

11. INTANGIBLE ASSETS

The breakdown and changes in intangible assets are as follows:

(in thousands of euro)

	12/31/2013	TRANSLATION DIFFERENCES	DISCONTINUED OPERATIONS	EFFECT OF BUSINESS COMBINATION	INCREASE	DECREASE	AMORTISATION	OTHER	12/31/2014
Patents and intellectual property rights	49	[9]	-	-	-	-	[23]	-	17
Concessions/licenses/trademarks	52,683	[5,633]	[2]	5,496	858	-	[6,959]	9,405	55,848
Goodwill	913,017	[12,505]	[17,300]	3,901	-	-	-	-	887,113
Application software	18,201	[51]	[35]	-	7,111	[32]	[10,068]	550	15,676
Other intangible assets	30,029	[3,527]	-	758	2,794	[214]	[3,867]	[626]	25,348
	1,013,979	[21,725]	[17,337]	10,155	10,763	[245]	[20,917]	9,329	984,002

The changes occurred in 2013 were as follows:

(in thousands of euro)

	12/31/2012	TRANSLATION DIFFERENCES	EFFECT OF BUSINESS COMBINATION	INCREASE	DECREASE	AMORTISATION	RECLASSIF.	OTHER	12/31/2013
Patents and intellectual property rights	19	[2]	-	-	-	[31]	63	-	49
Concessions/licenses/trademarks	52,349	[2,518]	9,770	367	-	[6,914]	[370]	-	52,683
Goodwill	918,689	[8,552]	2,880	-	-	-	-	-	913,017
Application software	18,570	[70]	-	7,583	[52]	[8,168]	307	31	18,201
Other intangible assets	32,857	[2,289]	-	2,868	-	[3,904]	-	496	30,029
	1,022,484	[13,432]	12,650	10,818	[52]	[19,016]	-	527	1,013,979

The item "Goodwill" during the year recorded an increase for a total of euro 3,901 thousand arising from the acquisition of Abouchar network (refer to preceding note 8). Also due to the signing of the steelcord disposal, the value of the goodwill attributable to discontinued operations totalling euro 17,300 thousand, of which euro 15,916 thousand attributable to the activities disposed in Italy, Romania and Brasil on December 18, 2014, was reclassified under "Assets held for sale".

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

(in thousands of euro)

OPERATING SEGMENT	CASH GENERATING UNIT	12/31/2014	12/31/2013	RECOVERABLE AMOUNT
Consumer	Consumer	577,347	587,233	Value in use
Industrial	Industrial	309,766	325,784	Value in use
		887,113	913,017	

Goodwill was tested for impairment at December 31, 2014 (relying on independent appraisals). This involved estimating the recoverable value of the CGU and comparing it with the net carrying amount of the relevant assets, including goodwill.

Value in use corresponds to the discounted value of the future cash flows that are expected to be

associated with the CGU, using a discount rate that reflects the specific risks of the single CGU at the measurement date.

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

The expected flows cover a period of three years [2015-2017], and refer to the budget 2015 and, for 2016 to 2017, the "Business Plan 2014-2017", announced to the financial community on November 6, 2013, corrected downwards by a percentage corresponding to the negative variance between budget 2015 and old plan 2015. The comparison was made on a restated basis or excluding from the business plan steelcord. This downward adjustment affected the only CGU Industrial. Flows of EBIT of each CGU, where higher than the agreed estimates, were also reduced by the negative difference between consent flows and Plan flows.




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

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

OPERATING SEGMENT	CASH GENERATING UNIT	2014			2013		
		DISCOUNT RATE (WACC)	GROWTH RATE (G)	WACC - G	DISCOUNT RATE (WACC)	GROWTH RATE (G)	WACC - G
Consumer	Consumer	8.00%	-	8.00%	8.56%	-	8.56%
Industrial	Industrial	8.00%	-	8.00%	8.56%	-	8.56%

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

A sensitivity analysis was also carried on the results of the CGU in question: in all cases the values in use remain higher than the carrying amounts even assuming a change in key parameters such as:

-  a change in discount rates by 100 basis points;
-  a change in the growth rate by 100 basis points;
-  a change in EBITDA margin by 250 basis points.

Concessions, licenses and trademarks, amounting to euro 55,848 thousand mainly include the brands deriving from acquisition in the first six months of 2014, of 29 retail outlets belonging to the network Abouchar [euro 5,496 thousand], from the acquisitions made during 2013 of 25 outlets belonging to Wagner in Germany [euro 9,770 thousand], the 2012 acquisitions in Russia [euro 3,396 thousand], the retail chains Däckia in Sweden [euro 21,139 thousand] and Campneus in Brazil [euro 14,481 thousand].

The increase in the item application software refers to euro 5,565 thousand of IT costs sustained by the subsidiary Pirelli Tyre S.p.A. for the implementation of the following projects: Digital Room; Bcollaborative Forecasting; BPM Activities 2014; Evoluzione Piattaforma Ecrm; Sistema di Manutenzione CMMS; Geomarketing Platform Evolution and MRO Coding Harmonizzati. Moreover, Pirelli & C. S.p.A. purchased licenses for euro 558 thousand.

Other intangible assets for a total of euro 25,348 thousand, include the fair value measurement of customer relationships and commercial partnerships resulting from the acquisitions of the sales network Abouchar in 2014 [euro 758 thousand] and the acquisitions made in 2012 in Russia [euro 4,648] and Sweden [Däckia - euro 4,857].