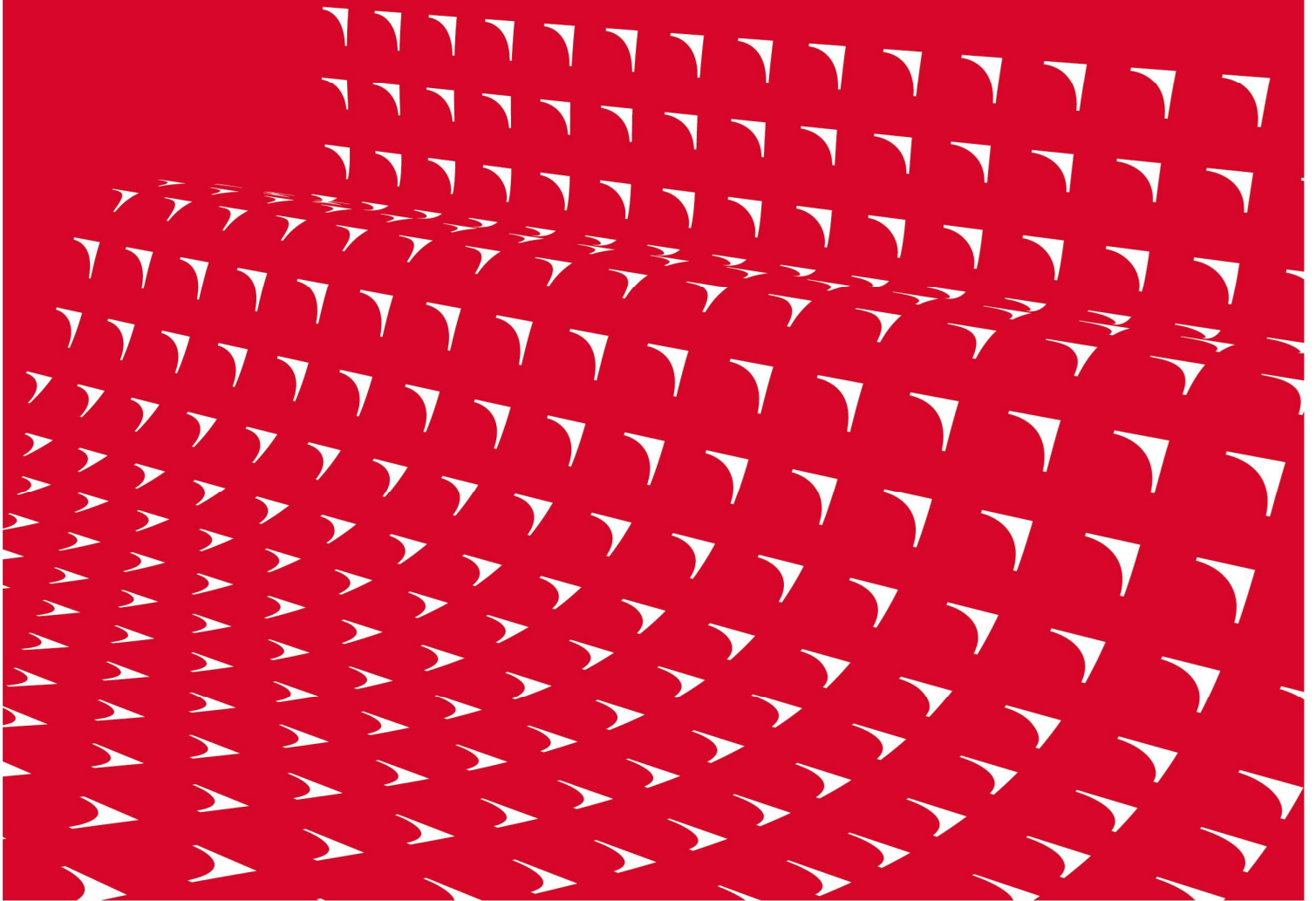




Interim financial report

at 31 March 2020





CIR S.p.A.

Registered office: Via Ciovassino, 1 – 20121 Milano – **T** + 39 02 722701

Share Capital € 638.603.657 – Chamber of commerce no. 1950090

Milan Company Register/ Tax Code / VAT no. 01792930016

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Report on operations



Report on operations

1. Key figures

In early January 2020, the World Health Organization (WHO) announced the spread of coronavirus in China, particularly in the area of Wuhan, and on 30 January declared an international health emergency. During February the spread of the virus was recorded in Europe and America and a situation of substantial lock-down began in March. Italy was the first European country to be hit by the pandemic and to date is one of the countries most affected, adopting the most restrictive measures to contain the spread of the virus. These measures seem to be containing the phenomenon, but how and when social life and economic activities will start again remains uncertain; some indication of how the situation is likely to evolve should be available from early May; the prospects of recovery are still uncertain also in the other countries where the group operates.

In this context, CIR group companies immediately adopted measures aimed at protecting the health of their employees, in compliance with the provisions issued by the governments of the various countries in which they operate, and took appropriate action to manage the Covid 19 crisis and protect their sustainability.

The impact of the crisis on the group's businesses has been, and still is, significant: KOS, whose activities are all operational with the exception of the day hospitals, has been working in conditions that are completely out of the ordinary, having to cope with the consequences of the virus on the very people the company is intended to serve. Like the entire automotive sector, Sogefi had to stop production, firstly in China (now recovering) and then, from the second half of March, in all the regions of the world in which it operates. Lastly, the turbulence in financial markets has led to adjustments to the financial investments managed by CIR, the holding company, and the non-operating subsidiaries, despite the prudent profile of the portfolio.

In the first quarter of 2020, the CIR group posted **consolidated revenue** of € 531.5 million, stable compared with 2019, with revenue growth at KOS of 29.2%, thanks to the acquisition in Germany in 2019, and a decrease in Sogefi's turnover of 10.2%, due to the almost total shut-down of production during the second half of March.

The **consolidated gross operating profit** (EBITDA) amounted to € 66.2 million (12.5% of revenue), 5% lower than in the first three months of 2019 (€ 69.5 million). Gross operating profit in the first two months showed an improvement in profitability for Sogefi and substantial stability for KOS's activities in Italy, whereas in March EBITDA fell due to the suspension of the Sogefi group's activities and the impacts of the pandemic on the KOS group.

Consolidated **operating profit** (EBIT) was € 12.0 million (2.3% of revenue), compared with € 23.7 million in the first quarter of 2019.



Financial income was affected by the general decline in the markets, resulting in a negative return of the holding company's portfolio of € 7.5 million, against a positive result of € 3.7 million in the first quarter of 2019.

The loss for the period amounted to € 12.1 million, compared with a profit of € 4.1 million in the first quarter of 2019.

With revenue of € 181.3 million, KOS achieved 29.2% growth compared with 2019, entirely attributable to the contribution of the Charleston group (acquired in October 2019). EBIT came in at € 12.3 million with respect to € 16.8 million in 2019 and suffered from the Covid-19 emergency, in terms of both lower turnover and higher costs. The result for the period amounted to € 2.0 million compared with € 7.8 million in first quarter of 2019.

Sogefi operated in a market that decreased by 25% in the quarter and 45% in March alone. In this context, revenue was € 350.2 million, down by 10.2% (-8.8% at constant exchange rates) compared with 2019, with the first two months in line with 2019 and March down by 30%. EBIT was € 3.7 million, versus € 11.3 million in the first quarter of 2019; after the first two months that showed a positive trend in profitability, despite the performance of the Chinese market, the quarter was heavily penalised by the results in March, which reflect not only the collapse in volumes, but also the negative effect of exchange rate turbulence (€ 5.3 million), mainly in Mercosur countries. The quarter ended with a loss of € 5.6 million and compares with a net result for the first quarter of 2019 of € 0.2 million (€ 1.6 million including assets held for sale).

From the second part of February, financial markets have featured steep losses, both in the equity sector (from the beginning of the year to 31 March the S&P 500 index lost 20% and the Eurostoxx 50 index 26%) and in the bond sector (with negative yields between -5% and -15% in the various asset classes). The portfolio of financial investments of CIR and its non-industrial subsidiaries suffered a loss of 7.5%, mainly due to the fair value adjustment of the positions held in the equity, hedge fund and high yield bond sectors; the average size of the portfolio was € 383 million, with a negative performance of 1.9%, which confirms its characteristics of low volatility compared with the markets.

At 31 March 2020, **consolidated net financial indebtedness**, prior to IFRS 16, amounted to € 367.7 million, an increase of € 40.1 million compared with 31 December 2019 (€ 327.6 million). The KOS group made investments of approximately € 25 million in acquisitions and greenfield developments, Sogefi invested in new plant in Romania for € 4.3 million and CIR recorded a decrease in its net financial position.

The **net financial position of the parent company** and its non-industrial subsidiaries at 31 March 2020 was positive for € 280.7 million, a decrease on 31 December 2019 (€ 295.7 million), mainly due to the fair value adjustments of assets (€ 8.8 million) mentioned previously and to new non-current assets (€ 0.9 million).

Lease liabilities for right-of-use assets under IFRS 16 at 31 March 2020 amounted to € 789.9 million, so total consolidated net financial indebtedness came to € 1,157.6 million. The liabilities under IFRS 16 mainly concern the subsidiary KOS (€ 733.0 million), which operates predominantly in leased facilities (Charleston operates exclusively on a lease basis).



At 31 March 2020, the equity attributable to the owners of the parent amounted to € 757.7 million compared with € 770.7 million, pro-forma at 31 December 2019. The decrease reflects the loss for the period.

The tables on the following pages provide a breakdown by business segment of the group's results and financial position, a breakdown of the contribution made by the main subsidiaries and the combined results of CIR, the parent, and the other non-industrial subsidiaries.

Income statement by business segment and contributions to the results of the group

(in millions of euro)

		1st quarter 2020												1st quarter 2019 (*)	
		Revenue	Costs of production	Other operating income and expense	Amortisation, depreciation and impairment losses	Operating profit	Net financial income and expense	Dividends, net of realised and unrealised gains and losses on securities	Fair value gains on equity-accounted investments	Income taxes	Profit (loss) from discontinued operations	Non-controlling interests	Profit for the period	Profit for the period	
COMBINED	CONSOLIDATED														
			(1)	(2)		(3)	(4)								
	KOS group - Healthcare	181.3	(139.8)	(6.4)	(22.7)	12.4	(8.4)	--	--	(1.8)	--	(1.0)	1.2	4.7	
	Sogefi group - Automotive components	350.2	(306.9)	(8.4)	(31.2)	3.7	(6.7)	--	--	(2.5)	--	2.4	(3.1)	0.9	
	GEDI group - Media	--	--	--	--	--	--	--	--	--	--	--	--	0.9	
	Total for main subsidiaries	531.5	(446.7)	(14.8)	(53.9)	16.1	(15.1)	--	--	(4.3)	--	1.4	(1.9)	6.5	
	Other subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	--	
	Total industrial subsidiaries	531.5	(446.7)	(14.8)	(53.9)	16.1	(15.1)	--	--	(4.3)	--	1.4	(1.9)	6.5	
	CIR and other non-industrial subsidiaries														
	Revenue	--												--	--
	Operating costs		(3.9)											(3.9)	(3.9)
	Other operating income & expense			0.1										0.1	(0.3)
	Amortisation, depreciation & impairment losses				(0.3)									(0.3)	(0.2)
Operating profit					(4.1)										
Financial income & expense						0.8							0.8	0.9	
Dividends and net gains (losses) from securities trading							(8.6)						(8.6)	2.8	
Fair value gains on equity-accounted investments								--					--	--	
Income taxes									1.7				1.7	(0.1)	
Profit (loss) from discontinued operations										--			--	--	
Total CIR and other non-industrial subsidiaries before non-recurring items	--	(3.9)	0.1	(0.3)	(4.1)	0.8	(8.6)	--	1.7	--	--	(10.2)	(0.8)		
Non-recurring items	--	--	--	--	--	--	--	--	--	--	--	--	--		
Consolidated total for the group	531.5	(450.6)	(14.7)	(54.2)	12.0	(14.3)	(8.6)	--	(2.6)	--	1.4	(12.1)	5.7		

(*) Pro-forma figures

(1) This item is the sum of "changes in inventories", "costs for the purchase of goods", "costs for services" and "personnel costs" in the consolidated income statement. This item does not take into consideration the € (0.3) million effect of intercompany eliminations.

(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. This item does not take into consideration the € 0.3 million of intercompany eliminations.

(3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.

(4) This item is the sum of "dividends", "gains from securities trading", "losses from securities trading" and "fair value losses/gains on financial assets" in the consolidated income statement.

Statement of financial position by business segment

(in millions of euro)

		31.03.2020							31.12.2019 (*)		
		Non-current assets	Other net non-current assets and liabilities	Assets and liabilities held for sale	Net working capital	Net financial position (indebtedness)	Total equity	Non-controlling interests	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent	
CONSOLIDATED	COMBINED	(1)	(2)	(3)	(4)						
		KOS group - Healthcare	1,515.3	(25.9)	--	(70.3)	(1,125.5)	293.6	122.3	171.3	170.2
		Sogefi group - Automotive components	711.9	(101.4)	--	(97.2)	(313.2)	200.1	97.5	102.6	107.0
		GEDI group - Media	--	--	225.9	--	--	225.9	123.5	102.4	102.4
		Other subsidiaries	--	(0.7)	--	0.7	0.4	0.4		0.4	0.4
		Total industrial subsidiaries	2,227.2	(128.0)	225.9	(166.8)	(1,438.3)	720.0	343.3	376.7	380.0
CIR and other non-industrial subsidiaries											
		Non-current assets	22.5					22.5	--	22.5	22.6
		Other net non-current assets and liabilities		77.9				77.9	--	77.9	75.0
		Assets and liabilities held for sale			--			--	--	--	--
		Net working capital				(0.1)		(0.1)	--	(0.1)	(2.6)
		Net financial position					280.7	280.7	--	280.7	295.7
		Consolidated total for the group	2,249.7	(50.1)	225.9	(166.9)	(1,157.6)	1,101.0	343.3	757.7	770.7

(*) Pro-forma figures

- 1) This item is the sum of "intangible assets", "property, plant and equipment", "right-of-use assets", "investment property", "equity-accounted investments" and "other equity investments" in the consolidated statement of financial position.
- 2) This item is the sum of "other assets", "other financial assets" and "deferred tax assets" under non-current assets and of "other liabilities", "deferred tax liabilities", "employee benefit obligations" and "provisions for risks and charges" under non-current liabilities in the consolidated statement of financial position.
- 3) This item is the sum of "inventories", "trade receivables", "other assets" in current assets and "trade payables", "other liabilities" and "provisions for risks and charges" in current liabilities in the consolidated statement of financial position.
- 4) This item is the sum of "loan assets", "securities", "other financial assets", and "cash and cash equivalents" under current assets, of "bonds", "other loans and borrowings" and "lease liabilities" under non-current liabilities and of "bank loans and borrowings", "bonds", "other loans and borrowings" and "lease liabilities" under current liabilities in the consolidated statement of financial position.



2. Performance of the group

In the first quarter of 2020, consolidated revenue was € 531.5 million, in line with the revenue in 2019 (€ 530.2 million). Revenue earned abroad represented 71.1% of the total, reflecting Sogefi's international presence.

(in millions of euro)	1st quarter					
	2020		2019		Change amount	
		%		%		%
Healthcare						
KOS group	181.3	34.1	140.3	26.5	41.0	29.2
Automotive components						
Sogefi group	350.2	65.9	389.9	73.5	(39.7)	(10.2)
Total revenue	531.5	100.0	530.2	100.0	1.3	0.2

The consolidated **income statement** for the first quarter of 2020 compared with that of the same period of 2019 and the related pro-forma one, as if the absorption of CIR by Cofide had already been completed.

(in millions of euro)	1st quarter					
	2020		2019 (pro-forma)		2019	
		%		%		%
Revenue	531.5	100.0	530.2	100.0	530.2	100.0
Gross operating profit (1)	66.2	12.4	69.5	13.1	69.5	13.1
Operating profit	12.0	2.3	23.7	4.5	23.7	4.5
Net financial expense (2)	(22.9)	(4.3)	(7.2)	(1.4)	(7.2)	(1.4)
Income taxes	(2.6)	(0.5)	(7.7)	(1.4)	(7.7)	(1.4)
Profit (loss) from discontinued operations	--	--	3.3	0.6	3.3	0.6
Profit including non-controlling interests	(13.5)	(2.5)	12.1	2.3	12.1	2.3
Non-controlling interests	1.4	0.2	(6.4)	(1.2)	(8.4)	(1.6)
Profit attributable to the owners of the parent	(12.1)	(2.3)	5.7	1.1	3.8	0.7

(1) This is the sum of "Operating profit" and "Amortisation, depreciation & impairment losses" in the consolidated income statement.

(2) This is the sum of "financial income", "financial expense", "dividends", "gains from securities trading", "losses from securities trading", "share of profit (loss) of equity-accounted investments" and "fair value gains (losses) on financial assets" in the consolidated income statement.

The consolidated **gross operating profit** for the first quarter of 2020 amounted to € 66.2 million (12.4% of revenue) compared with € 69.54 million in 2019 (13.1% of revenue).

Consolidated **operating profit** was € 12.0 million, compared with € 23.7 million in 2019; the reduction reflects the trend in gross operating profit and the higher amortisation and depreciation of the KOS group following the absorption of Charleston.

Net financial expense amounted to € 22.9 million, compared with € 7.2 million in the corresponding period of 2019; the increase reflects higher interest expense of € 3.1 million incurred by Charleston and negative adjustments to financial assets of € 10.7 million (of which € 8.8 million relating to the parent company's portfolio of financial



assets) compared with positive adjustments of € 1.9 million in the corresponding period of 2019.

The **consolidated loss** amounted to € 12.1 million versus a pro-forma profit of € 5.7 million in 2019.

The condensed consolidated statement of financial position of the CIR group at 31 March 2020, with comparative figures at 31 December 2019, is as follows; for ease of comparison, a pro-forma situation at 31 December 2019 is also included, i.e. as if the merger had already taken place.

(in millions of euro) (1)	31.03.2020	31.12.2019 (pro-forma)	31.12.2019
Non-current assets	2,249.7	2,256.7	2,256.7
Other net non-current assets and liabilities	(50.1)	(52.3)	(52.3)
Assets and liabilities held for sale	225.9	225.9	225.9
Net working capital	(166.9)	(185.6)	(185.6)
Net invested capital	2,258.6	2,244.7	2,244.7
Net financial indebtedness	(1,157.6)	(1,127.7)	(1,127.7)
Total equity	1,101.0	1,117.0	1,117.0
Equity attributable to the owners of the parent	757.7	770.7	432.4
Non-controlling interests	343.3	346.3	684.6

(1) These figures are the result of a different combination of the items in the financial statements. For definitions, see the notes to the "Statement of financial position by business segment" shown earlier.

Net invested capital at 31 March 2020 stood at € 2,258.6 million in line with the figure at 31 December 2019 (€ 2,244.7 million).

Consolidated **net financial indebtedness** at 31 March 2020, before the application of IFRS 16, came to € 367.7 million (compared with € 327.6 million at 31 December 2019), divided into:

- free cash flow for CIR and its non-industrial subsidiaries of € 281.1 million (€ 296.2 million at 31 December 2019); investments of € 0.9 million were made and impairment adjustments to financial assets were recorded for € 8.8 million;
- total net indebtedness of the industrial subsidiaries of € 648.8 million (€ 623.8 million at 31 December 2019); the increase in net indebtedness is due to the acquisitions and green field investments of the KOS group (€ 24.7 million), while the net indebtedness of Sogefi was substantially stable.

The adoption of IFRS 16 entailed the recognition by the industrial subsidiaries of lease liabilities at 31 March 2020 of € 789.9 million, which when added to the amount mentioned above, led to total net financial indebtedness of € 1,157.6 million.

At 31 March 2020, equity attributable to the owners of the parent amounted to € 757.7 million compared with € 770.7 million on a pro-forma basis at the end of 2019, the decrease being entirely due to the loss for the period.

Main equity investments of the Group
at 31 March 2020

CIR

59.5%

KOS

Businesses

Residential care homes for the elderly, rehabilitation centres, diagnostics, cancer cure and hospital management

56.6%*

SOGEFI

Global supplier of auto parts (filtration systems, air management and engine cooling systems and suspension components)

Non-core investments

Private Equity investements

45.4%*

GEDI
GRUPPO EDITORIALE

Investment sold on 23 April 2020, so classified as "Assets held for sale" in accordance with IFRS 5.

(*) Percentage calculated net of treasury shares.



The consolidated statement of cash flows of the first quarter of 2020, prepared according to a "management" format, which shows the changes in net financial position, can be summarised as follows.

<i>(in millions of euro)</i>	<i>1st quarter 2020</i>	<i>1st quarter 2019 (pro-forma excluding GEDI)</i>	<i>1st quarter 2019</i>
SOURCES OF FUNDS			
Profit (loss) from continuing operations	(13.5)	8.8	10.9
Amortisation, depreciation, impairment losses & other non-monetary changes	32.6	39.2	27.1
Self-financing	19.1	48.0	38.0
Change in working capital and other non-current assets and liabilities	(6.9)	(10.9)	(14.2)
CASH FLOW GENERATED BY OPERATIONS	12.2	37.1	23.8
Capital increases	--	--	--
TOTAL SOURCES OF FUNDS	12.2	37.1	23.8
APPLICATION OF FUNDS			
Net investment in non-current assets	(39.1)	(31.6)	(39.6)
Consideration paid for business combinations	(10.9)	--	--
Net financial position of acquired companies	(4.0)	--	--
Payment of dividends	(0.8)	(0.8)	(0.8)
Purchase of treasury shares	--	(4.6)	(4.6)
Other changes	2.5	1.6	1.4
TOTAL APPLICATIONS OF FUNDS	(52.3)	(35.4)	(43.6)
CASH FLOWS USED IN CONTINUING OPERATIONS	(40.1)	1.7	(19.8)
CASH FLOWS FROM DISCONTINUED OPERATIONS	--	1.2	1.2
CASH FLOWS USED IN THE YEAR	(40.1)	2.9	(18.6)
OPENING NET FINANCIAL INDEBTEDNESS	(327.6)	(219.8)	(323.0)
CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	(367.7)	(216.9)	(341.6)
FIRST-TIME ADOPTION OF IFRS 16	(789.9)	(390.6)	(453.4)
CLOSING NET FINANCIAL INDEBTEDNESS AFTER IFRS 16	(1,157.6)	(607.5)	(795.0)

The net financial position is analysed in the Explanatory Notes to the financial statements.

In the first quarter of 2020, the Group recorded a financial deficit of € 40.1 million, already illustrated above.

At 31 March 2020 the CIR group had 18.650 employees, compared with 18.648 at 31 December 2019.



3. Performance of the business segments

3.1. HEALTHCARE

The main indicators of KOS group's performance in the current period are given below, with comparative figures for the equivalent periods of the previous year.

<i>(in millions of euro)</i>	1st quarter 2020	1st quarter 2019	Change	
			amount	%
Revenue	181.3	140.3	41.0	29.2
Profit for the period	2.0	7.8	(5.8)	(74.3)

	31/03/2020	31/12/2019	31/03/2019
Net financial indebtedness before IFRS 16	(392.5)	(368.0)	(255.8)
Net financial indebtedness after IFRS 16	(1,125.5)	(1,105.3)	(579.6)
No. of employees	11,798	11,804	7,206

In the first three months of 2020 the KOS group made **revenue** of € 181.3 million, an increase of 29.2% on € 140.3 million of the corresponding period of 2019. Charleston's revenue amounted to € 43.1 million and the other revenue shows a decrease of 1.5% compared with 2019.

Consolidated **EBITDA** amounted to € 35.6 million compared with € 33.1 million in 2019, with Charleston contributing € 7.7 million in the quarter; the other companies within KOS's scope of consolidation saw a decrease in EBITDA, due to the effects of the Covid-19 pandemic on the group.

Consolidated **EBIT** was € 12.3 million, with respect to € 16.8 million in the first quarter of 2019. The decrease of € 6.8 million is due to higher amortisation and depreciation resulting from the change in the scope of consolidation compared with the first quarter of 2019.

Consolidated **profit for the period** amounted to € 2.0 million compared with € 7.8 million in 2019.

At 31 March 2020, the KOS group had a net financial indebtedness before IFRS16 of € 392.5 million compared with € 368.0 million at 31 December 2019, after investments in acquisitions and greenfield developments for € 24.7 million. Cash flow from operations was lower than normally generated by the business due to the circumstances caused by the pandemic.

At 31 March 2020 consolidated equity amounted to € 287.8 million, compared with € 285.9 million at 31 December 2019.



The KOS group had 11,798 employees at 31 March 2020 compared with 11,804 at 31 December 2019.

3.2. Automotive components

The main indicators of Sogefi group's performance in the current period are given below, with comparative figures for the equivalent periods of the previous year.

<i>(in millions of euro)</i>	1st quarter 2020	1st quarter 2019	Change	
			amount	%
Revenue	350.2	389.9	(39.7)	(10.2)
Profit for the period	(5.6)	1.6	(7.2)	

	31/03/2020	31/12/2019	31/03/2019
Net financial indebtedness before IFRS 16	(256.7)	(260.5)	(262.1)
Net financial indebtedness after IFRS 16	(313.4)	(318.9)	(328.9)
No. of employees	6,826	6,818	6,906

In the first quarter of 2020, the global automotive market registered decrease rates that had previously occurred only during the 2009 crisis. Global production fell by 24.7% compared with the first quarter of 2019: -21.8% in Europe, -12.4% in North America, -44.5% in Asia and -18.2% in South America. In March alone, the drop stood at -38.8%, and in Europe it was -49.5%.

Sogefi reported revenue of € 350.2 million, down by 10.2% with respect to the same period in 2019. Overall, the decrease was lower than that of the market (-24.7%) thanks to a good performance in the first two months of the year in all geographical areas, excluding China.

By geographical area, revenue at constant exchange rates fell by 9.0% in Europe compared with -21.8% by the market, also thanks to "After Market" sales holding up, and by 4% in North America, versus -12.4% by the market, thanks to the new production lines launched in the first two months of the year.

By business sector, Filtration, with growth at constant exchange rates of 1.8%, is in contrast with the market thanks to the contribution of the new factory in Morocco and the resilience of After Market and OES revenue until March. Air and Cooling managed a more contained decline than the market (-8.2% at constant exchange rates and -8.7% at current exchange rates), with revenue sustained by the new contracts acquired in North America, while the turnover of the Suspensions posted a decrease of 18.5% (-20.9% at current exchange rates), reflecting in particular the market difficulties in China and the production shut-down in Europe, which occurred a few days earlier with respect to the production of engine components.

EBITDA amounted to € 34.9 million in the first quarter of 2020, compared with € 41.3 million in the corresponding period of 2019; profitability (EBITDA/Revenue %) was 10.0% and is below 10.6% in the corresponding period of the previous year.



As already mentioned, the performance in the first two months highlighted an improvement in profitability, but the sudden drop in volumes in March, following the stop in production activities, had a significant impact, also taking into account the time needed to implement cost containment measures. The evolution of EBITDA in the first quarter implies: a good overall stability of the result in Europe thanks to the first two months of the year; negative developments in China, due to the collapse of the business, and in South America, due to the economic situation especially in Argentina; negative impacts of exchange rates on South American currencies and the Canadian dollar.

Operating profit totalled € 3.7 million, compared with € 11.3 million in the first quarter of 2019. The reduction in EBIT in March is due to the drop in volumes and reflects an exchange rate loss of € 5.3 million, related mainly to North and South America, as already mentioned.

The quarter ended with a **net loss** of € 5.6 million and compares with a net result for the first quarter of 2019 of € 0.2 million (€ 1.6 million including the result of assets held for sale).

Free cash flow in the first quarter of 2020 was positive for € 5.4 million compared with - € 9.1 million in 2019, thanks to a decidedly more favourable trend in working capital.

Net financial indebtedness before IFRS 16 at 31 March 2020 was € 256.7 million, substantially stable compared with € 256.2 million at the end of 2019 and a decrease versus € 262.1 at the end of March 2019. Including the amount of € 56.7 million deriving from the application of IFRS 16, the net financial indebtedness at 31 March 2020 amounted to € 313.4 million, down compared with € 318.9 million at 31 December 2019. At 31 March 2020, the Group had credit lines in excess of net financial indebtedness of € 298 million.

At 31 March 2020, excluding non-controlling interests, equity came to € 181.1 million (€ 188.7 million at 31 December 2019).

The Sogefi group had 6,826 employees at 31 March 2020 compared with 6,818 at 31 December 2019.

4. Non-core investments

These are represented by private equity fund investments, non-controlling investments and other investments amounting to € 76.9 million at 31 March 2020, compared with € 74.5 million at 31 December 2019.

PRIVATE EQUITY

CIR International S.A. manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 31 March 2020, based on the NAVs provided by the fund managers, came to € 59.2 million, an increase of € 2.6 million compared with 31 December 2019. In the first quarter of 2020, the result of operations, net of commissions, exchange differences and fair value gains or losses, was positive for € 1.7 million. Outstanding commitments at 31 March 2020 amounted to € 19.1 million.

OTHER INVESTMENTS

At 31 March 2020, CIR directly and indirectly held interests in non-controlling investments for a total of € 11.0 million and a non-performing loan portfolio for a total of € 6.7 million.

5. Events after the reporting period

During April, the Italian government extended the so-called lock-down until 4 May. The situation in France, the group's second area of operations, is similar; the restrictive measures adopted there will remain in force until 11 May. We are still waiting to know when and under what conditions production will resume.

On 8 April 2020, the new Legislative Decree no. 23 called "Liquidity" was published. It introduced urgent measures regarding access to credit, setting aside € 40 billion in loan and export guarantees for the benefit of Italian companies. In particular, the decree provides for State guarantees (through SACE) for a total of € 200 billion, out of bank loans granted to companies, lasting up to six years. The conditions for accessing loans with the above guarantees include a commitment by the beneficiary, and by any other company belonging to the same group, not to distribute dividends or buy back shares in 2020.

In relation to this, on 20 April 2020, CIR's Board of Directors took note of how the economy was evolving compared with the last board meeting on 9 March 2020 and of the "Liquidity Decree". Faced with this changed regulatory environment, and taking into account the overall market situation with which the group's operating companies will have to cope, in order not to preclude them from the possibility of accessing bank loans assisted by the SACE guarantee, the Board decided to withdraw the proposed dividend of € 0.02 per share out of 2019 earnings and, therefore, not to distribute any dividend, as well as the proposal to authorise the purchase and sale of treasury shares (subject to revocation of the resolution of 29 April 2019 to authorise the purchase of treasury shares, for the part not yet implemented).

On 23 April 2020, the agreement reached with EXOR on 2 December 2019 was executed for the sale to the latter of CIR's entire stake in GEDI Gruppo Editoriale S.p.A., equal to

43.78% of the share capital at a price per share of € 0.46, which corresponds to a total amount of € 102.4 million. An investment agreement has also been signed for CIR to purchase - on completion of the Offer and at the same price as the Offer - a stake in Giano Holding, a company set up by EXOR for the acquisition of GEDI, which in effect represents 5% of the GEDI's issued share capital.

In April, the KOS Group was informed of the start of two criminal investigations against unknown persons concerning two care homes, one in Via S. Faustino, Milan, the other in Dormelletto (Province of Novara); in both cases the allegation that gave rise to the criminal proceedings is not known, and the company is responding without delay and with the utmost transparency to the requests for documentation from the investigators. Furthermore, with reference to the Villa Margherita rehabilitation facility in Benevento, the NSA team of the Carabinieri has acquired health and management documentation, but the opening of criminal proceedings has not been notified for the time being. In other Group structures, the usual and periodic checks continued by the competent bodies to ascertain whether services were provided correctly.

6. Outlook

In the current state of uncertainty about the global spread of the pandemic and the measures that governments of the various countries will adopt for the recovery, it is impossible to make reliable forecasts about the impact of Covid-19 on the CIR group.

Particular uncertainty regards the evolution of the Sogefi group's business, taking into account the particularly significant repercussions that the pandemic has on the automotive sector. The Group is focused on doing everything in its power to manage the crisis: it has implemented measures to reduce costs and minimise disbursements for current costs and investments that are not strictly necessary, regularly assessing liquidity positions, interacting with its financial partners, and preparing for the recovery, introducing reinforced safety standards for staff and cost flexibility, in relation to volumes that for a time will be penalised by the circumstances. In any case, losses are bound to be run up, both during the shut-down and during the first few months of the recovery and this will also be reflected in higher net indebtedness.

As regards the KOS group, the next few months will be dedicated to limiting the negative impacts expected from the spread of the Covid-19 virus, with particular reference to the defence of the health of guests, patients and operators. After a period of intense development, for the rest of this year the company will focus on integrating the numerous acquisitions that it has made recently.

As regards the parent's investments, the management of these financial assets remains oriented towards prudential and long-term policies. The parent CIR (together with the other non-industrial subsidiaries) has a very solid financial position, with net cash and cash equivalents of € 280.7 million, unrestricted and unencumbered by commitments, which increased by € 102.3 million in April for the sale of its stake in GEDI.



7. Other information

OTHER

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, Milan, Italy.

CIR shares have been quoted on the Milan Stock Exchange (MTA segment) since 1985.

This report for the period 1 January – 31 March 2020 was approved by the Board of Directors on 24 April 2020.

The parent is subject to management control and coordination by Fratelli De Benedetti S.p.A.

Consolidated financial statements

Financial statements

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Consolidated financial statements

1. Statement of financial position
2. Income statement
3. Statement of net financial indebtedness

1. Statement of financial position

(in thousands of euro)

ASSETS	31.03.2020	31.12.2019
NON-CURRENT ASSETS	2,430,360	2,436,085
INTANGIBLE ASSETS	674,162	670,368
PROPERTY, PLANT AND EQUIPMENT	703,436	701,188
RIGHT-OF-USE ASSETS	853,086	865,988
INVESTMENT PROPERTY	16,307	16,481
EQUITY-ACCOUNTED INVESTEEES	851	851
OTHER EQUITY INVESTMENTS	1,872	1,863
OTHER ASSETS	45,117	45,982
OTHER FINANCIAL ASSETS	70,139	67,866
DEFERRED TAX ASSETS	65,390	65,498
CURRENT ASSETS	1,033,203	1,055,007
INVENTORIES	125,337	119,985
TRADE RECEIVABLES	234,635	241,762
OTHER ASSETS	80,302	61,029
LOAN ASSETS	23,740	23,135
SECURITIES	32,432	35,482
OTHER FINANCIAL ASSETS	263,689	264,278
CASH AND CASH EQUIVALENTS	273,068	309,336
ASSETS HELD FOR SALE	722,587	722,587
TOTAL ASSETS	4,186,150	4,213,679
LIABILITIES	31.03.2020	31.12.2019
EQUITY	1,101,022	1,116,971
SHARE CAPITAL	624,997	345,998
RESERVES	101,744	43,355
RETAINED EARNINGS	43,068	112,885
PROFIT (LOSS) FOR THE PERIOD	(12,150)	(69,807)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	757,659	432,431
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	343,363	684,540
NON-CURRENT LIABILITIES	1,736,071	1,801,985
BONDS	312,897	310,671
OTHER LOANS AND BORROWINGS	419,268	472,677
LEASE LIABILITIES	773,138	786,980
OTHER LIABILITIES	61,594	60,112
DEFERRED TAX LIABILITIES	56,137	56,852
EMPLOYEE BENEFIT OBLIGATIONS	85,644	85,906
PROVISIONS FOR RISKS AND CHARGES	27,393	28,787
CURRENT LIABILITIES	852,414	798,080
BANK LOANS AND BORROWINGS	33,217	8,455
BONDS	41,362	40,180
OTHER LOANS AND BORROWINGS	95,667	68,946
LEASE LIABILITIES	74,932	72,065
TRADE PAYABLES	389,864	396,391
OTHER LIABILITIES	162,062	153,992
PROVISIONS FOR RISKS AND CHARGES	55,310	58,051
LIABILITIES HELD FOR SALE	496,643	496,643
TOTAL LIABILITIES AND EQUITY	4,186,150	4,213,679

2. Income statement

(in thousands of euro)

	01/01 - 31/03 2020	01/01 - 31/03 2019 (*)
REVENUE	531,481	530,207
CHANGE IN INVENTORIES	(1,371)	480
COSTS FOR THE PURCHASE OF GOODS	(204,737)	(230,516)
COSTS FOR SERVICES	(81,798)	(83,366)
PERSONNEL EXPENSES	(162,417)	(139,226)
OTHER OPERATING INCOME	7,987	9,381
OTHER OPERATING EXPENSE	(23,000)	(17,441)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(54,174)	(45,839)
OPERATING PROFIT (LOSS)	11,971	23,680
FINANCIAL INCOME	1,909	2,146
FINANCIAL EXPENSE	(16,272)	(12,229)
DIVIDENDS	24	14
GAINS FROM SECURITIES TRADING	2,061	1,020
LOSSES FROM SECURITIES TRADING	--	--
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES	--	--
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(10,654)	1,850
PROFIT BEFORE TAXES	(10,961)	16,481
INCOME TAXES	(2,586)	(7,635)
PROFIT FROM CONTINUING OPERATIONS	(13,547)	8,846
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	--	3,292
PROFIT (LOSS) FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	(13,547)	12,138
- PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1,397	(8,370)
- PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT	(12,150)	3,768

(*) Certain 2019 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations"

3. Statement of net financial indebtedness

(in thousands of euro)

	31.03.2020	31.12.2019
A. CASH AND BANK DEPOSITS	273,068	309,336
B. OTHER CASH EQUIVALENTS	263,689	264,278
C. SECURITIES HELD FOR TRADING	32,432	35,482
D. CASH AND CASH EQUIVALENTS (A) + (B) + (C)	569,189	609,096
E. CURRENT LOAN ASSETS	23,740	23,135
F. CURRENT BANK LOANS AND BORROWINGS	(123,426)	(71,115)
G. BONDS	(41,362)	(40,180)
H. CURRENT PORTION OF NON-CURRENT DEBT	(5,458)	(6,286)
I. LEASE LIABILITIES	(74,932)	(72,065)
J. CURRENT FINANCIAL INDEBTEDNESS (F) + (G) + (H) + (I)	(245,178)	(189,646)
K. CURRENT NET FINANCIAL POSITION (J) + (E) + (D)	347,751	442,585
L. NON-CURRENT BANK LOANS AND BORROWINGS	(416,938)	(470,347)
M. BONDS ISSUED	(312,897)	(310,671)
N. OTHER NON-CURRENT LIABILITIES	(2,330)	(2,330)
O. LEASE LIABILITIES	(773,138)	(786,980)
P. NON-CURRENT FINANCIAL INDEBTEDNESS (L) + (M) + (N)	(1,505,303)	(1,570,328)
Q. NET FINANCIAL INDEBTEDNESS (K) + (P)	(1,157,552)	(1,127,743)



Notes

1. Introduction

The consolidated interim financial report at 31 March 2020, which is unaudited, has been prepared in compliance with the IAS/IFRS, which have been mandatory since 2005 for the preparation of consolidated financial statements of companies listed on regulated European markets.

Comparative figures have also been determined according to IAS/IFRS.

The financial information has been drawn up as indicated in art. 154/ter, paragraph 5, of Legislative Decree 58 of 24 February 1998 and subsequent amendments (CFA). The provisions of IAS 34 "Interim Financial Reporting" have therefore not been adopted.

We communicate that the financial information has been prepared in continuity with the past, pending clarification on the regulatory framework.

2. Basis of consolidation

Consolidation is on a line-by-line basis. The criteria used when applying this basis are the same as those used at 31 December 2019.

The group's consolidated financial statements at 31 March 2020, like those at 31 December 2019, derive from the consolidation at these dates of the financial statements of the parent CIR and all subsidiaries, directly or indirectly controlled by it, joint ventures or associates. Assets and liabilities relating to companies to be disposed of are reclassified to specific asset and liability items to highlight these circumstances.

The consolidated financial statements have been prepared considering the expected sale of the GEDI group (Media segment) following the agreement on 2 December 2019 between CIR and EXOR which signed a contract for EXOR to buy CIR's entire 43.78% stake in GEDI through a vehicle set up specifically for the occasion and wholly owned by EXOR.

The price paid by EXOR to CIR for its investment is € 0.46 per share, for a total of € 102.4 million.

Consequently, given that the conditions envisaged by IFRS 5 "*Non-current assets held for sale and discontinued operations*" were met, the GEDI group has been shown as a discontinued operation.

In this regard, the following entries have been made in the consolidated financial statements at 31 March 2020:

- in the statement of financial position, the assets and liabilities relating to the Media sector have been reclassified to "Assets and liabilities held for sale" as at 31 December 2019;
- the income statement at 31 March 2020 and for comparative purposes at 31 March 2019, the items of revenue, income, costs and charges have been reclassified to "Profit (loss) from discontinued operations";

3. Consolidated accounting standards

The Accounting Standards applied in the preparation of the financial statements at 31 March 2020 do not differ from those applied to the financial statements at 31 December 2019.

4. Share capital

Share capital at 31 March 2020 amounted to € 638,603,657.00 and consisted of 1,277,207,314 shares with a nominal value of € 0.50 each, compared with € 359,604,959.00 at 31 December 2019 consisting of 794,292,367 shares with nominal value of € 0.50 each.

On 19 February 2020, once the absorption of CIR S.p.A. - Compagnie Industriali Riunite (merged Company) by CIR S.p.A. - Compagnie Industriali Riunite (formerly Cofide - Gruppo De Benedetti S.p.A. - Merging Company) had taken effect, all the shares of the merged company were cancelled and exchanged for ordinary shares of the merging company issued in execution of the increase in capital of € 278,998,698.00 (557,997,396 shares) on the basis of an exchange ratio of 2.01 ordinary shares of the merging company for each share of the merged company, all of par value € 0.50 each.

At 31 March 2020 the parent held 27,214,899 treasury shares (2.13% of the share capital) for a value of € 15,345 thousand, unchanged with 31 December 2019.

In application of IAS 32, since 1 January 2005 treasury shares held by the Parent have been deducted from total equity.

The share capital is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of treasury shares.

It is worth reiterating that the Ordinary Shareholders' Meeting on 29 April 2019 resolved to revoke the previous resolution to purchase treasury shares, granting a new authorisation, for a period of eighteen months from the day after, to buy up to a maximum of 70,000,000 treasury shares and to dispose of them.

The Company's controlling shareholder is Fratelli De Benedetti S.p.A. with registered office in via Valeggio 41, Turin.



Regarding stock option plans and stock grants, at 31 March 2020 there were 28,009,433 options outstanding, corresponding to an equivalent number of shares.

The notional cost of stock grants assigned to employees and allocated to a specific equity reserve amounted to € 409 thousand in the first quarter of 2020.

5. Other information

Merger

The Merger is configured as a business combination created between subjects under common control. A merger by absorption between an Issuer and its own subsidiary is an operation by which the subsidiary's assets and liabilities flow into the financial statements of the parent company and the equity investment held in it is eliminated. This situation was already reflected in the consolidated financial statements at 31 December 2019 and in the consolidated financial statements at 31 March 2020 of the merging company CIR (formerly COFIDE); financial statements which therefore already included the carrying amounts of the merged subsidiary CIR as a consequence of the line-by-line consolidation of the merged company with the merging company.

For a better reading of the consolidated financial statements at 31 March 2020, information on the effects of the Transaction on consolidated equity at 31 December 2019 and the consolidated income statement at 31 March 2019 are provided below.

In the consolidated financial statements of the merging company, the Merger is configured as a purchase of minority interests made on the Merger Effective Date.

The following table illustrates the effects of the Transaction on the consolidated equity of CIR S.p.A. (formerly Cofide S.p.A.):

(in thousands of euro)	Consolidated financial statements al 31/12/2019	Effects of the merger	Consolidated financial statements al 31/12/2019 (pro-forma)
	i	ii	i+ii
EQUITY	1,116,971	--	1,116,971
Equity attributable to the owners of the parent	432,431	338,252	770,683
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	684,540	(338,252)	346,288

Pro-forma adjustments reflect the € 278,999 thousand increase in capital (in kind, not in cash) and the effects of the acquisition of non-controlling interests as a reclassification of the minority interests in Group equity acquired through the merger (€ 338,252 thousand) from "Non-controlling interests" to "Equity attributable to the owners of the parent".



The following table illustrates the effects of the Transaction on CIR S.p.A.'s consolidated income statement at 31 March 2019 (formerly Cofide S.p.A.):

(in thousands of euro)	Consolidated financial statements al 31/03/2019	Effects of the merger	Consolidated financial statements al 31/03/2019 (pro-forma)
	i	ii	i+ii
PROFIT FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	12,138	--	12,138
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	8,370	(1,941)	6,429
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT	3,768	1,941	5,709

The pro-forma adjustments relate to the recalculation of the profit attributable to non-controlling interests made as a result of the Merger. There is therefore a higher profit attributable to the merging company of € 1,941 thousand.

Certification of the consolidated financial statements



Certification pursuant to art. 154 bis, paragraph 2, of Legislative Decree 58/1998

Re: Interim Financial Report at 31 March 2020

The undersigned, Giuseppe Gianoglio, executive responsible for the preparation of the company's financial statements,

hereby declares

in accordance with paragraph 2 of Article 154 bis of the Finance Consolidation Act (TUF) that the accounting information contained in this document corresponds to the company's documented results, books of account and accounting entries.

Milan, 24 April 2020

CIR S.p.A.

Signed by

Giuseppe Gianoglio



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