

INTERIM FINANCIAL REPORT

AS OF 30 SEPTEMBER 2018



COMPAGNIE INDUSTRIALI RIUNITE



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REPORT ON OPERATIONS

1. Key figures

In the first half of 2018 the CIR group recorded **revenue** of € 2,092.6 million, an increase of 3.2% on the same period of 2017 (€ 2,027.8 million). The KOS group's revenue increased by 11.9% and that of the GEDI group by 10.4%, thanks to integration of the ITEDI group, whereas the Sogefi group's revenue declined by 1.8% because of foreign exchange differences (at constant exchange rates, revenue rose by 3.3%).

Gross operating profit amounted to € 246.0 million, in line with the first nine months of last year (€ 247.0 million).

Operating profit (loss) came in at € 118.8 million, compared to € 121.6 million in the corresponding period of 2017.

The **consolidated profit for the period** attributable to the owners of the parent amounted to € 34.0 million, compared to a loss of € 26.0 million in the first nine months of the previous year, due to the significant extraordinary tax charge incurred by GEDI.

The contribution made to CIR's profit by the industrial subsidiaries came to € 31.5 million, in line with € 32.0 million in the first nine months of 2017, prior to the above tax charge.

Sogefi reported a gross operating profit of € 153.1 million, down on the first nine months of 2017 (€ 161.9 million), due to the negative impact of exchange rates and an increase in steel prices, which affected the gross operating profit of the *Suspensions* business unit. The profit was € 23.1 million versus € 27.9 million for the corresponding period of the previous year.

Even though GEDI's main sector of activity continues to be affected by critical developments, it managed to increase its revenue by 10.4% compared to the same period last year, thanks to the integration with ITEDI - as mentioned previously - with a profit of € 7.8 million (€ 10.6 million prior to the extraordinary tax charge versus a loss of € 143.9 million in September 2017).

Lastly, KOS achieved a 11.9% increase in revenue, thanks to growth in all of its activities and the fact that all of the acquisitions made during 2017 contributed for the entire period. The gross operating profit increased by 18.9% to € 74.9 million and profit amounted to € 24.8 million (€ 19.0 million in the first nine months of 2017).

CIR (including its non-industrial subsidiaries) contributed € 2.5 million of profit compared to € 12 million in the first nine months of 2017, due to lower net financial income.

At 30 September 2018, **net financial indebtedness** was € 354.4 million, compared to € 272.5 million at 31 December 2017 and € 131.9 million at 30 September 2017.

Total net financial indebtedness of the industrial subsidiaries at 30 September 2018 was € 674.7 million, up compared to the figure at 30 September 2017 (€ 459.4 million), because of GEDI's extraordinary tax charge (€ 175 million), acquisitions made by Sogefi (€ 16.7 million) and KOS (€ 36.7 million), as well as € 29.7 million of dividends paid by KOS.

The net financial position of the parent and its non-industrial subsidiaries at 30 September 2018 was net cash of € 320.3 million, compared to € 343.0 million at 31 December 2017 and € 327.5 million at 30 September 2017. The difference in the first nine months of 2018 was caused mainly by the net outlay of € 24.8 million for the distribution of dividends and purchases of treasury shares for € 10.1 million, against a net cash inflow from operations of € 12.2 million.

Equity attributable to the owners of the parent at 30 September 2018 amounted to € 953.8 million compared to € 961.0 million at 31 December 2017, a net reduction of € 7.2 million. The increase is due to the profit for the year, while the decrease is due to the distribution of dividends and the purchase of treasury shares.

INCOME STATEMENT BY BUSINESS SEGMENT AND CONTRIBUTIONS TO THE RESULTS OF THE GROUP

(in millions of euro)

	1/1 - 30/09 2018												1/1-30/09 2017 (*)
	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													
Sogefi Group - Automotive components	1,219.8	(1,057.4)	(9.3)	(89.4)	63.7	(19.8)	--	--	(18.3)	--	(12.5)	13.1	15.9
GEDI Group - Media	469.7	(439.5)	1.2	(14.1)	17.3	(7.9)	0.1	0.2	(1.8)	--	(4.3)	3.6	(65.2)
KOS Group - Healthcare	403.1	(317.0)	(15.2)	(23.1)	47.8	(9.7)	--	--	(12.4)	--	(10.9)	14.8	11.3
Total for main subsidiaries	2,092.6	(1,813.9)	(23.3)	(126.6)	128.8	(37.4)	0.1	0.2	(32.5)	--	(27.7)	31.5	(38.0)
Other subsidiaries	--	(0.3)	0.1	--	(0.2)	0.1	--	--	--	--	--	(0.1)	--
Total industrial subsidiaries	2,092.6	(1,814.2)	(23.2)	(126.6)	128.6	(37.3)	0.1	0.2	(32.5)	--	(27.7)	31.4	(38.0)
CIR and other non-industrial subsidiaries													
Revenue	--											--	--
Net operating costs		(9.7)										(9.7)	(9.2)
Other operating income & expense			0.5									0.5	0.5
Amortisation, depreciation & impairment losses				(0.6)								(0.6)	(1.0)
Operating profit (loss)					(9.8)								
Net financial income & expense						2.1						2.1	2.2
Dividends and net gains (losses) from securities trading							8.9					8.9	18.4
Fair value losses on equity-accounted investments								--				--	--
Income taxes									1.4			1.4	1.1
Profit (loss) from discontinued operations										--		--	--
Total CIR and other non-industrial subsidiaries before non-recurring items	--	(9.7)	0.5	(0.6)	(9.8)	2.1	8.9	--	1.4	--	--	2.6	12.0
Non-recurring items	--	--	--	--	--	--	--	--	--	--	--	--	--
Consolidated total for the Group	2,092.6	(1,823.9)	(22.7)	(127.2)	118.8	(35.2)	9.0	0.2	(31.1)	--	(27.7)	34.0	(26.0)

(*) Some 2017 figures have been restated following the application of "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 € (1.7) 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 € 1.7 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 securities trading", "losses from securities trading" and "fair value losses/gains on financial assets" in the consolidated income statement.

STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT

(in millions of euro)

(in millions of euro)

	30.09.2018								31.12.2017 (*)
CONSOLIDATED	Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity		Equity attributable to non-controlling interests	Equity attributable to the owners of the parent	Equity attributable to the owners of the parent
COMBINED	(1)	(2)	(3)	(4)					
Sogefi Group - Automotive components	670.8	(95.1)	(77.9)	(286.2)	211.6		102.9	108.7	100.8
GEDI Group - Media	801.4	(158.9)	47.2	(124.7)	565.0		306.7	258.3	254.8
KOS Group - Healthcare	627.3	(23.1)	(53.4)	(264.3)	286.5		119.7	166.8	170.9
Other subsidiaries	--	(0.4)	0.6	0.5	0.7		--	0.7	0.9
Total industrial subsidiaries	2,099.5	(277.5)	(83.5)	(674.7)	1,063.8		529.3	534.5	527.4
<u>CIR and other non-industrial subsidiaries</u>									
Non-current assets	18.4				18.4			18.4	18.4
Other net non-current assets and liabilities		80.0			80.0			80.0	69.3
Net working capital			0.6		0.6			0.6	2.9
Net cash				320.3	320.3			320.3	343.0
Consolidated total for the Group	2,117.9	(197.5)	(82.9)	(354.4)	1,483.1		529.3	953.8	961.0

(*) Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

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

2. Performance of the Group

Consolidated revenue for the first nine months of 2018 amounted to € 2,092.6 million compared to € 2,027.8 million in the corresponding period of 2017, an increase of € 64.8 million (+3.2%), due above all to the growth in GEDI's revenue for its integration of the ITEDI group and the increase in KOS's revenue thanks to the acquisitions made last year. Sogefi saw a 1.8% decrease in revenue, though it was up by 3.3% at constant exchange rates.

Consolidated revenue by business segment is shown below.

(in millions of euro)	1/1-30/09		1/1-30/09		Change	
	2018	%	2017(*)	%	absolute	%
Automotive components						
Sogefi Group	1,219.8	58.3	1,242.3	61.3	(22.5)	(1.8)
Media						
GEDI Gruppo Editoriale	469.7	22.4	425.5	20.9	44.2	10.4
Healthcare						
KOS Group	403.1	19.3	360.1	17.8	43.0	11.9
Total consolidated revenue	2,092.6	100.0	2,027.8	100.0	64.8	3.2

(*) Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

The **condensed income statement** is as follows:

(in millions of euro)	1/1-30/09 2018	1/1-30/09 2017(*)
Revenue	2,092.6	2,027.8
Gross operating profit (1)	246.0	247.0
Operating profit	118.8	121.6
Net financial expense (2)	(26.0)	(14.0)
Income taxes	(31.1)	(189.6)
Profit (loss) from discontinued operations	-	1.2
Profit (loss) including non-controlling interests	61.7	(80.8)
Non-controlling interests	(27.7)	54.8
Profit (loss) attributable to the owners of the parent	34.0	(26.0)

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

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

Gross operating profit came to € 246.0 million (11.8% of revenue) in line with € 247.0 million (12.2% of revenue) in the first nine months of 2017.

Consolidated operating profit was € 118.8 million (5.7% of revenue) compared to € 121.6 million (6.0% of revenue) in the corresponding period of 2017 (-2.3%).

Net financial expense came to € 26.0 million compared to € 14.0 million in the first nine months of 2017. In detail:

- net financial expense came to € 35.2 million compared to € 31.6 million in the first nine months of last year (due to higher indebtedness on the part of GEDI and KOS);

- net gains on trading of securities, gains from non-strategic equity investments and fair value gains (losses) on financial assets came to € 9.0 million compared to € 18.3 million in the first nine months of 2017 (with a reduction in income from investments in private equity and other investments);

Taxes amounted to € 31.1 million (€ 189.6 million in the same period of 2017, due to GEDI's non-recurring tax charge of € 154.5 million).

Consolidated profit came in at € 34.0 million, compared to a loss of € 26.0 million in the same period last year.

The **condensed statement of financial position** of the CIR Group at 30 September 2018, with comparative figures at 30 June 2018 and 31 December 2017, is as follows:

<i>(in millions of euro) (1)</i>	<i>30.09.2018</i>	<i>30.06.2018</i>	<i>31.12.2017(*)</i>
Non-current assets	2,117.9	2,120.5	2,111.7
Other net non-current assets and liabilities	(197.5)	(220.9)	(230.2)
Net working capital	(82.9)	(104.8)	(127.8)
Net invested capital	1,837.5	1,794.8	1,753.7
Net financial indebtedness	(354.4)	(320.6)	(272.5)
Total equity	1,483.1	1,474.2	1,481.2
Equity attributable to the owners of the parent	953.8	951.0	961.0
Equity attributable non-controlling interests	529.3	523.2	520.2

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from customer contracts".

(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.

Net invested capital at 30 September 2018 came to € 1,837.5 million versus € 1,753.7 million at 31 December 2017 and € 1,794.8 million at 30 June 2018.

The **net financial indebtedness** at 30 September 2018, amounted to € 354.4 million (compared to € 272.5 million at 31 December 2017 and € 320.6 million at 30 June 2018), caused by:

- free cash flow for CIR and its non-industrial subsidiaries of € 320.3 million, which compares with € 343.0 million at 31 December 2017. The difference of € 22.7 million was caused mainly by the decrease in the net outlay of € 24.8 million for the distribution of dividends and by the purchase of treasury shares made during the nine months of € 10.1 million and the increase in cash flow from operations of € 12.2 million;
- total net indebtedness of the industrial subsidiaries of € 674.7 million compared to € 615.5 million at 31 December 2017. The increase of € 59.2 million is attributable to the rise in indebtedness of the KOS Group for € 27.2 million, of the Sogefi Group for € 22.2 million and of the GEDI Group for € 9.6 million.

Total equity at 30 September 2018 amounted to € 1,483.1 million compared to € 1,481.2 million at 31 December 2017, a net increase of € 1.9 million.

Equity attributable to the owners of the parent at 30 September 2018 amounted to € 953.8 million compared to € 961.0 million at 31 December 2017, a decrease of € 7.2 million. The increase is due to the profit for the year, while the decrease is due to the distribution of dividends and the purchase of treasury shares.

Equity attributable to non-controlling interests at 30 September 2018 amounted to € 529.3 million compared to € 520.2 million at 31 December 2017, a net increase of € 9.1 million.

The **statement of cash flows** for the first nine months of 2018, prepared according to a "management" format, which shows the changes in net cash, can be summarised as follows.

<i>(in millions of euro)</i>	<i>1/1-30/09 2018</i>	<i>1/1-30/09 2017 (*)</i>
SOURCES OF FUNDS		
Profit (loss) from continuing operations	61.8	(82.0)
Amortisation, depreciation, impairment losses & other non-monetary	99.0	82.2
Self-financing	160.8	(0.2)
Change in working capital and other non-current assets and liabilities	(40.5)	175.3
CASH FLOW GENERATED BY OPERATIONS	120.3	175.5
Capital increases	1.0	1.5
TOTAL SOURCES OF FUNDS	121.3	177.0
APPLICATIONS OF FUNDS		
Net investment in non-current assets	(129.4)	(88.3)
Consideration paid for business combinations	(20.6)	(28.6)
Net cash of acquired companies	1.5	(4.2)
Purchase of treasury shares	(10.1)	(11.4)
Payment of dividends	(37.3)	(33.6)
Other changes	(7.3)	(0.4)
TOTAL APPLICATIONS OF FUNDS	(203.2)	(166.5)
CASH FLOWS USED FOR CONTINUING OPERATIONS	(81.9)	10.5
CASH FLOWS FROM DISCONTINUED OPERATIONS	--	1.2
CASH FLOWS FOR THE PERIOD	(81.9)	11.7
OPENING NET FINANCIAL INDEBTEDNESS	(272.5)	(143.6)
CLOSING NET FINANCIAL INDEBTEDNESS	(354.4)	(131.9)

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers".

In the first nine months of 2018 the Group recorded cash outflows of € 81.9 million (surplus of € 11.7 million in the same period of 2017) resulting from sources of funds for € 121.3 million and application of funds for € 203.2 million.

Application of funds includes the payment of dividends totalling € 37.3 million, the purchase of treasury shares for € 10.1 million and investments in business combinations for a total of € 19.1, involving the Sogefi and KOS groups.

For the analysis of the net financial position, reference should be made to the section containing the financial statements.

At 30 September 2018 the Group had 16,411 employees, compared to 15,839 at 31 December 2017.

The **condensed income statement** of the CIR Group in the third quarter of 2017 is shown below with comparative figures.

<i>(in millions of euro)</i>	<i>Third quarter 2018</i>	<i>Third quarter 2017 (*)</i>
Revenue	661.4	662.9
Gross operating profit	78.5	78.9
Operating profit	36.4	39.4
Net financial income (expense)	(10.4)	(2.2)
Income taxes	(8.9)	(164.9)
Profit (loss) from discontinued operations	-	0.2
Profit (loss) including non-controlling interests	17.1	(127.5)
Non-controlling interests	(8.4)	74.7
Profit (loss) attributable to the owners of the parent	8.7	(52.8)

() Certain 2017 figures have been restated following the application of "IFRS 15 – Revenue from customer contracts".*

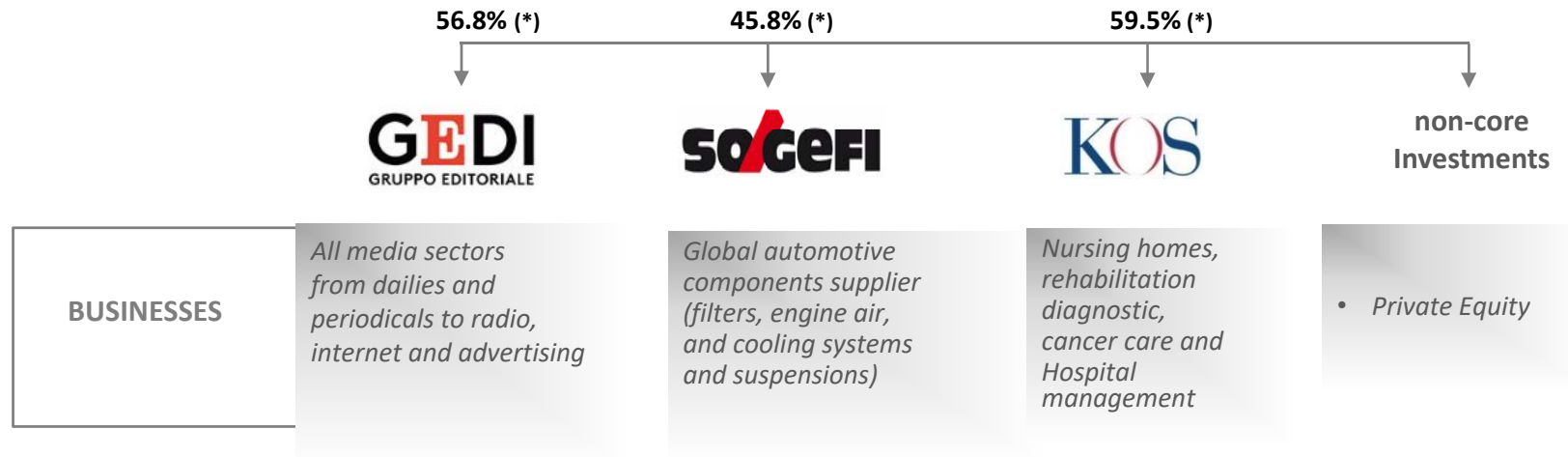
Consolidated revenue amounted to € 662.9 million, in line with € 662.9 million in the same period of 2017.

Gross operating profit came to € 78.5 million (11.9% of revenue) in line with € 78.9 million (11.9% of revenue) in the same period of 2017.

Consolidated operating profit was € 36.4 million, compared to € 39.4 million in the corresponding period of 2017.

The **net result** was € 8.7 million compared to a loss of € 52.8 million in the corresponding period of 2017.

Main Equity investments at 30 September 2018



(*) the percentage is calculated net of treasury shares

3. Performance of the business segments

■ AUTOMOTIVE COMPONENTS

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

Results for 9 months (in millions of euro)	1/1-30/9 2018	1/1-30/9 2017	Change absolute	%
Revenue	1,219.8	1,242.3	(22.5)	(1.8)
Profit (loss) for the period	23.1	27.9	(4.8)	(17.0)

Quarterly results (in millions of euro)	Third quarter 2018	Third quarter 2017	Change absolute	%
Revenue	380.7	384.8	(4.1)	(1.1)
Profit (loss) for the period	6.1	8.5	(2.4)	(28.6)

Situation at 30 September 2018

	30.09.2018	30.06.2018	31.12.2017
Net financial indebtedness	(286.2)	(259.6)	(264.0)
No. of employees	7,044	7,040	6,947

In the first nine months of 2018, the world automotive market recorded a slowdown in growth, with a 0.8% increase in production. Output declined in Europe (-0.4%), due to the weakness of the third quarter (-6%), and in North America (-1.3%). On the other hand, production grew in South America (+7.7%) and in Asia (+2.7%), thanks in particular to a good performance by the Indian market and despite a slowdown in China.

Hefty devaluations against the euro by the currencies in which the Group operates had a significant impact on the key economic indicators, revenue in particular.

In this context, the **revenue** of the Sogefi group came to € 1,219.8 million, an increase of 3.3% at constant exchange rates, showing a better performance than the market; at current exchange rates, revenue went down by 1.8% compared to the same period of 2017.

At constant exchange rates, *Suspensions* recorded an increase of 5.3% (-0.3% at current exchange rates, mainly due to devaluation of various South American currencies), *Filtration* reported an increase of 3.1% (-3.2% at current exchange rates, again due to devaluations in South America) and *Air and Cooling* posted growth of 0.7% (-2.4% at current exchange rates, affected by the decline in car production in North America and devaluation of the dollar).

Gross operating profit amounted to € 153.1 million, compared to € 161.9 million in the first nine months of last year, while profitability (gross operating profit/revenue) decreased from 13.0% to 12.6%. The main factors that determined this trend (despite the € 6.6 million positive effect of the settlement of claims by *Systèmes Moteurs S.A.S.*) are exchange rates (with a negative impact of € 6.4 million) and increases in the price of steel, which penalised *Suspensions'* result by around € 9 million.

Operating profit totalled € 63.7 million, compared to € 70.3 million in the first nine months of 2017 and represents 5.2% of revenue (compared to 5.7% in 2017).

Income before taxes and non-controlling interests was € 43.9 million (€ 51.1 million in the first nine months of 2017), after financial charges of € 19.8 million in 2018 (€ 19.2 million in 2017).

Profit for the period amounted to € 23.1 million compared to € 27.9 million in the first nine months of 2017 (1.9% of revenue compared to 2.2% in 2017), after income taxes of € 18.3 million in 2018 against € 20.3 million in 2017.

At 30 September 2018, **net financial indebtedness** was € 286.2 million, compared to € 264 million at 31 December 2017 and € 266.7 million at 30 September 2017. Free cash flow in the first nine months of 2018 was negative for € 22.7 million compared to + € 32.5 million in the same period of 2017. The difference is mainly due to the unfavourable trend, which is considered temporary, in working capital (€ 18 million), the purchase of the minority interests in the Indian subsidiary Sogefi M.N.R. Engine Systems India Pvt Ltd, which is in constant and profitable growth (€ 16.7 million), and construction of the new production site in Morocco (€ 12 million) that will start operations in the fourth quarter of 2018, as well as the impact on free cash flow of the deterioration in the results of the *Suspensions* division.

The Sogefi Group had 7,044 employees at 30 September 2018 compared to 6,947 at 31 December 2017.

Despite the current uncertainties of the world automotive market, the group still expects growth at constant exchange rates higher than the market. The group expects a result for the entire year in line with 2017, despite the increases in the cost of raw materials and the negative exchange rate effect. In addition, the group expects positive free cash flow in the fourth quarter.

■ MEDIA

The main indicators of the GEDI group's performance in the current period are shown below, with comparative figures from the same period last year.

<i>Results for 9 months (in millions of euro)</i>	<i>1/1-30/9 2018</i>	<i>1/1-30/9 2017</i>	<i>Change absolute</i>	<i>%</i>
Revenue	469.7	425.5	44.2	10.4
Profit (loss) for the year	7.8	(143.9)	n.a.	-

<i>Quarterly results (in millions of euro)</i>	<i>Third quarter 2018</i>	<i>Third quarter 2017</i>	<i>Change absolute</i>	<i>%</i>
Revenue	147.1	157.1	(10.0)	(6.4)
Profit (loss) for the year	3.5	(151.2)	(154.7)	n.a.

Situation at 30 September 2018

	<i>30.09.2018</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
Net financial indebtedness	(124.7)	(111.4)	(115.1)
No. of employees	2,418	2,433	2,445

The advertising market at the end of August 2018 showed a slight increase (+0.3%) compared to the corresponding period of the previous year (Nielsen Media Research figures). All the main media, with the exception of the press, recorded a positive trend: radio posted an increase of 6.3%, confirming the trend that has been going on since 2015, while internet, excluding search engines and social media, achieved an increase of 4.3% and TV one of +1.5%. On the other hand, press advertising again suffered a drop of 6.8%, with newspapers at -5.7% (-3.0% in national revenue and -7.8% in local revenue) and magazines at -8.4%. As for newspaper circulation in the period from January to August 2018, according to the figures published by ADS (Accertamento Diffusione Stampa), newsstand and subscription sales fell by 7.5% (-8.6% national newspapers and -6.6% local newspapers).

It should be remembered that the integration of the ITEDI group, publisher of the newspapers *La Stampa* and *il Secolo XIX*, with GEDI was completed on 27 June 2017. As a result of this transaction, GEDI acquired control of the ITEDI Group, which entered the scope of consolidation from 30 June 2017; so the GEDI group's income statement for the first nine months of 2017 includes the ITEDI group from 1 July 2017. The change from the first nine months of 2017 on a comparable basis is also reported for the key economic indicators reported below.

Consolidated **revenue**, € 469.7 million, recorded an increase of 10.4% compared to the first nine months of 2017 (-5.9% on a comparable basis). Revenue from digital activities represents 11.3% of group revenue.

Circulation revenue amounted to € 215.5 million, an increase of 14.5% compared to the corresponding period of the previous year and a decrease of 8.4% on a comparable basis, in a market that, as explained above, is continuing to see a significant reduction in the circulation of daily newspapers. Advertising revenue grew by 9.2% on the first nine months of 2017, a decrease of 2.5% on a comparable basis. As regards the group's media, radio revenue grew by 4.7%, confirming the positive trend observed in the previous year. Internet revenue rose by 17.8% (+4.9% on a comparable basis, slightly better than the market trend). Lastly, publishing revenue increased by 10.6% (-6.7% on a comparable basis, with a performance in line with the sector).

Costs were 12.2% higher than in the first nine months of 2017, but falling by 4.0% on a comparable basis; fixed industrial costs, in particular, have fallen by 7.0% thanks to the ongoing reorganisation of the Group's production structure, as well as administration and other operating costs (-5.6%), thanks to the measures taken to hold down labour costs and general expenses.

Gross operating profit amounted to € 31.4 million, a slight decrease on the same period of 2017 (€ 33.7 million).

Operating profit was € 17.3 million compared to € 22.3 million in the first nine months of 2017.

Consolidated **net profit** was € 7.8 million, compared to a loss of € 143.9 million in the first nine months of 2017 (- € 145.7 million on a comparable basis); this included the extraordinary tax charge from settlement of a dispute pending before the Supreme Court regarding anti-avoidance disputes regarding tax benefits arising on the reorganisation of Gruppo Editoriale L'Espresso in 1991.

At 30 September 2018, **net financial indebtedness** was € 124.7 million, compared to € 115.1 million at 31 December 2017. GEDI paid € 35.1 million for the last tranche of this tax settlement on 2 July 2018.

The Group had 2,418 employees at 30 September 2018 and the average number of employees of the period on a comparable basis was 1.9% lower than in the first nine months of 2017.

As regards the prospects for 2018, on the basis of the performance recorded in the first nine months, no significant improvement can be seen in the negative trends affecting the press sector for daily newspapers and periodicals in the last several years, while the positive evolution of radio and the internet continues to get stronger. In this context, the group is still making every effort to achieve all of the advantages deriving from integration with ITEDI, in the development and evolution of its publishing products, in the development of digital activities and in the permanent implementation of rationalisations aimed at preserving profitability in a structurally difficult market. It can therefore be considered that, in the absence of unpredictable events, the group will turn in a positive result at the

■ HEALTHCARE

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

Results for 9 months (in millions of euro)	1/1-30/9	1/1-30/9	Change	
	2018	2017	absolute	%
Revenue	403.1	360.1	43.0	11.9
Profit (loss) for the year	24.8	19.0	5.8	30.5

Quarterly results (in millions of euro)	Third quarter	Third quarter	Change	
	2018	2017	absolute	%
Revenue	133.6	121.0	12.6	10.4
Profit (loss) for the year	8.3	7.7	0.6	7.8

Situation at 30 September 2018

	30.09.2018	30.06.2018	31.12.2017
Net financial indebtedness	(264.3)	(279.0)	(237.1)
No. of employees	6,923	6,918	6,421

The KOS group currently manages 85 facilities, mainly in central and northern Italy, for a total of 8,038 beds, operating in the following areas:

- 1) *Long Term Care*: operating in the management of residential care homes for the elderly mainly under the *Anni Azzurri* brand for a total of 5,570 beds in use and in the management of functional and psychiatric rehabilitation facilities, psychiatric treatment communities and day hospitals, mainly under the *Santo Stefano* (rehabilitation) and *Neomesia* (psychiatry) brands, for a total of 2,345 beds;
- 2) *Cancer and diagnostics*: contract management of high-tech diagnostic and radiotherapy services in both public and private structures, management of accredited radiological centres and clinics, under the *Medipass* brand in 16 facilities in Italy, in 3 facilities in the United Kingdom and in 16 facilities in India;
- 3) *Hospital Management*: concession management of a public hospital, for a total of 123 beds.

In the first nine months of 2018, the KOS group achieved consolidated **revenue** of € 403.1 million, 11.9% up compared to € 360.1 million in the same period last year. The *Long Term Care* segment recorded an increase thanks to the full contribution of the acquisitions made in 2017 and 2018; the *Cancer and diagnostics* segment grew thanks to new services and the full contribution of Ecomedica, which was acquired in July 2017.

Consolidated **gross operating profit** amounted to € 74.9 million, up 18.9% compared to € 63.0 million in the first nine months of 2017.

Consolidated **operating profit** amounted to € 47.8 million compared to € 38.6 million in the corresponding period of the previous year.

Consolidated **profit for the period** came in at € 24.8 million compared to € 19.0 million in the first nine months of 2017.

At 30 September 2018 the KOS group had **net financial indebtedness** of € 264.3 million, compared to € 237.1 million at 31 December 2017, after the acquisitions made during the period (€ 19.1 million) and the distribution of dividends for € 29.7 million.

The following companies were acquired during the first nine months of 2018: Ideas S.r.l., which manages a residential structure for non self-sufficient elderly people, authorised and accredited with the Marche Region for 90 beds and 20 day centre beds; Casa di Cura S. Alessandro S.r.l., a company that manages a structure with 60 beds currently authorised for psychiatric rehabilitation activities; Ippofin S.r.l., a company that manages a social care and residential healthcare facility with 70 beds and a psychiatric community for elderly patients with 33 beds.

The Group had 6,923 employees at 30 September 2018 compared to 6,421 at 31 December 2017.

As regards the business outlook, in 2018 the significant increase in revenue and margins brought about by development activities is expected to be confirmed, particularly in Italy, both externally (through acquisitions) and internally (through greenfield development projects).

4. Non-core investments

They are represented by private equity fund investments, non-controlling interests and other investments amounting to € 83.7 million at 30 September 2018, compared to € 74.0 million at 31 December 2017.

▶ PRIVATE EQUITY

CIR International S.A., a Group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 30 September 2018, based on the NAVs provided by the corresponding funds, came to € 50.2 million, a decrease of € 2.8 million compared to 31 December 2017. In the first nine months of 2018, net financial profit, net of fees, exchange differences and fair value adjustments, was € 3.1 million.

Outstanding commitments at 30 September 2018 amounted to € 12.7 million.

▶ OTHER INVESTMENTS

At 30 September 2018, CIR directly and indirectly held interests in non-controlling investments for a total of € 22.7 million (compared to € 9.9 million at 31 December 2017) and a non-performing loan portfolio for a total of € 10.8 million.

5. Significant events and outlook

For the entire year, the CIR group envisages confirming the trends seen in the first nine months, assuming there are no extraordinary events that cannot be foreseen at the present time.

6. Other information

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

This report for the period 1 January – 30 September 2018 was approved by the Board of Directors on 29 October 2018.

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

GRUPPO CIR

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2018

STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

STATEMENT OF NET FINANCIAL INDEBTEDNESS

1. Statement of financial position

(in thousands of euro)

ASSETS	30.09.2018	30.06.2018	31.12.2017 (*)
NON-CURRENT ASSETS	2,341,682	2,344,092	2,330,240
INTANGIBLE ASSETS	1,162,487	1,168,215	1,156,202
PROPERTY, PLANT AND EQUIPMENT	803,519	800,285	799,501
INVESTMENT PROPERTY	18,015	18,205	18,582
EQUITY-ACCOUNTED INVESTMENTS	121,740	121,689	125,181
OTHER EQUITY INVESTMENTS	12,104	12,117	12,249
OTHER ASSETS	58,174	61,156	56,754
OTHER FINANCIAL ASSETS	68,918	62,155	58,822
DEFERRED TAX ASSETS	96,725	100,270	102,949
CURRENT ASSETS	1,174,880	1,286,558	1,282,137
INVENTORIES	143,308	143,916	139,222
TRADE RECEIVABLES	423,457	483,503	472,736
OTHER ASSETS	106,247	112,529	104,800
LOANS ASSETS	12,909	10,995	21,717
SECURITIES	31,843	33,909	46,927
OTHER FINANCIAL ASSETS	284,898	267,375	235,251
CASH AND CASH EQUIVALENTS	172,218	234,331	261,484
ASSETS HELD FOR SALE	2,341	2,341	3,418
TOTAL ASSETS	3,518,903	3,632,991	3,615,795
LIABILITIES	30.09.2018	30.06.2018	31.12.2017 (*)
EQUITY	1,483,086	1,474,244	1,481,225
SHARE CAPITAL	323,455	324,753	328,063
RESERVES	229,426	232,364	266,210
RETAINED EARNINGS	366,875	368,524	372,659
PROFIT (LOSS) FOR THE PERIOD	34,025	25,357	(5,950)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	953,781	950,998	960,982
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	529,305	523,246	520,243
NON-CURRENT LIABILITIES	1,012,594	1,026,255	1,099,137
BONDS	269,115	267,074	365,112
OTHER LOANS AND BORROWINGS	319,802	312,347	281,863
OTHER LIABILITIES	63,991	67,681	72,081
DEFERRED TAX LIABILITIES	176,580	176,932	171,449
EMPLOYEE BENEFIT OBLIGATIONS	134,408	137,241	139,735
PROVISIONS FOR RISKS AND CHARGES	48,698	64,980	68,897
CURRENT LIABILITIES	1,023,223	1,132,492	1,035,433
BANK LOANS AND BORROWINGS	14,277	6,746	17,551
BONDS	115,552	112,658	20,168
OTHER LOANS AND BORROWINGS	137,486	168,375	153,163
TRADE PAYABLES	482,104	514,172	513,287
OTHER LIABILITIES	206,847	261,968	260,020
PROVISIONS FOR RISKS AND CHARGES	66,957	68,573	71,244
LIABILITIES HELD FOR SALE	--	--	--
TOTAL LIABILITIES AND EQUITY	3,518,903	3,632,991	3,615,795

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers

2. Income statement

(in thousands of euro)

	1/1-30/9 2018	1/1-30/9 2017 (*)	Third quarter 2018	Third quarter 2017 (*)
REVENUE	2,092,562	2,027,812	661,393	662,911
CHANGE IN INVENTORIES	458	72	(889)	(2,415)
COST FOR THE PURCHASE OF GOODS	(750,941)	(737,427)	(237,455)	(229,345)
COST FOR SERVICES	(500,486)	(473,767)	(161,379)	(166,705)
PERSONNEL EXPENSES	(571,300)	(538,189)	(177,747)	(175,372)
OTHER OPERATING INCOME	19,437	20,608	4,795	7,471
OTHER OPERATING EXPENSE	(43,751)	(52,126)	(10,216)	(17,659)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(127,157)	(125,386)	(42,091)	(39,437)
OPERATING PROFIT (LOSS)	118,822	121,597	36,411	39,449
FINANCIAL INCOME	6,784	7,676	1,659	2,424
FINANCIAL EXPENSE	(41,983)	(39,235)	(13,191)	(13,266)
DIVIDENDS	2,782	61	15	21
GAINS FROM SECURITIES TRADING	8,282	17,672	1,547	8,969
LOSSES FROM SECURITIES TRADING	(403)	(33)	(8)	--
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTEEs	212	(743)	51	(79)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(1,676)	571	(461)	(288)
PROFIT (LOSS) BEFORE TAXES	92,820	107,566	26,023	37,230
INCOME TAXES	(31,052)	(189,563)	(8,907)	(164,917)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	61,768	(81,997)	17,116	(127,687)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	--	1,161	--	161
PROFIT (LOSS) FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	61,768	(80,836)	17,116	(127,526)
- (PROFIT) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(27,743)	54,797	(8,448)	74,735
- PROFIT (LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	34,025	(26,039)	8,668	(52,791)

(*) Some 2017 figures have been restated following the application of "IFRS 15 – Revenue from contracts with customers

3. Statement of net financial indebtedness

<i>(in thousands of euro)</i>	<i>30.09.2018</i>	<i>30.06.2018</i>	<i>31.12.2017</i>
A. Cash and bank deposits	172,218	234,331	261,484
B. Other cash equivalents	284,898	267,375	235,251
C. Securities held for trading	31,843	33,909	46,927
D. Cash and cash equivalents (A)+(B)+(C)	488,959	535,615	543,662
E. Current loan assets	12,909	10,995	21,717
F. Current bank loans and borrowings	(81,078)	(84,013)	(75,578)
G. Bonds	(115,552)	(112,658)	(20,168)
H. Current portion of non-current debt	(70,685)	(91,108)	(95,136)
I. Other current loans and borrowings	--	--	--
J. Current financial indebtedness (F)+(G)+(H)+(I)	(267,315)	(287,779)	(190,882)
K. Current net financial position (J)+(E)+(D)	234,553	258,831	374,497
L. Non-current bank loans and borrowings	(257,097)	(247,152)	(211,709)
M. Bonds issued	(269,115)	(267,074)	(365,112)
N. Other non-current payables	(62,705)	(65,195)	(70,154)
O. Non-current financial indebtedness (L)+(M)+(N)	(588,917)	(579,421)	(646,975)
P. Net financial indebtedness (K)+(O)	(354,364)	(320,590)	(272,478)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Introduction

The consolidated interim financial report at 30 September 2018, 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 2017.

The consolidated financial statements of the Group at 30 September 2018, like those at 31 December 2017, 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 30 September 2018 do not differ from those applied at 31 December 2017, with the exception of the new accounting standards "IFRS 15 Revenues from Customer Contracts" and "IFRS 9 Financial Instruments", applied for the first time from 1 January 2018.

In particular, 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, such as leases, insurance contracts and financial instruments.

The CIR Group has restated the comparative figures on FTA of IFRS 15.

The application of IFRS 15 by the Sogefi group involved a change in the accounting treatment of tooling provided to customers, as shown below.

The supply of tooling does not meet the requirements to be identified as a separate performance obligation, so revenue 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, revenue for the contractual obligation to supply tooling was recorded on the basis of the contractual provisions, with specific reference to the transfer of ownership of the tooling to the customer.

By changing the method of recognising the revenue from the contractual obligation to supply tooling, the Sogefi group also changed the accounting policy for the costs involved in the production or purchase of tooling. These costs are capitalised under "Property, plant and equipment" and depreciated over the time that the goods are supplied to the customer (these costs will therefore no longer be 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 has also identified an impact on the presentation of revenue from customers in the aftermarket. 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 revenue.

First-time application of IFRS 15 to the GEDI group involved:

- the recognition of revenue deriving from the circulation business on the basis of the cover price paid by the end-buyer, gross of all extras, including the part paid to newsagents. Consequently, unlike the previous accounting treatment, this extra has been recognised separately as a distribution cost and no longer deducted from revenue;
- the presentation of consolidated advertising revenue, net of the publishing fees from advertising sales on behalf of third-party publishers, previously recorded in the costs for services.

Within the KOS group, the application of IFRS 15 did not produce significant effects.

The following tables show the effects of adopting the new standard in the income statement at 30 September 2017 and in the balance sheet at 31 December 2017.

INCOME STATEMENT

(in millions of euro)

	Period 01.01 – 30.09.2017	Period 01.01 – 30.09.2017 restated	Difference
Revenue	2,056,543	2,027,812	(28,731)
Costs for the purchase of goods	(782,551)	(737,427)	45,124
Costs for services	(488,288)	(473,767)	14,521
Other operating expense	(51,778)	(52,126)	(348)
Amortisation, depreciation & impairment losses	(94,629)	(125,386)	(30,757)
Financial expense	(39,582)	(39,235)	347
Income taxes	(189,265)	(189,563)	(298)
Non-controlling interests	54,740	54,797	57
Profit (loss) for the period	(25,954)	(26,039)	(85)

INCOME STATEMENT

(in millions of euro)

	3rd quarter 2017	3rd quarter 2017 restated	Difference
Revenue	664,183	662,911	(1,272)
Costs for the purchase of goods	(245,850)	(229,345)	16,505
Costs for services	(162,240)	(166,705)	(4,465)
Other operating expense	(17,554)	(17,659)	(105)
Amortisation, depreciation & impairment losses	(29,471)	(39,437)	(9,966)
Financial expense	(13,370)	(13,266)	104
Income taxes	(164,592)	(164,917)	(325)
Non-controlling interests	74,944	74,735	(209)
Profit (loss) for the period	(53,058)	(52,791)	267

STATEMENT OF FINANCIAL POSITION

(in millions of euro)

ASSETS	31.12.2017	31.12.2017 restated	Difference
Intangible assets	1,138,329	1,156,202	17,873
Property, plant and equipment	690,819	799,501	108,682
Deferred tax assets	97,383	102,949	5,566
Inventories	175,608	139,222	(36,386)
Total assets	3,537,329	3,633,064	95,735

LIABILITIES	31.12.2017	31.12.2017 restated	Difference
Equity attributable to the owners of the parent	967,319	960,982	(6,337)
Non-controlling interests	525,094	520,243	(4,851)
Other non-current liabilities	6,794	72,081	65,287
Deferred tax liabilities	170,554	171,449	895
Current trade payables	468,810	513,287	44,477
Other current liabilities	263,756	260,020	(3,736)
Total liabilities	3,537,329	3,633,064	95,735

Application of IFRS 9

The document (published on 24 July 2014) includes the results of steps relating to classification and measurement, derecognition, impairment and hedge accounting, of the IASB's project to replace IAS 39:

- it introduces new criteria for the classification and measurement of financial assets and liabilities;
- with reference to the impairment model, the new standard requires loan losses to be estimated on the basis of expected losses (and not incurred losses, as under IAS 39), using information that has adequate support, available without unreasonable effort or expense, and that includes historical, current and prospective figures;
- it introduces a new model for hedge accounting (increases the types of transactions eligible for hedge accounting, changes the methodology for recognising forward contracts and options when included in an eligible hedging relationship, amends the effectiveness test).

The analyses that we carried out on the impact of implementing IFRS 9 concerned the assessment of expected credit losses on trade receivables, tax credits, other assets and cash and cash equivalents.

These assessments led to a reduction in the net equity of the CIR Group, net of tax, of € 1,300 thousand attributable for € 508 thousand to the KOS group, € 459 thousand to the GEDI group, € 241 thousand to the Sogefi group and € 92 thousand to CIR (parent) and other non-industrial subsidiaries.

The Group has decided to continue using the hedge accounting rules envisaged in IAS 39 for all hedges already designated in hedge accounting at 31 December 2017.

The Group has not restated its comparative figures on FTA of IFRS 9 as the impact of introducing this standard is considered to be low.

In particular, with effect from 1 January 2018, the securities and financial investments classified as "financial assets available for sale" will be classified according to IFRS 9 in "other financial assets" with contra-entry to "fair value through profit or loss (FVTPL)". As a result of this classification, on the same date, the "Fair value reserve" and the "Translation reserve" were reduced by € 25,448 thousand and € 6,632 thousand respectively, with a simultaneous increase in "Profit/(loss) carried forward" of € 32,080 thousand.

4. Share capital

Share capital at 30 September 2018 amounted to € 397,146,183.50, the same as at 31 December 2017, and consisted of 794,292,367 shares with a nominal value of € 0.50 each.

At 30 September 2018 the Company held 147,383,068 treasury shares (18.555% of the share capital) for a value of € 204,805 thousand, compared to 138,167,259 treasury shares (17.395% of the share capital) for a value of € 194,889 thousand at 31 December 2017.

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 30 September 2018 there were 20,953,394 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 € 1,361 thousand in the first nine months of 2018.

DECLARATION PURSUANT TO ART. 154 BIS, PARAGRAPH 2,
OF ITALIAN LEGISLATIVE DECREE NO. 58/1998

Re: Interim Financial Report as of 30 September 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 (TUF) that the accounting information contained in this document corresponds to the Company's documented results, books of account and accounting entries.

Milan, 29 October 2018

Signed by:

C I R S.p.A.
Giuseppe Gianoglio