from investment funds includes the 15% tax credit, corresponding to Euro 50.

(Thousands of Euro)	2010	2009	Change
Financial interests and other charges	12,881	13,124	(243)

As follows:

(Thousands of Euro)	2010	2009	Change
Interest charges from subsidiaries	284	878	(594)
Interest charges on loans	4,070	6,819	(2,749)
Financial charges from Interest Rate Swap	8,395	5,386	3,009
Other financial charges	132	41	91
<b>Total</b>	<b>12,881</b>	<b>13,124</b>	<b>(243)</b>

There were no unrealized exchange gains or losses at the end of the year.

(Thousands of Euro)	2010	2009	Change
Impairment reversals of equity investments	58,958	-	58,958

This is a partial reversal of the impairment loss of Euro 102.2 million charged in 2008 on **Pirelli & C. S.p.A.**

(Thousands of Euro)	2010	2009	Change
Impairment losses of equity investments	46,968	5,987	40,981

As mentioned in the comment to "Non-current financial assets", these refer to the investments in **Assicurazioni Generali S.p.A.** (Euro 44.5 million) and **Il Sole 24 Ore S.p.A** (Euro 2.5 million).

(Thousands of Euro)	2010	2009	Change
Extraordinary expenses	2,727	136	2,591

These include Euro 2.4 million in tax charges for liquidation of the subsidiary **Edizione Realty Corp.**

(Thousands of Euro)	2010	2009	Change
Income taxes	4,226	3,928	298

These have been provided for as follows:

(Thousands of Euro)	2010	2009
Current taxes: IRES - remuneration of the tax loss	3,750	4,900
Deferred taxes: IRES	476	(972)
<b>Total</b>	<b>4,226</b>	<b>3,928</b>

Current taxes represent the estimated **remuneration of the tax loss** of Edizione S.r.l. that will be offset by the taxable income of the other companies participating in the National Consolidated Taxation System.

The following table provides the information required by Civil Code Art. 2427 (14) regarding deferred taxes recognized in the financial statements:

Statement under art. 2427, no 14							
(Thousands of Euro)		2009			2010		
	Amount of temporary differences	Tax rate	Tax liabilities at 12.31.2009		Amount of temporary differences	Tax rate	Tax liabilities at 12.31.2010
							Reversal in 2010
Capital gains taxed in more than one year (2008)	2,359	27,5%	487		2,359	27,5%	325
Capital gains taxed in more than one year (2009)	4,561	27,5%	1,254		4,561	27,5%	940
<b>Total</b>			<b>1,741</b>				<b>1,265</b>
							<b>476</b>

## Other information

### Compensation of directors, statutory auditors and independent auditors

The following annual compensation is due to the directors, statutory auditors and independent auditors:

(in Euro)	2010	2009
Directors' emoluments	5,056,000	4,810,000
Statutory auditors' emoluments	52,500	52,500
Independent auditors' fees	43,560	43,000
<b>Total</b>	<b>5,152,060</b>	<b>4,905,500</b>

The independent auditors' fees consist of Euro 40,520 for auditing the annual accounts as required by law, and Euro 3,040 for other services.

### Information pursuant to Law 72 of March 19, 1983 (Art. 10)

Below are details of revaluations carried out on assets still held at December 31, 2010:

(in Euro)	
<b>Equity investments:</b>	
- revaluations under Law 72 / 1983	431,218
<b>Total</b>	<b>431,218</b>
<b>Property:</b>	
- revaluations under Law 576 / 1975	29,831
- revaluations under Law 72 / 1983	186,437
- revaluations under Law 413 / 1991	878,903
- revaluations from allocation of merger surplus	969,344
- economic revaluations	103,291
<b>Total</b>	<b>2,167,806</b>

## Related party transactions

Aside from those described in these notes and the directors' report, there have been no other material transactions with related parties. In any case, all related party transactions take place at arm's length.

Treviso, May 30, 2011



## Annexes

- Statement of changes in intangible assets and property, plant and equipment
- Statement of changes in non-current financial assets: equity investments
- List of equity investments in subsidiaries and associates
- Statement of changes in shareholders' equity
- Schedule pursuant to Art. 2427 (7 bis ) of the Italian Civil Code
- Statement of cash flows

**INTANGIBLE ASSETS**

(in Euro) Carrying value at January 1, 2010				Increases		Decreases				Carrying value at December 31, 2010						
Cost		Revaluations	Accumulated amortization	Net value	Additions	Reclassifications	Disposals		Impairments	Amortization for the year	Cost	Accumulated amortization	Net value			
							Cost	Accumulated amortization	Net value							
Patents and intellectual property rights: software				14.442		8.465	5.977	1.000			2.989	15.442	11.454	3.988		
Goodwill				341.490			341.490		(341.490)		-	-	-	-		
Other intangible fixed assets				1.691.385		1.022.084	669.301	33.000	341.490		272.353	2.065.875	1.294.437	771.438		
TOTAL				2.047.317	-	1.030.549	1.016.768	34.000	-	-	-	-	275.342	2.081.317	1.305.891	775.426

**PROPERTY, PLANT AND EQUIPMENT**

(in Euro) Carrying value at January 1, 2010					Increases		Decreases					Carrying value at December 31, 2010		
	Cost	Revaluations	Accumulated depreciation	Net value	Additions	Reclassifications		Disposals	Impairments	Depreciation for the year		Cost	Accumulated depreciation	Net value
							Cost	Accumulated depreciation	Net value					
Land and buildings	169.785.388	2.167.806	35.895.297	136.057.897					-	2.778.522		171.953.194	38.673.819	133.279.375 (a)
Plant and machinery	5.494.393		3.413.760	2.080.633	4.273				-	450.976		5.498.666	3.864.736	1.633.930
Industrial and commercial equipment:														
- Office furniture	965.219		841.476	123.743						63.140		965.219	904.616	60.603
- Office electronic machines	551.788		402.134	149.654	71.891				-	62.753		623.679	464.887	158.792
- Office furnishing	147.256		137.907	9.349					-	2.387		147.256	140.294	6.962
- Residential furnishing	469.737		469.737	-								469.737	469.737	-
- Other equipment	443.722		431.935	11.787					-	11.224		443.722	443.159	563
Total industrial and commercial equipment	2.577.722		2.283.189	294.533					-	139.504		2.649.613	2.422.693	226.920
Other assets	182.734		168.621	14.113	45.951		25.600	25.600	-	14.572		203.085	157.593	45.492
Fixed assets in progress and advances	548.038			548.038	525.078							1.073.116		1.073.116
TOTAL	178.588.275	2.167.806	41.760.867	138.995.214	647.193	-	25.600	25.600	-	-	3.383.574	181.377.674	45.118.841	136.258.833

(a) of which revaluations: Euro 2,167,806

**NON-CURRENT FINANCIAL ASSETS: EQUITY INVESTMENTS**

(in Euro) Carrying values at January 1, 2010				Increases		Demergers	Decreases		Carrying values at December 31, 2010				
Book value			Acquisitions and incorporations	Capital increases and other movements	Reversals of impairment		Disposals, capital repayments and other movements	Impairments	No. of shares	percentage held	Balance sheet value	of which revaluations	
Cost	Revaluations/ (Accumulated impairment)	Total value											
Subsidiaries													
Benetton Group S.p.A.	8.814.848	431.218	9.246.066							122.540.000	67,08	9.246.066	431.218
C.la de Tierras Sud Argentino S.A.	3.062.992		3.062.992							9.305.282	5,00	3.062.992	
Edizione Property S.p.A.	35.755.233	(29.318.822)	6.436.411				60.961.330			170.000	100,00	67.397.741	
Edizione Realty Corp.	10.336.746		10.336.746					10.336.746		-	-	-	
Edizione Realty Czech S.r.o.	988.596		988.596							-	100,00	988.596	
Maccarese S.p.A.	103.800.148		103.800.148				(71.403.189)			99.300.000	100,00	32.396.959	
Realty Capri S.r.l.	125.588		125.588							-	100,00	125.588	
San Giorgio S.r.l. (già Alfa S.r.l.)	102.154		102.154				10.441.859			-	100,00	10.544.013	
Schematrentatre S.r.l.	21.000		21.000							-	100,00	21.000	
Schematrentaquattro S.r.l.	2.106.061.077	(400.000.000)	1.706.061.077					44.000.000		-	100,00	1.662.061.077	
Schematrentasei S.r.l.	15.000		15.000							-	100,00	15.000	
Sintonia S.A.	208.746.843		208.746.843							930.000	75,02	208.746.843	
Schemaquattordici S.p.A.	-		-							62.972.033	58,99	-	
Verde Sport S.p.A.	19.071.290	(5.400.000)	13.671.290							12.912.000	100,00	13.671.290	
	2.062.613.911			-	-	-	-	54.336.746	-			2.008.277.165	431.218
Associates													
Bensec società consortile a r.l.	3.850		3.850							-	3,50	3.850	
Eurostazioni S.p.A.	52.329.976		52.329.976							52.333.333	32,71	52.329.976	
	52.333.826			-	-	-	-	-	-			52.333.826	
Other companies													
ACEGAS-APS S.p.A.	11.159.371	(5.834.870)	5.324.501							1.066.500	1,94	5.324.501	
Alpi Eagles S.p.A.	6.197.484	(6.197.484)	-							770.678	1,96	-	
Assicurazioni Generali S.p.A.	374.905.665	(99.069.897)	275.835.768						44.519.903	14.658.800	0,94	231.315.865	
Gruppo Banca Leonardo S.p.A.	16.481.077		16.481.077					5.455.196		5.051.107	2,05	11.025.881	
Il Sole 24 Ore S.p.A.	15.333.324	(8.911.460)	6.421.864						2.448.533	2.666.665	2,00	3.973.331	
Mediobanca S.p.A.	281.570.837	(144.827.647)	136.743.190							18.625.029	2,16	136.743.190	
Pirelli & C. S.p.A.	167.457.609	(102.246.126)	65.211.483			58.957.800		9.962.342		22.705.157	4,77	114.206.941	
Prelis S.p.A.	-		-		9.962.342					22.705.157	2,70	9.962.342	
RCS Mediagroup S.p.A.	168.143.243	(128.426.771)	39.716.472							37.366.142	5,10	39.716.472	
	545.734.355			-	9.962.342	58.957.800	-	15.417.538	46.968.436			552.268.523	
TOTAL EQUITY INVESTMENTS				-	9.962.342	58.957.800	-	69.754.284	46.968.436			2.612.879.514	431.218

# **EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (Art. 2427, 5, Civil Code)**

(amounts in Euro unless stated otherwise)

Name	Registered office	Share capital	Shareholders' equity	Profit/(Loss) for the year	Interest held		Balance sheet value
					no. of shares	percentage held	
Benetton Group S.p.A.	(1) Ponzano Veneto (TV) - Via Villa Minelli, 1	237.482.716 (ARS 186.000.000)	1.479.888.000 (ARS 217.239.357)	102.073.000 (ARS 31.919.312)	122.540.000	67,08	9.246.066
Compagnia de Tierras Sud Argentino S.A.	(1) (2) Buenos Aires (Argentina) - Esmeralda 684	34.054.395	39.773.951	5.844.048	9.305.282	5,00	3.062.992 <sup>(4)</sup>
Edizione Property S.p.A.	Villorba (TV) - Viale Felissent 20/D	8.780.500 (CZK 100.000.000)	62.547.201 (CZK 93.968.545)	(2.058.702) (CZK 1.336.825)	170.000	100,00	67.397.741
Edizione Realty Czech S.r.o.	Praga (Repubblica Ceca) - Krkonoska, 5	3.990.264	3.749.593	53.343	-	100,00	988.596 <sup>(4)</sup>
Maccarese S.p.A.	(1) Fiumicino (Roma) - Maccarese	99.300.000	32.309.654	1.382.286	99.300.000	100,00	32.396.959
Realty Capri S.r.l.	Villorba (TV) - Viale Felissent 20/D	100.000	258.928	41.265	-	100,00	125.588
San Giorgio S.r.l. (già Alfa S.r.l.)	Fiumicino (Roma) - Maccarese	100.000	10.915.088	620.653	-	100,00	10.544.013
Schemaquattordici S.p.A.	(1) Treviso - Viale Felissent, 90	19.214.893	35.685.503	7.342.292	62.972.033	58,99	-
Schematrentatre S.r.l.	Treviso - Calmaggione, 23	15.000	14.652	(450)	-	100,00	21.000
Schematrentaquattro S.r.l.	Treviso - Calmaggione, 23	100.000.000	1.662.343.567	110.496	-	100,00	1.662.061.077
Schematrentasei S.r.l.	Treviso - Calmaggione, 23	15.000	11.107	(1.152)	-	100,00	15.000
Sintonia S.A.	Lussemburgo (L) - Place d'Armes, 1	1.239.685	1.925.596.109	55.574.051	930.000	75,02	208.746.843
Verde Sport S.p.A.	Treviso - Strada di Nascimben 1/b	12.912.000	12.710.789	(950.765)	12.912.000	100,00	13.671.290
Bensec società consortile a r.l.	(3) Ponzano Veneto (TV) - Via Villa Minelli, 1	110.000	104.642	(5.358)	-	3,50	3.850
Eurostazioni S.p.A.	Roma - Via Montello, 10	160.000.000	167.705.228	6.059.072	52.333.333	32,71	52.329.976

(1) Shareholders' equity and profit for the year are those pertaining to the parent company.

(2) 95% is held by the subsidiary Edizione Property S.p.A.

(3) Additional 35% is held by the subsidiary Benetton Group S.p.A.

(4) Amounts in foreign currencies are translated at exchange rate at 12.31.2010

# CHANGES IN THE SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Revaluation reserve under Law 72/83	Revaluation reserve under Law 576/75	Reserve under Art. 1 Law 169/83	Reserve under Law 904/77	Extraordinary reserve	Merger surplus reserve (1)	Net income/ (loss) for the year	Roundings	Total
(in Euro)											
<b>Balance at 01.01.2009</b>	<b>520.000</b>	<b>104.000</b>	-	-	-	-	<b>5.179.444</b>	-	<b>(107.226.236)</b>	-	<b>(101.422.792)</b>
Merger surplus from Edizione Holding S.p.A.								1.851.068.715			1.851.068.715
Merger surplus from Sintonia S.p.A.								710.094.496			710.094.496
Reconstitution of temporary untaxed reserve form Edizione Holding S.p.A. (merged company)			1.066.110	13.446	70.136.798	1.201.050		(72.417.404)			-
Reconstitution of temporary untaxed reserve form Sintonia S.p.A. (merged company)			148.760	1.876	9.786.623	167.590		(10.104.849)			-
Cover of 2008 loss								(107.226.236)	107.226.236		-
Dividends distributed								(40.000.000)			(40.000.000)
Capital increase	1.499.480.000							(1.499.480.000)			-
Profit for the year 2009									35.884.492		35.884.492
Roundings										2	2
<b>Balance at 12.31.2009</b>	<b>1.500.000.000</b>	<b>104.000</b>	<b>1.214.870</b>	<b>15.322</b>	<b>79.923.421</b>	<b>1.368.640</b>	<b>5.179.444</b>	<b>831.934.722</b>	<b>35.884.492</b>	<b>2</b>	<b>2.455.624.913</b>
Net income allocated to the legal reserve		1.794.225							(1.794.225)		-
Dividends distributed								(5.909.733)	(34.090.267)		(40.000.000)
Profit for the year 2010									79.570.939		79.570.939
Roundings										(3)	(3)
<b>Balance at 12.31.2010</b>	<b>1.500.000.000</b>	<b>1.898.225</b>	<b>1.214.870</b>	<b>15.322</b>	<b>79.923.421</b>	<b>1.368.640</b>	<b>5.179.444</b>	<b>826.024.989</b>	<b>79.570.939</b>	<b>(1)</b>	<b>2.495.195.849</b>

(1) For tax purposes Merger surplus reserve is considered as retained earnings

**SCHEDULE PURSUANT TO ART. 2427 N. 7bis OF THE CIVIL CODE**

(in Euro)					
Type	Amount	Possibility of utilization	Amount available	Summary of utilizations in the past three years	
				For loss coverage	For other purposes (*)
<b>Share capital</b>	1.500.000.000				
<b>Capital reserves:</b>	-				
Revaluation reserve under Law 72/83 (1)	1.214.870				
Revaluation reserve under Law 576/75 (1)	15.322				
Reserve under Art. I Law 169/83 (1)	79.923.421				
Reserve under Law 904/77 (1)	1.368.640				
<b>Income-related reserves:</b>					
Legal reserve	1.898.225	B	-		
Extraordinary reserve	5.179.444	A B C	5.179.444		
Merger surplus reserve	826.024.989	A B C	826.024.989	107.226.236	40.000.000
<b>Total</b>	<b>2.415.624.911</b>		<b>831.204.433</b>	<b>107.226.236</b>	<b>40.000.000</b>
Non-distributable amount			-		
<b>Residual distributable amount</b>			<b>831.204.433</b>		

Key:

A = capital increase

B = loss coverage

C = dividend pay-out

(\*) = the item does not include the reclassifications between the reserves in equity

(1) If distributed, these reserves are considered part of the taxable income in the fiscal year in which the distribution is paid.

## STATEMENT OF CASH FLOWS

(Thousands of Euro)	2010	2009
<b>A. Cash and cash equivalents at the beginning of the period</b>	1,605	118
Cash flow from merged companies	-	7,575
	<b>1,605</b>	<b>7,693</b>
<b>B. Cash flow from operating activities</b>		
Net income for the year	79,571	35,884
Amortization and depreciation	3,659	3,809
Capital (gain)/losses from disposal of investments	(335)	(314)
Capital (gain)/losses from disposal of properties	-	(5,806)
Impairments /(reversals) of equity investments	(11,989)	5,987
Dividend received in the form of shares	-	(8,865)
Net change in provisions	(507)	1,014
<b>Cash flow from operating activities before changes in working capital</b>	<b>70,399</b>	<b>31,709</b>
(Increase)/decrease in receivables from subsidiaries	(2,488)	69,620
(Increase)/decrease in other assets	1,711	(8,079)
(Increase)/decrease in trade payables	(162)	(128)
(Increase)/decrease in payables to third parties	1,309	(25,942)
(Increase)/decrease in payables to subsidiaries	(3,989)	(4,441)
Net changes in the other liabilities	(407)	1,051
<b>Cash flow from operating activities</b>	<b>66,373</b>	<b>63,790</b>
<b>C. Cash flow generated/(absorbed) by investing activities</b>		
Net (Investments)/disposals in non-current assets:		
- Intangible assets	(34)	(416)
- Property, plant and equipment	(647)	3,865
- Non-current financial assets	14,544	24,561
- Proceedes from the disposal of current financial assets	-	2,112
	<b>13,863</b>	<b>30,122</b>
<b>D. Cash flow generated/(absorbed) by financing activities</b>		
Repayment of loans	(40,000)	(60,000)
Dividends pay-out	(40,000)	(40,000)
	<b>(80,000)</b>	<b>(100,000)</b>
<b>E. Cash flow for the year (B+C+D)</b>	<b>236</b>	<b>(6,088)</b>
<b>F. Cash and cash equivalents at the end of the period (A+E)</b>	<b>1,841</b>	<b>1,605</b>
<b>Cash and cash equivalents</b>		
Cash and Cash equivalents	1,953	1,715
Current accounts overdrafts	(112)	(110)
	<b>1,841</b>	<b>1,605</b>



**KPMG S.p.A.**  
**Revisione e organizzazione contabile**  
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**(Translation from the Italian original which remains the definitive version)**

**Report of the auditors in accordance with article 14 of Legislative decree no. 39 of 27 January 2010 and article 165-bis of Legislative decree no. 58 of 24 February 1998**

To the quotaholders of  
Edizione S.r.l.

- 1 We have audited the financial statements of Edizione S.r.l. as at and for the year ended 31 December 2010. The company's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing their preparation. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 31 May 2010 for our opinion on the prior year financial statements, which included the corresponding figures presented for comparative purposes as required by law.

- 3 In our opinion, the financial statements of Edizione S.r.l. as at and for the year ended 31 December 2010 comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of the company as at and for the year ended 31 December 2010.
- 4 The directors of Edizione S.r.l. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the



directors' report is consistent with the financial statements of Edizione S.r.l. as at and for the year ended 31 December 2010.

Treviso, 10 June 2011

KPMG S.p.A.

(signed on the original)

Alessandro Ragghianti  
Director of Audit