

The changes are outlined below:

(in thousands of euro)

	12/31/2014	12/31/2013
Opening balance	1,162,188	1,160,949
Subscriptions, increases and replenishment of capital	13,030	37,500
Impairment	[23,670]	[36,166]
Liquidated companies	[10,490]	[95]
Closing balance	1,141,058	1,162,188

Increases mainly refer to the capital increase in favour of PZero S.r.l. for euro 11,000 thousand and the capital increase for euro 2,000 thousand in HB Servizi S.r.l.

Impairments refer to the equity investment in PZero S.r.l. [euro 10,170 thousand] and in Pirelli & C. Ambiente S.r.l. [euro 13,500 thousand].

With reference to the investment in Pirelli & C. Ambiente S.r.l., the negative result for the period is an indicator of impairment. Therefore an impairment test was carried out with the estimation of the equity investment recoverable amount which further was compared to its carrying amount. The recoverable amount is the higher of the fair value and value in use.

For the definition of the latter, an independent third party carried out an evaluation of the equity investment held by GWM Renewable Energy II S.p.A, which is the main asset of Pirelli & C. Ambiente S.r.l., in Greentech Energy System listed on the stock exchange in Denmark.

The evaluation is based on the discounted cash flows and on methods that use multiples based on the economic-financial information available to the market.

The comparison showed an impairment of euro 16,156 thousand recognised in the Income Statement, the surplus with respect to the carrying amount was recognized in a specific provision for liabilities and charges.

Decreases refer to the disposal, to third parties, of the subsidiary Pirelli Finance [Luxembourg] S.A., which led to a positive economic effect of euro 4,781 thousand.

10. EQUITY INVESTMENTS IN ASSOCIATES

This amounted to euro 125,100 thousand [euro 93,062 thousand at December 31, 2013].

The breakdown of this item is as follows:

(in thousands of euro)

	12/31/2014	12/31/2013
Listed securities		
Prelios S.p.A.	56,037	21,836
Unlisted securities		
Consortium for the Research into Advanced Materials [CORIMAV]	104	104
Eurostazioni S.p.A. - Rome	52,937	52,937
Fenice S.r.l.	16,022	18,185
TOTAL	125,100	93,062

The following table shows the movements:

(in thousands of euro)

	12/31/2014	12/31/2013
Opening balance	93,062	92,910
Subscriptions, increases and replenishment of capital	112,622	66,119
Impairment	[80,584]	[4,801]
Reclassification and other	-	[61,166]
Closing balance	125,100	93,062

Increases for the year refer to the investment in Prelios S.p.A. (euro 69,858 thousand) and in Fenice S.r.l. (euro 42,764 thousand).

The increase in the value of the investment in Prelios S.p.A. is associated with the conversion of the Prelios bond (the "Convertendo"); on April 14, 2014, following the occurrence of the conditions for requesting early conversion of the Convertendo, signed at the time by Pirelli under the Prelios debt restructuring plan, Pirelli received, in exchange for Prelios bonds (Tranche A and B), with a carrying amount at that date of euro 104,087 thousand (plus accrued interest):

- 111,916,082 Prelios S.p.A. class A ordinary shares, which led to an increase in the share of the voting shares held by Pirelli, from 13.06% to 29.22%, after conversion, of which about 7% were freely transferable and about 22% bound to the obligations of the lock up to July 2016 (with automatic renewal for another three years unless cancelled) provided there is agreement among the Fenice shareholders (Pirelli, Intesa Sanpaolo S.p.A., Unicredit S.p.A. and Feidos 11 S.p.A.); these shares were registered at fair value, corresponding to the market share price for Prelios S.p.A. on April 14, 2014 (euro 0.62 per share), for an amount of euro 69,858 thousand;

- 93,390,705 Prelios class B shares - unlisted and without voting rights, which qualify under IFRS as financial assets available for sale, and which were registered at fair value on April 14, 2014, for an amount of euro 47,536 thousand (in regard to this, refer to note 10 below "Other financial assets").

Therefore, by replacing the Convertendo with the Prelios class A and B shares, there was a positive effect of euro 13,307 thousand shown in the Income Statement as the item "Gains from equity investments" (refer to note 31.1 below).

The increase in the value of the equity investment in Fenice S.r.l. is attributable to the contribution, in accordance with the agreements in place between the shareholders of Fenice S.r.l., of Prelios S.p.A. class B shares on June 30, 2014, for a total value of euro 42,764 thousand, equal to the fair value of 93,390,705 Prelios S.p.A. class B shares (euro 0.46 per share); this value was determined by applying a discount for illiquidity of 18% with respect to the market price for Prelios S.p.A. on June 30, 2014 (euro 0.56 per share).

Following the contribution, the percentage of ownership in Fenice S.r.l. increased from 32.83% to 62.56%; although the percentage of ownership is greater than 50%, Pirelli does not take control over Fenice S.r.l. on the basis of the provisions of the shareholders' agreements.

Impairments relate to Fenice S.r.l. (euro 44,927 thousand) and Prelios S.p.A. (euro 35,657 thousand).

With reference to the investment in Fenice S.r.l., it is noted that following the increase of the interest of Pirelli in Fenice S.r.l. (due to the transfer of the Prelios S.p.A. class B shares), the asymmetry of allocation between the shareholders, of any proceeds from the transfer of the Prelios S.p.A. class B shares (refer to the shareholding pay-off) has accentuated in accordance with the shareholders' agreements in place between the shareholders themselves. Under the clauses in place, the pay off at maturity of the income attributable to each shareholder is asymmetric with respect to the interest held.

It was felt that this asymmetry would represent an indicator of impairment and therefore the equity investment was subjected to impairment tests in order to compare the carrying amount of the equity investment with the recoverable amount of same, with the latter being its fair value.

The fair value of the shareholding at December 31, 2014, for the determination of which Pirelli used the assistance of a professional independent third party, is lower than its carrying amount, and therefore led to an impairment of the equity investment, amounting to euro 44,927 thousand.

In order to estimate the fair value an income approach was used based on the options criterion, and recourse was made to the level 2 input.

The estimate was made starting from the liquidation preference, i.e. the preferential/asymmetric sharing mechanism of any income from the Fenice itself following the sale of Prelios class B shares. As expected date of sale it was decided to adopt the date of first expiry of the shareholders' agreements that is July 31, 2018.

As the pay-off is asymmetrical, it was recalculated based on a portfolio of long and short positions in options and evaluated on December 31, 2014 using the Black & Scholes formulas.

With reference to the equity investments in Prelios S.p.A., the listing of the stock on December 31, 2014 at euro 0.265 per share, significantly lower than the carrying amount of euro 0.62 per share, represents an objective evidence of impairment. An impairment test was therefore carried out that consists of estimating the recoverable amount of the investment and the subsequent comparison with the carrying amount. The recoverable amount is the higher of fair value and value in use.

For the definition of the latter, the company availed of the assistance of an independent third-party professional. In particular, the analyses are based on the expectations of the outcome of 2015-2017 management and services platform resulting from the updated outlook of the Industrial Plan 2015-2017 as well as the carrying amount of the debt and the investment activities at December 31, 2014, as approved by the Board of Directors of Prelios S.p.A. on March 10, 2015 and communicated to the market. The discount rate applied to prospective cash flows used in the determination of the enterprise value of the services platform, defined as the average cost of capital net of tax, is 7.18%.

In order to align the carrying amount to the value in use equal to euro 0.3783 per share, an impairment of the equity investment value totalling euro 35,657 thousand was recorded.

Fair value of the Prelios investment listed to the Milan stock exchange has been calculated using the stock value at December 31, 2014, [euro 0.2651 per share] and amounts to 39.268 thousand of euro.

11. OTHER FINANCIAL ASSETS

This item amounted to euro 173,459 [euro 280,851 thousand on December 31, 2013] and is broken down as follows:

(in thousands of euro)

	12/31/2014	12/31/2013
Financial assets designated at fair value through income statement	-	104,087
Available-for-sale financial assets	173,459	176,764
Total	173,459	280,851