

# INTERIM FINANCIAL REPORT

AS OF 31 MARCH 2018



COMPAGNIE INDUSTRIALI RIUNITE

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COMPAGNIE INDUSTRIALI RIUNITE

Limited-liability corporation - Share capital € 397,146,183.50 - Registered Office: Via Ciovassino, 1 – 20121 Milan - [www.cirgroup.it](http://www.cirgroup.it)

R.E.A. n. 1950112 – Milan Company Register / Fiscal Code / VAT no. 00519120018

Company subject to management and coordination by COFIDE – Gruppo De Benedetti S.p.A.

Office in Rome: Via del Tritone, 169 – 00187 Rome

## ***Report of the Board of Directors on operations as of 31 March 2018***

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### ***1. Key figures***

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In the first quarter of 2018 the CIR Group recorded **revenues** of € 710.1 million, up by 4.5% compared with the same period in 2017 (€ 679.5 million); in detail, revenues of the KOS Group increased by 13.4% and revenues of the GEDI Group grew by 20.7%, following integration of the ITEDI Group. Revenues of the Sogefi Group fell by 2.7% due to the strong devaluation of the foreign currencies in which the group operates; at constant exchange rates, revenues would have increased by 2.8%.

**Consolidated EBITDA** amounts to € 84.8 million, an increase of 5.3% compared with € 80.5 million in the first three months of last year.

**Consolidated net income** amounted to € 9.9 million versus € 13.5 million in the first quarter of 2017, due to lower results of financial management

The contribution made by the industrial subsidiaries to CIR's consolidated net result came to € 12.6 million, an increase on the € 11.6 million made in the first three months of last year.

Despite the decrease in revenues due to the devaluation of currencies other than the Euro, Sogefi maintained its EBITDA in line with the first quarter of 2017 at € 53.1 million. Net income came to € 12.0 million versus € 10.5 million in the same period last year.

Because of a difficult environment for the publishing industry, on a comparable basis, GEDI posted a decrease in revenues of 5.8% on the same period last year, and net income of € 3 million (€ 5.8 million in the first quarter of 2017).

Lastly, KOS reported an increase in revenues of 13.4%, thanks to growth in all business areas and the contribution made by the companies acquired in 2017. EBITDA amounted to € 23.8 million (+33.3%) and the net income was € 7.5 million (€ 4.6 million in the first quarter 2017).

The parent company CIR S.p.A. and its non-industrial subsidiaries contribution was negative for € 2.7 million (it was positive for € 1.9 million in the first quarter of 2017), as it was penalised by the lower result of financial management due to the adjustment of the fair value of the Private Equity investments in application of IFRS 9 and exchange losses.

**Net debt** at 31 March 2018 amounted to € 274.7 million stable on € 272.5 million at 31 December 2017 (€ 144.7 million at 31 March 2017).

Total net debt of the industrial subsidiaries at 31 March 2018 amounted to € 610.9 million, showing a slight decrease compared with 31 December 2017 (€ 615.5 million), but a significant increase on 31 March 2017 (€ 476.3 million), mainly due to the outlays incurred by GEDI in the last quarter of 2017 to settle a tax dispute for facts dating back to 1991.

At 31 March 2018, the net financial position of the Parent Company (including its non-industrial subsidiaries) was positive for € 336.2 million, showing a slight decrease on the end of 2017 (€ 343.0 million) as a result of the purchase of treasury shares during the period (€ 3.2 million).

**Group equity** at 31 March 2018 was € 964.9 million (€ 959.8 million at 31 December 2017). The increase of € 5.1 million is mainly due to the result for the period, net of the purchased treasury shares.

*The tables on the following pages provide a breakdown by business sector of the Group's results and financial position, a breakdown of the contribution made by the main subsidiaries and the aggregate results of CIR, the parent company, and the other non-industrial subsidiaries.*

# INCOME STATEMENT BY BUSINESS SECTOR AND CONTRIBUTIONS TO THE RESULTS OF THE GROUP

(in millions of euro)

	1st quarter 2018												1st quarter 2017 (*)
	Revenues	Costs of production	Other operating income and expense	Amortisation/depreciation and write-downs	EBIT	Net financial income and expense	Dividends, net gains and losses on trading and the valuation of securities	Adjustments to the value of investments consolidated at equity	Income taxes	Income/(loss) from assets held for disposal	Net income minority interests	Net result of the Group	Net result of the Group
CONSOLIDATED													
AGGREGATE													
	(1)	(2)			(3)	(4)							
Sogefi Group	421.1	(363.1)	(4.9)	(27.5)	25.6	(6.8)	--	--	(5.8)	--	(6.2)	6.8	6.0
GEDI Group	155.8	(146.6)	2.2	(4.8)	6.6	(2.4)	--	0.4	(1.6)	--	(1.7)	1.3	2.8
KOS Group	133.2	(106.1)	(4.1)	(7.6)	15.4	(3.0)	--	--	(4.4)	--	(3.5)	4.5	2.8
<b>Total for main subsidiaries</b>	<b>710.1</b>	<b>(615.8)</b>	<b>(6.8)</b>	<b>(39.9)</b>	<b>47.6</b>	<b>(12.2)</b>	<b>--</b>	<b>0.4</b>	<b>(11.8)</b>	<b>--</b>	<b>(11.4)</b>	<b>12.6</b>	<b>11.6</b>
Other subsidiaries	--	(0.1)	--	--	(0.1)	--	--	--	--	--	--	(0.1)	--
<b>Total industrial subsidiaries</b>	<b>710.1</b>	<b>(615.9)</b>	<b>(6.8)</b>	<b>(39.9)</b>	<b>47.5</b>	<b>(12.2)</b>	<b>--</b>	<b>0.4</b>	<b>(11.8)</b>	<b>--</b>	<b>(11.4)</b>	<b>12.5</b>	<b>11.6</b>
<b>CIR and other non-industrial subsidiaries</b>													
Revenues	--											--	--
Net operating costs		(3.0)										(3.0)	(3.1)
Other operating income & expense			0.4									0.4	0.3
Amortisation, depreciation & write-downs				(0.2)								(0.2)	(0.2)
EBIT					(2.8)								
Net financial income & expense						(0.6)						(0.6)	0.7
Dividends and net gains from securities trading							0.6					0.6	3.9
Adjustments to the value of investments consolidated at equity								--				--	--
Income taxes									0.2			0.2	0.3
Income/(loss) from assets held for disposal										--		--	--
<b>Total CIR and other non-industrial subsidiaries</b>	<b>--</b>	<b>(3.0)</b>	<b>0.4</b>	<b>(0.2)</b>	<b>(2.8)</b>	<b>(0.6)</b>	<b>0.6</b>	<b>--</b>	<b>0.2</b>	<b>--</b>	<b>--</b>	<b>(2.6)</b>	<b>1.9</b>
<b>Consolidated total for the Group</b>	<b>710.1</b>	<b>(618.9)</b>	<b>(6.4)</b>	<b>(40.1)</b>	<b>44.7</b>	<b>(12.8)</b>	<b>0.6</b>	<b>0.4</b>	<b>(11.6)</b>	<b>--</b>	<b>(11.4)</b>	<b>9.9</b>	<b>13.5</b>

(\*) Certain figures for 2017 have been restated following the application of the "IFRS 15 – Revenue from Contracts with Customers".

- 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 € (0.6) 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 € (0.6) million effect 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 trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement.

## CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)

(in millions of euro)

		31.03.2018								31/12/2017 (*)	
CONSOLIDATED		Fixed assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity		Minority interests	Group equity	Group equity	
		(1)	(2)	(3)	(4)						
	Sogefi Group	672.9	(108.6)	(106.0)	(254.3)	204.0		99.2	104.8	99.6	
	GEDI Group	808.6	(161.5)	22.2	(110.0)	559.3		303.6	255.7	254.8	
	KOS Group	616.5	(20.2)	(48.1)	(247.3)	300.9		125.5	175.4	170.9	
	Other subsidiaries	--	(0.5)	0.6	0.7	0.8		0.1	0.7	0.9	
	<b>Total industrial subsidiaries</b>	<b>2,098.0</b>	<b>(290.8)</b>	<b>(131.3)</b>	<b>(610.9)</b>	<b>1,065.0</b>		<b>528.4</b>	<b>536.6</b>	<b>526.2</b>	
<b><u>CIR and other non-industrial subsidiaries</u></b>											
	Fixed assets	18.2				18.2			18.2	18.4	
	Other net non-current assets and liabilities		63.8			63.8			63.8	69.3	
	Net working capital			10.1		10.1			10.1	2.9	
	Net financial position				336.2	336.2			336.2	343.0	
	<b>Consolidated total for the Group</b>	<b>2,116.2</b>	<b>(227.0)</b>	<b>(121.2)</b>	<b>(274.7)</b>	<b>1,493.3</b>		<b>528.4</b>	<b>964.9</b>	<b>959.8</b>	

(\*) Certain figures for 2017 have been restated following the application of the "IFRS 15 – Revenue from Contracts with Customers".

- 1) This item is the sum of "intangible assets", "tangible assets", "investment property", "investments in companies consolidated at equity" and "other equity investments" of the consolidated statement of financial position.
- 2) This item is the sum of "other receivables", "available-for-sale financial assets" and "deferred tax assets" under non-current assets and of "other payables", "deferred tax liabilities", "personnel provisions" and "provisions for risks and losses" under non-current liabilities of the consolidated statement of financial position. This item also includes the "assets held for sale" and "liabilities held for sale" in the consolidated statement of financial position.
- 3) This item is the sum of "inventories", "trade receivables" and "other receivables" under current assets, and of "trade payables", "other payables" and "provisions for risks and losses" under current liabilities in the consolidated statement of financial position.

## 2. Performance of the Group

Consolidated sales revenues for the first quarter of 2018 came in at € 710.1 million versus € 679.5 million in the same period of 2017, an increase of € 30.6 million (+4.5%), mainly due to the growth in revenues of GEDI for the integration of the ITEDI group and to the increase in revenues of KOS thanks to the acquisitions made last year. Sogefi has reported a 2.7% decrease in revenues; at constant exchange rates, Sogefi's revenues would have been up by 2.8%.

Consolidated revenues are analysed by business segment as follows:

(in millions of euro)	1st quarter					
	2018	%	2017(*)	%	Change absolute	%
<b>Automotive components</b>						
Sogefi Group	421.1	59.3	432.9	63.7	(11.8)	(2.7)
<b>Media</b>						
GEDI Gruppo Editoriale	155.8	21.9	129.1	19.0	26.7	20.7
<b>Healthcare</b>						
Kos Group	133.2	18.8	117.5	17.3	15.7	13.4
<b>Total consolidated revenues</b>	<b>710.1</b>	<b>100.0</b>	<b>679.5</b>	<b>100.0</b>	<b>30.6</b>	<b>4.5</b>

(\*) Certain figures for 2017 have been restated following the application of "IFRS 15 – Revenue from Contracts with Customers".

The CIR Group's key income statement figures for the first quarter, with comparatives, are as follows:

(in millions of euro)	1st quarter			
	2018	%	2017 (*)	%
Revenues	710.1	100.0	679.5	100.0
<b>Consolidated EBITDA (1)</b>	<b>84.8</b>	<b>11.9</b>	<b>80.5</b>	<b>11.8</b>
<b>Consolidated operating income (EBIT)</b>	<b>44.7</b>	<b>6.3</b>	<b>42.2</b>	<b>6.2</b>
Financial management (2)	(11.8)	(1.7)	(6.9)	(1.0)
Income taxes	(11.6)	(1.6)	(12.0)	(1.7)
Income (loss) from assets held for sale	--		0.2	--
<b>Net income including minority interests</b>	<b>21.3</b>	<b>3.0</b>	<b>23.5</b>	<b>3.5</b>
Minority interests	(11.4)	(1.6)	(10.0)	(1.5)
<b>Net result of the Group</b>	<b>9.9</b>	<b>1.4</b>	<b>13.5</b>	<b>2.0</b>

(\*) Certain figures for 2017 have been restated following the application of "IFRS 15 – Revenue from Contracts with Customers".

(1) This is the sum of "EBIT" and "Amortisation, depreciation & write-downs" in the consolidated income statement.

(2) This is the sum of "financial income", "financial expense", "dividends", "gains from trading securities", "losses from trading securities", "share of income (loss) of investments consolidated at equity" and "adjustments to the value of financial assets" in the consolidated income statement.

The **consolidated gross operating margin (EBITDA)** in first quarter 2018 was € 84.8 million (11.9% of revenues) versus € 80.5 million (11.8% of revenues) in first quarter 2017, an increase of € 4.3 million (+5.3%).

The consolidated operating margin (EBIT) for the first quarter of 2018 was € 44.7 million (6.3% of revenues) versus € 42.2 million (6.2% of revenues) in the same period of 2017 (+5.9%); The increase reflects the positive trend in EBITDA.



**Financial management** generated a net charge of € 11.8 million compared with a charge of € 6.9 million in the first quarter of 2017. In detail:

- net financial expense came to € 12.8 million compared with € 10.2 million in the first quarter of 2017;
- Net gains on trading of securities, gains from minority interests and adjustments to the value of financial assets came to € 0.6 million compared with € 3.8 million in first quarter of 2017
- the valuation of investments consolidated at equity led to a change of € +0.4 million compared with € -0.5 million in the same period of 2017.

The **condensed consolidated statement of financial position** of the CIR Group at 31 March 2018, with comparative figures at 31 December 2017 and 31 March 2017, is as follows:

<i>(in millions of euro) (1)</i>	<i>31.03.2018</i>	<i>31.12.2017 (*)</i>	<i>31.03.2017 (*)</i>
Fixed assets	2,116.2	2,112.7	1,941.1
Other net non-current assets and liabilities	(227.0)	(229.6)	(204.2)
Net working capital	(121.2)	(131.5)	(65.9)
<b>Net invested capital</b>	<b>1,768.0</b>	<b>1,751.6</b>	<b>1,671.0</b>
<b>Net debt</b>	<b>(274.7)</b>	<b>(272.5)</b>	<b>(144.7)</b>
<b>Total equity</b>	<b>1,493.3</b>	<b>1,479.1</b>	<b>1,526.3</b>
Equity of the Group	964.9	959.8	1,054.7
Minority interests	528.4	519.3	471.6

*(\*) Certain figures for 2017 have been restated following the application of "IFRS 15 – Revenue from Contracts with Customers".*

*(1) These figures are the result of a different aggregation of the items in the financial statements. For a definition, see the notes to the "Consolidated statement of financial position by business sector" shown earlier.*

**Consolidated net invested capital** at 31 March 2018 stood at € 1,768.0 million versus € 1,751.6 million at 31 December 2017, a rise of € 16.4 million.

The **consolidated net financial position** at 31 March 2018, as mentioned previously, showed net debt of € 274.7 million (compared with € 272.5 million at 31 December 2017) caused by:

- a financial surplus pertaining to CIR and its non-industrial subsidiaries of € 336.2 million, slightly down compared with € 343.0 million at 31 December 2017, mainly due to the impact of purchases of treasury shares in the quarter (€ 3.2 million);
- a total debt of the industrial subsidiaries of € 610.9 million compared with € 615.5 million at 31 December 2017 and € 476.3 million at 31 March 2017.

**Total equity** at 31 March 2018 came to € 1,493.3 million compared with € 1,479.1 million at 31 December 2017, an increase of € 14.2 million.

**Group equity** at 31 March 2018 amounted to € 964.9 million compared with € 959.8 million at 31 December 2017, a rise of € 5.1 million: the change is the combined result of net income of the period less the buy-back of own shares of € 3.2 million.

At 31 March 2018 **minority interests** came to € 528.4 million, compared with € 519.3 million at 31 December 2017, a growth of € 9.1 million.

The **consolidated statement of cash flows** for the first three months of 2018, prepared according to a managerial format which shows the changes in net financial position, can be summarised as follows:

<i>(in millions of euro)</i>	<i>1st quarter 2018</i>	<i>1st quarter 2017 (*)</i>
<b>SOURCES OF FUNDS</b>		
Result from operating activities	21.3	23.4
Amortisation, depreciation, write-downs & other non-monetary changes	33.6	37.2
<b>Self-financing</b>	<b>54.9</b>	<b>60.6</b>
<b>Change in working capital and other non-current assets and liabilities</b>	<b>(17.3)</b>	<b>(23.6)</b>
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>37.6</b>	<b>37.0</b>
Capital increases	0.2	0.3
<b>TOTAL SOURCES OF FUNDS</b>	<b>37.8</b>	<b>37.3</b>
<b>APPLICATIONS OF FUNDS</b>		
Net investment in fixed assets	(31.9)	(33.8)
Price paid for business combinations	(13.3)	(0.8)
Net financial position of acquired companies	1.2	0.1
Payment of dividends	(0.7)	(0.6)
Buy-back of own shares	(3.2)	(4.3)
Other changes	1.7	0.8
<b>TOTAL APPLICATIONS OF FUNDS</b>	<b>(46.2)</b>	<b>(38.6)</b>
<b>FINANCIAL SURPLUS (DEFICIT) OF OPERATING ACTIVITIES</b>	<b>(8.4)</b>	<b>(1.3)</b>
<b>FLOW/FINANCIAL POSITION FROM ASSETS HELD FOR SALE</b>	<b>6.2</b>	<b>0.2</b>
<b>FINANCIAL SURPLUS (DEFICIT)</b>	<b>(2.2)</b>	<b>(1.1)</b>
<b>NET FINANCIAL POSITION AT BEGINNING OF PERIOD</b>	<b>(272.5)</b>	<b>(143.6)</b>
<b>NET FINANCIAL POSITION AT END OF PERIOD</b>	<b>(274.7)</b>	<b>(144.7)</b>

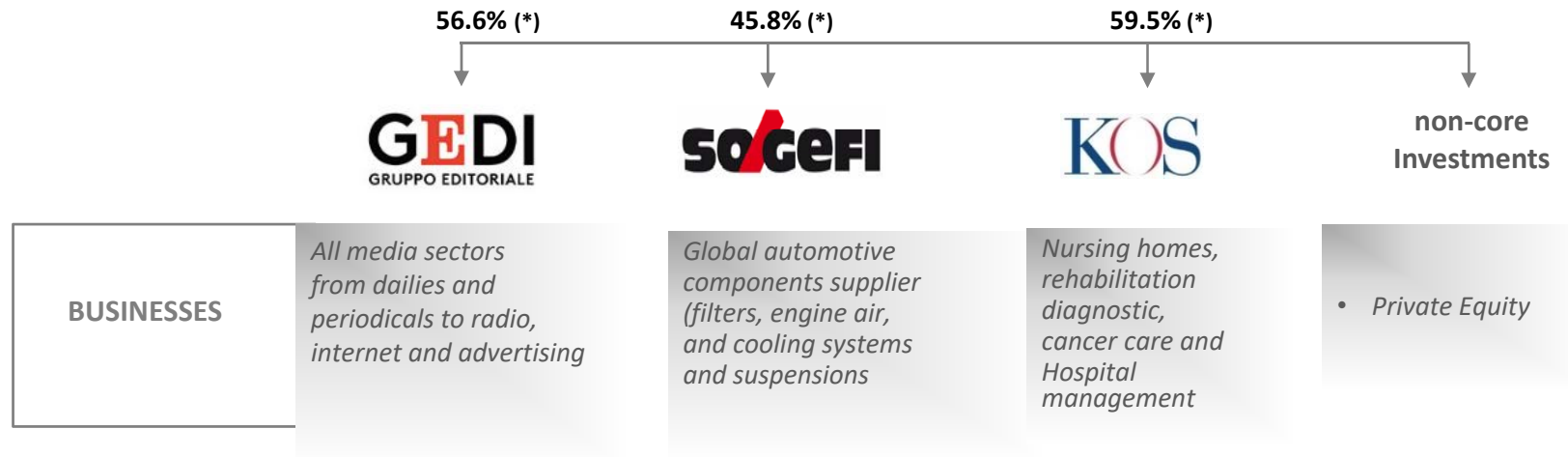
(\*) Certain figures for 2017 have been restated following the application of "IFRS 15 – Revenue from Contracts with Customers".

In the first quarter of 2018 the Group recorded a financial deficit of € 2.2 million (-€ 1.1 million in the corresponding period in 2017) resulting from sources of funds of € 37.8 million, and application of funds totalling € 46.2 million. Application of funds mainly includes the buy-back of own shares for € 3.2 million, business combinations for € 12.1 million and net investments in fixed assets for € 31.9 million, mainly concerning the Sogefi and KOS groups.

For a breakdown of the items making up the net financial position, reference should be made to the section containing the financial statements.

At 31 March 2018 the Group had 15,957 employees, compared with 15,839 at 31 December 2017.

Main Group investments  
at 31 March 2018



(\*) the percentage is calculated net of treasury shares

### 3. Performance of the business sectors

#### ■ AUTOMOTIVE COMPONENTS

The main performance indicators of the Sogefi Group for the current year are shown below, with comparative figures for the equivalent periods last year:

<i>(in millions of euro)</i>	<b>1st quarter 2018</b>	<b>1st quarter 2017 (*)</b>	<b>Change absolute</b>	<b>%</b>
<b>Revenues</b>	421.1	432.9	(11.8)	(2.7)
<b>Net result</b>	12.0	10.5	1.5	14.5

(\*) Figures restated following the application of IFRS 15

	<b>31/03/2017</b>	<b>31/12/2017</b>	<b>31/03/2017</b>
<b>Net financial position</b>	(254.3)	(264.0)	(291.4)
<b>No. of employees</b>	6,972	6,947	6,815

The car market reported a decline in production of 0.7% in the first quarter 2018, Europe showed decrease of 1.1%, Asia of 0.9% (mainly because of the contraction in the Chinese market, -2.7%) and North America of 2.7%. On the other hand, South America showed a growth of 11.9%.

The sharp devaluation in the exchange rates of currencies other than the Euro in which the group operates has had a significant impact on the main economic indicators, particularly on revenues.

In this context, the Sogefi Group's revenue amounted to € 421.1 million, up by 2.8% at constant exchange rates, but down by 2.7% at historical exchange rates compared with the first quarter of 2017 (€ 432.9 million).

As regards geographical areas, in Europe and North America revenues remained stable with respect to the previous period (+0.1% and +0.4% respectively, at constant exchange rates), while they have grown significantly in Asia and South America (+8.5% and +16.3% respectively, at constant exchange rates).

As regards business units, Suspensions recorded an increase of 2.5% (+7.2% at constant exchange rates), Filtration reported a decrease of 3.7% (+3.3% at constant exchange rates) and Air and Cooling declined by 7.9% (-3.1% at constant exchange rates).

EBITDA came to € 53.1 million, in line with € 53.3 million in the first quarter of 2017; at constant exchange rates EBITDA recorded an increase of 5.1%. The profitability (EBITDA/revenues) has improved from 12.3% to 12.6%.

EBIT amounted to € 25.6 million, in line with the same period of 2017 (€ 25.3 million) and represents 6.1% of revenues. At constant exchange rates EBIT has shown an increase of 7.5%.

**Net income** was € 12 million, up compared with € 10.5 million in the first quarter 2017, after tax charges of € 5.8 million in 2018 (€ 7.3 million in the first quarter 2017).

As regards the risk of claims of Sogefi Air & Cooling S.A.S. (formerly Systèmes Moteurs S.A.S.), there were no significant changes in the first quarter of 2018.

**Net financial debt** at 31 March 2018 amounted to € 254.3 million, with a rise of € 9.7 million compared with 31 December 2017 (€ 264 million) and of € 37.1 million compared with 31 March 2017 (€ 291.4 million). Free cash flow for the first quarter of 2018 was positive for € 9.3 million compared with € 6.9 million in the same period of 2017.

The Sogefi Group had 6,972 employees at 31 March 2018 compared with 6,947 at 31 December 2017.

Despite the weak performance of the global automotive market in the first quarter of 2018, the group still maintains the expectation of growth at constant exchange rates slightly higher than that of the market with a positive performance overall.

## ■ MEDIA

The main performance indicators of the GEDI Group for the current year are shown below, with comparative figures for the equivalent periods last year:

<i>(in millions of euro)</i>	<b>1st quarter 2018</b>	<b>1st quarter 2017</b>	<b>Change absolute</b>	<b>%</b>
<b>Revenues</b>	155.8	129.1	26.7	20.7
<b>Net result</b>	3.0	5.0	(2.0)	n.a.

	<b>31/03/2018</b>	<b>31/12/2017</b>	<b>31/03/2017</b>
<b>Net financial position</b>	(110.0)	(115.1)	29.0
<b>No. of employees</b>	2,439	2,445	1,946

The GEDI Group adopted the new accounting standards IFRS 15 and IFRS 9 from 1 January 2018. To guarantee the comparability of figures, the income statement for the first quarter of 2017 was restated in terms of circulation and advertising income and, consequently, for the same amount in costs for services, according to the new guidelines of IFRS 15. This restatement did not have any impact on EBIT, nor on net income for the period or equity.

As regards the context in which the GEDI group has operated during the first two months of 2018, advertising expenditure were down by 0.3% compared with the same period of the previous year (Nielsen Media Research). Positive trends were recorded by radio, which showed an increase of 5.1%, confirming the positive trend that has been going on since 2015, and internet which, excluding search engines and social media, achieved a growth in revenues (+2.6%); TV remained in line with the previous year (+0.6%) whereas the press dropped again by 9.6%, with newspapers at -8.7% (-12.9% in national revenues and -5.9% in local revenues) and magazines at -11.1%. As for newspaper circulation in the first quarter of 2018, according to the figures published by ADS (Accertamento Diffusione Stampa), sales on newsstands and by subscription fell by 8.5%.

Note that the integration with the ITEDI group had not yet taken place in the first quarter of 2017, so for the main economic indicators shown below, the change versus the first three months of 2017 is also provided on a comparable basis.

In the first quarter 2018, GEDI's consolidated **revenues**, € 155.8 million, have increased by 20.7% compared with the first quarter 2017 (-5.8% on a comparable basis). Circulation revenues amounted to € 71.7 million, a slight increase (+33.0%) compared with the previous year and a decrease of 7.5% on a comparable basis, in a market that is continuing to see a significant reduction in the circulation of daily newspapers (-8.5%). Advertising revenues grew by 14.3% compared with the first three months of 2017 and decreased by 3.1% on a comparable basis. As regards the group's media, radio revenue grew by 4.4%, confirming the positive trend observed in the previous year. Internet revenue rose by 8.1% (+2.6% on a comparable basis, in line with the market). Lastly, publishing revenues increased by 9.0% (-7.7% on a comparable basis, better than the sector trend).

Costs went up by 24.9% compared with the first quarter of 2017 and went down by 3.2% on comparable basis; The decrease involved both the fixed personnel costs (-1.9%) and other costs (-4.0%).

Consolidated EBITDA amounted to € 11.4 million compared with € 13.0 million in the first quarter of 2017.

EBIT amounted to € 6.6 million compared with € 9.6 million in first quarter 2017.

**Net income** comes to € 3.0 million compared with € 5.0 million in the first quarter 2017 (€ 5.8 million on comparable basis).

At 31 March 2018, **net financial debt** amounted to € 110.0 million, down from € 115.1 million at the end of 2017.

The Group had 2,439 employees at the end of March 2018, including those on fixed-term contracts, and the average workforce for the period was 1.7% lower than in the first quarter of 2017, on a comparable basis.

On 16 April 2018 the parent company GEDI Gruppo Editoriale signed an agreement with four primary banks for a € 100 million loan with a duration of four years. The contract requires the company to comply with a covenant based on the ratio between Net Debt and EBITDA. In this way, the company was refinanced so that it could reimburse the convertible bond loan issued in 2014 for an amount of € 100 million, expiring in April 2019.

With regard to prospects for 2018, the trends recorded in the first quarter of the year are in line with those that has been affecting the sector for years now; it is worth mentioning that there were some more positive signs for advertising in the second quarter. Against these trend, the group continues to undertake to achieve all the advantages deriving from the integration with ITEDI, in the development of digital activities and in the permanent implementation of rationalisations aimed at preserving profitability in a structurally difficult market.

## ■ HEALTHCARE

The main performance indicators of the KOS Group for the current year are shown below, with comparative figures for the equivalent periods last year:

<i>(in millions of euro)</i>	<i>1st quarter 2018</i>	<i>1st quarter 2017</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	133.2	117.5	15.7	13.4
<b>Net result</b>	7.5	4.6	2.9	63.0

	<i>31/03/2018</i>	<i>31/12/2017</i>	<i>31/03/2017</i>
<b>Net financial position</b>	(247.3)	(237.1)	(216.5)
<b>No. of employees</b>	6,520	6,421	5,609

In the first three months of 2018 the KOS Group achieved revenue of € 133.2 million (+13.4%) compared with € 117.5 million in the same period of 2017. Revenues in the Long Term Care area grew, mainly thanks to the full contribution of the companies acquired in 2017 and the revenues made by the three companies acquired in the first quarter of 2018. In the Diagnostics and cancer cure area, revenues have increased thanks to new services started recently and the full contribution of Ecomedica, which was acquired in the second half of 2017.

EBITDA came to € 23.8 million (17.9% of revenues), an increase of 33.3% compared with € 17.8 million (15.2% of revenues) of the first half of 2017.

EBIT came to € 15.4 million versus € 10.3 million in the same period last year.

Net income for first quarter 2018 amounted to € 7.5 million compared with € 4.6 million in the same period of 2017.

At 31 March 2018 KOS had **net debt** of € 247.3 million, compared with € 237.1 million at 31 December 2017 and € 216.5 million at 31 March 2017.

The Group currently manages 83 facilities, mainly in central and northern Italy, for a total of some 7,914 beds. It also operates in India and in the UK.

The Group had 6,520 employees at 31 March 2018 compared with 6,421 at 31 December 2017.



## **4. *Non-core investments***

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They are represented by private equity, minority interests and other investments amounting to € 68.2 million at 31 March 2018, compared with € 74.0 million at 31 December 2017.

### **PRIVATE EQUITY**

CIR International, a Group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 31 March 2018, based on the NAVs provided by the various funds, came to € 47.3 million, a decrease of € 5.7 million compared with 31 December 2017, due to the effect of writedowns, exchange differences and distributions. Outstanding commitments at 31 March 2018 amounted to € 4.9 million.

### **OTHER INVESTMENTS**

At 31 March 2018, CIR had direct and indirect investments in non-strategic investments for a total of € 9.9 million and a portfolio of non-performing loans for a total of € 11.0 million.

## **5. *Significant events subsequent to 31 March 2018***

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No significant events have occurred subsequent to 31 March 2018 in addition to what explained in the segment trends.

## **6. *Outlook for operations***

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As regards the performance of the CIR group for the whole of 2018, it is expected to confirm the trend seen in the first quarter, subject to extraordinary events that are not currently foreseeable.

## **7. *Other information***

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### **OTHER**

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, Milan, Italy and secondary office in Via Nervesa 21, Milan, Italy.

CIR shares have been listed on the Milan Stock Exchange since 1973 (Reuters code: CIRX.MI, Bloomberg code: CIR IM).

This report for the period 1 January-31 March 2018 was approved by the Board of Directors on 27 April 2018.

CIR S.p.A. is subject to management and coordination by COFIDE – Gruppo De Benedetti S.p.A.

# CONSOLIDATED FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

NET FINANCIAL POSITION

## 1. Statement of financial position

(in thousands of euro)

ASSETS	31.03.2018	31/12/2017 (*)	31/03/2017 (*)
<b>NON-CURRENT ASSETS</b>	<b>2,331,762</b>	<b>2,331,085</b>	<b>2,185,161</b>
INTANGIBLE ASSETS	1,165,935	1,156,775	1,006,422
TANGIBLE ASSETS	794,000	799,899	780,828
INVESTMENT PROPERTY	18,393	18,582	19,103
INVESTMENTS CONSOLIDATED AT EQUITY	125,584	125,181	129,465
OTHER EQUITY INVESTMENTS	12,249	12,249	5,343
OTHER RECEIVABLES	62,139	56,754	79,965
AVAILABLE-FOR-SALE FINANCIAL ASSETS	53,133	58,822	70,278
DEFERRED TAX ASSETS	100,329	102,823	93,757
<b>CURRENT ASSETS</b>	<b>1,278,126</b>	<b>1,299,404</b>	<b>1,333,987</b>
INVENTORIES	142,271	139,220	141,174
TRADE RECEIVABLES	472,672	472,736	454,787
OTHER RECEIVABLES	116,647	104,800	113,237
FINANCIAL RECEIVABLES	17,102	38,986	27,497
SECURITIES	38,390	46,927	54,363
AVAILABLE-FOR-SALE FINANCIAL ASSETS	277,560	235,251	237,977
CASH AND CASH EQUIVALENTS	213,484	261,484	304,952
ASSETS HELD FOR SALE	3,418	3,418	--
<b>TOTAL ASSETS</b>	<b>3,613,306</b>	<b>3,633,907</b>	<b>3,519,148</b>
<b>LIABILITIES</b>	<b>31.03.2018</b>	<b>31/12/2017 (*)</b>	<b>31/03/2017 (*)</b>
<b>EQUITY</b>	<b>1,493,297</b>	<b>1,479,079</b>	<b>1,526,323</b>
SHARE CAPITAL	326,679	328,063	331,670
RESERVES	264,006	266,169	303,539
RETAINED EARNINGS (LOSSES)	364,281	372,659	406,010
NET INCOME (LOSS) OF THE PERIOD	9,944	(7,125)	13,467
<b>GROUP EQUITY</b>	<b>964,910</b>	<b>959,766</b>	<b>1,054,686</b>
MINORITY INTERESTS	528,387	519,313	471,637
<b>NON-CURRENT LIABILITIES</b>	<b>1,105,307</b>	<b>1,098,390</b>	<b>994,497</b>
BONDS	366,188	365,112	284,414
OTHER BORROWINGS	293,068	281,863	261,850
OTHER PAYABLES	69,523	72,081	80,895
DEFERRED TAX LIABILITIES	171,792	170,702	151,399
PERSONNEL PROVISIONS	139,107	139,735	130,113
PROVISIONS FOR RISKS AND LOSSES	65,629	68,897	85,826
<b>CURRENT LIABILITIES</b>	<b>1,014,702</b>	<b>1,056,438</b>	<b>998,328</b>
DUE TO BANKS	10,367	17,551	25,492
BONDS	21,294	20,168	21,505
OTHER BORROWINGS	130,287	170,432	176,226
TRADE PAYABLES	511,127	513,287	490,248
OTHER PAYABLES	274,329	263,756	214,204
PROVISIONS FOR RISKS AND LOSSES	67,298	71,244	70,653
LIABILITIES HELD FOR SALE	--	--	--
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,613,306</b>	<b>3,633,907</b>	<b>3,519,148</b>

(\*) Certain figures for 2017 have been restated following the application of the "IFRS 15 – Revenue from Contracts with Customers".

## 2. Income statement

(in thousands of euro)

	01/01 - 31/03 2018	01/01 - 31/03 2017 (*)
REVENUES	710,082	679,458
CHANGE IN INVENTORIES	(592)	(954)
COSTS FOR THE PURCHASE OF GOODS	(256,086)	(256,695)
COSTS FOR SERVICES	(166,506)	(151,969)
PERSONNEL COSTS	(195,102)	(179,983)
OTHER OPERATING INCOME	8,468	7,535
OTHER OPERATING EXPENSE	(15,466)	(16,904)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(40,122)	(38,237)
<b>EBIT</b>	<b>44,676</b>	<b>42,251</b>
FINANCIAL INCOME	2,245	2,992
FINANCIAL EXPENSE	(15,102)	(13,207)
DIVIDENDS	16	10
GAINS FROM TRADING SECURITIES	2,972	3,073
LOSSES FROM TRADING SECURITIES	(100)	(5)
SHARE OF PROFIT (LOSS) OF INVESTMENTS CONSOLIDATED AT EQUITY	403	(522)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(2,261)	787
<b>NET PROFIT (LOSS) BEFORE TAXES</b>	<b>32,849</b>	<b>35,379</b>
INCOME TAXES	(11,538)	(12,025)
<b>RESULT FROM OPERATING ACTIVITIES</b>	<b>21,311</b>	<b>23,354</b>
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	--	161
<b>NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS</b>	<b>21,311</b>	<b>23,515</b>
- (NET INCOME) LOSS OF MINORITY INTERESTS	(11,367)	(10,048)
<b>- NET INCOME (LOSS) OF THE GROUP</b>	<b>9,944</b>	<b>13,467</b>

(\*) Certain figures for 2017 have been restated following the application of the "IFRS 15 – Revenue from Contracts with Customers".

### 3. Statement of net financial position

(in thousands of euro)

	31.03.2018	31.12.2017	31.03.2017
A. Cash and bank deposits	213,484	261,484	304,952
B. Other cash equivalents	277,560	235,251	237,977
C. Securities held for trading	38,390	46,927	54,363
<b>D. Cash and cash equivalents (A)+(B)+(C)</b>	<b>529,434</b>	<b>543,662</b>	<b>597,292</b>
<b>E. Current financial receivables</b>	<b>17,102</b>	<b>38,986</b>	<b>27,497</b>
F. Current bank payables	(64,459)	(75,578)	(149,575)
G. Bonds	(21,294)	(20,168)	(21,505)
H. Current portion of non-current debt	(76,195)	(112,405)	(52,143)
I. Other current borrowings	--	--	--
<b>J. Current financial debt (F)+(G)+(H)+(I)</b>	<b>(161,948)</b>	<b>(208,151)</b>	<b>(223,223)</b>
<b>K. Current net financial position (J)+(E)+(D)</b>	<b>384,588</b>	<b>374,497</b>	<b>401,566</b>
L. Non-current bank borrowings	(225,232)	(211,709)	(161,098)
M. Bonds issued	(366,188)	(365,112)	(284,414)
N. Other non-current payables	(67,836)	(70,154)	(100,752)
<b>O. Non-current financial debt (L)+(M)+(N)</b>	<b>(659,256)</b>	<b>(646,975)</b>	<b>(546,264)</b>
<b>P. Net financial position (K)+(O)</b>	<b>(274,668)</b>	<b>(272,478)</b>	<b>(144,698)</b>

### **1. Introduction**

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This consolidated interim financial report at 31 March 2018 (unaudited) was prepared in accordance with IAS/IFRS international accounting standards, which have been mandatory since 2005 for preparing the consolidated financial statements of companies listed on European regulated markets. The figures provided for comparison purposes were also determined in accordance with IAS/IFRS.

This interim report was prepared in compliance with the provisions of art. 154/ter paragraph 5 of D.Lgs. no. 58 of 24 February 1998 and subsequent amendments (TUF). The instructions contained in the international accounting standard on interim reporting (IAS 34 "Interim Financial Statements") have therefore not been adopted.

This interim report has been prepared on the same basis as in the past, pending clarification on the regulatory framework.

### **2. Consolidation principles**

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Consolidation is on a line-by-line basis. The criteria adopted in applying this method are the same as those used at 31 December 2017.

The consolidated interim financial statements of the Group as of 31 March 2018, like those as of 31 December 2017, are the result of the consolidation at those dates of the financial statements of CIR, the parent company, and all of the companies directly or indirectly controlled, joint ventures or associates. The assets and liabilities of companies due to be sold are reclassified to assets and liabilities held for sale in order to disclose them separately.

### **3. Accounting policies**

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The Accounting Principles adopted for the preparation of the interim financial statements as of 31 March 2018 are the same as those adopted for the financial statements for the year ended 31 December 2017, except for the new Accounting Standards "IFRS 15 Revenue from Contracts with Customers" and "IFRS 9 Financial Instruments" which have been applied for the first time from 1 January 2018.

In particular, the standard IFRS 15 lays down a new model of revenue recognition that will apply to all contracts with customers, except for those that fall within the scope of other IAS/IFRS as leases, insurance contracts and financial instruments.

For the Sogefi Group, applying the new standard IFRS 15, entailed a change in the accounting of "tooling" supplied by customers, as described below.

The supply of tooling does not meet the requirements to be identified as a separate performance obligation, so revenues will be recorded with the same timing as the supply of goods. This is because tooling is used by the Sogefi group exclusively to supply the specific asset ordered by the customer and the customer does not really have an option to obtain the production of such specific goods

from another supplier through the use of tooling. Contracts with customers have different forms in the various jurisdictions where the Sogefi group operates (legal ownership of tooling could be transferred to the customer before the start of mass production for a fixed fee or at the end of mass production, or the revenue from the sale of the tooling could be included in the selling price of the individual goods). Previously, revenues for the contractual obligation related to the supply of tooling were recorded on the basis of the contractual provisions, with specific reference to the transfer of ownership of the tooling to the customer.

By modifying the method of recognising the revenues deriving from the contractual obligation to supply tooling, the Sogefi group also changed the accounting policy on costs for the production/purchase of tooling. These costs are capitalised under "Tangible assets" and depreciated over the period that the goods are supplied to the customer (these costs are therefore no longer recognised in the income statement). Costs related to the development of prototypes (previously recognised in the income statement) are now capitalised under Intangible assets and amortised over the period that the goods are supplied to the customer.

The Sogefi Group identified an impact on the presentation of revenues from customers of the after market segment. This is due to costs for "marketing contributions" provided to customers who meet the definition of "consideration payable to customers" given in IFRS 15 and that have to be shown net of revenues.

For GEDI Group, applying the new standard IFRS 15 has involved:

- the registration of circulation revenues on the basis of the cover price or, in any case, the price actually paid by the end-buyer, gross of all fees paid, including the portion allocated to newsagents. As a consequence, and unlike the current accounting treatment, this extra has been recognised separately as a distribution cost and no longer shown as a reduction in revenues;
- consolidated advertising revenues net of publisher fees derived from advertising sales on behalf of third-party publishers, previously recorded in costs for services.

The CIR group has restated the comparative period at the date of first-time application of IFRS 15; therefore the amounts of the income statement and balance sheet for 2017 have been restated following the application of the new standard.

The following tables show the effects of the adoption of the new standard in the income statement and balance sheet as of 31 March 2017 and in the balance sheet as at 31 December 2017.

## CONSOLIDATED INCOME STATEMENT

(in millions of euro)

	Period 01.01 – 31.03.2017	Period 01.01 – 31.03.2017 restated	Difference
Revenues	693.0	679.5	(13.5)
Costs for the purchase of goods	(271.1)	(256.7)	14.4
Costs for services	(158.2)	(152.0)	6.2
Other operating expense	(17.9)	(16.9)	1.0
Amortisation/depreciation	(28.6)	(38.2)	(9.6)
Financial expense	(13.3)	(13.2)	0.1
Income taxes	(12.4)	(12.1)	0.3
Minority interests	(10.5)	(10.0)	0.5
<b>Net result of the Group</b>	<b>14.1</b>	<b>13.5</b>	<b>(0.6)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of euro)

ASSETS	31.03.2017	31.03.2017 restated	Difference
Intangible assets	987.2	1,006.4	19.2
Tangible assets	670.3	780.8	110.5
Deferred tax assets	88.3	93.8	5.5
Inventories	181.6	141.2	(40.4)
<b>Total assets</b>	<b>3,424.3</b>	<b>3,519.1</b>	<b>94.8</b>

LIABILITIES	31.03.2017	31.03.2017 restated	Difference
Equity of the Group	1,062.0	1,054.7	(7.3)
Minority interests	477.1	471.6	(5.5)
Other non-current liabilities	15.6	80.9	65.3
Other current liabilities	662.1	704.4	42.3
<b>Total liabilities</b>	<b>3,424.3</b>	<b>3,519.1</b>	<b>94.8</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of euro)

ASSETS	31.12.2017	31.12.2017 restated	Difference
Intangible assets	1,138.3	1,156.8	18.5
Tangible assets	690.8	799.9	109.1
Deferred tax assets	97.4	102.8	5.4
Inventories	175.6	139.2	(36.4)
<b>Total assets</b>	<b>3,537.3</b>	<b>3,633.9</b>	<b>96.6</b>

LIABILITIES	31.12.2017	31.12.2017 restated	Difference
Equity of the Group	967.3	959.8	(7.5)
Minority interests	525.1	519.3	(5.8)
Other non-current liabilities	6.8	72.1	65.3
Deferred tax liabilities	170.6	170.7	0.1
Other current liabilities	732.6	777.1	44.5
<b>Total liabilities</b>	<b>3,537.3</b>	<b>3,633.9</b>	<b>96.6</b>



With regard to IFRS 9 "Financial instruments", the Group has opted for the exemption that makes it possible not to recalculate the comparative information of previous years relating to changes in classification and valuation, including impairment losses.

The Group decided to continue applying the provisions of IAS 39 during the transition phase, applying the hedge accounting rules envisaged by IFRS 9 only prospectively.

IFRS 9 introduced new instructions for the classification and measurement of financial assets that reflect the business model according to which these assets are managed and the characteristics of their financial flows. IFRS 9 classifies financial assets in three main categories: at amortised cost, at fair value through profit and loss (FVTPL), at fair value in other comprehensive income statement (FVOCI). The categories envisaged by IAS 39, namely held to maturity, loans and receivables and available for sale, have been eliminated. Furthermore, according to IFRS 9, derivatives embedded in contracts where the primary element is a financial asset that falls within the scope of the standard must never be separated. Instead, hybrid instruments are to be examined for classification purposes as a whole.

Note that, with effect from 1 January 2018, the securities and financial investments classified as "financial assets available for sale" are classified according to IFRS 9 in "fair value through profit and loss (FVTPL)".

#### **4. Share capital**

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The share capital at 31 March 2018 amounts to € 397,146,183.50, the same as at 31 December 2017, and is made up of 794,292,367 shares with a nominal value of € 0.50 each.

At 31 March 2018 the Company held 140,933,228 treasury shares (17.743% of capital) for a value of € 198,025 thousand compared with 138,167,259 shares at 31 December 2017.

In application of IAS 32, from 1 January 2005 treasury shares held by the Parent Company are 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.

Note that for a period of five years from 30 June 2014 the Board of Directors was authorised to increase the share capital once or more by a maximum of € 500 million (nominal value) and for a further maximum of € 20 million (nominal value) in favour of employees of the Company, its subsidiaries and parent companies.

Regarding stock option plans and stock grants, at 31 March 2018 there were 22,047,933 options outstanding, corresponding to an equivalent number of shares.

The notional cost of the stock granted to employees, which is shown in a separate item of shareholders' equity, amounted to € 390 thousand in the first quarter of 2018.

CERTIFICATION PURSUANT TO ART. 154 BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998

**Re: Interim Financial Report as of 31 March 2018**

The undersigned, Giuseppe Gianoglio, officer responsible for the preparation of the financial statements of the Company,

hereby declares

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

*Milan, 27 April 2018*

C I R S.p.A.  
signed by *Giuseppe Gianoglio*

**CIR S.p.A.**

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