

INTERIM FINANCIAL REPORT

AS OF 31 MARCH 2019



COMPAGNIE INDUSTRIALI RIUNITE

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REPORT ON OPERATIONS

AT 31 MARCH 2019

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COMPAGNIE INDUSTRIALI RIUNITE

Società per Azioni – Share capital € 397,146,183.50 – Registered office: Via Ciovassino 1, 20121 Milan – www.cirgroup.it

Chamber of Commerce no. 1950112 – Milan Company Register / Tax Code / VAT no. 00519120018

The Company is subject to management and coordination by COFIDE - Gruppo De Benedetti S.p.A.

Registered office in Rome: Via del Tritone, 169 – 00187 Rome

Report on operations at 31 March 2019

1. Introduction

IFRS 16 is being applied from 1 January 2019; put briefly, this means recognising all leased assets in the statement of financial position, as a non-current asset on the assets side and as a financial payable on the liabilities side, calculating the figures by discounting the future lease instalments up to the end of the lease contract.

In addition to being reflected in the statement of financial position, application of this standard has an impact on the income statement as lease payments previously recognised as operating costs are now recorded partly as depreciation and partly as a financial expense.

The financial report at 31 March 2019 has been prepared by applying IFRS 16 and the effects, if significant, are disclosed where necessary throughout this report.

2. Key figures

In the first quarter of 2019 the CIR group recorded **revenue** of € 675.8 million, a decrease of 2.8% on the same period of 2018 (€ 695.2 million); the decline reflects the trend in the Italian publishing market and that of the world automotive market, in which two of the three subsidiaries operate, namely GEDI and Sogefi, whereas KOS confirms its growth trend.

Gross operating profit amounted to € 78.5 million (of which € 15.2 million due to first-time adoption (FTA) of IFRS 16 from 1 January 2019), compared with € 80.4 million in the first three months of last year; the decline is attributable to the reduction in profit of the Sogefi and GEDI groups.

Operating profit (loss) came in at € 24.8 million, compared with € 41.6 million in the first quarter of 2018.

Consolidated profit came in at € 4.5 million, compared with € 9.5 million in the first quarter of 2018.

KOS achieved a 5.3% increase in revenue, thanks to growth in all of its activities. Operating profit totalled € 16.8 million, compared with € 15.4 million in the first quarter of 2018 and profit amounted to € 7.8 million, an increase on the same period of 2018 (€ 7.5 million).

In a market that recorded a 7% drop in car production in the first quarter, Sogefi reported a 2.9% decline in revenue at constant exchange rates and 4.0% at historical exchange rates, with a better overall performance than the reference market. Operating profit came in at € 11.3 million, compared with € 22.6 million in the first quarter of 2018. It was affected mainly by the reduction in volumes and erosion of the gross margin during 2018 in the *Filtration* and *Suspensions* business units, due above all to higher raw material prices. The net result amounted to € 1.6 million (€ 11.2 million in 2018).

Given the difficult context for the publishing sector, advertising sales in particular (print advertising investments in the first two months of 2019 fell by 11.3% compared with the same period of 2018),

GEDI saw its revenue fall by 6.5% compared with the first quarter of last year; operating profit amounted to € 0.5 million (€ 6.6 million in 2018) and net profit to € 2 million (€ 3 million in the first quarter of 2018).

At 31 March 2019, **consolidated net financial indebtedness**, excluding financial payables for rights of use introduced by IFRS 16, was € 315.9 million, compared with € 297.1 million at 31 December 2018.

The application of IFRS 16 at 31 March 2019 involves the recognition of financial payables for rights of use of € 453.4 million, so consolidated net financial indebtedness after IFRS 16 totals € 769.3 million. The increase due to IFRS 16 is concentrated mainly in the subsidiary KOS (€ 323.8 million), mainly because of its type of business, which involves widespread use of residential facilities, most of which are leased.

Total net financial indebtedness of the industrial subsidiaries at 31 March 2019, before IFRS 16, was € 642.1 million, up compared with the figure at 31 December 2018 (€ 622.6 million), due to the increase in the indebtedness of the GEDI group for € 21.5 million (due to the change in working capital and disbursements for corporate restructuring).

The net financial position of the Parent and its non-industrial subsidiaries at 31 March 2019 was net cash of € 326.2 million, compared with € 325.5 million at the end of 2018.

Equity attributable to the owners of the Parent at 31 March 2019 came to € 937.8 million, compared with € 936.2 million at 31 December 2018.

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)

	1 st quarter 2019												1 st quarter 2018
	Revenue	Costs of production	Other operating income & expense	Amortisation/ depreciation and impairment losses	Operating profit (loss)	Net financial income and expense	Dividends, net gains and losses on trading and the valuation of securities	Fair value losses on equity-accounted investments	Income taxes	Profit/(loss) from discontinued operations	Non-controlling interests	Profit (loss) for the period	Profit (loss) for the period
CONSOLIDATED	(1)	(2)	(3)	(4)									
COMBINED													
KOS Group - Healthcare	140.3	(103.3)	(4.5)	(15.7)	16.8	(4.7)	--	--	(4.0)	--	(3.4)	4.7	4.5
Sogefi Group - Automotive components	389.9	(345.7)	(3.0)	(29.9)	11.3	(6.2)	--	--	(3.6)	1.3	(1.9)	0.9	6.4
GEDi Group - Media	145.6	(135.8)	(1.4)	(7.9)	0.5	(3.2)	--	0.1	4.6		(1.1)	0.9	1.3
Total for main subsidiaries	675.8	(584.8)	(8.9)	(53.5)	28.6	(14.1)	--	0.1	(3.0)	1.3	(6.4)	6.5	12.2
Other subsidiaries	--	--	--	--	--	--	--	--	--	--	--	--	(0.1)
Total industrial subsidiaries	675.8	(584.8)	(8.9)	(53.5)	28.6	(14.1)	--	0.1	(3.0)	1.3	(6.4)	6.5	12.1
CIR and other non-industrial subsidiaries													
Revenue	--											--	--
Net operating costs		(3.4)										(3.4)	(3.0)
Other operating income & expense			(0.2)									(0.2)	0.4
Amortisation, depreciation & impairment losses				(0.2)								(0.2)	(0.2)
Operating profit (loss)					(3.8)								
Net financial income & expense						1.1						1.1	(0.6)
Dividends and net gains (losses) from securities trading							0.7					0.7	0.6
Fair value losses on equity-accounted investments								--				--	--
Income taxes									--			--	0.2
Profit (loss) from discontinued operations										--		--	--
Total CIR and other non-industrial subsidiaries before non-recurring items	--	(3.4)	(0.2)	(0.2)	(3.8)	1.1	0.7	--	--	--	--	(2.0)	(2.6)
Non-recurring items	--	--	--	--	--	--	--	--	--	--	--	--	--
Total attributable to the owners of the Parent	675.8	(588.2)	(9.1)	(53.7)	24.8	(13.0)	0.7	0.1	(3.0)	1.3	(6.4)	4.5	9.5

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 € (0.4) 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 € 0.4 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 "fair value losses/gains on financial assets" in the consolidated income statement.

STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

(in millions of euro)

	31.03.2019						31.12.2018	
CONSOLIDATED	Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity	Equity attributable to non-controlling	Equity attributable to the owners of the Parent	Equity attributable to the owners of the Parent
COMBINED	(1)	(2)	(3)	(4)				
KOS Group - Healthcare	972.2	(19.9)	(67.7)	(579.6)	305.0	126.8	178.2	173.5
Sogefi Group - Automotive components	738.9	(99.4)	(93.9)	(328.9)	216.7	106.4	110.3	109.5
GEDI Group - Media	825.9	(147.5)	34.4	(187.5)	525.3	285.2	240.1	239.2
Other subsidiaries	--	(0.4)	0.7	0.5	0.8	--	0.8	0.8
Total industrial subsidiaries	2,537.0	(267.2)	(126.5)	(1,095.5)	1,047.8	518.4	529.4	523.0
CIR and other non-industrial subsidiaries								
Non-current assets	18.6				18.6		18.6	18.5
Other net non-current assets and liabilities		65.2			65.2		65.2	70.8
Net working capital			(1.6)		(1.6)		(1.6)	(1.6)
Net financial position				326.2	326.2		326.2	325.5
Total attributable to the owners of the Parent	2,555.6	(202.0)	(128.1)	(769.3)	1,456.2	518.4	937.8	936.2

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

3. Performance of the Group

Consolidated revenue for the first three months of 2019 amounted to € 675.8 million compared with € 695.2 million in the same period of 2018, a decrease of € 19.4 million (-2.8%). Sogefi recorded a 4% reduction in revenue (-2.9% at constant exchange rates), GEDI one of 6.5%. KOS's revenue rose by 5.3%.

Consolidated revenue can be analysed by business sector as follows:

(in millions of euro)	1st quarter					
	2019	%	2018 (*)	%	Change absolute	%
Healthcare						
KOS Group	140.3	20.8	133.2	19.5	7.1	5.3
Automotive components						
Sogefi group	389.9	57.7	406.3	58.4	(16.4)	(4.0)
Media						
GEDI Gruppo Editoriale	145.6	21.5	155.8	22.4	(10.2)	(6.5)
Total consolidated revenue	675.8	100.0	695.2	100.0	(19.4)	(2.8)

(*) Note that the effect of applying IAS 29 "Accounting Reporting in Hyperinflationary Economies", recognised in the financial statements at 31 December 2018, has been spread over the four quarters of the year.

Certain 2018 figures, relating to "Assets held for sale", have been reclassified from "Non-current assets held for sale and discontinued operations" to "Profit (loss) from discontinued operations" following the application of IFRS 5.

The **condensed income statement** of the CIR Group in the first quarter is shown below with comparative figures:

(in millions of euro)	1st quarter			
	2019	%	2018 (*)	%
Revenue	675.8	100.0	695.2	100.0
Gross operating profit (1)	78.5	11.6	80.4	11.6
Operating profit	24.8	3.7	41.6	6.0
Net financial income (expense) (2)	(12.2)	(1.8)	(11.8)	(1.7)
Income taxes	(3.0)	(0.5)	(10.9)	(1.5)
Profit (loss) from discontinued operations	1.3	0.2	1.6	0.2
Profit (loss) including non-controlling interests	10.9	1.6	20.5	3.0
Non-controlling interests	(6.4)	(0.9)	(11.0)	(1.6)
Profit (loss) attributable to the owners of the Parent	4.5	0.7	9.5	1.4

(*) Note that the effect of applying IAS 29 "Accounting Reporting in Hyperinflationary Economies", recognised in the financial statements at 31 December 2018, has been spread over the four quarters of the year.

Certain 2018 figures, relating to "Assets held for sale", have been reclassified from "Non-current assets held for sale and discontinued operations" to "Profit (loss) from discontinued operations" following the application of IFRS 5.

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

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

Consolidated gross operating profit in the first three months of 2019 amounted to € 78.5 million, compared with € 80.4 million in the first three months of last year; without IFRS 16, gross operating profit would have been € 63.3 million (9.4% of revenue), down 21.3% compared with the first quarter of 2018, due to the reduction in the profit margins of the Sogefi and GEDI groups.

Consolidated operating profit in the first three months of 2019 was € 24.8 million (3.7% of revenue), compared with € 41.6 million (6.0% of revenue) in the corresponding period of 2018. The effect of IFRS 16 on operating profit is not significant.

Net financial expense came to € 12.2 million, compared with € 11.8 million in the first quarter of 2018; in detail:

- net financial expense is more or less stable (€ 13.1 million compared with € 12.8 million in the first quarter of 2018);
- net gains on trading of securities amounted to € 0.7 million compared with € 2.9 million in the first quarter of 2018;
- fair value gains on financial assets were € 0.1 million, compared with losses of € 2.3 million in the first quarter of 2018.

The **condensed statement of financial position** of the CIR Group at 31 March 2019, with comparative figures at 31 December 2018, is as follows:

<i>(in millions of euro) (1)</i>	<i>31.03.2019</i>	<i>31.12.2018</i>
Non-current assets	2,555.6	2,102.5
Other net non-current assets and liabilities	(202.0)	(195.0)
Net working capital	(128.1)	(161.5)
Net invested capital	2,225.5	1,746.0
Net financial indebtedness	(769.3)	(297.1)
Total equity	1,456.2	1,448.9
Equity attributable to the owners of the Parent	937.8	936.2
Non-controlling interests	518.4	512.7

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

Consolidated net invested capital at 31 March 2019 came to € 2,225.5 million versus € 1,746.0 million at 31 December 2018. The increase of € 479.5 million was caused almost entirely by the FTA of IFRS 16, which led to the recognition of € 446.9 million of "rights of use" as assets at 31 March 2019.

As mentioned previously, the **net financial position** at 31 March 2019, before the application of IFRS 16, showed indebtedness of € 315.9 million (compared with € 297.1 million at 31 December 2018), caused by:

- free cash flow for CIR and its non-industrial subsidiaries of € 326.2 million, an increase of € 0.7 million compared with € 325.5 million at 31 December 2018 (purchases of treasury shares in the quarter amounted to € 3.2 million);
- total indebtedness of the industrial subsidiaries of € 642.1 million compared with € 622.6 million at 31 December 2018; the increase is attributable to the GEDI group for € 21.5 million.

The FTA of IFRS 16 entailed the recognition by the industrial subsidiaries of financial payables for rights of use, at 31 March 2019, amounting to € 453.4 million, which added to the net indebtedness mentioned above, resulted in total post-IFRS 16 net financial indebtedness of € 769.3 million.

Total equity at 31 March 2019 came to € 1,456.2 million compared with € 1,448.9 million at 31 December 2018, an increase of € 7.3 million.

Equity attributable to the owners of the Parent at 31 March 2019 amounted to € 937.8 million compared with € 936.2 million at 31 December 2018, an increase of € 1.6 million.

Equity attributable to non-controlling interests at 31 March 2019 amounted to € 518.4 million compared with € 512.7 million at 31 December 2018, an increase of € 5.7 million.

The **statement of cash flows** for the first three months of 2019, 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 2019</i>	<i>1st quarter 2018 (*)</i>
SOURCES OF FUNDS		
Profit (loss) from continuing operations	9.6	19.0
Amortisation, depreciation, impairment losses & other non-monetary changes	27.5	33.9
Self-financing	37.1	52.9
Change in working capital and other non-current assets and liabilities	(14.5)	(16.9)
CASH FLOW GENERATED BY OPERATIONS	22.6	36.0
Capital increases	--	0.2
TOTAL SOURCES OF FUNDS	22.6	36.2
APPLICATIONS OF FUNDS		
Net investment in non-current assets	(40.1)	(31.9)
Consideration paid for business combinations	--	(13.3)
Net financial position of acquired companies	--	1.2
Payment of dividends	(0.8)	(0.7)
Purchase of treasury shares	(3.1)	(3.2)
Other changes	1.4	1.7
TOTAL APPLICATIONS OF FUNDS	(42.6)	(46.2)
CASH FLOWS USED FOR CONTINUING OPERATIONS	(20.0)	(10.0)
CASH FLOWS FROM DISCONTINUED OPERATIONS	1.2	7.8
CASH FLOWS FOR THE YEAR	(18.8)	(2.2)
NET FINANCIAL INDEBTEDNESS AT BEGINNING OF PERIOD	(297.1)	(272.5)
NET FINANCIAL INDEBTEDNESS AT END OF PERIOD BEFORE IFRS 16	(315.9)	(274.7)
FIRST-TIME ADOPTION OF IFRS 16	(453.4)	--
NET FINANCIAL INDEBTEDNESS AT END OF PERIOD AFTER IFRS 16	(769.3)	(274.7)

() Certain 2018 figures, relating to "Assets held for sale", have been reclassified from "Non-current assets held for sale and discontinued operations" to "Profit (loss) from discontinued operations" following the application of IFRS 5.*

In the first quarter of 2019 the Group recorded cash outflows of € 18.8 million (deficit of € 2.2 million in the same period of 2018) resulting from sources of funds for € 22.6 million and application of funds for € 42.6 million, compared with € 46.2 million in 2018. For the analysis of the net financial position, reference should be made to the section containing the financial statements.

At 31 March 2019 the CIR Group had 16,433 employees, compared with 16,358 at 31 December 2018.

Main equity investments
at 31 March 2019



59.5%

56.8% (*)

45.8% (*)



Non-core
investments

BUSINESSES

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

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

All communication areas: daily newspapers and periodicals, radio, internet and advertising sales

- Private Equity

(*) Percentage calculated net of treasury shares.

4. Performance of the business segments

■ HEALTHCARE

The KOS group's main performance indicators for the current year are shown below, compared with those of the same period last year.

<i>(in millions of euro)</i>	<i>1st quarter 2019</i>	<i>1st quarter 2018</i>	<i>Change absolute</i>	<i>%</i>
Revenue	140.3	133.2	7.1	5.3
Profit (loss) for the period	7.8	7.5	0.3	4.0

	<i>31/03/2019</i>	<i>31/12/2018</i>	<i>31/03/2018</i>
Net financial position before IFRS 16	(255.8)	(259.4)	(247.3)
Net financial position after IFRS 16	(579.6)	n.a.	n.a.
No. of employees	7,206	7,006	6,520

In the first three months of 2019 the KOS Group achieved **revenue** of € 140.3 million (+5.3%) compared with € 133.2 million in the same period of 2018. The Long Term Care segment recorded an increase thanks to the growth and full contribution of the acquisitions made in 2018; the Diagnostics and Cancer Cure segment grew thanks to new services launched in 2018.

Gross operating profit came to € 24.5 million (17.5% of revenue), an increase of 2.9% compared with € 23.8 million (17.9% of revenue) in the first quarter of 2018. Gross operating profit after IFRS 16 amounted to € 33.1 million.

Operating profit amounted to € 16.8 million compared with € 15.4 million in the corresponding period of the previous year.

Profit for the first three months of 2019 amounted to € 7.8 million compared with € 7.5 million in the same period of 2018.

At 31 March 2019, KOS had **net financial indebtedness** before IFRS 16 of € 255.8 million, down € 3.6 million compared with € 259.4 million at 31 December 2018. The FTA of IFRS 16 entailed the recognition at 31 March 2019 of financial payables for leases and rights of use amounting to € 323.8 million, with the result that total net financial indebtedness amounted to € 579.6 million.

The Group currently manages 85 facilities, mainly in central and northern Italy, for a total of some 8,117 beds. It also operates in India and in the UK.

The Group had 7,206 employees at 31 March 2019 compared with 7,006 at 31 December 2018.

With regard to the prospects for 2019, an increase in revenue and profits is expected, although more moderate than that of the previous year, as well as a continuation of the commitment to development.

■ AUTOMOTIVE COMPONENTS

The Sogefi group's main performance indicators for the current year are shown below, compared with those of the same period last year.

(in millions of euro)	1st quarter 2019	1st quarter 2018	Change absolute	%
Revenue	389.9	406.3	(16.4)	(4.0)
Profit (loss) for the period	1.6	11.2	(9.6)	n.s.

	31/03/2019	31/12/2018	31/03/2018
Net financial position before IFRS 16	(262.1)	(260.5)	(254.3)
Net financial position after IFRS 16	(328.9)	n.a.	n.a.
No. of employees	6,906	6,967	6,972

In the first quarter of 2019, the world automotive market recorded a drop in production of 6.7%, with Europe down by 5%, Asia by 11.8% (mainly due to the contraction of the Chinese market, -13.5%), North America by 2.5% and South America by 4.9%.

In this context, the **revenue** of the Sogefi group came to € 389.9 million, a decrease of 2.9% at constant exchange rates and one of 4.0% at historical exchange rates compared with the same period in 2018, while showing a better performance than the market.

As regards geographical areas, revenue at constant exchange rates decreased by 3.6% in Europe, 2.6% in North America and 9.1% in Asia.

By sector of activity, at constant exchange rates, *Suspensions* recorded a fall in revenue of 3.9% (-6.9% at current exchange rates), *Filtration* by 2.7% (-4.1% at current exchange rates) and *Air and Cooling* by 2.1% (at current exchange rates, revenue was in line with the previous year).

Gross operating profit amounted to € 41.3 million, compared with € 48.8 million in the first quarter of 2018; profitability (gross operating profit/revenue) decreased from 12.0% to 10.6%. The decline in gross operating profit reflects lower volumes and the erosion of profit margins during 2018, in *Filtration* and *Suspensions*, mainly due to higher raw material prices.

Operating profit was € 11.3 million, compared with € 22.6 million in the first quarter of 2018, and represents 2.9% of revenue. The decline in operating profit substantially reflects the decline in gross operating profit and the increase in depreciation following the FTA of IFRS 16.

Profit for the period amounted to € 1.6 million, down compared to that recorded in the first quarter of 2018 (€ 11.2 million), after tax charges of € 3.6 million in the first quarter of 2019, compared with € 5.2 million in the same period of 2018.

Free cash flow for the first quarter of 2019 was negative for € 9.1 million compared with the positive amount of € 9.3 million in the same period of 2018 and includes € 7.5 million for the FTA of IFRS 16 and € 1.6 million of operating cash absorption, of which € 3.1 million relating to the start-up of the new production site in Morocco.

Net financial indebtedness at 31 March 2019 was € 328.9 million. The FTA of IFRS 16 led to the recognition of financial payables for rights of use for an amount of € 66.8 million. Excluding this amount, financial indebtedness at 31 March 2019 amounts to € 262.1 million, compared with € 260.5 million at the end of 2018.

The Sogefi Group had 6,906 employees at 31 March 2019 compared with 6,967 at 31 December 2018.

The world automotive market in the second quarter is expected to turn in -3.4% compared with the previous year (-7.7% in Europe). In this context, Sogefi expects lower sales in the second quarter than the market. In terms of profitability, operating profit for the second quarter is expected to improve compared with the first quarter.

■ MEDIA

The GEDI group's main performance indicators for the current year are shown below, compared with those of the same period last year.

<i>(in millions of euro)</i>	1st quarter 2019	1st quarter 2018	Change absolute	%
Revenue	145.6	155.8	(10.2)	(6.5)
Profit (loss) for the period	2.0	3.0	(1.0)	n.a.

	31/03/2019	31/12/2018	31/03/2018
Net financial position before IFRS 16	(124.7)	(103.2)	(110.0)
Net financial position after IFRS 16	(187.5)	n.a.	n.a.
No. of employees	2,295	2,359	2,439

With regard to the publishing sector, in the first two months of 2019, advertising investments decreased by 3.6% compared with the corresponding period of the previous year (Nielsen Media Research figures). Among the main media, only Internet (excluding search engines and social media) showed a positive trend with growth of 2.6%; radio advertising was substantially in line with the figures for the same period last year (+0.1%), whereas TV was 3.6% down. Press was the medium that was penalised the most, posting a drop of 11.3%, with daily newspapers down by 13.6% (-15.3% for national advertising and -12.5% for local advertising) and magazines by -6.9%. As for newspaper circulation in the first two months of 2019, according to the figures published by ADS (Accertamento Diffusione Stampa), newsstand and subscription sales fell by 7.1%. The overall circulation of newspapers, including digital copies, was down by -5.9%.

In the first quarter of 2019, GEDI's consolidated **revenue**, € 145.6 million, decreased by 6.5% compared with the first quarter of 2018. Revenue from digital activities represents 12.4% of consolidated revenue (17.5% on the "Repubblica" brand) and, at the end of March 2019, the digital products of the various newspapers of the group reached 119 thousand subscribers. Circulation revenue amounted to € 67.1 million, a decrease of 6.5% compared with the same period last year, in a market that suffered a 7.1% decline in newspaper sales on newsstands and by subscription. Advertising revenue fell by 8% on the first three months of 2018. The trend in advertising on the various group media reflects the performance of their respective markets: advertising on the internet grew by 3.2%, radio advertising stayed more or less in line with the same period of 2018 (-2.2%), whereas press advertising saw a significant decline (-12.7%).

Gross operating profit amounted to € 8.4 million (€ 4.8 million without considering the impact of IFRS 16), compared with € 11.4 million in the first quarter of 2018.

Operating profit totalled € 0.5 million, compared with € 6.6 million in the first quarter of 2018.

Profit amounted to € 2.0 million compared with € 3.0 million in first quarter 2018.

Net financial indebtedness at 31 March 2019, before the FTA of IFRS 16, amounted to € 124.7 million, an increase compared with € 103.2 million at 31 December 2018 due to payments relating to ongoing reorganisation plans and the trend in working capital. The FTA of IFRS 16 led to the recognition at 31 March 2019 of financial payables for leases and rights of use for € 62.8 million, so net financial indebtedness after IFRS 16 amounts to € 187.5 million.

The group had 2,295 employees at the end of March 2019, a reduction of 64 compared with 31 December 2018.

On 8 April 2019, GEDI fully repaid the convertible bond loan for € 100 million at maturity, using part of the revolving credit line taken out in April 2018.

As regards the prospects for 2019, on the basis of the performance recorded in the first three months, no significant change is expected compared with the segment's trends for the last several years. To counter these trends, the group will continue in its efforts to rationalise with a view to preserving profitability, to achieve further benefits from integration with the ITEDI group and to strengthen its leadership in digital activities.

5. *Non-core investments*

They are represented by private equity, minority interests and other investments amounting to € 67.0 million at 31 March 2019, compared with € 72.5 million at 31 December 2018.

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 2019, based on the NAVs provided by the corresponding funds, came to € 41.3 million, a decrease of € 4.7 million compared with 31 December 2018, due to the reduction in the fair value measurement. Outstanding commitments at 31 March 2019 amounted to € 12.6 million.

OTHER INVESTMENTS

At 31 March 2019, CIR directly and indirectly held interests in non-controlling investments for a total of € 15.7 million and a non-performing loan portfolio for a total of € 10.0 million.

6. Significant events

There are no significant events after 31 March 2019 in addition to what has already been indicated in the performance of the business segments.

7. Outlook

The trend for the rest of the year will depend on how things evolve in the three sectors of activity.

An increase in revenue and margins is expected at KOS, although it is likely to be more moderate than last year, as well as a continuation of the commitment to development.

As regards Sogefi, there is still poor visibility as regards the evolution of the automotive market in the near future. Prices for the main raw materials appear to be stabilising and the company remains committed to recovering profitability.

With regard to GEDI, no change in current market trends is expected, but the group will oppose these trends and their impact on results through appropriate management action.

8. Other information

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 2019 was approved by the Board of Directors on 29 April 2019.

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

CONSOLIDATED FINANCIAL STATEMENTSS

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF NET FINANCIAL POSITION

1. Statement of financial position

(in thousands of euro)

ASSETS	31.03.2019	31.12.2018
NON-CURRENT ASSETS	2,765,970	2,314,052
INTANGIBLE ASSETS	1,140,526	1,139,840
PROPERTY, PLANT AND EQUIPMENT	827,576	822,169
RIGHTS OF USE	446,892	--
INVESTMENT PROPERTY	17,636	17,825
EQUITY-ACCOUNTED INVESTMENTS	110,298	110,179
OTHER EQUITY INVESTMENTS	12,680	12,525
OTHER RECEIVABLES	50,247	50,534
OTHER FINANCIAL ASSETS	56,872	61,980
DEFERRED TAX ASSETS	103,243	99,000
CURRENT ASSETS	1,250,059	1,206,395
INVENTORIES	141,099	134,218
TRADE RECEIVABLES	432,466	420,969
OTHER RECEIVABLES	97,167	79,017
LOANS RECEIVABLE	19,999	25,773
SECURITIES	25,945	25,069
OTHER FINANCIAL ASSETS	285,030	276,880
CASH AND CASH EQUIVALENTS	248,353	244,469
ASSETS HELD FOR SALE	12,706	13,599
TOTAL ASSETS	4,028,735	3,534,046
LIABILITIES	31.03.2019	31.12.2018
EQUITY	1,456,247	1,448,875
SHARE CAPITAL	320,575	322,089
RESERVES	237,192	236,862
RETAINED EARNINGS (LOSSES CARRIED FORWARD)	375,555	364,307
PROFIT (LOSS) FOR THE PERIOD	4,487	12,890
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	937,809	936,148
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	518,438	512,727
NON-CURRENT LIABILITIES	1,440,741	1,008,337
BONDS	272,881	270,254
OTHER LOANS AND BORROWINGS	345,400	327,303
FINANCIAL PAYABLES FOR RIGHTS OF USE	405,804	--
OTHER PAYABLES	65,922	62,968
DEFERRED TAX LIABILITIES	174,332	169,698
EMPLOYEE BENEFIT OBLIGATIONS	133,428	135,091
PROVISIONS FOR RISKS AND CHARGES	42,974	43,023
CURRENT LIABILITIES	1,123,328	1,067,470
BANK LOANS AND BORROWINGS	20,741	13,046
BONDS	116,930	113,801
OTHER LOANS AND BORROWINGS	132,990	144,874
FINANCIAL PAYABLES FOR RIGHTS OF USE	53,900	--
TRADE PAYABLES	497,744	497,264
OTHER PAYABLES	229,049	211,108
PROVISIONS FOR RISKS AND CHARGES	71,974	87,377
LIABILITIES HELD FOR SALE	8,419	9,364
TOTAL LIABILITIES AND EQUITY	4,028,735	3,534,046

2. Income statement

(in thousands of euro)

	01/01 - 31/03 2019	01/01 - 31/03 2018 (*)
REVENUE	675,782	695,217
CHANGE IN INVENTORIES	470	(490)
COSTS FOR THE PURCHASE OF GOODS	(244,231)	(248,234)
COSTS FOR SERVICES	(147,798)	(167,005)
PERSONNEL COSTS	(196,222)	(193,287)
OTHER OPERATING INCOME	10,568	8,468
OTHER OPERATING EXPENSE	(20,070)	(14,251)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(53,725)	(38,752)
OPERATING PROFIT (LOSS)	24,774	41,666
FINANCIAL INCOME	2,293	2,338
FINANCIAL EXPENSE	(15,336)	(15,180)
DIVIDENDS	14	16
GAINS FROM TRADING SECURITIES	689	2,972
LOSSES FROM TRADING SECURITIES	--	(100)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS	119	403
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	56	(2,261)
PROFIT (LOSS) BEFORE TAXES	12,609	29,854
INCOME TAXES	(2,981)	(10,891)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	9,628	18,963
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	1,288	1,589
PROFIT (LOSS) FOR THE PERIOD INCLUDING NON-CONTRC	10,916	20,552
- (PROFIT) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERE	(6,429)	(11,037)
- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF TH	4,487	9,515

(*) Note that the effect of applying IAS 29 "Accounting Reporting in Hyperinflationary Economies", recognised in the financial statements at 31 December 2018, has been spread over the four quarters of the year.

Certain 2018 figures, relating to "Assets held for sale", have been reclassified from "Non-current assets held for sale and discontinued operations" to "Profit (loss) from discontinued operations" following the application of IFRS 5.

3. Statement of net financial position

(in thousands of euro)

	31.03.2019	31.12.2018
A. Cash and bank deposits	248,353	244,469
B. Other cash equivalents	285,030	276,880
C. Securities held for trading	25,945	25,069
D. Cash and cash equivalents (A) + (B) + (C)	559,328	546,418
E. Current loans receivable	19,999	25,773
F. Current bank payables	(75,398)	(65,824)
G. Bonds	(116,930)	(113,801)
H. Current portion of non-current debt	(80,230)	(92,096)
I. Other current loans and borrowings	(52,003)	--
J. Current financial indebtedness (F)+(G)+(H)+(I)	(324,561)	(271,721)
K. Current net financial position (J)+(E)+(D)	254,766	300,470
L. Non-current bank loans and borrowings	(291,812)	(267,032)
M. Bonds issued	(272,881)	(270,254)
N. Other non-current payables	(459,392)	(60,271)
O. Non-current financial indebtedness (L)+(M)+(N)	(1,024,085)	(597,557)
P. Net financial position (K)+(O)	(769,319)	(297,087)

1. Introduction

The consolidated interim financial report at 31 March 2019, 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 interim financial report 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.

The interim financial report has been prepared on a consistent basis with previous years, 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 2018.

The consolidated financial statements of the Group at 31 March 2019, like those at 31 December 2018, derive from the consolidation at these dates of the financial statements of the parent CIR and all of the companies directly or indirectly controlled, jointly controlled or associated. Assets and liabilities relating to companies to be disposed of are reclassified to specific asset and liability items to highlight these circumstances.

3. Accounting policies

The accounting standards applied in preparing the financial statements at 31 March 2019 do not differ from those applied at 31 December 2018, with the exception of the new accounting standard "IFRS 16 - Leases", which was applied for the first time starting from 1 January 2019.

The new standard provides a new definition of lease and introduces a criterion based on control ("right of use") of an asset to distinguish leases from service contracts, identifying as discriminating factors: identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits arising from use of the asset and the right to direct use of the asset underlying the contract.

First-time adoption (FTA) of the new standard to contracts identified as leases led to the following impacts on the Group's consolidated financial statements:

- In the statement of financial position, the initial recognition of an asset, representing the right of use pursuant to IFRS 16 (equal to the current value of the mandatory minimum future lease instalments that the lessee will have to pay from 1 January 2019 including, where applicable, any advance payments and direct costs incurred), which will be depreciated over the residual

duration of the contract, and of a financial payable equal to the present value of the minimum future obligatory payments that the lessee will have to pay from 1 January 2019, including any accrued liabilities not yet paid at the transition date. The amount payable, which will be measured according to the "amortised cost" method, will subsequently be reduced following the payment of the rental instalments and increased by financial expenses. The impact of IFRS 16 on the Group's consolidated net financial debt at 31 March 2019 was a negative € 453.4 million (€ 323.8 for the KOS group, € 62.8 for the GEDI group and € 66.8 million for the Sogefi group); the new standard has had no effect on the determination of covenants.

- In the income statement, a different nature, qualification and classification of rental instalments that are no longer recorded in gross operating profit (EBITDA); depreciation of the right of use and financial expense on the payable recognised are recorded instead. As a result of this different classification of rental instalments, the Group's consolidated income statement for the first quarter of 2019 recorded a gross operating profit (EBITDA) of € 15.2 million, an increase in depreciation of € 13.9 million and an increase in financial expense of € 3.1 million. The impact on the Group's net profit was negative for € 0.8 million.
- On FTA, the Group measured the asset representing the right of use as being equal to the value of the lease payable.

4. Share capital

Share capital at 31 March 2019 amounted to € 397,146,183.50, the same as at 31 December 2018, and consisted of 794,292,367 shares with a nominal value of € 0.50 each.

At 31 March 2019 the Company held 153,142,850 treasury shares (19.2804% of the share capital) for a value of € 210,349 thousand, compared with 150,113,881 treasury shares at 31 December 2018.

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.

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 and its subsidiaries and Parents.

Regarding stock option plans and stock grants, at 31 March 2019 there were 17,881,838 options outstanding, corresponding to an equivalent number of shares.

The notional cost of stock grant plans assigned to employees and allocated to a specific equity reserve amounted to € 384 thousand in the first quarter of 2019.

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

Re: Financial Report as of 31 March 2019

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 (TUF) that the accounting information contained in this document corresponds to the Company's documented results, books of account and accounting entries.

Milan, 29 April 2019

C I R S.p.A.
Giuseppe Gianoglio

CIR S.p.A.

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