INTERIM FINANCIAL REPORT
AS OF 30 SEPTEMBER 2016

COMPAGNIE INDUSTRIALI RIUNITE

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REPORT ON OPERATIONS

1. Key figures

In the first nine months of 2016, the CIR Group achieved a **turnover** of € 1,946.7 million, up 2.6% compared with € 1,897.4 million in the same period of 2015, bolstered by good growth on the part of Sogefi (+4.9%) and KOS (+4.4%).

Consolidated EBITDA amounted to € 190.5 million (9.8% of revenues), an increase of 9.2% compared with € 174.4 million (9.2% of revenues) in the first nine months of last year. The growth is due to an improvement in the operating margins of the Sogefi and KOS Groups, while the Espresso Group's margin saw a slight decrease.

Consolidated EBIT was € 108.0 million (5.5% of revenues), an increase compared with 11.7% on € 96.7 million (5.1% of revenues) in the same period of 2015; as for EBITDA, the improvement is due to Sogefi and KOS.

Consolidated net income before disposals (sale by Espresso to Discovery of All Music) amounted to € 36.8 million, up on € 34.3 million of the first nine months of 2015.

Consolidated net income was € 37.4 million compared with € 39.6 million in the same period last year.

The contribution made by the CIR Group's industrial subsidiaries amounted to € 27.2 million, an increase compared with € 25.0 million in the first nine months of last year. Excluding the capital gain on disposal realized by Espresso in 2015, the contribution has gone from € 19.7 million to € 26.6 million.

Despite a 3.5% decline in revenues due to a situation that is still difficult for the publishing industry, Espresso posted a positive net result (€ 14.0 million) and a significant financial surplus (€ 47.9 million), with a positive net financial position at 30 September 2016 of € 37.2 million. In the first nine months of 2015, net income came to € 24.6 million, including € 9.4 million for the capital gain on the sale of All Music; without considering this item, net income for 2016 remained substantially in line with the previous year.

Sogefi managed to increase its turnover by 4.9%, thanks to growth in North America and Asia, and despite the crisis in the South American market (sales excluding Mercosur grew by 7.7%). EBITDA rose by 25%, from € 91.3 million in the first nine months of 2015 to € 114.5 million in 2016; net income recorded a substantial increase, from € 7.4 million in the first nine months of 2015 to € 15.8 million in 2016. Cash flow was positive for € 12.3 million, compared with -€ 44.3 million in the same period of 2015 (net financial debt at 30 September 2016 amounted to € 314.1 million, down on the figure of € 322.3 million at 31 December 2015).

Lastly, KOS achieved a 4.4% increase in revenues, thanks in particular to the development of residential care homes following the acquisitions made in 2015; the net result amounted to € 17.4 million, compared with € 13.3 million in the first nine months of 2015. Net debt at 30 September 2016 amounted to € 230.4 million, compared with € 210.0 million at 31 December 2015, after distributing € 29.9 million of dividends.

The parent company (including its non-industrial subsidiaries) contributed € 10.2 million of net income compared with € 14.6 million in the first nine months of 2015; the decline is mainly due to lower income from the divestment of hedge funds.

Consolidated net debt at 30 September 2016 was € 165.3 million (up on € 121.7 million at 31 December 2015).

Total net debt of the industrial subsidiaries, € 504.1 million, decreased during the nine-month period by € 35.5 million.

The net financial position of the parent company (including its non-industrial subsidiaries) was positive for € 338.8 million, € 79.1 million down on the end of 2015 (€ 417.9 million) as a result of investments made (€ 64.3 million to increase the interest in KOS and € 18.4 million for share buy-backs) and after distributing € 29.5 million of dividends.

Group equity at 30 September 2016 was € 1,044.8 million (€ 1,103.0 million at 31 December 2015). The decrease, despite the significantly positive net result for the period, is due to the distribution of € 29.5 million of dividends, € 18.4 million of share buy-backs and the additional investment in KOS, which has been accounted for at the value of the net equity acquired (€ 27 million) rather than at the price paid (€ 64.3 million) in accordance with IFRS 3.

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)

CONSOLIDATED / AGGREGATE	*1/1-30/9 2016* Revenues	Costs of production (1)	Other operating income and expense (2)	Adjustments to the value of investments consolidated at equity	Amortisation and write-downs	EBIT	Net financial income and expense (3)	Dividends, net gains and losses on trading and the valuation of securities (4)	Income taxes	Income (loss) from assets held for sale	Minority interests	Net result of the Group	*1/1-30/9 2015* Net result of the Group
Espresso Group	424.3	(389.4)	(0.8)	3.0	(11.3)	25.8	(6.8)	--	(5.9)	1.0	(6.2)	7.9	13.9
Sogefi Group	1,181.5	(1,041.7)	(30.1)	--	(51.0)	58.7	(22.5)	3.6	(20.5)	--	(10.3)	9.0	4.3
KOS Group	340.8	(271.7)	(12.1)	(0.1)	(19.7)	37.2	(8.0)	--	(10.9)	--	(8.0)	10.3	6.8
Total for main subsidiaries	**1,946.6**	**(1,702.8)**	**(43.0)**	**2.9**	**(82.0)**	**121.7**	**(37.3)**	**3.6**	**(37.3)**	**1.0**	**(24.5)**	**27.2**	**25.0**
Other subsidiaries	0.1	(3.1)	2.5	--	--	(0.5)	(0.1)	--	0.1	--	0.1	(0.4)	0.4
Total subsidiaries	**1,946.7**	**(1,705.9)**	**(40.5)**	**2.9**	**(82.0)**	**121.2**	**(37.4)**	**3.6**	**(37.2)**	**1.0**	**(24.4)**	**26.8**	**25.4**
<u>CIR and other non-industrial subsidiaries</u>													
Revenues	--											--	--
Net operating costs		(12.2)										(12.2)	(10.0)
Other operating income & expense			(0.5)									(0.5)	0.5
Adjustments to the value of investments consolidated at equity				--								--	--
Amortisation and write-downs					(0.5)							(0.5)	(0.5)
EBIT						(13.2)							
Net financial income and expense							3.5					3.5	4.0
Dividends and net gains from securities trading								18.5				18.5	19.1
Income taxes									1.8			1.8	1.1
Total CIR and other non-industrial subsidiaries	**--**	**(12.2)**	**(0.5)**	**--**	**(0.5)**	**(13.2)**	**3.5**	**18.5**	**1.8**	**--**	**--**	**10.6**	**14.2**
Consolidated total for the Group	**1,946.7**	**(1,718.1)**	**(41.0)**	**2.9**	**(82.5)**	**108.0**	**(33.9)**	**22.1**	**(35.4)**	**1.0**	**(24.4)**	**37.4**	**39.6**

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.*

2) *This item does not take into consideration the € (1.3) million effect of intercompany eliminations.This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement.*

3) *This item does not take into consideration the € 1.3 million effect of intercompany eliminations.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 change of financial assets" in the consolidated income statement.*

CONSOLIDATED FINANCIAL POSITION BY BUSINESS SECTOR

(in millions of euro)	*30.09.2016*							*31.12.2015*
CONSOLIDATED / AGGREGATE	*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)*				
Espresso Group	693.3	(154.8)	29.0	37.2	604.7	264.1	340.6	332.2
Sogefi Group	530.4	(47.2)	22.4	(314.1)	191.5	92.3	99.2	98.4
KOS Group	554.9	(25.0)	(28.9)	(230.4)	270.6	112.9	157.7	136.2
Other subsidiaries	--	3.0	(4.6)	3.2	1.6	--	1.6	1.8
Total subsidiaries	**1,778.6**	**(224.0)**	**17.9**	**(504.1)**	**1,068.4**	**469.3**	**599.1**	**568.6**
CIR and other non-industrial subsidiaries								
Fixed assets	19.6				19.6		19.6	19.9
Other net non-current assets and liabilities		109.9			109.9		109.9	117.3
Net working capital			(22.6)		(22.6)		(22.6)	(20.7)
Net financial position				338.8	338.8		338.8	417.9
Consolidated total for the Group	**1,798.2**	**(114.1)**	**(4.7)**	**(165.3)**	**1,514.1**	**469.3**	**1,044.8**	**1,103.0**

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", "securities" and "deferred taxes" under non-current assets and of "other payables", "deferred taxes", "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", "contract work in progress", "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.*

4) *This item is the sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" under current assets, "bonds" and "other borrowings" under non-current liabilities, and "bank overdrafts", "bonds" and "other borrowings" under current liabilities in the consolidated statement of financial position.*

2. Performance of the Group

- *First nine months of 2016*

Consolidated sales revenues for the first nine months of 2016 came in at € 1,946.7 million versus € 1,897.4 million in the same period of 2015, an increase of € 49.3 million (+2.6%). Sogefi recorded a 4.9% increase, KOS one of 4.4%, while the revenues of the Espresso Group fell by 3.5%, as a consequence of the ongoing crisis that is affecting the entire publishing industry.

Consolidated revenues by business sector are as follows.

(in millions of euro)	*1/1-30/09 2016*	*%*	*1/1-30/09 2015*	*%*	*Change absolute*	*%*
Media						
Espresso Group	424.3	21.8	439.6	23.2	(15.3)	(3.5)
Automotive components						
Sogefi Group	1,181.5	60.7	1,126.6	59.4	54.9	4.9
Healthcare						
KOS Group	340.8	17.5	326.3	17.2	14.5	4.4
Other sectors	0.1	--	4.9	0.2	(4.8)	n.a.
Total consolidated revenues	**1,946.7**	**100.0**	**1,897.4**	**100.0**	**49.3**	**2.6**

The Group's economic performance in the first nine months of 2016 is summarized in the table below.

(in millions of euro)	*1/1-30/09 2016*	*1/1-30/09 2015*
Revenues	1,946.7	1,897.4
Consolidated EBITDA	**190.5**	**174.4**
Consolidated EBIT	**108.0**	**96.7**
Financial management	(11.8)	(16.2)
Income taxes	(35.4)	(25.9)
Income (loss) from assets held for sale	1.0	9.4
Net income including minority interests	**61.8**	**64.0**
Minority interests	(24.4)	(24.4)
Net result of the Group	**37.4**	**39.6**

Consolidated EBITDA came to € 190.5 million (9.8% of revenues) compared with € 174.4 million (9.2% of revenues) in the first nine months of 2015, an increase of € 16.1 million (+9.2%). The growth is mainly due to higher margins on the part of the Sogefi and KOS groups, whereas the Espresso group's margin decreased slightly.

Consolidated EBIT was € 108.0 million (5.5% of revenues), compared with € 96.7 million (5.1% of revenues) in the same period of 2015 (+11.7%); as for EBITDA, the improvement is due to Sogefi and KOS.

Financial management generated a net charge of € 11.8 million compared with one of € 16.2 million in the first nine months of 2015. In detail:

- net financial expense came to € 33.9 million compared with € 35.7 million in the first nine months of last year;
- net gains on trading of securities amounted to € 20.0 million versus € 29.2 million in the first nine months of 2015, which included proceeds realized from the partial sale of the hedge fund and private equity portfolio;
- positive adjustments to financial assets of € 2.1 million have been recorded compared with negative adjustments of € 9.7 million in the first nine months of 2015 for the fair value adjustment of investments in portfolio.

The **condensed consolidated statement of financial position** of the CIR Group at 30 September 2016, with comparative figures at 30 June 2016 and 31 December 2015, is as follows:

(in millions of euro) (1)	*30.09.2016*	*30.06.2016*	*31.12.2015*
Fixed assets	1,798.2	1,795.4	1,814.1
Other net non-current assets and liabilities	(114.1)	(105.6)	(89.9)
Net working capital	(4.7)	5.0	(12.2)
Net invested capital	**1,679.4**	**1,694.8**	**1,712.0**
Net debt	**(165.3)**	**(218.2)**	**(121.7)**
Total equity	**1,514.1**	**1,476.6**	**1,590.3**
Equity of the Group	1,044.8	1,021.6	1,103.0
Minority interests	469.3	455.0	487.3

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.*

Net invested capital at 30 September 2016 amounted to € 1,679.4 million compared with € 1,712 million at 31 December 2015 and € 1,694.8 million at 30 June 2016.

The **consolidated net financial position** at 30 September 2016 showed net debt of € 165.3 million (compared with € 121.7 million at 31 December 2015 and € 218.2 million at 30 June 2016) caused by:

- a financial surplus for CIR and its non-industrial subsidiaries of € 338.8 million, which compares with € 417.9 million at 31 December 2015; the decrease (- € 79.1 million) is due to the investment to purchase an additional interest in KOS (€ 64.3 million) and for share buy-backs (€ 18.4 million), as well as to distribute € 29.5 million of dividends;
- a total debt of the industrial subsidiaries of € 504.1 million compared with € 539.6 million at 31 December 2015; the reduction in debt of € 35.5 million is mainly attributable to the improvement in the financial position of Espresso (+ € 47.9 million) and Sogefi (+ € 8.2 million), which more than offset the increase in debt of KOS of € 20.4 million (to pay dividends of € 29.9 million).

Total equity at 30 September 2016 comes to € 1,514.1 million, compared with € 1,590.3 million at 31 December 2015, a decrease of € 76.2 million; the decrease, despite the significantly positive net result for the period, is due to the distribution of € 47.6 million of dividends, € 18.4 million of share buy-backs and the reduction of minority interests following the purchase of an additional interest in KOS by CIR.

Group equity fell from € 1,103 million at 31 December 2015 to € 1,044.8 million at 30 September 2016 in line with the above and due to the purchase of an additional interest in KOS accounted for in accordance with IFRS 3 (the additional interest has been recognised for an amount equal to the share of equity, € 27 million, and not based on the price paid of € 64.3 million).

Minority interests at 30 September 2016 came to € 469.3 million compared with € 487.3 million at 31 December 2015.

The **consolidated statement of cash flows** for the first nine months of 2016, prepared according to a managerial format which shows the changes in net financial position, can be summarised as follows.

(in millions of euro)	*1/1-30/09 2016*	*1/1-30/09 2015*
SOURCES OF FUNDS		
Result for the period including minority interests from continuing	60.8	54.6
Amortisation, depreciation, write-downs and other non-monetary	73.6	48.5
Self-financing	**134.4**	**103.1**
Change in working capital	**25.8**	**(0.2)**
CASH FLOW GENERATED BY OPERATIONS FROM CONTINUING	**160.2**	**102.9**
Increases in capital	11.4	0.2
TOTAL SOURCES OF FUNDS	**171.6**	**103.1**
APPLICATIONS OF FUNDS		
Net investment in fixed assets	(75.1)	(81.4)
Price paid for business combinations	(9.8)	(51.1)
Net financial position of acquired companies	0.1	(20.4)
Purchase of minority interests	(64.3)	--
Buy-back of own shares	(18.4)	(42.5)
Payment of dividends	(47.6)	(7.2)
Other changes	(1.1)	-
TOTAL APPLICATIONS OF FUNDS FROM CONTINUING OPERATIONS	**(216.2)**	**(202.6)**
FINANCIAL SURPLUS (DEFICIT) FROM CONTINUING OPERATIONS	**(44.6)**	**(99.5)**
CASH FLOW / NET FINANCIAL POSITION FROM DISCONTINUED	**1.0**	**9.4**
FINANCIAL SURPLUS (DEFICIT)	**(43.6)**	**(90.1)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(121.7)**	**(112.8)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(165.3)**	**(202.9)**

In the first nine months of 2016, the Group recorded a financial deficit of € 44.6 million; against sources of funds of € 171.6 million, there were applications of € 216.2 million, mainly consisting of the further investment in KOS for € 64.3 million, share buy-backs for € 18.4 million and the payment of dividends for a total of € 47.6 million. Net investments in fixed assets amounted to € 75.1 million, down from € 81.4 million in the first nine months of 2015, and relate in particular to 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 30 September 2016 the Group had 14,536 employees, compared with 14,213 at 31 December 2015.

- *Third quarter of 2016*

The CIR Group's **key income statement figures** for the third quarter of 2016, with comparatives, are as follows.

(in millions of euro)	*3rd quarter 2016*	*3rd quarter 2015*
Revenues	627.5	606.7
Consolidated EBITDA	**63.3**	**53.8**
Consolidated EBIT	**39.5**	**27.5**
Financial management	(1.1)	(11.1)
Income taxes	(18.4)	(9.4)
Income (loss) from assets held for sale	--	0.2
Net income including minority interests	**20.0**	**7.2**
Minority interests	(8.5)	(4.0)
Net result of the Group	**11.5**	**3.2**

Consolidated revenues came to € 627.5 million, an increase of 3.4% compared with € 606.7 million in the same period of 2015, because of the growth in sales on the part of the Sogefi and KOS Groups.

Consolidated EBITDA was € 63.3 million (10.1% of revenues) versus € 53.8 million (8.9% of revenues) in the same period of 2015.

Consolidated EBIT was € 39.5 million compared with € 27.5 million in the same period of 2015, a rise of € 12 million.

Net income amounted to € 11.5 million compared with € 3.2 million in the same period of 2015.

Main Group investments
at 30 September 2016

CIR

56.5% (*)	57.1% (*)	59.5% (*)	
Gruppo Editoriale L'Espresso Spa	SOGEFI	KOS	non-core Investments
All media sectors from dailies and periodicals to radio, internet and advertising	*Global automotive components supplier (filters, engine air, and cooling systems and suspensions*	*Nursing homes, rehabilitation and Hospital management*	• *Private Equity*

BUSINESSES

(*) the percentage is calculated net of treasury shares

3. Performance of the business sectors

MEDIA

The main performance indicators of the Espresso Group for the current year are shown below, with comparative figures for the equivalent period last year.

(in millions of euro)	*1/1-30/9 2016*	*1/1-30/9 2015*	*Change absolute*	*%*
Revenues	424.3	439.6	(15.3)	(3.5)
Net result	14.0	24.6	(10.6)	(43.1)

3rd quarter 2016 results

(in millions of euro)	*3rd quarter 2016*	*3rd quarter 2015*	*Change absolute*	*%*
Revenues	131.4	133.9	(2.5)	(1.9)
Net result	1.9	2.5	(0.6)	(24.0)

Situation at 30 September 2016

	30.09.2016	*30.06.2016*	*31.12.2015*
Net financial position	37.2	18.2	(10.7)
No. of employees	2,195	2,211	2,222

As regards the performance of the publishing market, according to figures published by Nielsen Media Research, advertising expenditure in first eight months of 2016 rose by 3.2% compared with the same period of 2015. The upswing in investment has involved television and radio, which grew by 7.8% and 1.3%, respectively. Internet (excluding Search and Social) posted a decrease of 1.6% on the same period last year. Lastly, as regards print advertising, the trend was negative (-4.7%): in particular, the decline in national advertising came to -3.8%, while that of local advertising came to -6.6%.

As for newspaper circulation, according to the figures published by ADS (*Accertamento Diffusione Stampa*), in the first eight months of 2016 sales on news-stands and by subscription fell by 7.8%.

In the first nine months of 2016 the Espresso group had consolidated revenues of € 424.3 million, 3.5% down on € 439.6 million in the same period of the previous year, less of a decline than in previous years.
The Group's circulation revenues (including add-ons) amounted to € 184.5 million, a decrease of 5.2% on the same period last year (€ 194.7 million), in a market that is continuing to see a significant decline in daily newspaper sales.
Advertising revenues are 2.1% down, taking into account the general trend in print advertising. Radio advertising was broadly in line with the same period last year, while the press and Internet were affected by the critical trend in the market.

Costs went down by 2.4%; in particular, industrial costs and personnel costs have decreased, taking into account that the average workforce fell by 4.1% compared with the first nine months of 2015.

EBITDA amounted to € 37.0 million versus € 40.9 million in the first nine months of 2015.
Consolidated EBIT came to € 25.8 million versus € 29.9 million in the same period last year.

Net income from continuing operations amounted to € 13.1 million, compared to € 15.2 million in the first nine months of 2015. The sale of *All Music* to *Discovery Italia* at the end of January 2015 generated capital gains, classified under discontinued operations, of € 9.4 million in first nine months of 2015 and of € 1.0 million in the first nine months of 2016. Consolidated net income, including discontinued operations, amounted to € 14.0 million, compared with € 24.6 million in the corresponding period of 2015.

The net financial position at 30 September 2016 was positive for € 37.2 million, having posted a financial surplus of € 47.9 million during the period. Compared with 30 September 2015, the improvement in the net financial position comes to € 45.3 million.

The Group had 2,195 employees at 30 September 2016, including those on fixed-term contracts, and the average workforce for the period was 4.1% lower than in the first nine months of 2015.

Following the memorandum of understanding signed on 2 March, on 1 August 2016 the Espresso group and ITEDI signed a framework agreement to combine the two companies in order to create the leading Italian publishing group and one of the main groups in Europe in the field of daily and digital news. The deal has considerable industrial value as it is designed to integrate two groups with complementary activities and aims to achieve rising economies of scale. On completion of this operation, CIR will hold 43.4% of GELE, whereas FCA will hold 14.63% and Ital Press 4.37%. After completion of the combination and the time needed to fulfil all the technicalities, FCA will distribute its entire holding in GELE to the holders of its ordinary shares. As a result of this distribution, EXOR S.p.A. ("EXOR") will receive 4.26% of GELE.
Completion of the deal, which is subject to authorization by the competent authorities and to typical conditions precedent for transactions of this kind (such as obtaining the necessary shareholder approvals), is expected to take place by the end of the first quarter of 2017.

As part of the deconsolidation plan to guarantee compliance with the circulation thresholds established by current regulations and with a view to future integration with ITEDI (the company that publishes the newspapers *La Stampa* and *Secolo XIX*), on 7 September 2016 the Espresso group defined the arrangements for the sale of the daily newspapers "Il Centro" and "La Città di Salerno" and of the Pescara press centre. The transfer will take effect from 1 November 2016.

On 12 October 2016 the Espresso group reached agreement for Finegil to sell its entire 71% interest in Seta S.p.A., the publisher of "Alto Adige" and "Il Trentino". The sale will take effect from 28 October 2016.

As for the outlook, it can reasonably be assumed that in 2016 the group will achieve a positive net result, excluding non-recurring items, in line with the previous year.

AUTOMOTIVE COMPONENTS

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

(in millions of euro)	*1/1-30/9 2016*	*1/1-30/9 2015*	*Change absolute*	*%*
Revenues	1,181.5	1,126.6	54.9	4.9
Net result	15.8	7.4	8.4	n.a.

3rd quarter 2016 results

(in millions of euro)	*3rd quarter 2016*	*3rd quarter 2015*	*Change absolute*	*%*
Revenues	383.0	362.9	20.1	5.5
Net result	7.4	(2.3)	9.7	n.a.

Situation at 30 September 2016

	30.09.2016	*30.06.2016*	*31.12.2015*
Net financial position	(314.1)	(326.2)	(322.3)
No. of employees	6,811	6,795	6,702

The car market reported a 4% increase in worldwide volumes in the first nine months of 2016, with a double digit rise in Asia and positive trends in Europe and North America (+3.5% and 2.6%, respectively). South America is still experiencing the severe recession that was already visible last year.

In this context, in the first nine months of 2016, Sogefi posted revenues of € 1,181.5 million, an increase of 4.9% compared with € 1,126.6 million in the same period of 2015 (+10.2% at constant exchange rates): in Europe, revenues grew by 1.6%, in North America and Asia by 20.7% and 27.3% respectively, while in South America, revenues in euro decreased by 13.2% because of the devaluation of local currencies and the persistent crisis in the market. Excluding South America, growth came to 7.3%, in line with previous quarters.

Revenue growth in the first nine months of 2016 was supported above all by the *Air and Cooling* segment, which recorded an increase of 18.4%. Turnover in the *Suspensions* segment recorded revenue growth of 0.3% (+3.5% excluding South America), while the *Filtration* segment reported a decrease of 0.6% (+2.3% excluding South America).

EBITDA came to € 114.5 million, 25.4% up on the same period of 2015 (€ 91.3 million). The increase was due to revenue growth and increased profitability, rising to 9.7% from 8.1% in the first nine months of 2015 and from 9.3% of the first half of 2016. The increase in profitability was the result of the slight rise in gross margin and a decline in the proportion of indirect costs from 20.2% to 19.4%. In particular, overall labour costs as a percentage of revenues decreased to 21.5%, from 22.3%. All regions with the exception of South America recorded an increase in EBITDA.

As regards the risk of claims of Sogefi Air & Refroidissement France S.A.S. (formerly Systèmes Moteurs), there were no changes in the "product warranty" risks in the first nine months of 2016 such as to require changes in the provision made at 31 December 2015. As regards the recovery from Dayco, the seller of Sogefi Air & Refroidissement France S.A.S., the arbitration procedure ended in

May, ordering the company to pay Sogefi € 9.4 million for claims already paid. During the third quarter of 2016, Sogefi received € 5.5 million from Dayco, which represents part of the compensation awarded by the board of arbitration. However, the award turned out to be € 4 million less than what Sogefi expected to recover, so this amount had a negative impact, which was already accounted for in the first half 2016 (incidentally, the company intends to appeal against this decision).

EBIT amounted to € 58.7 million, an increase of 35.9% compared with the first nine months of 2015 (€ 43.2 million).

The result before taxes and minority interests was positive for € 39.8 million (€ 19.6 million in the first nine months of 2015), also thanks to financial income of € 6 million related to the recovery of tax credits on foreign dividends of prior years.

The net result was positive for € 15.8 million compared with € 7.4 million in the first nine months of 2015.

Net financial debt at 30 September 2016 amounted to € 314.1 million, with a decrease of € 8.2 million on 31 December 2015 (€ 322.3 million) and of € 25.6 million on 30 September 2015 (€ 339.7 million). Free cash flow for the first nine months of 2016 was positive for € 12.3 million compared with applications of € 44.3 million in the same period last year. This improvement is attributable for € 26.6 million to lower extraordinary disbursements relating to product warranties, reorganizations and tax disputes, and for € 33 million to a better trend in operating cash flow.

At 30 September 2016, equity, excluding minority interests, came to € 173.7 million (€ 170.8 million at 31 December 2015).

The Group had 6,811 employees at 30 September 2016 compared with 6,702 at 31 December 2015.

For the whole of 2016, Sogefi expects revenue growth to be similar to what we have seen in the first nine months. The gross margin and EBITDA are expected to improve compared with 2015, in line with the trend in the first nine months.

▪ HEALTHCARE

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

(in millions of euro)	*1/1-30/9 2016*	*1/1-30/9 2015*	*Change absolute*	*%*
Revenues	340.8	326.3	14.5	4.4
Net result	17.4	13.3	4.1	30.8

3rd quarter 2016 results

(In millions of euro)	*3rd quarter 2016*	*3rd quarter 2015*	*Change absolute*	*%*
Revenues	113.2	109.0	4.2	3.9
Net result	7.8	5.7	2.1	36.9

Situation at 30 September 2016

	30.09.2016	*30.06.2016*	*31.12.2015*
Net financial position	(230.4)	(226.3)	(210.0)
No. of employees	5,501	5,462	5,194

The KOS group currently manages 77 facilities, mainly in central and northern Italy, for a total of around 7,300 beds in use, operating in three strategic areas:

1) *Care homes:* management of residential care homes for the elderly and psychiatric care communities, with 45 nursing facilities and 9 psychiatric rehabilitation facilities, for a total of 5,213 beds in use (of which 5,017 in care homes);
2) *Rehabilitation:* management of hospitals and rehabilitation centres, including 22 rehabilitation facilities (with three care homes for the elderly) and 14 hospitals, for a total of 1,952 beds;
3) *Hospital management:* management of a hospital and cancer cure and diagnostic services in 33 public and private facilities.

In the first nine months of 2016, the KOS group achieved a consolidated turnover of € 340.8 million, up 4.4% from € 326.3 million in the same period last year. This is due to the acquisitions made during the previous year and to natural growth in care homes for the elderly.

Consolidated EBITDA amounted to € 59.9 million, up 12.1% compared with € 53.4 million in the first nine months of 2015.

Consolidated EBIT came to € 37.2 million, compared with € 33.5 million in the same period last year.

Consolidated net income amounts to € 17.4 million compared with € 13.3 million in the first nine months of 2015.

At 30 September 2016 the KOS group had net debt of € 230.4 million, compared with € 210.0 million at 31 December 2015. The increase is due to the distribution of € 29.9 million of dividends during the period.

In the first nine months of 2016, the KOS group continued its development plans for care homes for the elderly and rehabilitation facilities.

In Italy, the Group acquired control of a psychiatric rehabilitation facility in the Marche region (Villa Jolanda) in September, further strengthening its presence in this sector.

In addition, during the third quarter, the Group launched the first rehabilitation facility in India through the company *ApoKOS*, a joint venture with Apollo, the leading local healthcare provider. The facility, located in the city of Hyderabad, has 64 beds devoted to the rehabilitation of patients with neurological, orthopaedic, cardiopulmonary, paediatric, geriatric and oncological problems.

In the area of cancer care and diagnostics, business development continues in Italy, in India (with the subsidiary *ClearMedi Healthcare LTD*) and in the United Kingdom (with the subsidiary *Medipass Healthcare LTD*).

Lastly, we would point out that in August the Kingdom of Bahrain's sovereign investment fund joined the F2i Healthcare fund and the latter acquired 3.2% from CIR for € 20 million. As a result of this transaction, the shareholding structure of KOS currently consists of CIR with 59.53% and F2i Healthcare with 40.47%.

The group had 5,501 employees at 30 September 2016 compared with 5,194 at 31 December 2015.

As for the outlook, note that growing demands for cuts in public spending, already partly introduced in certain regions where the Group operates, may reduce the resources allocated to public and private health spending; the impact on the KOS Group is not expected to be significant.

4. Non-core investments

They are represented by private equity fund investments, minority interests and other investments amounting to € 107.7 million at 30 September 2016, compared with € 113.7 million at 31 December 2015.

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 30 September 2016, based on the NAVs provided by the various funds, came to € 52.6 million, a decrease of € 6.6 million compared with 31 December 2015, due to the effect of capital repayments (€ 3.3 million), write-downs and exchange rate differences (that impact equity). Total distributions during the period amounted to € 9.9 million, including € 3.3 million of capital repayments and € 6.6 million of capital gains. Outstanding commitments at 30 September 2016 amounted to € 4.8 million.

OTHER INVESTMENTS

At 30 September 2016, CIR had direct and indirect investments in non-strategic investments for a total of € 15.0 million and a portfolio of non-performing loans for a total of € 40.1 million.
In the first nine months of 2016, a € 5.5 million investment in China was sold, making a net capital gain of € 6.5 million. The residual investment in the Education sector (a school in Rome) was also sold, with no impact on the result for the year.

5. Significant events subsequent to 30 September 2016 and outlook for operations

The performance of the CIR Group during the last quarter of the year will be influenced by developments in the Italian economy, the impact of which is significant, especially in the media sector, as well as by the performance of major global automotive markets for the components sector.

6. Other information

CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Via Ciovassino 1, 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-30 September 2016 was approved by the Board of Directors on 28 October 2016.

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

CIR GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET FINANCIAL POSITION

1. Consolidated statement of financial position

(in thousands of euro)

ASSETS	*30.09.2016*	*30.06.2016*	*31.12.2015*
NON-CURRENT ASSETS	**2,040,951**	**2,049,800**	**2,071,525**
INTANGIBLE ASSETS	992,691	992,611	997,652
TANGIBLE ASSETS	648,910	646,715	658,737
INVESTMENT PROPERTY	19,632	19,822	20,064
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	131,955	130,873	131,833
OTHER EQUITY INVESTMENTS	5,049	5,443	5,830
OTHER RECEIVABLES	78,322	84,082	86,957
SECURITIES	63,339	66,026	65,705
DEFERRED TAXES	101,053	104,228	104,747
CURRENT ASSETS	**1,345,974**	**1,333,449**	**1,400,094**
INVENTORIES	138,532	135,058	134,055
CONTRACT WORK IN PROGRESS	40,509	39,201	39,178
TRADE RECEIVABLES	423,118	449,403	415,937
OTHER RECEIVABLES	115,482	112,908	97,363
FINANCIAL RECEIVABLES	20,610	28,289	30,496
SECURITIES	65,278	64,546	121,006
AVAILABLE-FOR-SALE FINANCIAL ASSETS	235,596	235,398	251,510
CASH AND CASH EQUIVALENTS	306,849	268,646	310,549
ASSETS HELD FOR SALE	16,540	11,582	9,005
TOTAL ASSETS	**3,403,465**	**3,394,831**	**3,480,624**

LIABILITIES AND EQUITY	*30.09.2016*	*30.06.2016*	*31.12.2015*
EQUITY	**1,514,153**	**1,476,623**	**1,590,294**
SHARE CAPITAL ISSUED	397,146	397,146	397,146
less TREASURY SHARES	(63,745)	(63,063)	(54,211)
SHARE CAPITAL	333,401	334,083	342,935
RESERVES	299,564	285,874	340,336
RETAINED EARNINGS (LOSSES)	374,459	375,770	377,663
NET INCOME (LOSS) OF THE PERIOD	37,413	25,883	42,014
GROUP EQUITY	**1,044,837**	**1,021,610**	**1,102,948**
MINORITY INTERESTS	469,316	455,013	487,346
NON-CURRENT LIABILITIES	**920,332**	**940,409**	**1,010,070**
BONDS	276,568	275,232	288,366
OTHER BORROWINGS	276,002	303,024	372,076
OTHER PAYABLES	11,865	11,988	9,286
DEFERRED TAXES	145,920	139,475	134,881
PERSONNEL PROVISIONS	130,591	131,621	124,478
PROVISIONS FOR RISKS AND LOSSES	79,386	79,069	80,983
CURRENT LIABILITIES	**963,401**	**968,417**	**873,598**
BANK OVERDRAFTS	23,342	22,384	19,517
BONDS	20,748	19,990	5,011
OTHER BORROWINGS	197,020	194,487	150,316
TRADE PAYABLES	432,351	446,227	427,418
OTHER PAYABLES	223,587	218,637	199,569
PROVISIONS FOR RISKS AND LOSSES	66,353	66,692	71,767
LIABILITIES HELD FOR SALE	5,579	9,382	6,662
TOTAL LIABILITIES AND EQUITY	**3,403,465**	**3,394,831**	**3,480,624**

2. Consolidated income statement

(in thousands of euro)

	1/1-30/9 2016	*1/1-30/9 2015*	*3rd quarter 2016*	*3rd quarter 2015*
SALES REVENUES	1,946,673	1,897,391	627,527	606,654
CHANGE IN INVENTORIES	5,910	13,573	4,585	2,903
COSTS FOR THE PURCHASE OF GOODS	(740,813)	(713,325)	(242,774)	(229,390)
COSTS FOR SERVICES	(452,360)	(460,324)	(144,887)	(148,352)
PERSONNEL COSTS	(529,515)	(525,021)	(165,574)	(163,091)
OTHER OPERATING INCOME	17,673	20,852	5,805	4,212
OTHER OPERATING COSTS	(60,003)	(60,531)	(22,109)	(18,720)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	2,890	1,770	704	(387)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(82,495)	(77,681)	(23,739)	(26,351)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**107,960**	**96,704**	**39,538**	**27,478**
FINANCIAL INCOME	9,374	9,741	3,440	1,101
FINANCIAL EXPENSE	(43,238)	(45,444)	(12,840)	(13,921)
DIVIDENDS	11,949	246	3,996	--
GAINS FROM TRADING SECURITIES	8,620	31,216	3,111	7,785
LOSSES FROM TRADING SECURITIES	(563)	(2,233)	(25)	(86)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	2,060	(9,681)	1,215	(5,961)
INCOME BEFORE TAXES	**96,162**	**80,549**	**38,435**	**16,396**
INCOME TAXES	(35,345)	(25,936)	(18,433)	(9,375)
INCOME (LOSS) AFTER TAXES FROM OPERATING ACTIVITY	**60,817**	**54,613**	**20,002**	**7,021**
INCOME/(LOSS) FROM ASSETS HELD FOR SALE	1,000	9,411	--	160
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	**61,817**	**64,024**	**20,002**	**7,181**
- (NET INCOME) LOSS OF MINORITY INTERESTS	(24,404)	(24,431)	(8,472)	(3,990)
- NET INCOME (LOSS) OF THE GROUP	**37,413**	**39,593**	**11,530**	**3,191**

3. Consolidated net financial position

(in thousands of euro)

		30.09.2016	*30.06.2016*	*31.12.2015*
A.	Cash and bank deposits	306,849	268,646	310,549
B.	Other cash equivalents	235,596	235,398	251,510
C.	Securities held for trading	65,278	64,546	121,006
D.	**Cash and cash equivalents (A) + (B) + (C)**	**607,723**	**568,590**	**683,065**
E.	**Current financial receivables**	**20,610**	**28,289**	**30,496**
F.	Current bank payables	(175,075)	(165,260)	(116,507)
G.	Bonds	(20,748)	(19,990)	(5,011)
H.	Current portion of non-current debt	(43,697)	(51,611)	(53,326)
I.	Other current borrowings	(1,590)	--	--
J.	**Current financial debt (F) + (G) + (H) + (I)**	**(241,110)**	**(236,861)**	**(174,844)**
K.	**Current net financial position (J) + (E) + (D)**	**387,223**	**360,018**	**538,717**
L.	Non-current bank borrowings	(178,855)	(203,980)	(267,809)
M.	Bonds	(276,568)	(275,232)	(288,366)
N.	Other non-current payables	(97,147)	(99,044)	(104,267)
O.	**Non-current financial debt (L) + (M) + (N)**	**(552,570)**	**(578,256)**	**(660,442)**
P.	**Net financial position (K) + (O)**	**(165,347)**	**(218,238)**	**(121,725)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Introduction*

This consolidated quarterly report at 30 September 2016 (unaudited) was prepared in accordance with IAS/IFRS international accounting standards, which since 2005 have been mandatory for 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 Legislative Decree 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.

2. *Consolidation principles*

Consolidation is on a line-by-line basis. The criteria adopted in applying this method are the same as those used at 31 December 2015.

The consolidated interim financial statements of the Group as of 30 September 2016, like those as of 31 December 2015, 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, except for those in liquidation. 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*

The accounting policies adopted for the preparation of the interim financial statements as of 30 September 2016 are the same as those adopted for the financial statements for the year ended 31 December 2015.

4. *Share capital*

The share capital at 30 September 2016 amounts to € 397,146,183.50, the same as at 31 December 2015, and is made up of 794,292,367 shares with a nominal value of € 0.50 each.
At 30 September 2016 the Company held 127,489,205 treasury shares (16.05% of the share capital) for a value of € 181,483 thousand, compared with 108,421,938 treasury shares (13.65% of the share capital) for a value of € 163,267 thousand at 31 December 2015.

In application of IAS 32, 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 directors, employees of the Company, its subsidiaries and parent companies.

Regarding stock option plans and stock grants, at 30 September 2016 there were 37,403,073 options outstanding, corresponding to an equivalent number of shares.
The notional cost of the stock options granted to employees, which is shown in a separate item of equity, amounted to € 1,580 thousand at 30 September 2016.

CERTIFICATION IN ACCORDANCE WITH THE TERMS
OF ART. 154 BIS, PARAGRAPH 2, OF D.LGS. NO. 58/1998

Re: Interim Financial Report as of 30 September 2016

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, 28 October 2016

C I R S.p.A.
Giuseppe Gianoglio

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