

Changes in OIC - Italian Accounting Standards

The following revised or new accounting standards are applicable to financial statements for fiscal years ending on or after December 31, 2014. They will impact on presentation and disclosure of the statutory accounts as well as on calculation of the annual result, and in some cases of the taxable profit.

Please find below a short summary of the most relevant changes.

OIC 9 Write-down of tangible and intangible assets for impairment losses

The discounted cash flow method is adopted for measuring the recoverable value of tangible and intangible assets

OIC 10 Cash flow statement

Rules for preparing the cash flow statement have been moved from *OIC 12 Presentation of financial statements* to this new standard. Some changes have been introduced to the presentation of the cash flow statement

OIC 12 Presentation of financial statements

- Some appendixes have been eliminated
- New appendixes C, D, E, F, G and H have been introduced, dealing with:
 - Information on dividend-generating financial instruments
 - Leasing and sale and lease-back transactions
 - Sale with buy back obligation
 - Disclosure on directing companies
 - Disclosure on transactions with related parties and out of balance sheet transactions
 - Disclosure on classification, presentation and valuation of items in the balance sheet and P&L

OIC 13 Inventories

- Changes have been made to capitalization rules for financial charges
- Specific cost is the main valuation method for non-interchangeable products

OIC 14 Cash and cash equivalents

In the financial statements of companies participating in a cash pooling, the share of each participating company in the cash pooling account balance is recognized as a receivable/payable from/to the company which manages the cash pooling account

OIC 15 Receivables

Clarifications have been provided on recognition of present value of long term receivables

OIC 16 Tangible assets

- Depreciation cannot be suspended for assets not used for a long time
- Changes have been made to capitalization rules for financial charges
- Land value to be always recognized separately from building value
- Fixed assets acquired free of charge to be recognized at their estimated market value

OIC 17 Consolidated financial statements and equity method

Clarifications have been provided on:

- Recognition of initial differences of the book value of investments in respect of the corresponding portion of net equity of the subsidiary
- Consolidation date
- Classification and use of the consolidation reserve for risks and future charges
- Accounting treatment of the sale and purchase of shares subsequent to the acquisition of control
- Loss of control
- Leasing in the consolidation
- Exclusion from the consolidation
- Valuation of investments with the equity method

OIC 18 Prepayments and accrued income and expenses

In the case of early redemption of a leased assets, the initial lease installment is capitalized

Advances received or paid during the year in respect of rents that accrue only in the following year are not recognized as “prepayments and accrued income and expenses”, but as “advances”

OIC 19 Payables

Provisions for liabilities and charges have been moved to the new standard *OIC 31 Provisions for liabilities and charges and severance indemnity reserve*. Clarifications have been provided on:

- Implicit interest expense included in trade payables
- Disclosure on intercompany payables

OIC 20 Debt securities

The new standard provides criteria for the detection, classification and valuation of debt securities, as well as the information to be presented in the supplementary notes with reference to such securities

OIC 21 Investments and treasury shares

The equity method has been moved to the new standard *OIC 17 Consolidated financial statements and equity method*

Clarifications on recognition of investment cost have been provided.

OIC 22 Memorandum accounts

Guarantees received are no longer recognized in memorandum accounts but in notes

OIC 23 Work in progress

The criterion of percentage of completion should be applied, while the criterion of completed contract is only applicable in limited cases

OIC 25 Income taxes

The standard has been updated in connection with changes occurred in tax law, in particular regarding deferred and substitute taxes.

OIC 26 Operations, assets and liabilities in foreign currency

Non-cash current assets denominated in foreign currency are recognized at the historical exchange rate like non-cash assets such as inventories and investments

OIC 28 Shareholders' equity

In normal circumstances, information on utilization of capital and reserves must be disclosed for the latest three years only

OIC 29 Changes in accounting policies, changes in accounting estimates, correction of errors, non-recurring events and transactions, events occurring after balance sheet date

The error correction procedure has been revised in order to ensure uniform treatment, eliminating the distinction between “fundamental errors” and “non-critical errors”

OIC 31 Provisions for risks and charges and severance indemnity reserve

This new standard covers provisions for liabilities and charges previously included in *OIC 19*. Limited risks remaining on the transferor of receivables are recognized in a provision under item B.3 of liabilities and item b12) in Profit & Loss account. Any other risks are reported in the memorandum accounts

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October 16, 2014