



## CIR INTERNATIONAL S.A.

*(A public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 26, boulevard Royal, L-2449 and registered with the Luxembourg trade and companies register under no. B. 15.381)*

€300,000,000

6.375 per cent. Notes due 2011

Guaranteed by

**CIR S.p.A.**

*(Incorporated with limited liability under the laws of the Republic of Italy)*

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Issue Price: 99.462 per cent.

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The €300,000,000 6.375 per cent. Notes due 2011 (the **Notes**) to be issued by CIR International S.A. (the **Issuer**) will have the benefit of an unconditional and irrevocable guarantee from CIR S.p.A. (the **Guarantor** or **CIR**).

Interest on the Notes will be payable annually in arrear on 10th January in each year, except that the first such payment, which will be made on 10th January, 2004, will be made in respect of the period from and including 10th June, 2003 to but excluding 10th January, 2004.

Unless previously redeemed by the Issuer for taxation reasons in accordance with “*Terms and Conditions of the Notes – Redemption and Purchase*” herein, the Notes will be redeemed on 10th January, 2011.

Application has been made to list the Notes on the Luxembourg Stock Exchange. The Notes may not be publicly offered and sold to the public in the Grand Duchy of Luxembourg unless the requirements of Luxembourg law concerning public offerings of securities have first been met.

The Notes will initially be represented by a temporary global Note (the **Temporary Global Note**), without interest coupons, which will be deposited with a common depository for the respective accounts of Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) on or about 10th June, 2003 (the **Closing Date**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global Note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 21st July, 2003, upon certification as to non-US beneficial ownership. The Permanent Global Note will be exchangeable for definitive bearer Notes, in the denominations of €1,000, €10,000 and €100,000, each with interest coupons attached, only in the limited circumstances set out in the Permanent Global Note and as set out in “*Provisions Relating to the Notes while in Global Form*” herein.

*Lead Manager and Sole Bookrunner*

**Lehman Brothers**

*Managers*

**ABAXBANK**

**Banca Intermobiliare S.p.A.**

**MCC**

**Banca Akros S.p.A.**  
**(Gruppo Banca Popolare di Milano)**  
**EFIBANCA S.p.A.**

*The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*No person has been authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers (as defined under “**Subscription and Sale**” below). Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer and the Guarantor during the life of the Notes or to advise any investors in the Notes of any information coming to their attention. The investors should review, inter alia, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Issuer and the Guarantor when deciding whether or not to purchase any Notes.*

*The Managers have not separately verified the information contained herein other than the information relating to the Managers themselves. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular, which relates to the Issuer, the Guarantor and/or the Notes or any other information provided by the Issuer and/or the Guarantor in connection with the Notes.*

*Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the issue of the Notes constitutes an offer by or on behalf of the Issuer, the Guarantor or any of the Managers to any person to subscribe for or to purchase any Notes. Neither this Offering Circular nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Managers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any Notes.*

*This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “**Incorporation by Reference**” below). This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.*

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.*

*This Offering Circular does not constitute, and may not be used for purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation (see “**Subscription and Sale**” below). The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Managers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Managers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes.*

*In this Offering Circular, references to **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended.*

## IMPORTANT NOTICE

*The Issuer and the Guarantor are holding companies without any significant operating businesses of their own. As such, they are both wholly dependent on dividends and intercompany payments (either advances or repayments) from their subsidiaries. The ability of subsidiaries of the Issuer and the Guarantor to pay dividends and make intercompany payments to the Issuer and the Guarantor, respectively, depends on both their earnings and those of their associates. The subsidiaries have no obligations, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer or the Guarantor to enable them to pay any amounts due under the Notes and the Guarantee, respectively. Generally, claims of indebtedness and guarantees issued by a subsidiary, and claims of preference shareholders (if any) of such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over the claims of the creditors of its parent company. The Notes, therefore, will be effectively subordinated to creditors (including trade creditors) and preference shareholders (if any) of the Issuer's and the Guarantor's direct and indirect subsidiaries.*

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IN CONNECTION WITH THIS ISSUE OF NOTES, LEHMAN BROTHERS INTERNATIONAL (EUROPE) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

## INCORPORATION BY REFERENCE

The following financial statements are incorporated by reference into this Offering Circular:

- the audited non-consolidated financial statements of the Issuer as at, and for the years ended, 31st December, 2001 and 2002;
- the audited consolidated and non-consolidated financial statements of the Guarantor as at, and for the years ended, 31st December, 2001 and 2002; and
- the unaudited interim consolidated financial statements of the Guarantor as at, and for the three month period ended, 31st March, 2003.

Copies of such financial statements are freely obtainable and may be inspected during usual business hours at the specified office of the Paying Agent (as defined in “*Terms and Conditions of the Notes*” herein) in Luxembourg.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form, if issued.*

The €300,000,000 6.375 per cent. Notes due 2011 (the **Notes**, which expression shall in these Conditions include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of CIR International S.A. (the **Issuer**) are constituted by a Trust Deed dated 10th June, 2003 (the **Trust Deed**) made between the Issuer, CIR S.p.A. (the **Guarantor**) as guarantor and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 20th May, 2003. The granting of the Guarantee was authorised pursuant to the By-laws of the Guarantor.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 10th June, 2003 (the **Agency Agreement**) made between the Issuer, the Guarantor, Deutsche Bank AG London (the **Principal Paying Agent**, which expression shall include any successor), the other initial Paying Agents named therein (the **Paying Agents**, which expression shall include any successor(s) and, unless the context otherwise requires, the Principal Paying Agent) and the Trustee are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date of issue of the Notes at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England) and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

- (1) The Notes are in bearer form in the denominations of €1,000, €10,000 and €100,000, each with Coupons attached on issue.
- (2) Title to the Notes and to the Coupons will pass by delivery.
- (3) The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws and except as otherwise provided for by a court of competent jurisdiction or an official authority) deem and treat the holder of any Note and the holder of any Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

### 2. STATUS

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank, and will rank, *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### 3. GUARANTEE

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed. The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and rank, and will rank, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### 4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) neither the Issuer, the Guarantor nor any other Principal Subsidiary will create or permit to subsist any mortgage, charge, lien or other encumbrance

or security interest (each a **security**), other than a Permitted Encumbrance, upon the whole or any part of its undertaking, assets or revenues to secure any Specified Indebtedness of any person or any guarantee in respect thereof, unless the benefit of such security is at the same time extended to secure on a *pari passu* basis the Issuer's obligations in respect of the Notes or, as the case may be, the Guarantor's obligations under the Guarantee to the satisfaction of the Trustee or there is provided for the Issuer's obligations in respect of the Notes or, as the case may be, the Guarantor's obligations under the Guarantee, such other security or such guarantee or other arrangement as either (i) the Trustee shall in its absolute discretion deem to be not materially less beneficial to the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

As used herein:

**Maturity** means, in respect of any obligation, the period from the date on which it was first incurred to the earliest date on which by its terms it is to be repaid or paid or, if such date is extended, to the date on which it is repaid or paid or, if arrangements exist under which the person incurring such obligation (a) can require such obligation to be replaced by another obligation or (b) incurs successively a series of such obligations to the same person or group of persons, the final date for repayment or payment of any obligation arising under such arrangements;

**Permitted Encumbrance** means:

- (a) any lien arising by operation of law in the ordinary course of business;
- (b) any security existing at 10th June, 2003 (including any additional security required to be given pursuant to that security) so long as such security secures only that indebtedness which it secured at such date (together with interest thereon);
- (c) any security created after 10th June, 2003 on any asset acquired by the person creating such security and securing only indebtedness incurred for the sole purpose of financing or re-financing that acquisition provided that the principal amount of such indebtedness so secured does not exceed the cost of that acquisition; and
- (d) any security created by any company upon the whole or any part of its undertaking or assets and subsisting at the time such company merges or consolidates with the Issuer, the Guarantor or any Principal Subsidiary or at the time it becomes a Principal Subsidiary or at the time it sells all or substantially all of its assets to the Issuer, the Guarantor or any Principal Subsidiary and not created in contemplation thereof provided that the principal amount of indebtedness secured by such security shall not be increased;

**Principal Subsidiary** means at any time any Subsidiary where (i) the aggregate revenues of, or attributable to, such Subsidiary as shown by the then most recent audited accounts of such Subsidiary constitutes 10 per cent. or more of the consolidated revenues of the Guarantor and its consolidated Subsidiaries as shown by the Latest Consolidated Accounts or (ii) the total assets of such Subsidiary as shown by the then most recent audited accounts of such Subsidiary constitutes 10 per cent. or more of the consolidated total assets of the Guarantor and its consolidated Subsidiaries as shown by the Latest Consolidated Accounts, provided that if a Subsidiary itself has Subsidiaries and produces, in respect of any year, audited consolidated accounts of such Subsidiary and its consolidated Subsidiaries, the reference above to the revenues or the total assets of such Subsidiary shall be construed as a reference to the consolidated revenues or consolidated total assets, as the case may be, of such Subsidiary and its consolidated Subsidiaries, and the reference to the then most recent audited accounts of such Subsidiary shall be construed as a reference to the then most recent audited consolidated accounts of such Subsidiary and its consolidated Subsidiaries.

A certificate signed by two Directors of the Guarantor that, in their opinion, a company is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

**Specified Indebtedness** means any borrowed money in the form of or represented by notes, debentures or other similar debt securities and having a Maturity of more than 18 months from its date of issue; and

**Subsidiary** of a company or corporation means a company or corporation:

- (a) which is controlled, directly or indirectly, by the first-mentioned company or corporation; or

- (b) more than half the issued share capital of which is beneficially-owned, directly or indirectly, by the first-mentioned company or corporation; or
- (c) which is a subsidiary or another subsidiary of the first-mentioned company or corporation,

and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to control the composition of its board of directors or equivalent body.

## 5. INTEREST

- (1) The Notes bear interest at the rate of 6.375 per cent. per annum from and including 10th June, 2003 payable annually in arrear on 10th January in each year (each, an **Interest Payment Date**), except that the first payment, which will be made on 10th January, 2004, will be in respect of the period from and including 10th June, 2003 to but excluding 10th January, 2004 and will amount to €37.38 per €1,000 in principal amount of the Notes. Where interest is required to be calculated in respect of a period ending other than on an Interest Payment Date, it shall be calculated on the basis of the number of days in the period from and including the most recent Interest Payment Date (or, if none, 10th June, 2003) to but excluding the relevant payment date divided by the actual number of days in the period from and including the most recent Interest Payment Date (or, if none, 10th January, 2003) to but excluding the next (or first) scheduled Interest Payment Date.
- (2) Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of the payment in which event interest shall continue to accrue as provided in the Trust Deed.

## 6. PAYMENTS

- (1) Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupons, in each case at the specified office (outside the United States) of any of the Paying Agents.
- (2) Payments will be made at the specified office of any Paying Agent (outside the United States), at the option of the holder, by credit or transfer to a euro account (or any other account to which euros may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque, subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.
- (3) Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9), or, if later, five years after the date on which the Coupon would have become due, but not thereafter.
- (4) If the date for payment of any amount in respect of any Note or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment until the next following Payment Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Date** means any day which (subject to Condition 9) is:
  - (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation; and

- (b) a day on which the Trans-European Automated Real-Time Automated Gross Settlement Express Transfer (TARGET) System is open.
- (5) The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that they will at all times maintain: (i) a Principal Paying Agent; (ii) a Paying Agent having a specified office in a major European city which, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, shall be Luxembourg; and (iii) a Paying Agent having a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer (failing which, the Guarantor) in accordance with Condition 12.

## **7. REDEMPTION AND PURCHASE**

- (1) Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 10th January, 2011.
- (2) If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that (a) as a result of any change in, or amendment to, the laws or regulations of Luxembourg or Italy or any political sub-division of, or any authority in, or of, Luxembourg or Italy having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 10th June, 2003, on the next Interest Payment Date either the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts and (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable) and to the Trustee, redeem all the Notes, but not some only, at any time, at their principal amount. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment and the Trustee shall be entitled to accept the certificate and legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.
- (3) The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.
- (4) All Notes which are purchased by or on behalf of the Issuer, the Guarantor or any of their Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes. All Notes which are redeemed will forthwith be cancelled. Notes or Coupons which are cancelled may not be reissued or resold.
- (5) Upon the expiry of any notice as is referred to in Condition 7(2), the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

## 8. TAXATION

- (1) All payments in respect of the Notes by the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of Luxembourg or Italy, or any political subdivision of, or any authority in, or of, Luxembourg or Italy having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:
  - (a) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with Luxembourg (in the case of payments by the Issuer) or Italy (in the case of payments by the Guarantor) other than the mere holding of the Note or Coupon; or
  - (b) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
  - (c) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date; or
  - (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.
- (2) In these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Noteholders by the Issuer (failing which the Guarantor) in accordance with Condition 12.
- (3) Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## 9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6.

## 10. EVENTS OF DEFAULT

- (1) The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):
  - (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or, as the case may be, the Guarantor of notice requiring the same to be remedied; or
- (c) if (i) any indebtedness for borrowed money of the Issuer (other than the Notes) or any indebtedness for borrowed money of the Guarantor or any indebtedness for borrowed money of a Principal Subsidiary (in each case being indebtedness of an aggregate principal amount of €10,000,000 or more, or its equivalent in any other currency) becomes, or becomes capable of being declared, prematurely repayable by reason of default in respect of the terms thereof, or (ii) any such indebtedness is not paid when due and such failure to make payment shall continue for more than the grace period, if any, applicable thereto, or (iii) any guarantee in respect of borrowed money in an aggregate principal amount of €10,000,000 or more, or its equivalent in individual currencies, given by the Issuer, the Guarantor or any Principal Subsidiary, other than the Guarantee, is not honoured when due; or
- (d) if a resolution is passed or a petition is presented to a court of competent jurisdiction for the Issuer, the Guarantor or a Principal Subsidiary to be wound up or dissolved, except for the purposes of, or pursuant to, an amalgamation, merger, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement (not arising out of the bankruptcy or insolvency of the relevant entity) (i) which is, or is part of, a Permitted Reorganisation; or (ii) under which, in respect of any Principal Subsidiary (other than the Issuer), all of the assets of the Principal Subsidiary are transferred to a third party or parties (whether associated or not) for full consideration received by the Guarantor or the Principal Subsidiary on an arm's length basis; or (iii) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (e) if any encumbrancer takes possession or a trustee or a receiver is appointed of the whole or any material part of the assets or undertaking of the Issuer, the Guarantor or a Principal Subsidiary; or
- (f) if a distress, execution or seizure is levied or enforced upon or sued out against any material part of the assets of the Guarantor or a Principal Subsidiary and is not discharged within 30 days thereof, except where the Guarantor or such Principal Subsidiary (as the case may be) satisfies the Trustee that it is taking appropriate steps in good faith to contest the relevant proceedings; or
- (g) if the Issuer, the Guarantor or a Principal Subsidiary stops or threatens to stop payment or (otherwise than for the purposes of an amalgamation, merger, reconstruction, consolidation, voluntary solvent winding-up or other similar arrangement (not arising out of the bankruptcy or insolvency of the relevant entity) which is, or is part of, a Permitted Reorganisation) ceases or threatens to cease to carry on business or is unable to pay its debts as and when they fall due; or
- (h) if proceedings shall have been initiated against the Issuer, the Guarantor or a Principal Subsidiary under any applicable bankruptcy or insolvency law and such proceedings shall not have been discharged or stayed within a period of 30 days (such period commencing, in the case of the Guarantor or any Principal Subsidiary incorporated under Italian law, on the date of the first hearing of the relevant petition or application), except where the Issuer, the Guarantor or such Principal Subsidiary (as the case may be) satisfies the Trustee that it is taking appropriate steps in good faith to contest the relevant proceedings; or
- (i) if the Issuer, the Guarantor or a Principal Subsidiary shall initiate or consent to proceedings relating to any of them under any applicable bankruptcy or insolvency law (including, without limitation, controlled management (*gestion contrôlée*) and reprieve of payment (*sursis de paiement*)) or make a conveyance or assignment for the benefit of, or enter into any composition with, its creditors; or
- (j) if, other than on terms previously approved in writing by the Trustee or an Extraordinary Resolution of the Noteholders, the Guarantor (or any entity which becomes the Guarantor pursuant to any Permitted Reorganisation) ceases to control, directly or indirectly, such number of shares in the capital of Gruppo Editoriale L'Espresso S.p.A. (or any Person (a **Successor**) formed by the

consolidation of Gruppo Editoriale L'Espresso S.p.A. with another Person or into which Gruppo Editoriale L'Espresso S.p.A. is merged or to whom Gruppo Editoriale L'Espresso S.p.A. has conveyed, transferred or leased all or substantially all of its properties or assets) carrying more than 40 per cent. of the voting rights normally exercisable at a general meeting of Gruppo Editoriale L'Espresso S.p.A. or any Successor; or

- (k) if for any reason whatsoever the Guarantee ceases to be, or is claimed by or on behalf of the Guarantor not to be, binding and enforceable against the Guarantor,

PROVIDED that, in the case of any Event of Default other than those described in sub-paragraphs (a) or (k) above, the Trustee has certified to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

As used herein:

**Latest Consolidated Accounts** means, at any date, the then latest final consolidated accounts forming part of the group accounts of the Guarantor prepared in accordance with then prevailing Italian generally accepted accounting principles;

**material part** of the undertaking or assets of any Person means an aggregate amount equal to or greater than 10 per cent. of the aggregate book value of such undertaking or assets (as the case may be) of such Person shown by the most recent audited accounts of such Person;

**Permitted Reorganisation** means:

- (i) in respect of the Issuer, where the resulting or new company assumes all the then existing obligations of the Issuer (including, without limitation, all obligations under the Notes to the satisfaction of the Trustee); or
- (ii) in respect of the Guarantor, any " *fusione* " (such expression bearing the meaning ascribed to it by the laws of the Republic of Italy) or any other amalgamation, reorganisation or restructuring whilst solvent of the Guarantor which is part of a related sequence of events whereby, during or upon completion of the sequence, all or substantially all of the rights and obligations of the Guarantor (including all of the obligations of the Guarantor under or in respect of the Notes and the Trust Deed) will be assumed in accordance with applicable Italian law by another Person which, immediately before such assumption, was a member of the group consisting of the Guarantor and its consolidated Subsidiaries; or
- (iii) in respect of any Principal Subsidiary (other than the Issuer), under which all of the assets of the Principal Subsidiary are transferred to the Guarantor or any of its Subsidiaries;

**Person** means any individual, corporation, partnership, joint venture, trust or unincorporated organisation.

- (2) The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## 11. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg, subject to all applicable laws and stock exchange requirements upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and the Guarantor may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## 12. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in one daily newspaper with general circulation in Luxembourg. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication in both newspapers. It is expected that publication will normally be made in the *Luxemburger Wort* in Luxembourg. The Issuer, failing which the Guarantor, shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders. To the extent required by Luxembourg law, notices shall also be published in the *Mémorial, Recueil des Sociétés et des Associations*.

## 13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND SUBSTITUTION

- (1) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of these Conditions or certain of the provisions of the Trust Deed the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-quarter, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.
- (2) The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest or proven error.
- (3) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.
- (4) Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.
- (5) The Trustee shall, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition) as

the principal debtor under the Notes, the Coupons and the Trust Deed of the Guarantor or any of its Subsidiaries, subject to:

- (a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor; and
- (b) certain other conditions set out in the Trust Deed being complied with.

In the case of such a substitution, the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes and/or the Trust Deed *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders. Upon the substitution of the Issuer, a Supplementary Offering Circular shall be filed with the Luxembourg Stock Exchange which will be made available at the specified office of each of the Paying Agents free of charge. In addition, notification of any substitution of the Issuer shall be made to the Noteholders in accordance with Condition 12.

Where the Issuer is incorporated in Luxembourg, it is assumed that by subscribing to, acquiring or otherwise purchasing the Notes, the holders of Notes expressly consent to the substitution of the Issuer and to the release of the Issuer from any and all obligations in respect of the Notes and relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.

- (6) The provisions of articles 86 to 94-8 of the Luxembourg act dated 10th August, 1915 on commercial companies, as amended, shall not apply to the Notes, the Coupons, the Trust Deed or the Agency Agreement.

#### **14. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

#### **15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER**

- (1) The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.
- (2) The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and to act as trustee for the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and/or the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **16. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (1) The Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.
- (2) Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as **Proceedings**) may be brought in the courts of England.
- (3) Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally waived, and agreed not to raise, any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum, and irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon it, and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer and/or the Guarantor, as the case may be, in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (4) Each of the Issuer and the Guarantor has in the Trust Deed hereby irrevocably and unconditionally appointed The Law Debenture Trust Corporation p.l.c. at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has, in the Trust Deed, undertaken that in the event of such agent ceasing so to act, it will appoint another person as its agent for that purpose.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to approximately €296,794,800, will be used for general corporate purposes and to refinance maturing bonds.

## PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as **Events of Default**;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date, the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which have not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 2. Payments

On and after 21st July, 2003, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### 3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the

relative Accountholders rather than by publication as required by Condition 12, provided that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in a leading newspaper with general circulation in Luxembourg which is expected to be the *Luxemburger Wort*. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

#### **4. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

#### **5. Prescription**

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8).

#### **6. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement, by or on behalf of the Principal Paying Agent, of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

#### **7. Euroclear and Clearstream, Luxembourg**

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

## CAPITALISATION OF CIR INTERNATIONAL S.A.

The following table sets forth the capitalisation of the Issuer as at 31st December, 2002, as adjusted to reflect the Notes now being issued.

	As at 31st December, 2002
	<i>(audited)</i>
	<i>(euro millions)</i>
Current portion of eurobonds.....	267.1
Bonds maturing over one year.....	500.0
Other debt .....	0.3
The Notes now being issued .....	300.0
<b>Total debt</b> .....	<b>1,067.4</b>
Share capital.....	250.0
Reserves .....	4.6
Profit/(loss) forward.....	14.9
<b>Total owners' equity</b> .....	<b>269.5</b>
<b>Total capitalisation</b> .....	<b>1,336.9<sup>(1)(2)</sup></b>

Notes:

- (1) On 3rd April, 2003, the Issuer redeemed an issue of floating rate notes in an amount equal to €67.1 million.
- (2) Save for the information disclosed above, there has been no material change in the capitalisation of the Issuer since 31st December, 2002.

## CIR INTERNATIONAL S.A.

### GENERAL

The Issuer was incorporated in Panama on 25th October, 1972 under the name “CIR International Corporation Panama”. At a general meeting of shareholders of the Issuer held on 9th September, 1977 (published in the *Mémorial, Recueil des Sociétés et des Associations* under number 261 of 12th November, 1977), it was decided to transfer the Issuer’s registered office from Panama to Luxembourg (currently located at 26, Boulevard Royal, L-2449, Luxembourg), to change its name to “CIR International S.A.” and to establish it, under the laws of Luxembourg, as a limited liability company with a duration of 30 years. Pursuant to an extraordinary meeting of the shareholders of the Issuer held on 26th March, 1998 (published in the *Mémorial, Recueil des Sociétés et des Associations* under number 450 of 20th June, 1998) the Issuer’s articles of incorporation were amended to provide that the duration of the Issuer is now unlimited. Following an extraordinary meeting of the shareholders of the Issuer held on 31st May, 1990 (published in the *Mémorial, Recueil des Sociétés et des Associations* under number 443 of 29th November, 1990), the Issuer changed its tax status from a 1929 holding company to that of a fully taxable commercial company. The Issuer is registered with the Luxembourg trade and companies register under no. B.15.381. The authorised share capital of the Issuer is €800,000,000. The subscribed share capital of the Issuer currently amounts to €250,000,000, divided into 25,000,000 shares of €10.00 each, fully paid up.

The Issuer is a wholly-owned subsidiary of the Guarantor and is a holding company whose main activities include participations in long-term investments and portfolio investments (see the first paragraph in bold under “*Important Notice*” at page 3 herein). It also provides finance directly or indirectly through guarantees to CIR Group (as defined herein) companies and the issuance of debt instruments. The Issuer has a number of consolidated subsidiaries but is exempted from producing consolidated financial statements as consolidated financial statements are produced by the Guarantor, its parent company. A full list of the Issuer’s subsidiaries can be found in the Annual Report of the Guarantor.

The Issuer currently has two employees.

### RECENT DEVELOPMENTS

In the first quarter of 2003, the Issuer realised a net profit of €5.8 million compared to €0.1 million for the first quarter of 2002 and €19.8 million for the year ended 31st December, 2002. This result includes a net exchange gain of €7.2 million, a value adjustment on marketable securities and investments in an amount equal to €7.4 million, a net loss of €7.4 million from trading activities, and net interest and financial charges for €1.4 million.

The financial structure as at 31st March, 2003 showed shareholders’ equity of €275.3 million and a net financial position of €214.8 million.

On 3rd April, 2003, the Issuer redeemed its floating rate note issue in an amount equal to €67.1 million.

### DIRECTORS

The Board of Directors of the Issuer has the ultimate responsibility for the administration of the Issuer’s affairs.

The current Board of Directors of the Issuer and their respective functions, together with their principal outside offices, are as follows:

<i>Name</i>	<i>Title</i>	<i>Principal Offices Outside of the Issuer</i>
Pierluigi Ferrero	Chairman and CEO	Director of CIR S.p.A. Director of Cofide S.p.A. Director of Gruppo Editoriale L’Espresso S.p.A. President of Sasib S.p.A.
Roger Burri	Director	Director of Medinvest Plc Director of Cofide International S.A. Director of Cirtel International S.p.A.
Franco Girard	Director	Director of CIR S.p.A. Director of Cofide S.p.A. Director of Sogefi S.p.A. Director of Gruppo Editoriale L’Espresso S.p.A. Vice President of CDB Web Tech S.p.A. Director of Aedes S.p.A.

<i>Name</i>	<i>Title</i>	<i>Principal Offices Outside of the Issuer</i>
Carlo Schlessner	Director	Managing Partner of SGG – Luxembourg President of SGG (Suisse) – Geneva
Michel Cicurel	Director	Director of CDB Web Tech S.p.A. Chairman of the Executive Board of La Co. Fin. Edmond de Rothschild Banque

**FINANCIAL INFORMATION OF CIR INTERNATIONAL S.A.**

**AUDITED STATEMENTS OF PROFIT AND LOSS**

**For the years ended 31st December, 2002 and 31st December, 2001**

	2002	2001
	<i>(in euro thousands)</i>	
<b>EXPENSES</b>		
Value adjustment on		
– intangible assets .....	–	11
– tangible assets .....	3	14
– investments .....	17,991	30,142
– marketable securities .....	(716)	12,048
Interest and similar charges .....	150,338	140,487
Other expenses .....	1,887	2,309
Extraordinary expenses .....	–	3,372
<b>Profit for the year</b> .....	19,808	–
<b>Total expenses</b> .....	189,311	188,383
<b>INCOME</b>		
Fixed assets income .....	44,314	17,200
Current assets income .....	132,323	131,633
Other income .....	453	514
Extraordinary income .....	12,221	3,806
<b>Loss for the year</b> .....	–	35,230
<b>Total income</b> .....	189,311	188,383

**FINANCIAL INFORMATION OF CIR INTERNATIONAL S.A. (CONT.)**

**AUDITED BALANCE SHEETS**

**As at 31st December, 2002 and 31st December, 2001**

	2002	2001
<i>(in euro thousands)</i>		
<b>ASSETS</b>		
<b>Fixed Assets</b>		
Intangible assets, net .....	3	5
Investments, net .....	113,099	131,555
Financial receivables.....	414,385	381,001
	527,487	512,561
<b>Current Assets</b>		
Receivables .....	37,978	30,506
Marketable securities .....	498,018	437,170
Cash at bank and in hand .....	25,692	90,227
	561,688	557,903
Prepayment and accrued income .....	59,569	45,764
Loss for the year .....	–	35,230
<b>Total assets</b> .....	<b>1,148,744</b>	<b>1,151,458</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Share capital .....	250,000	250,000
Legal reserve.....	1,111	1,111
Other distributable reserve .....	3,517	3,517
Profit/(loss) brought forward .....	(4,927)	30,303
Total shareholders' equity.....	249,701	284,931
Provision for risks and charges.....	66,044	40,111
Creditors		
– long term debt .....	500,000	767,139
– short term debt.....	267,139	14,159
– other payables .....	17,663	16,157
	784,802	797,455
Accruals and deferred income .....	28,389	28,961
Profits for the year .....	19,808	–
<b>Total liabilities and shareholders' equity</b> .....	<b>1,148,744</b>	<b>1,151,458</b>

## CONSOLIDATED CAPITALISATION OF CIR S.p.A.

The following table sets forth the consolidated capitalisation of the Guarantor as at 31st December, 2002, as adjusted to reflect the Notes now being issued.

	As at 31st December, 2002 <hr/> <i>(audited)</i> <i>(euro millions)</i>
Bank overdrafts .....	67.3
Current portion of bonds .....	337.1
less own bonds on hand.....	–
Bonds maturing over 1 year .....	780.1
less own bonds on hand.....	(14.9)
The Notes now being issued .....	300.0
Current portion of convertible bonds .....	–
less own bonds on hand.....	–
Convertible bonds maturing over 1 year.....	–
Current portion of secured long-term bank loans .....	6.9
Secured long-term bank loans .....	32.5
Current portion of long-term bank loans-others .....	37.8
Long-term bank loans-others.....	175.0
Current portion of long-term debt with other providers of funds .....	2.1
Long-term debt with other providers of funds .....	16.1
<b>Total debt</b> .....	<hr/> 1,740.0
Minority interest .....	297.3
Share capital-ordinary shares <sup>(1)</sup> .....	385.2
Additional paid-in capital .....	3.7
Share capital-savings shares .....	–
Legal reserve .....	116.0
Reserve for treasury stock .....	22.8
Other reserves .....	252.9
<b>Net profit/(loss)</b> .....	<hr/> 68.2
<b>Total owners' equity</b> .....	1,146.1
<b>Total capitalisation</b> .....	<hr/> <hr/> 2,886.1 <sup>(2)</sup>

Notes:

- (1) CIR S.p.A. has an authorised share capital of €393,246,045 and an issued share capital of €385,185,795, comprised of 770,371,590 ordinary shares of par value €0.50 each.
- (2) Save for the information disclosed above, there has been no material change to the capitalisation of the Guarantor since 31st December, 2002.

**CAPITALISATION OF THE “AGGREGATE”<sup>(1)</sup> OF CIR S.p.A. AND ITS WHOLLY-OWNED  
FINANCIAL SUBSIDIARIES**

The following table sets forth the “aggregate” capitalisation of the Guarantor and its wholly-owned financial subsidiaries as at 31st December, 2002, as adjusted to reflect the Notes now being issued.

	As at 31st December, 2002 <hr/> <i>(audited)</i> <i>(euro millions)</i>
Bank overdrafts .....	0.3
Current portion of exchangeable bonds .....	267.1
less own bonds on hand.....	–
Bonds maturing over one year .....	500.0
less own bonds on hand.....	–
Current portion of convertible bonds .....	–
less own bonds on hand.....	–
The Notes now being issued .....	300.0
Convertible bonds maturing over one year .....	–
Current portion of long-term bank loans-other .....	2.3
Long-term bank loans-other .....	40.0
Other debt .....	–
<b>Total debt</b> .....	<hr/> <b>1,109.7</b>
<b>Total owners’ equity</b> .....	<hr/> <b>848.8</b>
<b>Total capitalisation</b> .....	<hr/> <b>1,985.5<sup>(2)</sup></b> <hr/>

Notes:

- 1 This includes the Guarantor, the Issuer, and Sasib International B.V.
- 2 Save for the information disclosed above, there has been no material change to the “aggregate” capitalisation of the Guarantor since 31st December, 2002.

## CIR S.p.A. AND THE CIR GROUP

### GENERAL

CIR – Compagnie Industriali Riunite S.p.A. (CIR) was incorporated under the laws of the Republic of Italy on 4th July, 1905, with a limited duration to 31st December, 2050. Its registered office is at Strada Volpiano 53, Leini (Turin), Italy and its operating office is at Via Ciovassino 1, Milan, Italy.

In 1976, Carlo De Benedetti purchased CIR and began to diversify that company from its main activity which, at that time, was the manufacture of leather goods. CIR has since developed significant interests over a number of diverse business sectors through the acquisition (directly and indirectly) of controlling interests in Italian and other European and South American companies. Carlo De Benedetti and other De Benedetti family members continue to exercise control over CIR through their ownership of Cofide S.p.A. which has a controlling interest in CIR.

CIR is a management holding company without operating businesses of its own. Most of its income is derived from the profit distributions of its subsidiaries. The general composition of the balance sheet is also characterised by financial investments in, and loans to, its direct and indirect subsidiary companies. See the first paragraph in bold under “*Important Notice*” at page 3 herein.

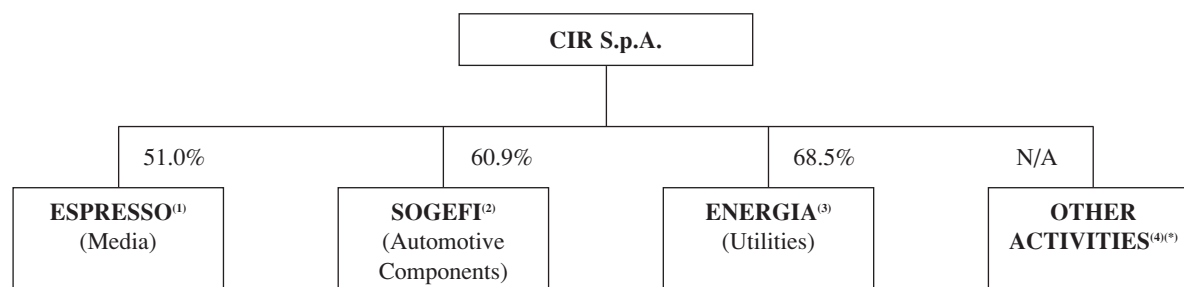
In addition to profit distributions, CIR also receives certain fees from its subsidiary companies on account of various activities carried on by CIR on behalf of such companies, including financing, provision of guarantees related to financing and the provision of administrative, financial, management and strategic support and communication services.

CIR currently has 26 employees.

### THE CIR GROUP

#### Introduction

CIR and its direct and indirect subsidiaries (the **CIR Group**) operate in a number of different sectors including, principally, media, automotive components and utilities. The following diagram illustrates the CIR Group by sector and the respective holdings of CIR in the parent company of each of its principal subsidiary groups as at 31st December, 2002:



Notes:

- (1) Gruppo Editoriale L'Espresso S.p.A. as parent company of “L'Espresso Group”. See “*L'Espresso Group*” below.
- (2) Sogefi S.p.A. as parent company of the “Sogefi Group”. See “*Sogefi Group*” below.
- (3) Energia Holding S.p.A. as parent company of the “Energia Group”. See “*Energia Group*” below.
- (4) CIR also operates in a number of other sectors, including, principally, food and packaging machinery and tobacco packaging equipment. In addition, CIR holds certain investments. See “*Other Activities*” below.
- (\*) The Issuer is also a wholly-owned subsidiary of CIR. A full list of the Guarantor’s subsidiaries can be found in the Annual Report of the Guarantor.

#### *L'Espresso Group*

The L'Espresso Group is the main subsidiary group of CIR, accounting for approximately 37.3 per cent. of the CIR Group’s consolidated revenues in 2002. Its activities, conducted principally in Italy, include newspaper and magazine publishing, radio and digital television broadcasting, and internet services.

### *Sogefi Group*

The Sogefi Group is a major manufacturer of filters and suspension components for motor vehicles, with plants throughout Europe, South America and Asia. The Sogefi Group accounted for approximately 35.1 per cent. of the CIR Group's consolidated revenues in 2002.

### *Energia Group*

The Energia Group operates in the Italian electricity and natural gas markets. Energia started supplying electricity to businesses on 1st January, 2000 and now has more than 1,100 clients throughout Italy (mainly individual companies or consortia of businesses). In October 2001, Energia started supplying natural gas to industrial clients, after signing important long-term agreements with the Eni Group of Italy for the import of gas. The Energia Group accounted for approximately 22.2 per cent. of the CIR Group's consolidated revenues in 2002.

### *Other Activities and Investments*

Other activities include controlling interests in (i) Dry Products S.p.A., the parent company of a group (the **Dry Products Group**) which manufactures food and packaging machinery and (ii) Sasib S.p.A., the parent company of a group (the **Sasib Group**) which manufactures tobacco packaging equipment.

The CIR Group's other activities contributed approximately 5.4 per cent. of the consolidated revenues of the CIR Group in 2002.

The CIR Group's investments include a minority interest in H3G S.p.A., a company which holds third generation mobile telephone licences in Italy.

CIR also controls Medinvest Plc, a fund of hedge funds listed in Dublin, which collects the permanent surplus cash of the CIR Group and invests it in hedge funds.

In addition, the CIR Group also owns a venture capital fund focused on investments in the technology sector.

### **Recent Financial Results**

CIR publishes both consolidated and non-consolidated financial accounts as at 31st December in each year for that calendar year and at 30th June in each year for the preceding six months. The annual accounts are audited while the semi-annual accounts are not audited but subject to a limited review report. In addition, CIR publishes consolidated accounts on a quarterly basis which are not subject to external review.

The following is a discussion of certain of the results of CIR as set out in its consolidated accounts for each of the years ended 31st December, 2002 and 31st December, 2001. The full consolidated and non-consolidated accounts (excluding the notes and the auditors' reports pertaining thereto) are set out under "*Financial Information of CIR S.p.A. and the CIR Group*".

#### ***Audited Consolidated Results of CIR as at and for the Year ended 31st December, 2002***

In 2002, the consolidated revenues of CIR totalled €2,582 million compared with €2,078.6 million in 2001 (an increase of 24.2 per cent.), after the reclassification under the 2001 sales revenues of Energia of €13.6 million of duties and additional local taxes charged to clients. This change was made in order to bring the economic results of Energia into line with the accepted practice of the sector generally followed by other operators.

Consolidated operating income of CIR in 2002 amounted to €207.8 million (equivalent to 7.9 per cent. of revenues), compared to €111.3 million in 2001 (equivalent to 5.2 per cent. of revenues). This increase was attributable primarily to the improvement in the results of the L'Espresso Group (an increase of €60.7 million) and the Sogefi Group (an increase of €15.2 million) and to the smaller losses of the Dry Products Group (a decrease of €16.9 million), with results virtually unchanged for Energia and the Sasib Group.

Consolidated profit before taxes, minority interests and extraordinary gains and losses reported by CIR in 2002 was €186.7 million, as compared to €76.7 million in 2001, representing an increase of 143.4 per cent.

In 2002 consolidated net profit of CIR was €68.2 million, as compared to €55.6 million in 2001.

The most significant contributions to the consolidated revenues and profit of CIR in 2002 were provided by the L'Espresso Group and the Sogefi Group which reported consolidated net profits in 2002, respectively, of €46.1 million (as compared to €1.1 million in 2001) and €23.5 million (as compared to €16.1 million in 2001).

The following table sets forth the summary form consolidated income statements of CIR for the year ended 31st December, 2002, broken down by subsidiary group.

	Espresso	Sogefi	Energia	Others	2002 Consolidated Total
	<i>(euro millions)</i>				
<b>Revenues</b> .....	963.7	905.6	574.0	138.7	2,582.0
Other revenues and changes in inventory..	23.2	24.8	10.0	7.0	65.0
<b>Total Revenues</b> .....	986.9	930.4	584.0	145.7	2,647.0
<b>Operating expenses</b> .....	(864.5)	(857.7)	(558.3)	(158.7)	(2,439.2)
<b>Operating income</b> .....	122.4	72.7	25.7	(13.0)	207.8
Financial income and expenses and adjustments to the value of financial assets .....	(9.1)	(14.9)	(1.5)	4.4	(21.1)
Extraordinary gains and losses .....	(5.6)	(6.4)	–	14.7	2.7
<b>Results before taxes and minority interests</b> .....	107.7	51.4	24.2	6.1	189.4
Income taxes .....	(62.9)	(25.9)	(10.3)	14.5	(84.6)
<b>Results for the period including minority interests</b> .....	44.8	25.5	13.9	20.6	104.8
Profit (loss) attributable to third parties in the sector's subsidiaries .....	1.3	(2.0)	(0.9)	–	(1.6)
<b>Net results for the sector</b> .....	46.1	23.5	13.0	20.6	103.2
Profit (loss) attributable to third parties in the sector's parent company .....	(22.6)	(9.2)	(3.5)	0.3	(35.0)
<b>Net results for the CIR Group</b> .....	23.5	14.3	9.5	20.9	68.2
<b>Holding percentage</b> .....	51.0%	60.9%	68.5%	N/A	–

The following table sets forth the consolidated revenues for the periods indicated broken down by source as between Italy, other European countries and the rest of the world.

	For the year ended					
	31st December, 2002		31st December, 2001		Change	
	<i>Amount (euro millions)</i>	<i>percentage of total revenues</i>	<i>Amount (euro millions)</i>	<i>percentage of total revenues</i>	<i>Actual (euro millions)</i>	<i>percentage change 2002/2001</i>
Italy .....	1,700.1	65.8	1,386.6	66.7	313.5	22.6
Other European Countries ..	716.8	27.8	488.7	23.5	228.1	46.7
Rest of World .....	165.1	6.4	203.3	9.8	(38.2)	(18.8)
<b>Total</b> .....	2,582.0	100.0	2,078.6	100.0	503.4	24.2

With respect to balance sheet results, shareholders' equity for the CIR Group as at 31st December, 2002 was €848.8 million compared to €833.5 million as at 31st December, 2001. The increase of €15.3 million was principally due to the balance of the following movements: a €68.2 million increase in the net income for the period; the payment of dividends of €31.4 million, and "other movements" of €20.4 million (principally the impact of exchange rate movements on South American currencies in connection with companies in which the Sogefi group has shareholdings).

The following table sets forth the summary form consolidated balance sheets of CIR as at 31st December, 2002, broken down by subsidiary group.

	Espresso	Sogefi	Energia	Others	2002 Consolidated Total
	(euro millions)				
<b>Net operating working capital</b> .....	59.0	134.8	46.2	477.3	717.3
Fixed assets .....	531.7	382.2	41.2	249.7	1,204.8
Medium- and long-term liabilities .....	(124.5)	(78.9)	(2.4)	(103.3)	(309.1)
<b>Net invested capital</b> .....	466.2	438.1	85.0	623.7	1,613.0
<b>Net financial debt</b> .....	(62.9)	(241.5)	(53.9)	(108.6)	(466.9)
<b>Total shareholders' equity</b> .....	403.3	196.6	31.1	515.1	1,146.1
Shareholders' equity attributable to third parties in the subsidiaries of the sector..	(9.7)	(12.5)	(2.1)	–	(24.3)
<b>Shareholders' equity for the sector</b> .....	393.6	184.1	29.0	515.1	1,121.8
Shareholders' equity attributable to minority interests of the parent company of the sector .....	(192.9)	(72.0)	(7.7)	(0.4)	(273.0)
<b>Shareholders' equity for the CIR Group</b> .....	200.7	112.1	21.3	514.7	848.8
Employees as of 31st December, 2002.....	3,250	6,703	60	715	10,728

## SUBSIDIARY GROUPS

### L'Espresso Group

Gruppo Editoriale L'Espresso S.p.A. (**Espresso**) and its direct and indirect subsidiaries (the **L'Espresso Group**) constitute the main subsidiary group of CIR, accounting for 37.3 per cent. of the Group's revenues in 2002. Its activities include newspaper and magazine publishing, radio and digital television broadcasting, and internet services. The group's national newspaper, *La Repubblica*, was the most widely-read newspaper in Italy in 2002 with 623,000 average daily copies (Audiopress survey, autumn 2002), reaching an average of 2.7 million readers per day. The L'Espresso Group also controls 16 local newspapers throughout Italy, totalling 491,000 average daily copies and reaching an average of 3.2 million readers per day in 2002. The periodical division of the group publishes the flagship magazine *L'Espresso*, which had an average of 388,000 copies and 2.4 million readers per issue in 2002. Five other weekly and monthly titles are published by the group, in addition to *La Repubblica's* weekly supplements. Espresso's broadcasting activities include three Italian national radio stations, *Radio DeeJay*, *Radio Capital* and *m2o*, as well as two minor stations outside Italy, with almost 7 million combined daily average listeners in Italy (ranking number two in market share in Italy), and a satellite television music channel, *DeeJay TV*. The group's internet activities are concentrated in its subsidiary Kataweb, which featured 192 million pageviews in January 2003.

As at 31st December, 2002, the L'Espresso Group had 3,250 employees.

### Recent Financial Results

#### *Audited Consolidated Financial Statements as at and for the Year ended 31st December, 2002*

For the year ended 31st December, 2002, the L'Espresso Group reported net profits of €46.1 million on revenues of €963.7 million. By way of comparison, for the year ended 31st December, 2001, net profits totalled €1.1 million on revenues of €923.1 million.

Consolidated revenues of the L'Espresso Group in 2002 increased by 4.4 per cent. from 2001. The increase is largely attributable to a 28.2 per cent. increase in circulation revenues partially offset by an 8.5 per cent. decrease in advertising revenues. The following table sets forth a breakdown of revenues for the L'Espresso Group for the periods indicated.

	For the year ended				
	31st December, 2002		31st December, 2001		Change
	<i>Amount</i> <i>(euro</i> <i>millions)</i>	<i>percentage</i> <i>of total</i> <i>revenues</i>	<i>Amount</i> <i>(euro</i> <i>millions)</i>	<i>percentage</i> <i>of total</i> <i>revenues</i>	<i>percentage</i> <i>change</i> <i>2002/2001</i>
Circulation.....	398.7	41.4	310.9	33.7	28.2
Advertising .....	527.9	54.8	577.1	62.5	(8.5)
Other .....	37.1	3.8	35.1	3.8	5.7
<b>Total</b> .....	<b>963.7</b>	<b>100.0</b>	<b>923.1</b>	<b>100.0</b>	<b>4.4</b>

The L'Espresso Group maintained a leadership position in the daily newspaper market in Italy, with a total circulation figure of over 1.1 million copies per day in 2002 from its 16 local papers and from *La Repubblica*. Circulation revenues grew by 28.2 per cent. compared with 2001, largely due to the success of the initiative “*la biblioteca di Repubblica*” (*the library of Repubblica*), the fall in the purchase price of paper and to the rise in the retail price of newspapers, which however had a negative impact on the number of copies sold: *La Repubblica* recorded a decline of 4.3 per cent. from 651,000 to 623,000 average copies per issue and the local papers fell from 508,000 to 491,000 average copies, a decline of 3.4 per cent. Sales of *L'Espresso* went down from 431,000 to 388,000 average copies, a decline of 10 per cent.

According to the latest Audiopress survey, conducted in the autumn of 2002, *La Repubblica* was the most widely-read newspaper in Italy.

Consolidated advertising revenues decreased from €577.1 million in fiscal year 2001 to €527.9 million in 2002, a decline of 8.5 per cent.

For the second year in a row the advertising market recorded a decline, with the greatest impact being on the press and radio sectors, and the advertising crisis once again caused the greatest falls in those sectors which had risen most in 2000 (telecommunications, finance and publishing).

Although advertising revenues generated by *La Repubblica* and its supplements declined overall by 11.9 per cent., its performance in terms of advertising revenues was still better than the market average.

The results of the local newspapers of the group were also above the market average. Their advertising revenues declined by 2.2 per cent., while *L'Espresso*, after a very negative start to the year, closed with an overall decline of 11 per cent. in advertising revenues compared to the previous year due to an improvement achieved in the fourth quarter and despite fewer issues compared with 2001.

In the radio sector, although advertising revenues of the radio stations of the group declined by 5 per cent. compared to 2001, results were better than the market average, which fell by, on average, over 9 per cent. Lastly, advertising on the internet sites of the group in the fourth quarter recorded growth of over 60 per cent. compared with the same period of 2001, giving an average growth rate of 5 per cent. year on year.

Consolidated operating income rose from €73.7 million (8 per cent. of sales) in 2001 to €122.4 million (12.7 per cent. of sales) in 2002.

The reclassified consolidated income statements of Gruppo Editoriale L'Espresso S.p.A. for the years ended 31st December, 2002 and 31st December, 2001 are set forth in the following table.

	For the year ended	
	31st December, 2002	31st December, 2001
	<i>(euro millions)</i>	
<b>Revenues</b>		
Circulation .....	398.7	310.9
Advertising .....	527.9	577.1
Other operating revenues.....	37.1	35.1
<b>Total revenues</b> .....	<b>963.7</b>	<b>923.1</b>
<b>Production Costs</b>		
Paper .....	(109.8)	(127.8)
Printing and miscellaneous materials .....	(85.9)	(91.9)
Other production costs.....	(55.7)	(41.5)
<b>Total production costs</b> .....	<b>(251.4)</b>	<b>(261.2)</b>
<b>Operating Costs</b>		
Promotion .....	(42.0)	(54.2)
Distribution .....	(27.0)	(28.1)
Publishers' fees .....	(19.6)	(22.7)
Agents/agency .....	(26.2)	(26.3)
Other .....	(170.2)	(154.5)
<b>Total operating costs</b> .....	<b>(285.0)</b>	<b>(285.8)</b>
Labour costs. ....	(246.5)	(245.4)
<b>Gross operating profit</b> .....	<b>180.8</b>	<b>130.7</b>
<b>Depreciation and amortisation</b>		
Depreciation of fixed assets .....	(42.5)	(38.5)
Amortisation of goodwill .....	(15.9)	(18.5)
<b>Operating profit</b> .....	<b>122.4</b>	<b>73.7</b>
<b>Non-operating income (expense)</b>		
Net interest income (expense).....	(2.5)	(7.0)
Leasing fees.....	(1.6)	(3.0)
Net income (loss) from investments in affiliated companies .....	(4.5)	(2.2)
Extraordinary and other income (expense) .....	(6.1)	(11.9)
<b>Profit before taxes</b> .....	<b>107.7</b>	<b>49.6</b>
Income taxes.....	(62.9)	(51.5)
Minority interests.....	1.3	3.0
<b>Net profit (loss) for the year</b> .....	<b>46.1</b>	<b>1.1</b>

The reclassified consolidated balance sheets of Gruppo Editoriale L'Espresso S.p.A. as at 31st December, 2002 and 31st December, 2001 are set forth in the following table.

	31st December, 2002	31st December, 2001
	<i>(euro millions)</i>	
Tangible assets, net .....	136.6	129.3
Deferred costs .....	44.5	64.8
Premiums paid for names of publications .....	285.7	295.2
Consolidation adjustments.....	28.3	30.1
Investments, net.....	26.5	28.3
Own shares .....	8.2	2.8
Trade receivables, net .....	223.3	252.5
Inventories .....	33.6	34.7
Trade payables .....	(147.4)	(165.8)
<b>Net operating assets</b> .....	<b>109.5</b>	<b>121.4</b>
Income tax (payable)/receivable .....	(1.7)	6.8
Other tax (payable)/receivable .....	3.6	(10.0)
Due to employees and social security institutions .....	(37.2)	(36.6)
Reserve for severance indemnities and similar .....	(92.6)	(87.0)
Other reserves .....	(24.2)	(18.6)
Other assets/(liabilities) .....	(12.7)	(11.6)
<b>Net capital invested</b> .....	<b>474.5</b>	<b>514.9</b>
Cash and short-term investments .....	181.3	137.5
Short-term debt .....	(10.6)	(19.2)
Medium/long-term debt.....	(233.6)	(229.6)
<b>Net financial position</b> .....	<b>(62.9)</b>	<b>(111.3)</b>
Capital stock .....	64.6	64.6
Other reserves .....	291.2	326.7
Net profit (loss) for the year .....	46.1	1.1
<b>Shareholders' equity</b> .....	<b>401.9</b>	<b>392.4</b>
<b>Minority interests in shareholders' equity</b> .....	<b>9.7</b>	<b>11.2</b>

### **The Divisions**

The following is a description of each of the divisions within the L'Espresso Group.

#### (a) *La Repubblica Division*

*La Repubblica*, published by Editoriale la Repubblica S.p.A., is Italy's largest national newspaper in terms of readership and has an average circulation of 623,000 daily copies in 2002 (as compared to 651,000 copies in 2001).

In 2002, Editoriale la Repubblica S.p.A. reported total revenues of €481.1 million compared to €429.5 million in 2001, representing an increase of 12.0 per cent. With respect to advertising revenues, demand for colour space in the paper remained in line with that of 2001 notwithstanding the advertising crisis.

The operating income of the division in 2002, which was €89.3 million, showed a sharp improvement compared with the figure of €51.5 million in 2001 (an increase of 73.4 per cent.). This growth was principally due to the following factors: the rise in circulation revenues which resulted from the rise in the price of the newspaper and from the performance of the *la Biblioteca di Repubblica* initiative; the decision to eliminate promotional materials

given away free with the paper; and action taken to contain and cut operating costs plus the fall in the purchase price of paper.

(b) *Local Newspaper Division*

The L'Espresso Group's local newspaper division publishes 16 local newspapers which are owned by Finegil Editoriale S.p.A. and Seta S.p.A. In aggregate, the dailies published by the local newspaper division had an average circulation in 2002 of 491,000 copies (as compared to an average of 508,000 copies in 2001).

Consolidated revenues of the local newspaper division rose from €233.8 million in 2001 to €239.3 million in 2002, an increase of 2.3 per cent. The increase was largely due to the increase in circulation revenues resulting from an increase in the retail price of the papers introduced between the end of 2001 and March 2002. This price increase also brought about a decline in average circulation which fell to approximately 491,000 copies per issue in 2002 from 508,000 in 2001.

Advertising revenues declined slightly compared with the previous year, although performance was better than that of the market in general. Sales of colour advertising space grew by 13 per cent. compared to 2001.

Operating income of the local newspaper division rose from €30.2 million in 2001 to €36.9 million in 2002 (an increase of 22.2 per cent.). The ratio of operating income to total sales went up from 12.9 per cent. to 15.4 per cent. due to cost-cutting activities and to the positive effect of the fall in the purchase price of paper.

(c) *L'Espresso Division*

The L'Espresso Division includes the Italian weekly magazine *L'Espresso*, together with a number of smaller magazines including *Le Guide*, *Limes* and *Micromega*. *L'Espresso* is one of the leading Italian weekly news magazines in terms of circulation (after *Panorama*), with an average circulation per issue of 388,000 copies per issue in 2002 (representing a decline of 10.0 per cent. from 2001).

The L'Espresso Division recorded revenues of €89.9 million in 2002, down by 8.1 per cent. compared with the figure of €97.9 million for 2001.

The operating income of the division totalled €6.7 million (compared to €8.0 million in 2001, a decrease of 15.5 per cent.) and, apart from the fall in advertising revenues, was also affected by the decline in circulation revenues resulting from fewer issues and lower sales of optional extras. The fall in revenues was in part offset by cost-cutting activities, by the positive impact of the decision to bring the management of distribution to newsagents and subscriptions back into the group and by the fall in the purchase price of paper.

(d) *Radio Division*

The L'Espresso Group's radio interests include *Radio DeeJay*, the radio station having the second largest audience in Italy. Audience share figures for *Radio DeeJay* over 2002 averaged approximately 7 million listeners a day (source: Audioradio 2002).

The L'Espresso Group owns three Italian national radio channels, *Radio DeeJay*, *Radio Capital* and *m2o* and two minor stations outside Italy. *Radio DeeJay* mainly targets young people and students, while *Radio Capital* is focused on young adults and *m2o* targets teenagers. With 5.2 million daily listeners, *Radio DeeJay* is the largest commercial radio station in Italy. Together with *Radio Capital* (1.6 million listeners) and *m2o* (0.5 million listeners), they form the leading private radio group in Italy by number of listeners, second only to the state-owned RAI.

In 2001, Ele TV, controlled by L'Espresso, started broadcasting *DeeJay TV*, a digital music TV channel that follows the successful model of *Radio DeeJay*.

The Radio Division recorded revenues of €47.6 million in 2002, down by 4.8 per cent. compared with the figure of €50.0 million for 2001.

The operating income of the division in 2002, which was €8.6 million, showed a decline compared with €9.9 million in 2001 (a decrease of 13.1 per cent.).

(e) *Kataweb*

The Group's internet activities are concentrated in Kataweb, founded in January 1999 to develop the online editorial and publishing activities of the CIR Group. The company records 192 million pageviews per month (as at January 2003), showing a high penetration in the Italian market. The company is currently undertaking significant restructuring in order to meet the dynamics of the internet market.

In its transition from the start-up phase to that of an internet company with profit objectives, Kataweb has changed the structure of its revenues. In addition to its revenues from the supply of web solutions (which comprise approximately one half of its total revenues) and from the sale of advertising space, it now also sells content and value-added services to individuals and telephone and internet service providers. This business now accounts for about one quarter of Kataweb's revenues. The reorganisation has therefore been following this new business model and has involved an updating of technology and substantial downsizing of all corporate structures and functions, which has halved the loss recorded in 2001 in terms of gross operating margin.

In 2002, consolidated revenues of Kataweb (net of intercompany sales) totalled €25.9 million compared with €27.1 million in the previous year.

The operating income of the division in 2002, which was a loss of €23.7 million, showed an improvement compared with a loss of €34.8 million in 2001 (a decrease of 31.9 per cent. compared to the loss incurred in 2001).

On the basis of a survey carried out and certified by the company Red Sheriff, which specialises in measuring the audiences of internet websites, the Kataweb/L'Espresso group websites had 192 million pageviews in the month of January 2003 with 4.3 million individual users per month.

### **The Sogefi Group**

Sogefi S.p.A. and its direct and indirect subsidiaries (together, the **Sogefi Group**) manufacture filters and suspension auto components for motor vehicles in plants throughout Europe, South America and Asia. The Sogefi Group operates in the **original equipment market** (sales of parts to motor vehicle manufacturers to include in the production of new motor vehicles), the **original equipment spares market** (sales of vehicle manufacturer-branded spare parts) and the **after market** (sales of spare parts other than vehicle manufacturer-branded spare parts).

### **Recent Financial Results**

*Audited Consolidated Financial Statements of Sogefi S.p.A. as at and for the Year ended 31st December, 2002*

Consolidated sales revenues for 2002 of the Sogefi Group were €905.6 million, an increase of 33.4 per cent. compared with the figure of €678.7 million reported in the previous year. Consolidated net income was €23.5 million, up from €16.1 million in 2001.

In 2002, the consolidation included the Filtrauto Group, acquired in October of 2001, and the company Shangai Alleverd Springs, previously consolidated using the equity method.

Consolidated revenues of the Sogefi Group per business segment for the years ended 31st December, 2002 and 2001 are as set out in the table below.

	For the year ended				Change
	31st December, 2002		31st December, 2001		
	<i>Amount (euro millions)</i>	<i>percentage of total revenues</i>	<i>Amount (euro millions)</i>	<i>percentage of total revenues</i>	
Filters .....	502.5	55.5	263.0	38.7	91.1
Suspension components .....	392.2	43.3	404.3	59.6	(3.0)
Other .....	10.9	1.2	11.4	1.7	(4.4)
<b>Total</b> .....	<u>905.6</u>	<u>100.0</u>	<u>678.7</u>	<u>100.0</u>	<u>33.4</u>

The Sogefi Group operates globally, with particular emphasis on Europe, South America and Asia. The revenues of the Sogefi Group for the periods indicated may be broken down geographically as set out in the following table.

	For the year ended					
	31st December, 2002		31st December, 2001		Change	
	<i>Amount (euro millions)</i>	<i>percentage of total revenues</i>	<i>Amount (euro millions)</i>	<i>percentage of total revenues</i>	<i>Actual (euro millions)</i>	<i>percentage change 2002/2001</i>
Italy.....	147.4	16.3	117.1	17.3	30.3	25.9
Other European Countries ..	659.2	72.8	448.0	66.0	211.3	47.1
Rest of World .....	99.0	10.9	113.6	16.7	(14.6).	(12.9)
<b>Total .....</b>	<b>905.6</b>	<b>100.0</b>	<b>678.7</b>	<b>100.0</b>	<b>226.9</b>	<b>33.4</b>

Consolidated operating income for 2002 totalled €77.6 million (8.6 per cent. of sales), up by 34.4 per cent. compared with the figure of €57.7 million (8.5 per cent. of sales) reported in 2001.

Consolidated shareholders' equity at 31st December, 2002 was €187.9 million compared with €209.3 million at 31st December, 2001. This change is the combined result of the net income for the period of €23.5 million less €13.3 million from the distribution of dividends and less €31.6 million mainly due to the impact of the devaluation of certain South American currencies and the fall in the value of the British pound.

As at 31st December, 2002, net consolidated financial indebtedness of Sogefi S.p.A. amounted to €241.5 million, compared with €274.5 million as at the end of 2001.

The costs of researching and developing new products and processes totalled €16.2 million during 2002, compared with €10.2 million in 2001, largely as a result of the impact of the consolidation of the Filtrauto Group.

As at 31st December, 2002 the Sogefi Group employed 6,703 people, 580 less than the 7,283 on the payroll at 31st December, 2001.

The reclassified consolidated income statements of Sogefi S.p.A. for the years ended 31st December, 2002 and 31st December, 2001 are set out in the following table.

	For the year ended	
	31st December, 2002	31st December, 2001
	<i>(euro millions)</i>	
Sales.....	905.6	678.7
Cost of production.....	660.9	504.1
<b>Gross Industrial Income .....</b>	<b>244.7</b>	<b>174.6</b>
Sale costs, overheads and administrative costs .....	167.1	116.9
<b>Operating Income .....</b>	<b>77.6</b>	<b>57.7</b>
Financial expenses – net .....	(14.9)	(15.9)
Miscellaneous expenses – net .....	(4.9)	(0.3)
Extraordinary expenses – net .....	(6.4)	(9.3)
<b>Income Before Taxes and Minority Interests .....</b>	<b>51.4</b>	<b>32.2</b>
Income taxes .....	25.9	14.7
<b>Income Before Minority Interests .....</b>	<b>25.5</b>	<b>17.5</b>
Loss (income) attributable to minority interests .....	(2.0)	(1.4)
<b>Net Income for the Year .....</b>	<b>23.5</b>	<b>16.1</b>

The reclassified consolidated balance sheets of Sogefi S.p.A. as at 31st December, 2002 and 31st December, 2001 are set forth in the following table.

	As at	
	31st December, 2002	31st December, 2001
	<i>(euro millions)</i>	
Short-term operating assets .....	361.6	372.3
Short-term operating liabilities .....	(226.8)	(217.7)
<b>Net Working Capital</b> .....	<b>134.8</b>	<b>154.6</b>
Equity investments (including treasury stock) .....	13.1	16.4
Intangible and tangible fixed assets .....	372.9	415.4
<b>Capital Invested</b> .....	<b>520.8</b>	<b>586.4</b>
Other medium and long-term liabilities .....	(78.9)	(92.3)
<b>Capital Invested – Net</b> .....	<b>441.9</b>	<b>494.1</b>
Financial indebtedness – net .....	241.5	274.5
Shareholders' equity – minority interests .....	12.5	10.3
Consolidated shareholders' equity -group .....	187.9	209.3
<b>Total</b> .....	<b>441.9</b>	<b>494.1</b>

### *The Divisions*

The Sogefi Group's core business units are the filter division, which manufactures mainly oil and air filters, and the suspension division, which manufactures suspension components such as coil and leaf springs and stabiliser bars. A very minor part of the production is represented by horns, silencers and sports car accessories.

#### *Filter Division*

The Sogefi Group's filter division produces filters under the brand names "Fiaam", "Fram", "Coopers", "Pbr", "Purflex", "Tecnocar", "Savara" and "Crossland", and includes a wide range of filters for automotive application: oil, fuel, diesel, air, cabin and hydraulic. The Sogefi Group's operations in this sector are mainly concentrated in Italy, the United Kingdom, France and Spain. As at 31st December, 2002, the Sogefi Group was a co-leader in the production of filters with an estimated 38 per cent. market share in Europe and an estimated 8 per cent. market share world-wide (*source*: management estimates).

In 2002, the filter division achieved revenues, net of intercompany sales, of €502.5 million, up by 91.1 per cent. compared with the previous year when it reported a figure of €263 million (without the Filtrauto Group). On the same basis of consolidation and with the same exchange rates, revenues would have been €275.5 million (an increase of 4.8 per cent.).

The net income of the division was €24.2 million (4.8 per cent. of sales), up from €14.8 million (5.6 per cent. of sales) in 2001.

#### *Suspension Component Division*

The Sogefi Group's suspension components division produces such items as leaf springs, coil springs, stabilisers and torsion bars for various types of motor vehicles, railway coaches and wagons. As at 31st December, 2002, the Sogefi Group's suspension components division was the largest producer of suspension components in Europe with an estimated 40 per cent. market share (and 11 per cent. of the market world-wide) (*source*: management estimates).

The suspension components and precision spring division, whose sales are essentially directed at the original market, suffered the effects of the downturn in demand by vehicle manufacturers. Sales revenues of the division amounted to €392.2 million, down by 3 per cent. from the figure of €404.3 million of the previous year. On the same basis of consolidation (in 2001 the company Shangai Allevard Springs was consolidated only by the equity

method) and with the same exchange rates sales revenues would have been €399.4 million (a decrease of 1.2 per cent.).

The net income of the division was €34.7 million (8.9 per cent. of sales), up from €33.2 million (8.2 per cent. of sales) in 2001.

### **Energia Group**

Energia is a new participant in the Italian electricity and natural gas market. Founded in July 1999 by CIR and Verbund (the leading Austrian electricity operator), Energia S.p.A. (**Energia**) has experienced significant growth and has established itself as a leading operator in the Italian eligible (or “open”) energy market.

Energia started supplying electricity to businesses on 1st January, 2000 and now has more than 1,100 clients throughout the country (mainly individual companies or consortia of businesses). In November 2001, Energia began supplying natural gas to industrial clients, after signing important long-term agreements with the Eni Group of Italy for the import of gas.

Energia is actively moving into the electricity generation business through two recently-purchased hydroelectric plants in Valle d’Aosta (Italy) and by developing a 800 MW CCGT plant project in Molise (Italy), Energia, jointly with domestic and international partners, also successfully bid for Tirreno Power (formerly Interpower), the third of the electricity generation companies which Italian market leader and former Italian state-owned monopoly power provider Enel was forced to divest due to regulatory requirements.

Commencing in 1999, the Italian electricity sector has undergone a radical transformation from a state-run monopoly to a regulated competitive market. Legislation regarding further deregulation in the Italian electricity sector was approved in April 2002. Energia’s strategy is directed at exploiting opportunities created by this liberalisation.

In 2002, Energia distributed a total amount of 5,302 GWh of energy and 781 million cubic metres of natural gas as compared to 3,777 GWh and 113 million cubic metres of energy and natural gas, respectively, in 2001.

### **Recent Financial Results**

#### *Audited Financial Statements of Energia as at and for the Year ended 31st December, 2002*

Energia is exempted from the preparation of consolidated financial statements as consolidated financial statements are prepared by CIR, its parent company. Management believes that the non-consolidated financial statements of Energia are representative of the results of the Energia Group as at and for the years ended 31st December, 2002 and 2001. The consolidated results of the Energia Group are, in any event, reflected in the consolidated financial statements of CIR starting as at and for the year ended 31st December, 2002.

During 2002, Energia recorded sales revenues of €572.8 million, an increase of 79.3 per cent. compared with the figure of €319.5 million of the previous year.

The net income for 2002 was €13.8 million, in line with the figure of €13.9 million reported in the previous year.

The following table sets forth a breakdown of revenues for Energia for the periods indicated.

	For the year ended				Change
	31st December, 2002		31st December, 2001		
	<i>Amount</i>	<i>percentage</i>	<i>Amount</i>	<i>percentage</i>	<i>percentage</i>
	<i>(euro</i>	<i>of total</i>	<i>(euro</i>	<i>of total</i>	<i>change</i>
	<i>millions)</i>	<i>revenues</i>	<i>millions)</i>	<i>revenues</i>	<i>2002/2001</i>
Electricity .....	427.9	74.7	295.7	92.6	44.7
Gas .....	144.9	25.3	23.8	7.4	508.8
<b>Total</b> .....	<b>572.8</b>	<b>100.0</b>	<b>319.5</b>	<b>100.0</b>	<b>79.3</b>

The gross operating margin rose 11.2 per cent. from €25.9 million in 2001 to €28.8 million in 2002, mainly due to the positive results obtained from the marketing and sale of natural gas. The profitability margins of the

electricity sector were negatively impacted by the fall in the average prices of reference oil products (following the oil price trend in the first half of the year), by heightened competition in the sector and by the different mix of electricity purchased.

Operating income for 2002 was €25 million, an increase of 6.8 per cent. compared with €23.4 million in the previous year.

Shareholders' equity rose from €22.1 million at 31st December, 2001 to €30.6 million at 31st December, 2002, an increase of 38.5 per cent.

As at 31st December, 2002 the group had 60 employees compared with the 45 on the payroll at 31st December, 2001.

The reclassified income statements of Energia for the years ended 31st December, 2002 and 31st December, 2001 are set forth in the following table.

	For the year ended	
	31st December, 2002	31st December, 2001
	<i>(euro thousands)</i>	
<b>Sales revenues</b> .....	572,787	319,490
Other revenues and income .....	5,552	2,289
<b>Net revenues</b> .....	578,340	321,779
Change in inventories .....	4,374	0
Additions to internally produced fixed assets .....	0	0
<b>Value of production</b> .....	582,714	321,779
Consumption of raw materials .....	(538,096)	(285,917)
Services .....	(9,191)	(5,604)
Lease and rental and other miscellaneous costs .....	(1,729)	(780)
<b>Added value</b> .....	33,697	29,478
Labour costs.....	(4,866)	(3,572)
of which: <i>Severance Indemnity (TFR)</i> .....	(243)	(166)
<b>Gross operating margin</b> .....	28,832	25,906
Amortisation, depreciation and write-downs of fixed assets .....	(805)	(345)
Provisions to reserves for write-downs of receivables .....	(1,082)	(746)
Provisions to reserves for risks and losses .....	(1,995)	(1,406)
<b>Operating income – net</b> .....	24,950	23,409
Financial income (expenses) – net .....	(1,033)	277
Revaluation (write-down) of financial assets .....	0	0
<b>Income before extraordinary items and taxes</b> .....	23,918	23,686
Extraordinary income (charges) .....	0	(60)
<b>Income before taxes</b> .....	23,918	23,626
Income taxes for the period. ....	(11,041)	(10,268)
Deferred tax credits (payables) .....	896	588
<b>Net income for the period</b> .....	13,772	13,946
Income (loss) for the period – minority interests .....	0	0
<b>Net income (loss) for the period</b> .....	13,772	13,946

The reclassified balance sheets of Energia as at 31st December, 2002 and 31st December, 2001 is set forth in the following table.

	As at	
	31st December, 2002	31st December, 2001
	(euro thousands)	
<b>Fixed assets – net</b>		
Intangible fixed assets – net .....	1,676	952
Tangible fixed assets – net .....	4,214	447
Financial fixed assets – net .....	22,962	1,578
	<u>28,852</u>	<u>2,977</u>
<b>Net working capital</b>		
Inventories .....	4,374	0
Trade receivables .....	157,630	86,449
Other assets .....	38,306	21,288
Accrued income and prepaid expenses .....	754	457
Reserves for risks and losses .....	(1,995)	(3,230)
Trade payables .....	(148,017)	(86,641)
Other liabilities .....	(7,437)	(14,526)
Accrued expenses and deferred income .....	(145)	(1)
	<u>43,470</u>	<u>3,796</u>
<b>Medium/long term liabilities</b>		
Employee severance indemnity .....	(429)	(230)
.....	(429)	(230)
<b>Net capital invested</b> .....	<u>71,892</u>	<u>6,542</u>
<b>Financed by:</b>		
<b>Shareholders' equity</b>		
Shareholder receivables .....	0	0
Share capital .....	(5,431)	(5,355)
Additional paid-in capital .....	(141)	(88)
Legal reserve .....	(967)	(270)
Other reserves .....	0	0
Retained (earnings) losses .....	(10,288)	(2,394)
(Net income) loss for the period .....	(13,772)	(13,946)
	<u>(30,600)</u>	<u>(22,053)</u>
<b>Net financial debt</b>		
Medium/long terms loans .....	(25,000)	0
Short-term loans .....	(30,292)	0
Financial assets not classified as fixed assets .....	0	0
Cash and cash equivalents .....	0	15,511
Financial receivables .....	14,000	0
	<u>(41,292)</u>	<u>15,511</u>
<b>Total sources of funds – net</b> .....	<u><u>(71,892)</u></u>	<u><u>(6,542)</u></u>

### **The Divisions**

#### **(a) Energy Division**

Energia has operated as a wholesaler of electric power on the eligible customer market (single industrial users or consortia of companies) since January 2000. The company is currently pursuing an aggressive business

development strategy and is undertaking considerable marketing efforts that have already yielded the third largest share in the Italian eligible customers market. Industrial development programmes include the consolidation of supply through agreements with energy suppliers and the move into the energy generation business through acquisition of plants and development of new projects. In 2002, Energia acquired two hydroelectric plants in Valle d'Aosta (Italy) and successfully bid, jointly with Electrabel and Acea, for Tirreno Power, an electricity generation company owned by Enel. Tirreno Power has a net installed capacity of 2,611 MW derived from three thermoelectric power plants and a group of hydroelectric power stations. Based on the agreement reached with its industrial partners, Energia will be entitled to 40 per cent. of the total electricity produced by Tirreno Power. With this additional capacity, Energia will become the fifth largest generator of power in Italy. The total cost of Tirreno Power amounted to €853 million, including €318 million of assumed debt.

In October 2002, Energia also received administrative clearance for its project of a new CCGT plant in Molise (Italy) that will provide a total generating capacity of 800 MW.

During 2002, authorisation procedures were commenced for new greenfield projects for a number of thermoelectric power plants.

(b) *Gas Division*

Energia started its gas wholesaling activity in November 2001. At the end of 2000, the CIR Group signed an agreement with the Eni Group to import 2 billion cubic metres per year of gas (starting from 2004). A second contract with the Eni Group was signed in April 2001 in order to secure enough gas supply to start distribution before the end of 2001. Further agreements were established with Snam Rete Gas which provides network connections with users in Italy. Although it operated for only a short period in 2001, the gas division distributed 113 million cubic metres of gas. This figure increased to 781 million cubic metres in 2002.

## **Other Activities and Investments**

### ***The Dry Products Group***

CIR controls Dry Products S.p.A., the parent company of the Dry Products Group in which it holds a 55 per cent. interest. The Dry Products Group consists of the parent company, Dry Products S.p.A., and its direct and indirect subsidiaries and is a global producer and seller of numerous kinds of food, bakery and packaging machinery.

### ***Sasib Group***

CIR holds a 100.0 per cent. stake in Sasib S.p.A., the parent company of the Sasib Group. The Sasib Group is a manufacturer of tobacco packaging equipment.

### ***H3G***

The CIR Group (through CIRTEL International, a Luxembourg company 100 per cent. owned by the Issuer) has a 1.66 per cent. stake in the share capital of H3G (Hutchison 3G Italia S.p.A.). Through its operating subsidiary H3G S.p.A., H3G holds one of the UMTS third generation mobile telephone licences awarded in October 2000. The first phase of the launch of the services began at the beginning of 2003.

CIR, in its capacity as a shareholder of H3G, extended loans to H3G in 2000 for a total amount equal to €373 million. The loans, which matured in November 2001, have not yet been repaid. CIR and H3G are currently involved in arbitration proceedings. Management is confident that the arbitration proceedings will be resolved in CIR's favour but it is unclear when a decision will be made.

### ***Medinvest Plc***

CIR controls Medinvest Plc, a fund of hedge funds listed in Dublin, which collects the permanent surplus cash of the CIR Group and invests it in hedge funds.

## ***CIR Ventures***

During 2002 a US venture capital fund, CIR Ventures L.P. (**CIR Ventures**), was set up in order to give a more suitable and more streamlined structure to the Group's management of direct venture capital investments in the technology sector.

## **RECENT DEVELOPMENTS**

Set out below is an English translation of the text of a press release in relation to the results of the CIR Group as at and for the three months ended 31st March, 2003. The results have not been subject to external review. The press release was issued by CIR on 30th April, 2003.

“Today in Turin, a meeting was held of the Board of Directors of CIR, chaired by Mr Carlo De Benedetti, in order to examine the results of the Group as of March 31 2003.

In the first quarter CIR achieved **consolidated net income** of 16.5 million Euros, which compares with earnings of 8 million Euros in the same period of 2002. This result benefited from extraordinary gains, net of tax, of around 7.9 million Euros resulting from the sale of two non-instrumental real-estate properties for the business, belonging to the parent company of the CIR Group.

It is worth pointing out that the first quarter results of the CIR Group are affected by the seasonal nature of certain business sectors in which the Group operates and that as from 2003 the parent company of the CIR Group will be fully liable to taxation since the losses that it could carry forward have now come to an end.

Contributions from subsidiaries contributed significantly to this net result for the quarter, coming in at a positive 5.4 million Euros, which was substantially in line with the figure of 5.7 million reported for first quarter 2002.

## **Media**

In the first quarter the **Espresso Group** confirmed good performance, contributing 2 million Euros to CIR earnings compared with the figure of 1.9 million in the first quarter of 2002. This result was obtained despite a decline of 6.7% in advertising revenues thanks to good circulation figures for national and local newspapers, thanks also to the publishing works sold as optional extras to *La Repubblica* and *L'Espresso*, to operating cost cutting measures, to the fall in the price of paper and to the lower operating loss of Kataweb (3.4 million Euros compared with 6.4 million in the first quarter of 2002).

## **Utilities**

The **Energia Group** is continuing to develop its business in the electricity sector in a most positive way and yet again significant increases were recorded in sales volumes on the free market compared with first quarter 2002. However, earnings for the sector were affected by ever greater competition in the market. In the natural gas sector too sales volumes rose significantly (up by over 80% on the first quarter 2002), in line with growth targets of the Group, Sales to end users and to distribution companies both experienced a high level of growth.

For the first quarter of 2003, Energia for the first time prepared a set of consolidated accounts, which include among the other investments the shareholding in the subsidiary Energia Italiana which, in turn, holds 50% of Tirreno Power acquired from Enel in January of this year. The holding in Tirreno Power has not, however, been consolidated yet because the financial statements of Tirreno Power as of December 31 2002 are not yet available due to the recent closing of the acquisition.

As a result of the change in the basis of consolidation as well as of the lower profit margin on the sale of electricity for the reasons indicated above, the contribution of the Energia Group to the CIR result was 1.9 million Euros, compared with the 3.6 million of the corresponding period of 2002.

## **Automotive components**

The results of the **Sogefi Group** were also positive, substantially confirming its contribution to CIR income with a figure of 4.3 million Euros in first quarter 2003 compared with 4.6 million Euros in the same period of 2002.

This result is particularly important in view of the difficult situation that continues to weigh on international vehicle markets, causing sales volumes to decline. The Sogefi Group was able to achieve this performance thanks to the reduction of structure costs resulting from the restructuring put in place during 2002, which enabled the group to improve its profitability ratios.

The **consolidated balance sheet** of CIR (with equity investments valued using the equity method) as of March 31 2003 shows financial fixed assets of 618.8 million Euros (compared with 543.6 million Euros at December 31 2002 and 549.2 million Euros at March 31 2002) and net capital invested of 993.8 million Euros (938.9 million Euros at December 31 2002 and 950.1 million Euros at 31st March, 2002), financed for 862.7 million Euros by shareholder's equity (848.8 million Euros at December 31 2002 and 837 million Euros at March 31 2002) and for 131.1 million Euros by aggregate net financial debt, relating to CIR SpA and the wholly owned financial companies (90.1 million Euros at December 31 2002 and 113.1 million Euros at March 31 2002).

The increase of 41 million Euros in the net debt figure compared with December 31 2002 was caused mainly by the capital increase of 69.7 million Euros approved by the subsidiary Energia Holding and put into effect in January 2003, with the purpose of indirectly financing the acquisition of the holding in Tirreno Power. This was offset by a cash inflow of 25.8 million Euros from the above-mentioned sale of the two CIR real estate properties in February 2003.

**Consolidated revenues** of the CIR Group in first quarter 2003 came in at 678.8 million Euros and compare with the figure of 610.4 million Euros recorded in the first three months of 2002 (+11.2%). On the same basis of consolidation and with the same exchange rates, consolidated revenues rose from 610.4 million Euros in the first quarter of 2002 to 692.8 million Euros in the same period of 2003, a rise of 13.5%. This improvement is especially due to the Energia Group which contributed some 77 million Euros.

At March 31 2003 the CIR Group had 10,660 **employees** on the payroll, compared with 10,728 at December 31 2002.

As far as the outlook for the businesses of the CIR Group is concerned, continuing uncertainty linked to the macroeconomic scenario, the geopolitical situation and the negative trend of certain sectors in which the Group operates do not allow us to forecast any significant margins of recovery or any improvement on last year. However the Group is expected to benefit in 2003 from the effects of its business development and from action taken to cut operating costs.

Turin, 30th April, 2003

**CIR GROUP: RECLASSIFIED ACCOUNTS  
AS OF MARCH 31 2003**

CONSOLIDATED BALANCE SHEET \*

	31 March 2003	31 December 2002	31 March 2002
	<i>(in millions of Euros)</i>		
	<b>(Unaudited)</b>		
Equity investments (including treasury stock).....	618.8	543.6	549.2
Tangible and intangible fixed assets – net .....	11.7	25.9	25.1
Balance of receivables and payables, accruals and deferrals and miscellaneous reserves .....	363.3	369.4	375.8
<b>NET CAPITAL INVESTED</b> .....	<u>993.8</u>	<u>938.9</u>	<u>950.1</u>
<b>SHAREHOLDERS' EQUITY</b> .....	<u>862.7</u>	<u>848.8</u>	<u>837.0</u>
<b>AGGREGATE NET FINANCIAL INDEBTEDNESS</b> .....	<u>(131.1)</u>	<u>(90.1)</u>	<u>(113.1)</u>

\* with equity investments valued using the equity method.

CONSOLIDATED STATEMENT OF INCOME \*

	1st Quarter 2003	1st Quarter 2002	Change
	(in millions of Euros)		
	<b>(Unaudited)</b>		
Net contributions from subsidiaries .....	5.4	5.7	(0.3)
Financial income and expenses – net.....	2.2	(6.8)	9.0
Gains and losses from trading and marketing to market securities portfolio .....	3.0	10.9	(7.9)
Operating costs – net .....	(2.6)	(1.5)	(1.1)
Amortisation and depreciation .....	(0.1)	(0.3)	0.2
Other income and expenses – net .....	13.1	-	13.1
<b>INCOME (LOSS) BEFORE TAXES</b> .....	<b>21.0</b>	<b>8.0</b>	<b>13.0</b>
<b>TAXES FOR THE PERIOD</b> .....	<b>(4.5)</b>	<b>-</b>	<b>(4.5)</b>
<b>NET INCOME (LOSS)</b> .....	<b>16.5</b>	<b>8.0</b>	<b>8.5</b>

\* with equity investments valued using the equity method”

## DIRECTORS

The Board of Directors of the Guarantor has the ultimate responsibility for the administration of its affairs.

The current Board of Directors of the Guarantor and their respective functions, together with their principal outside offices are as follows:

<i>Name</i>	<i>Title</i>	<i>Principal Offices Outside of the Guarantor</i>
Carlo De Benedetti	Chairman	President of Cofide S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. President of Sogefi S.p.A. President of CDB Web Tech S.p.A. Director of Valeo S.A. Director of Pirelli S.p.A. Director of Banca Intermobiliare S.p.A.
Rodolfo De Benedetti	Managing Director and CEO	Managing Director of Cofide S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. Director of Sogefi S.p.A. President of Energia S.p.A. Vice President of Hutchison 3G Italia S.p.A.
Franco Debenedetti	Director	Director of Cofide S.p.A.
Pierluigi Ferrero	Director	Director of Cofide S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. Director of Sogefi S.p.A.
Giovanni Germano	Director	Director of Sogefi S.p.A.
Franco Girard	Director	Director of Cofide S.p.A. Director of Sogefi S.p.A. Director of Gruppo Editoriale L'Espresso S.p.A. Vice President of CDB Web Tech S.p.A. Director of Aedes S.p.A.
Paolo Mancinelli	Director	Director of Gruppo Editoriale L'Espresso S.p.A.
Luca Paravicini Crespi	Director	Managing Director of Kairos Partners SGR S.p.A.

<i>Name</i>	<i>Title</i>	<i>Principal Offices Outside of the Guarantor</i>
Claudio Recchi	Director	Director of Pirelli & C. Real Estate S.p.A. Director of Toro Assicurazioni S.p.A. Director of Aon Italia S.p.A.
Massimo Segre	Director	Director of Cofide S.p.A. Director of CDB Web Tech S.p.A. Director of Aedes S.p.A. Director of Banca Intermobiliare S.p.A. Director of Borsa Italiana S.p.A.
Umberto Zanni	Director	President of Air Liquide Italia S.r.l. Member of the Supervisory Board of Deutsche Bank (Italia)

## **LITIGATION**

Certain CIR Group companies have various litigation claims pending of a fiscal and/or non-fiscal nature with clients and/or with other parties connected with their normal business activities. In the view of the directors of the Guarantor, these claims are not material with respect to the Guarantor or the CIR Group.

With respect to approximately 95 per cent. of the claims outstanding against the CIR Group brought by the Italian tax authorities, CIR elected to avail itself of tax amnesty provisions contained in the Italian budget (*Legge Finanziaria*) for 2003. Pursuant to these provisions, CIR made certain payments, and the suits of the Italian tax authorities in relation to which tax amnesty was claimed were permanently resolved.

All litigation which in the opinion of the Issuer or the Guarantor is likely to be material with respect to the financial position of the company involved is, in the view of the directors of the Issuer and the Guarantor, adequately covered by the risk reserves of those respective companies.

**FINANCIAL INFORMATION OF CIR S.p.A. AND THE CIR GROUP**

**CIR S.p.A.**

**AUDITED CONSOLIDATED INCOME STATEMENTS**

For the years ended 31st December, 2002 and 31st December, 2001

	2002	2001
	<i>(euro thousands)</i>	
<b>(A) REVENUES</b>		
1. Revenues from sales and services .....	2,581,957	2,078,628
2. Change in inventories of work in process, semi-finished and finished goods +/- .....	3,672	5,182
3. Change in contracted work in progress +/- .....	447	1,522
4. Increases in fixed assets resulting due to internal processing .....	15,208	14,870
5. Other revenues and income		
a. Operating grants .....	4,316	1,043
b. Other .....	41,371	42,155
<b>Total other revenues and income</b> .....	<u>45,687</u>	<u>43,198</u>
<b>TOTAL REVENUES (A)</b> .....	<u>2,646,971</u>	<u>2,143,400</u>
<b>(B) OPERATING EXPENSES</b>		
6. Raw materials, secondary materials, consumables and goods.....	1,154,048	837,025
7. Services .....	509,501	502,878
8. Lease and rental expenses .....	67,258	51,274
9. Personnel expenses:		
a. Salaries and wages.....	379,022	338,004
b. Social Security contributions.....	107,910	95,041
c. Severance indemnity .....	19,056	18,474
d. Retirement and similar benefits.....	6,343	6,186
e. Other expenses.....	9,984	12,085
<b>Total personnel expenses</b> .....	<u>522,315</u>	<u>469,790</u>
10. Amortisation, depreciation and write-downs:		
a. Amortisation of intangible fixed assets .....	44,827	41,608
b. Depreciation of tangible fixed assets.....	73,653	65,115
c. Other write-downs of fixed assets .....	14,585	14,087
d. Write-downs of accounts receivables included in current assets and of cash and cash equivalents .....	7,363	6,726
<b>Total amortisation, depreciation and write-downs</b> .....	<u>140,428</u>	<u>127,536</u>
11. Change in inventories of raw materials, secondary materials, consumables and goods +/-.....	6,714	3,810
12. Risk provisions .....	11,749	12,317
13. Other provisions .....	5,589	4,856
14. Miscellaneous operating expenses.....	21,554	22,648
<b>TOTAL OPERATING EXPENSES (B)</b> .....	<u>2,439,156</u>	<u>2,032,134</u>
<b>OPERATING INCOME (A-B)</b> .....	<u>207,815</u>	<u>111,266</u>

**CIR S.p.A.**

**AUDITED CONSOLIDATED INCOME STATEMENTS (CONTINUED)**

For the years ended 31st December, 2002 and 31st December, 2001

	2002	2001
<i>(euro thousands)</i>		
<b>(C) FINANCIAL INCOME AND EXPENSES</b>		
<b>15. Income from equity</b>		
a. Subsidiaries .....	3,183	2,787
b. Affiliates .....	167	114
c. Other companies .....	56,951	44,600
<b>Total income from equity investment</b> .....	60,301	47,501
<b>16. Other financial income:</b>		
a. <i>from receivables included in fixed assets</i>		
– Subsidiaries .....	7	
– Other companies .....	84	112
<i>Total from receivables included in fixed assets (a)</i> .....	91	112
b. From securities included in fixed assets, which are not classified as equity investments .....	4,796	8,309
c. From securities entered in current assets, that do not constitute investments .....	30,413	25,292
d. Income other than the above .....		
– Subsidiaries .....	460	1,246
– Affiliates .....	3	111
– Other income .....	100,252	121,226
<i>Total income other than the above (d)</i> .....	100,715	122,583
<b>Total other financial income (16)(a+b+c+d)</b> .....	136,015	156,296
<b>17. Interest and other financial expenses</b>		
a. Subsidiaries .....	3,981	
b. Affiliates .....	8	26
c. Other financial expenses .....	176,357	193,202
<b>Total interest and other financial charges (17)</b> .....	180,346	193,228
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C) (15+16-17)</b> .....	15,970	10,569
<b>(D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>		
<b>18. Revaluation:</b>		
a. Of equity investments .....	2,437	1,086
b. Of securities in current assets, which are not classified as equity ....	152	2
<b>Total revaluations</b> .....	2,589	1,088
<b>19. Write-downs</b>		
a. Of equity investments .....	30,463	30,681
b. Of financial fixed assets which are not classified as equity investments .....	4,933	2,091
c. Of securities included in current assets, which are not classified as equity investments .....	4,255	13,462
<b>Total devaluations (19)</b> .....	39,651	46,234
<b>TOTAL ADJUSTMENTS (D) (18-19)</b> .....	(37,062)	(45,146)

**CIR S.p.A.**

**AUDITED CONSOLIDATED INCOME STATEMENTS (CONTINUED)**

For the years ended 31st December, 2002 and 31st December, 2001

	2002	2001
	<i>(euro thousands)</i>	
<b>(E) EXTRAORDINARY GAINS AND LOSSES</b>		
<b>20. Gains</b>		
a. Capital gains from disposal of assets .....	1,518	87,006
b. Other gains.....	21,927	5,531
<b>Total gains (20)</b> .....	23,445	92,537
<b>21. Losses</b>		
a. Capital losses from disposal of assets .....	1,805	4,736
b. Taxes from prior periods .....	1,832	373
c. Other losses .....	17,152	40,478
<b>Total losses (21)</b> .....	20,789	45,587
<b>TOTAL EXTRAORDINARY GAINS AND LOSSES (E) (20-21)</b> .....	2,656	46,950
<b>INCOME (LOSS) BEFORE TAXES (A-B+C+D+E)</b> .....	189,379	123,639
<b>22. Income Taxes for the period</b> .....	(84,585)	(58,403)
<b>23. Income (loss) for the period including minority interests</b> .....	104,794	65,236
<b>24. Loss (income) for the period attributable to minority interests</b> .....	(36,627)	(9,605)
<b>25. NET INCOME (LOSS) FOR THE GROUP</b> .....	68,167	55,631



**CIR S.p.A.**

**AUDITED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

As at 31st December, 2002 and 31st December, 2001

		2002		2001
		<i>(euro thousands)</i>		<i>(euro thousands)</i>
<b>(C) CURRENT ASSETS</b>				
<b>I Inventories</b>				
1. Raw materials, secondary materials and consumables .....		64,919		72,411
2. Work in progress and semi-finished goods .....		33,457		35,528
3. Contracted work in progress .....		27,335		20,611
4. Finished goods and merchandise.....		71,996		74,217
5. Advance payments .....		4,521		3,906
<b>Total inventories (CI) .....</b>		<b>202,228</b>		<b>206,673</b>
<b>II Accounts Receivables</b>	*		*	
1. Clients .....	2,831	640,091	17,393	621,129
2. Subsidiaries .....	3	2,392	3,387	5,133
3. Affiliates .....	–	26	–	692
4. Other .....	17,943	167,179	9,560	140,158
<b>Total Accounts receivables (CII) .....</b>	<b>20,777</b>	<b>809,688</b>	<b>30,340</b>	<b>767,112</b>
<b>III Financial assets which are not classified as fixed assets</b>				
4. Other equity investments.....		29,206		39,870
6. Other securities.. ..		666,308		538,658
7. Financial receivables – Subsidiaries .....		20,831		10,460
8. Financial receivables – Other .....		431,610		408,577
<b>Total financial assets (CIII) .....</b>		<b>1,147,955</b>		<b>997,565</b>
<b>IV Cash and cash equivalents</b>				
1. Bank and post office deposits .....		221,187		266,073
2. Checks .....		356		1,218
3. Cash and valuables on hand .....		1,711		1,025
<b>Total cash and cash equivalents (CIV) .....</b>		<b>223,254</b>		<b>268,316</b>
<b>TOTAL CURRENT ASSETS .....</b>		<b>2,383,125</b>		<b>2,239,666</b>
<b>(D) ACCRUED INCOME AND PREPAID EXPENSES</b>				
1. Bond issuance premiums and other similar financial charges .....		4,342		5,162
2. Other accrued income and prepaid expenses ....		75,497		68,213
		79,839		73,375
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D) .....</b>		<b>79,839</b>		<b>73,375</b>
<b>TOTAL ASSETS (A+B+C+D) .....</b>		<b>3,657,478</b>		<b>3,555,306</b>

\* of which, amounts due beyond the following period

**CIR S.p.A.**

**AUDITED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

As at 31st December, 2002 and 31st December, 2001

	2002	2001	
	<i>(euro thousands)</i>	<i>(euro thousands)</i>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>(A) SHAREHOLDERS' EQUITY</b>			
<b>I Share Capital</b> .....	385,186	385,186	
<b>II Additional paid-in capital</b> .....	3,699	3,699	
<b>III Revaluation reserves</b> .....	–	–	
<b>IV Legal reserve</b> .....	115,969	115,969	
<b>V Reserve for Treasury stock held</b> .....	22,811	22,811	
<b>VI Statutory reserves</b> .....	21	19	
<b>VII Other reserves</b> .....	227,811	237,844	
<b>VIII Retained earnings (losses)</b> .....	25,089	12,348	
<b>IX Net income (loss) for the Group</b> .....	68,167	55,631	
<b>CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP</b> .....	848,753	833,507	
Minority capital and reserves .....	297,306	302,913	
<b>TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP AND MINORITY INTERESTS (A)</b> .....	1,146,059	1,136,420	
<b>(B) RESERVES FOR RISKS AND LOSSES</b>			
1. Retirement and similar obligations .....	21,795	19,444	
2. Taxes .....	21,689	30,534	
3. Other .....	143,703	131,074	
<b>TOTAL RESERVES FOR RISKS AND LOSSES</b> .....	187,187	181,052	
<b>(C) EMPLOYEE SEVERANCE INDEMNITY FUND</b> .....	115,507	111,614	
<b>(D) ACCOUNTS PAYABLES</b> .....	*	*	
1. Bonds.....	765,141	1,102,280	1,117,139
2. Loans from banks .....	207,457	319,463	133,983
4. Loans from other financial institutions .....	16,069	17,902	14,917
5. Advance payments .....	–	32,737	–
6. Trade payables.....	65	492,987	204
7. Notes payable .....	–	4,703	–
8. Payables – subsidiaries .....	–	2,110	–
9. Payables – affiliates.....	–	741	–
10. Taxes payable .....	6,189	63,553	1,229
11. Social security payables .....	–	29,268	–
12. Other payables .....	138	73,754	103
<b>TOTAL PAYABLES (D)</b> .....	995,059	2,139,498	1,267,575

\* of which, amounts due beyond the following period

**CIR S.p.A.**

**AUDITED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

As at 31st December, 2002 and 31st December, 2001

	2002	2001
	<i>(euro thousands)</i>	<i>(euro thousands)</i>
<b>(E) ACCRUED EXPENSES AND DEFERRED INCOME</b>		
1. Other accrued expenses and deferred income....	69,227	57,759
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME (E)</b> .....	<b>69,227</b>	<b>57,759</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A + B + C + D + E)</b> .....	<b>3,657,478</b>	<b>3,555,306</b>
<b>MEMO ACCOUNTS</b>		
<b>1. Guarantees issued</b>		
(a) Guarantees on behalf of		
– Subsidiaries .....	238	7,318
– Affiliates .....	2,726	3,213
– Other .....	85,097	148,399
	88,061	158,930
(b) Bill guarantees.....	–	–
(c) Other guarantees on behalf of:		
– Other .....	11,395	10,015
	11,395	10,015
<b>Total personal loan guarantees issued (1)</b> .....	<b>99,456</b>	<b>168,945</b>
<b>2. Collateral security</b>		
(a) For loans and other third-party debts		
– Others.....	–	385
	–	385
(b) For debt shown in the balance sheet.....	15,730	17,526
(c) For other company obligations .....	12,858	19,999
<b>Total collateral security provided (2)</b> .....	<b>28,588</b>	<b>37,910</b>
<b>3. Commitments</b>		
(a) To purchase .....	124,676	21,984
(b) To sell .....	318,315	408,170
(c) Other .....	15,603	15,130
<b>Total commitments (3)</b> .....	<b>458,594</b>	<b>445,284</b>
<b>4. Risk accounts</b>		
(a) Discounted notes .....	8,778	1,669
(b) Other .....	8,160	20,364
<b>Total risk accounts (4)</b> .....	<b>16,938</b>	<b>22,033</b>
<b>TOTAL MEMO ACCOUNTS</b> .....	<b>603,576</b>	<b>674,172</b>

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED INCOME STATEMENTS**

For the years ended 31st December, 2002 and 31st December, 2001

	2002	2001
	(euro)	(euro)
<b>(A) REVENUES</b>		
1. Revenues from sales and service .....	–	–
2. Change in inventories of work-in-progress, semi-finished and finished goods +(-) .....	–	–
3. Change in contracted work in progress +(-)-	–	–
4. Additions to internally produced fixed assets	–	–
5. Other revenues and income .....	–	–
a. Operating grants .....	–	–
b. Other .....	7,925,586	7,339,155
Total other revenues and income (5) .....	7,925,586	7,339,155
<b>TOTAL REVENUES (A) .....</b>	<b>7,925,586</b>	<b>7,339,155</b>
<b>(B) OPERATING EXPENSES</b>		
6. Raw materials, secondary materials, consumables and goods.....	–	–
7. Services.....	7,083,104	8,638,192
8. Lease and rental expenses .....	248,434	265,608
9. Personnel expenses:		
a. Salaries and wages .....	2,463,752	3,451,731
b. Social Security contributions .....	607,740	642,591
c. Severance indemnity .....	203,724	211,651
d. Retirement and similar benefits.....	–	–
e. Other expenses.....	–	–
Total for personnel (9) .....	3,275,216	4,305,973
10. Amortisation, depreciation and write-downs:		
a. Amortisation of intangible assets .....	40,549	33,189
b. Depreciation of tangible assets .....	1,222,575	1,220,472
c. Other write-downs of fixed assets.....	–	–
d. Write-downs of accounts receivables included in current assets and of cash and cash equivalents .....	–	–
Total amortisation, depreciation and devaluations (10) .....	1,263,124	1,253,661
11. Changes in inventories of raw materials, secondary materials, consumables and goods (+)- .....	–	–
12. Risk provisions.....	2,265,426	3,858,095
13. Other provisions .....	–	–
14. Various operating expenses .....	1,402,530	1,811,669
<b>TOTAL OPERATING EXPENSES (B) .....</b>	<b>15,537,834</b>	<b>20,133,198</b>
<b>OPERATING INCOME (A-B) .....</b>	<b>(7,612,248)</b>	<b>(12,794,043)</b>

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED INCOME STATEMENTS (CONTINUED)**

For the years ended 31st December, 2002 and 31st December, 2001

	2002	2001
	(euro)	(euro)
<b>(C) FINANCIAL INCOME AND EXPENSES</b>		
<b>15. Income from equity investments</b>		
a. Subsidiaries .....	47,888,189	105,257,060
b. Affiliates .....	–	–
c. Other companies .....	19,812,231	33,938,891
<b>Total investment income (15) .....</b>	<b>67,700,420</b>	<b>139,195,951</b>
<b>16. Other financial income:</b>		
a. <i>from receivables included in fixed assets:</i>		
– Subsidiaries .....	–	–
– Affiliates.....	–	–
– Parent companies .....	–	–
– Other companies .....	–	–
<i>Total from receivables included in fixed assets (a) .....</i>	<i>–</i>	<i>–</i>
b. From securities included in fixed assets, which are not classified as equity investments .....	–	–
c. From securities included in current assets, which are not classified as equity investments .....	1,072,545	741,507
d. <i>Income other than the above:</i>		
– Interest and commissions from subsidiaries .....	935,305	2,487,135
– Interest and commissions from affiliates .....	–	–
– Interest and commissions from parent companies .....	–	–
– Interest and commissions from other and miscellaneous income ....	4,947,137	5,251,406
<i>Total income other than the above (d) ....</i>	<i>5,882,442</i>	<i>7,738,541</i>
<b>Total other financial income (16)(a+b+c+d) ..</b>	<b>6,954,987</b>	<b>8,480,048</b>
<b>17. Interest and other financial expenses</b>		
a. Subsidiaries .....	2,830,940	838,714
b. Affiliates .....	–	–
c. Parent companies .....	–	–
d. Others.....	16,170,919	15,535,748
<b>Total interest and other financial expenses (17) .....</b>	<b>19,001,859</b>	<b>16,374,462</b>
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C) (15+16-17) .....</b>	<b>55,653,548</b>	<b>131,301,537</b>

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED INCOME STATEMENTS (CONTINUED)**

For the years ended 31st December, 2002 and 31st December, 2001

	2002	2001
	(euro)	(euro)
<b>(D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS</b>		
<b>18. Revaluation</b>		
a. Of equity investments .....	70,689,946	21,904,746
b. Of financial fixed assets which are not classified as equity investments.....	–	–
c. Of securities included in current assets which are not classified as equity investments .....	–	2,508
<b>Total revaluations (18)</b> .....	70,689,946	21,907,254
<b>19. Write-downs</b>		
a. Of equity investments .....	49,111,160	247,338,549
b. Of financial fixed assets which are not classified as equity investments.....	–	–
c. Of securities included in current assets which are not classified as equity investments .....	–	–
d. Of financial receivables.....	–	–
<b>Total write-downs (19)</b> .....	49,111,160	247,338,549
<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D) (18-19)</b> .....	21,578,786	(225,431,295)
<b>(E) EXTRAORDINARY GAINS AND LOSSES</b>		
<b>20. Gains</b>		
a. Capital gains from disposal of assets .....	1,389,641	168,238,585
b. Other gains.....	56,924	68,226
<b>Total gains (20)</b> .....	1,446,565	168,306,811
<b>21. Losses</b>		
a. Capital losses from disposal of assets .....	9	833,479
b. Taxes from previous periods .....	1,500,000	–
c. Other losses .....	–	3,868,685
<b>Total losses (21)</b> .....	1,500,009	4,702,164
<b>TOTAL OF EXTRAORDINARY GAINS AND LOSSES (E) (20-21)</b> .....	(53,444)	163,604,647
<b>INCOME (LOSS) BEFORE TAXES (A-B+C+D+E)</b> .....	69,566,642	56,680,846
<b>22. Income Taxes for the period</b>		
a. Current taxes .....	(8,100,000)	(1,050,000)
b. Deferred taxes .....	6,700,000	–
<b>26. NET INCOME (LOSS) FOR THE PERIOD</b>	68,166,642	55,630,846

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED BALANCE SHEETS**

As at 31st December, 2002 and 31st December, 2001

	2002	2001
	(euro)	(euro)
<b>ASSETS</b>		
<b>(A) SHAREHOLDER RECEIVABLES FOR PAYMENTS OUTSTANDING</b>		
Called portion .....	-	-
Uncalled portion .....	-	-
<b>TOTAL SHAREHOLDER RECEIVABLES (A) .....</b>	<b>-</b>	<b>-</b>
<b>(B) FIXED ASSETS</b>		
<b>I Intangible fixed assets</b>		
1. Start-up and expansion costs .....	-	-
2. Research, development and advertising costs .....	-	-
3. Industrial patent right and intellectual property rights .....	-	-
4. Concessions, licences, trade marks and similar rights .....	37,595	48,504
5. Goodwill .....	-	-
6. Assets in process and advance payments	-	-
7. Other .....	54,877	75,457
<b>Total intangible assets (BI).....</b>	<b>92,472</b>	<b>123,961</b>
<b>II Tangible assets</b>		
1. Land and buildings .....	15,584,423	16,628,678
2. Equipment and machinery .....	38,307	96,593
3. Industrial and commercial equipment .....	-	-
4. Other assets .....	907,418	946,231
5. Assets in process and advance payments	8,917,673	7,116,108
<b>Total tangible fixed assets (BII).....</b>	<b>25,447,821</b>	<b>24,787,610</b>
<b>III Financial Equity assets</b>		
1. Equity Investments in:		
a. Subsidiaries .....	664,175,581	637,719,424
b. Affiliates.....	-	-
c. Parent companies .....	-	-
d. Other companies .....	162,571	162,591
<i>Total investments (1) .....</i>	<i>664,338,152</i>	<i>637,882,015</i>
2. Accounts Receivables:.....		
a. Subsidiaries .....	-	-
b. Affiliates.....	-	-
c. Parent companies .....	-	-
d. Other companies .....	126,189	120,243
<i>Total accounts receivables (2).....</i>	<i>126,189</i>	<i>120,243</i>
3. Other securities .....	-	-
4. Treasury stock .....	22,811,002	22,811,002
<b>Total financial assets (BIII) .....</b>	<b>687,275,343</b>	<b>660,813,260</b>
<b>TOTAL FIXED ASSETS (B).....</b>	<b>712,815,636</b>	<b>685,724,831</b>

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)**

As at 31st December, 2002 and 31st December, 2001

	2002	2001
	(euro)	(euro)
<b>(C) CURRENT ASSETS</b>		
<b>I Inventory</b>		
1. Raw materials, secondary materials and consumables.....	–	–
2. Work in process and semi-finished goods	–	–
3. Contracted work in progress .....	–	–
4. Finished goods and merchandise.....	–	–
5. Advance payments.....	–	–
<b>Total inventory (CI) .....</b>	<b>–</b>	<b>–</b>
<b>II Accounts Receivables .....</b>	<b>*</b>	<b>*</b>
1. Clients* .....	– 100,883	– 138,967
2. Subsidiaries .....	– 5,229	– 866
3. Affiliates .....	– –	– –
4. Parent companies.....	– –	– –
5. Other .....	– 31,742,654	– 38,374,321
<b>Total accounts receivables (CII) .....</b>	<b>– 31,848,766</b>	<b>– 38,514,154</b>
<b>III Financial assets which are not classified as fixed assets</b>		
1. Equity Investments in subsidiaries .....	–	–
2. Equity Investments in affiliates.....	–	–
3. Equity Investments in parent companies..	–	–
4. Other Equity investments .....	29,204,720	37,610,878
5. Treasury stock .....	–	–
6. Other securities .....	20,127,808	20,166,363
7. Financial receivables – subsidiaries .....	20,281,820	27,257,588
8. Financial receivables – affiliates .....	–	–
9. Financial receivables – other.....	–	1,326
<b>Total financial assets (CIII) .....</b>	<b>69,614,348</b>	<b>85,036,155</b>
<b>IV Cash and Cash equivalents assets</b>		
1. Bank and post office deposits .....	106,719,020	58,751,310
2. Checks .....	–	–
3. Cash and valuables on hand .....	11,798	15,898
<b>Total cash and cash equivalents assets (CIV) .....</b>	<b>106,730,818</b>	<b>58,767,208</b>
<b>TOTAL CURRENT ASSETS (C) .....</b>	<b>208,193,932</b>	<b>182,317,517</b>
<b>(D) ACCRUED INCOME AND PREPAID EXPENSES</b>		
1. Bond issuance premiums and other similar .....	–	–
2. Other accrued income and prepaid expenses .....	3,571,843	2,236,525
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D) .....</b>	<b>3,571,843</b>	<b>2,236,525</b>
<b>TOTAL ASSETS (A+B+C+D).....</b>	<b>924,581,411</b>	<b>870,278,873</b>

\* amounts due beyond the following period

\* amounts due beyond the following year

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)**

As at 31st December, 2002 and 31st December, 2001

	2002	2001
	<i>(euro thousands)</i>	<i>(euro thousands)</i>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>(A) SHAREHOLDERS' EQUITY</b>		
I Share Capital .....	385,185,795	395,185,795
II Additional paid-in capital .....	3,699,415	3,699,415
III Revaluation reserves .....	–	–
IV Legal reserve .....	115,969,308	115,969,308
V Reserve Treasury stock held .....	22,811,002	22,811,002
VI Statutory reserves .....	20,788	19,107
VII Other reserves .....	227,810,777	237,843,296
VIII Retained earnings (losses).....	25,089,462	12,348,332
IX Net income (loss) for the period .....	68,166,642	55,630,846
<b>TOTAL SHAREHOLDERS' EQUITY .....</b>	<b>848,753,189</b>	<b>833,507,101</b>
<b>(B) RESERVES FOR RISKS AND LOSSES</b>		
1. Retirement and similar obligations .....	–	
2. Taxes .....	3,495,866	1,995,866
3. Other .....	4,234,311	5,141,304
<b>TOTAL RESERVES FOR RISKS AND LOSSES (B) ....</b>	<b>7,730,177</b>	<b>7,137,170</b>
<b>(C) EMPLOYEE SEVERANCE INDEMNITY FUND</b>	<b>1,226,005</b>	<b>1,107,935</b>
<b>(D) ACCOUNTS PAYABLES.....</b>	<b>*</b>	<b>*</b>
1. Bonds.....	–	–
2. Convertible bonds .....	–	–
3. Loans from banks .....	40,000,000	42,310,000
4. Loans from other financial institutions .....	–	–
5. Advance payments .....	–	2,970,000
6. Trade payables.....	–	864,838
7. Notes payable .....	–	–
8. Payables – subsidiaries .....	–	11,590,299
9. Payables – affiliates.....	–	–
10. Payables – parent companies .....	–	–
11. Taxes payable .....	–	569,632
12. Social security payables .....	–	114,990
13. Other payables.....	–	3,478,702
<b>TOTAL AMOUNTS PAYABLE (D) .....</b>	<b>40,000,000</b>	<b>61,898,461</b>
<b>(E) ACCRUED EXPENSES AND DEFERRED INCOME.....</b>	<b>*</b>	<b>*</b>
1. Bond Issuance premiums .....	–	–
2. Other accrued expenses and deferred income....	4,973,579	3,947,175
<b>TOTAL ACCRUED DEFERRED INCOME (E) .....</b>	<b>4,973,579</b>	<b>3,947,175</b>
<b>TOTAL LIABILITIES (A+B+C+D+E) .....</b>	<b>924,581,411</b>	<b>870,278,873</b>

\* amounts due beyond the following year

**CIR S.p.A.**

**AUDITED NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)**

As at 31st December, 2002 and 31st December, 2001

	2002	2001
	(euro)	(euro)
<b>MEMO ACCOUNTS</b>		
<b>1. Guarantees issued</b>		
(a) Guarantees on behalf of:		
– Subsidiaries .....	807,455,760	804,538,382
– Affiliates .....	–	–
– Parent companies .....	–	–
– Subsidiaries of parent companies .....	–	–
– Other .....	19,038,668	15,372,728
(b) Bill guarantees on behalf of:		
– Subsidiaries .....	–	–
– Affiliates .....	–	–
– Parent companies .....	–	–
– Subsidiaries of parent companies .....	–	–
– Other .....	–	–
(c) Other guarantees on behalf of:		
– Subsidiaries .....	376,999,516	418,443,913
– Affiliates .....	–	–
– Parent companies .....	–	–
– Subsidiary of parent companies.....	–	–
– Other .....	–	–
Total guarantees issued (1) .....	1,203,493,944	1,238,355,023
<b>2. Collateral security provided</b>		
(a) For loans and third-party obligations		
– Subsidiaries .....	–	–
– Affiliates .....	–	–
– Parent companies .....	–	–
– Subsidiary of parent companies.....	–	–
– Other .....	–	–
(b) For debt shown in the balance sheet.....	–	–
(c) For other company obligations .....	–	2,370,396
Total collateral security (2).....	–	2,370,396
<b>3. Commitments</b>		
(a) To purchase .....	23,725,000	19,031,896
(b) To sell .....	33,264,165	45,437,189
(c) Others .....	–	–
Total commitments .....	56,989,165	64,469,085

## TAXATION

*The following applies only to persons who are the absolute beneficial owners of Notes and is a summary of the Guarantor's and the Issuer's understandings of current law and practice in the Republic of Italy and the Grand Duchy of Luxembourg relating to certain aspects of Italian and Luxembourg taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Guarantor or the Issuer) to whom special rules may apply. Prospective Noteholders who may be subject to tax in a jurisdiction other than the Republic of Italy or the Grand Duchy of Luxembourg or who are unsure as to their tax position should seek their own professional advice.*

### **Taxation in the Grand Duchy of Luxembourg**

The Issuer has been advised that under current Luxembourg domestic tax law:

- (i) the issue of Notes by the Issuer will not be subject to a Luxembourg registration or *ad valorem* stamp duty;
- (ii) to the extent that the Notes are neither profit-related nor profit-sharing (with respect to the Issuer), the payment of principal, interest coupon, interest or accrued but unpaid interest, in respect of the Notes is not subject to Luxembourg withholding tax;
- (iii) a holder of Notes, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, will be subject to Luxembourg income tax on receipt of an interest coupon or on interest, whether actually paid or accrued;
- (iv) gains realised by an individual holder of Notes, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place after six months of the acquisition of the Notes. An individual holder of Notes, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but unpaid interest in respect of the Notes in his taxable income. Gains realised by a corporate holder of Notes or by an individual holder of Notes, who acts in the course of the management of a professional or business undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, on the sale or disposal, in any form whatsoever, of Notes are subject to Luxembourg income tax. Specific exemptions may be available for certain taxpayers benefiting from a particular tax status;
- (v) the sale and disposal of Notes will not be subject to a Luxembourg registration or *ad valorem* stamp duty;
- (vi) a holder of Notes who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, has to take the Notes into account for Luxembourg wealth tax assessment purposes; and
- (vii) in the case where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his death, the Notes are included in his taxable estate, for inheritance tax assessment purposes and gift tax may be due on a gift or donation of Notes.

The Issuer is a legal entity fully liable to tax in the Grand Duchy of Luxembourg and resident in the Grand Duchy of Luxembourg for tax purposes and otherwise.

The information included herein is of a general nature only. Holders of Notes should, in any event, seek professional advice in respect of their particular situation or status.

### **Taxation in the Republic of Italy**

#### ***Interest tax regime***

Legislative Decree No. 239 of 1st April, 1996 (**Decree 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

### Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime – see under “Capital gains tax” below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, (iv) a real estate investment fund established before 26th September, 2001 (see however below), or (v) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. In case the Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Pursuant to Article 6 of Law Decree No. 351 of 25th September, 2001, converted with amendments into Law No. 410 of 23rd November, 2001, Italian real estate investment funds established on or after 26th September, 2001, are subject to a substitute tax at the rate of 1 per cent. levied on the net value of the fund. Interest, premium and other income from the Notes, as well as the value of such Notes, will contribute to determine such net value. The tax is paid by the company managing the fund (SGR). The new regime also applies to those Italian real estate investment funds established before 26th September, 2001 whose managing company has so requested by 25th November, 2001.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP – the regional tax on productive activities).

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 12.5 per cent. substitute tax.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by articles 14, 14<sup>ter</sup> and 14<sup>quater</sup>, paragraph 1, of Legislative Decree No. 124 of 21st April, 1993) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

### Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, in case they are held in Italy, the non-Italian resident Noteholder declares itself to be non-Italian resident according to Italian tax regulations if required.

### Early redemption

Without prejudice to the above provisions, in the event that the Notes are redeemed, in full or in part, prior to 18 months from the Issue Date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. This

provision does not apply to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

#### Payments made by an Italian resident guarantor

With respect to payments on the Notes made to certain Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 12.5 per cent. pursuant to Presidential Decree No. 600 of 29th September, 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at (i) 12.5 per cent. if the payment is made to non-Italian resident Noteholders, other than those mentioned under (ii); or (ii) 27 per cent. if payments are made to non-Italian resident Noteholders who are resident in “tax haven” countries (as defined and listed in Ministerial Decree 23rd January, 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (on, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

#### Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

The 27 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

#### ***Capital gains tax***

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains.

Under the tax declaration regime (“*regime della dichiarazione*”), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the “*risparmio amministrato*” regime being timely made

in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the “*risparmio amministrato*” regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the “*risparmio amministrato*” regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the “*risparmio gestito*” regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the “*risparmio gestito*” regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder who is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5 per cent. substitute tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by articles 14, 14<sup>ter</sup> and 14<sup>quater</sup>, paragraph 1, of Legislative Decree No. 124 of 21st April, 1993) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by a non-Italian resident issuer are not subject to Italian taxation, provided that the Notes are held outside Italy.

### ***Italian gift tax***

Italian inheritance tax has been abolished by law No. 383 of 18th October, 2001 in respect of gifts made or succession proceedings started after 25th October, 2001. Transfers of the Notes by reason of gift to persons other than the spouse, siblings, ascendants, descendants or relatives within the fourth degree will be subject to the transfer taxes ordinarily applicable to the relevant transfer for consideration, if due, in respect of the value of the gift received by each person exceeding €180,759.91.

### ***Transfer tax***

Pursuant to Italian Legislative Decree No. 435 of 21st November 1997, which partly amended the regime set forth by Royal Decree No. 3278 of 30th December 1923, the transfer of the Notes may be subject to the Italian transfer tax which is currently payable at a rate between a maximum of €0.0083 and a minimum of €0.00465 per €51.65 (or fraction thereof) of the price at which the Notes are transferred. Where the transfer tax is applied at a rate of €0.00465 per €51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed €929.62.

However, the transfer tax does not apply, *inter alia*, to: (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries; (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs or other financial intermediaries regulated by Legislative Decree No. 415 of 23rd July, 1996 as superseded by Legislative Decree No. 58 of 24th February, 1998, or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in Italy, on the one hand, and undertakings for collective investment in transferable securities, on the other hand; (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets, (iv) contracts regarding

securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents, on the other hand.

### **Proposed EU Savings Directive**

On 3rd June, 2003, the European Council of Economics and Finance Ministers (ECOFIN) agreed on proposals under which Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The proposals are anticipated to take effect from 1st January, 2005.

## SUBSCRIPTION AND SALE

Lehman Brothers International (Europe) (the **Lead Manager**), ABAXBANK S.p.A., Banca Akros S.p.A. (Gruppo Banca Popolare di Milano), Banca Intermobiliare S.p.A., EFIBANCA S.p.A. and MCC S.p.A. – Gruppo Bancario Capitalia (collectively with the Lead Manager, the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 9th June, 2003, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 99.462 per cent. of the principal amount of Notes, less total commissions of 0.50 per cent. of the principal amount of the Notes. The Issuer will also reimburse the Lead Manager in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### The Grand Duchy of Luxembourg

Each Manager has represented and agreed that the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and except for Notes listed on the Luxembourg stock exchange, neither the Offering Circular nor any form of application, advertisement or any other material may be published in the Grand Duchy of Luxembourg, unless the requirements of Luxembourg law concerning public offerings of securities have been met. A listing on the Luxembourg Stock Exchange of the Notes does not necessarily imply that a public offering in Luxembourg of the Notes has been authorised.

### Republic of Italy

Each Manager has agreed that the offering of any Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in Italy, except:

- (i) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended;
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended; or
- (iii) to an Italian resident who submits an unsolicited offer to purchase such Notes.

Any offer, sale or delivery of Notes or distribution of copies of this Offering Circular or any other document relating to any Notes in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the **Banking Act**), as amended; and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in Italy and their characteristics.

### **United Kingdom**

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended;
- (b) it has only communicated or caused to be communicated, and it will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **The Netherlands**

Only denominations of at least €50,000 may be offered in the Netherlands.

### **General**

No action has been taken by the Issuer, the Guarantor or any of the Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction, except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange. In connection therewith the legal notice (*notice légale*) relating to the issue of the Notes is being lodged, and copies of the constitutional documents of the Issuer and the Guarantor have been lodged prior to listing, with the Luxembourg trade and companies register (*Registre du Commerce et des Sociétés*) where copies thereof may be obtained on request.

### Corporate

CIR International S.A. is a société anonyme. The address of the Issuer's registered office is 26, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Articles of Incorporation were published in the *Mémorial, Recueil Spécial des Sociétés et des Associations* under Number C261 of 12th November, 1977. The Articles of Incorporation of the Issuer have been amended from time to time. The most recent amendment, dated 20th January, 2001, has been filed with the Luxembourg trade and companies register and has been published in the *Mémorial, Recueil Spécial des Sociétés et des Associations*, Number C990 of 10th November, 2001. The Issuer is registered with the Luxembourg trade and companies register under Number B. 15381. The Issuer has been established for an unlimited duration. The share capital of the Issuer currently amounts to €250,000,000, divided into 25,000,000 shares of €10.00 each, fully paid up.

### Authorisation

The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer dated 20th May, 2003. The granting of the Guarantee was authorised pursuant to the By-laws of the Guarantor.

### Accounts

Copies in English of each of the following financial statements, together with such financial statements as are published thereafter for the life of the Notes, will be available free of charge during usual business hours on request at the principal office of the Paying Agent in Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange:

1. the audited non-consolidated financial statements of the Issuer as at and for the years ended 31st December, 2002 and 2001;
2. the audited consolidated and non-consolidated financial statements of the Guarantor as at and for the years ended 31st December, 2002 and 2001; and
3. the most recently published future audited annual financial statements of the Issuer and the Guarantor (both consolidated and non-consolidated, in the case of the Guarantor) and the most recently published future unaudited interim financial statements of the Guarantor.

The Issuer does not publish consolidated accounts or interim accounts. The Guarantor publishes unaudited interim consolidated and non-consolidated accounts on a semi-annual basis and unaudited interim consolidated accounts on a quarterly basis.

### No Material Adverse Change

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the CIR Group since 31st December, 2002.

### Litigation

Save as disclosed under "*CIR S.p.A. and the CIR Group – Litigation*" above, there are no legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer and the Guarantor are aware) which may have (or have had in the past 12 months) a significant effect on the financial position of the Issuer, the Guarantor or the CIR Group.

**Auditors**

The auditors of the Guarantor are PricewaterhouseCoopers S.p.A., who have audited the Guarantor's consolidated and non-consolidated financial statements, without qualification, as at and for the financial years ended 31st December, 2002 and 2001.

The auditors of the Issuer are PricewaterhouseCoopers S.A., who have audited the Issuer's financial statements, without qualification, as at and for the financial years ended 31st December, 2002 and 2001.

**Clearing**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 016989681 and an ISIN of XS0169896817.

**Documents Available**

Copies of each of the following documents will be available for inspection (and, in the case of (b) below, for collection) during usual business hours on request at the specified office of each of the Paying Agents:

- (a) the constitutional documents (with an English translation thereof) of the Issuer and the Guarantor;
- (b) the Offering Circular, together with any future offering circulars, information memoranda and supplements to the Offering Circular;
- (c) the Trust Deed;
- (d) the Agency Agreement; and
- (e) the Subscription Agreement.

**THE ISSUER**

**CIR International S.A.**  
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L-2449 Luxembourg

**THE GUARANTOR**

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**TRUSTEE**

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London EC2N 2DB

**PRINCIPAL PAYING AGENT**

**Deutsche Bank AG London**  
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1 Great Winchester Street  
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**PAYING AGENT**

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*To the Issuer*

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*To the Guarantor*

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