

# INTERIM FINANCIAL REPORT

AT 30 SEPTEMBER 2019



COMPAGNIE INDUSTRIALI RIUNITE

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COMPAGNIE INDUSTRIALI RIUNITE

Company limited by shares – Share capital € 397,146,183.50 – Registered office: Via Ciovassino 1, 20121 Milan – [www.cirgroup.it](http://www.cirgroup.it)

REA no. 1950112 – Milan Company Register / Tax Code / VAT no. 00519120018

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

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

## *Report on operations*

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### *1. Introduction*

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IFRS 16 is being applied from 1 January 2019; put briefly, this means recognising all leased assets in the statement of financial position as a non-current asset under assets and as a lease liability under liabilities, calculating the figures by discounting the future lease instalments up to the end of the lease contract. In addition to being reflected in the statement of financial position, application of this standard has an impact on the income statement as lease payments previously recognised as operating costs are now recorded partly as depreciation and partly as a financial expense.

The financial report at 30 September 2019 has been prepared by applying IFRS 16 and the effects, if significant, are disclosed in this report.

### *2. Key figures*

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The consolidated results of the CIR group in the first nine months of 2019 reflect the unfavourable performance of two of the three markets in which it operates: the automotive and publishing sectors. Worldwide, the automotive sector posted a 5.9% drop in production and publishing in Italy was affected by a downward trend in advertising expenditure, which fell overall by 5.9% in the first eight months of the year. These events were reflected in the revenue and results of the subsidiaries Sogefi and GEDI.

The group achieved consolidated **revenue** of € 2,010.8 million, down 2.4% compared with the corresponding period of 2018 (€ 2,059.9 million), with KOS up 4.3%, Sogefi down 3.2% and GEDI down 6.0%.

**Consolidated gross operating profit** (EBITDA) amounted to € 247.4 million; before application of the new accounting standard IFRS 16, EBITDA amounted to € 201.8 million, down from € 234.5 million for the first nine months of last year due to the reduction recorded by the subsidiaries Sogefi and GEDI.

**Consolidated operating profit** (EBIT) came in at € 81.3 million, compared with € 111.4 million in the same period of 2018.

The **consolidated profit for the period** was € 7.2 million, but it would have been € 20.3 million if we excluded the impact on the group of the impairment loss recognised by GEDI on the investment in Persidera in view of its disposal (€ -7.7 million), the effect of the new accounting standards (€ -2.6 million) and the non-recurring charges incurred by the parent, especially for the merger of CIR into COFIDE. The profit for the first nine months of 2018 amounted to € 32.5 million and the decrease to € 20.3 million derives from lower results by Sogefi and GEDI, due to the unfavourable performance of their respective key markets.

**KOS**, with revenue of € 420.3 million, grew by 4.3%, thanks to growth in all of its business areas. Operating profit came to € 50.4 million, compared with € 47.8 million in the first nine months of 2018, and the profit for the period amounted to € 23.5 million, versus € 24.8 million in the corresponding period of 2018. In July, an agreement was signed for the acquisition of Charleston Holding GmbH, a German company that provides residential services for elderly people who are not self-sufficient and ancillary services for severely disabled elderly patients. It manages 47 residences for a total of 4,050 beds. The deal is expected to be closed in November. This agreement is the first step in the company's foreign expansion of its core activity, although it is still very active in developing the Italian side of the business.

**Sogefi** reported revenue of € 1,149.0 million, down 2.2% at constant exchange rates and 3.2% at historical exchange rates, in a market that contracted by 5.9%. Operating profit came to € 37.4 million, compared with € 56.3 million in the first nine months of 2018 (which included a non-recurring profit of € 6.6 million); operating profit in its main markets, Europe and North America, held up well thanks to the steps taken during the period, while the unfavourable trend of the Chinese and South American markets (Argentina in particular) and the start-up costs of the factory for the production of filters in Morocco had a negative impact. The profit for the period amounted to € 8.3 million (€ 20.3 million in 2018). It is worth pointing out that third quarter profitability improved compared with the previous two quarters, coming in higher than the third quarter of 2018.

Given the difficult situation for the publishing sector, advertising sales in particular (print advertising in the first nine months of 2019 again fell by 12.5% compared with the same period of 2018), **GEDI** saw its revenue fall by 6.0% compared with the first nine months of last year; operating profit amounted to € 7.1 million (€ 17.3 million in 2018) and the loss for the period came to € 18.3 million, including the impairment loss on the investment in Persidera and restructuring expense, without which the consolidated net result would have been a profit of € 2.2 million (compared with one of € 7.8 million in the first nine months of 2018).

CIR, the parent, and its non-industrial subsidiaries achieved a good return on the financial investment portfolio (4%), even if it was lower than in the same period of 2018, when there was non-recurring income.

At 30 September 2019, **consolidated net financial indebtedness**, excluding lease liabilities introduced by IFRS 16, came to € 358.1 million, in line with what it was at 30 September 2018 (€ 354.4 million).

The net financial position of the parent and its non-industrial subsidiaries at 30 September 2019 was € 319.2 million, € 320.3 million at 30 September 2018. The difference in the first nine months of 2019 was caused mainly by the outlay of € 25 million for the distribution of dividends, purchases of treasury shares for € 3.2 million and the effect of IFRS 16 for € -0.5 million, against cash flow generated by operating activities of € 22.4 million.

The application of IFRS 16 at 30 September 2019 involved the recognition of lease liabilities of € 433.1 million, so consolidated net financial indebtedness after IFRS 16 was € 791.2 million. The increase due to IFRS 16 comes mainly from KOS (€ 311.3 million), which operates predominantly in leased facilities.

**Equity attributable to the owners of the parent** at 30 September 2019 came to € 914.6 million, compared with € 936.2 million at 31 December 2018. The effect on equity of distributing dividends and buying treasury shares was only partially offset by the profit for the period.

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

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

(in millions of euro)

	CONSOLIDATED	1/1 - 30/09/2019											1/1 - 30/09 2018 (*)	
		Revenue	Costs of production	Other operating income & expense	Amortisation/ depreciation and impairment	Operating profit	Net financial income and expense	Dividends, net of realised and unrealised gains and losses on	Fair value gains on equity-accounted investments	Income taxes	Profit (loss) from discontinued operations	Non- controlling interests	Profit for the period	Profit for the period
		(1)	(2)			(3)	(4)							
KOS group - Healthcare		420.3	(306.6)	(15.2)	(48.1)	50.4	(14.8)	0.1	--	(11.3)	--	(10.4)	14.0	14.8
Sogefi group - Automotive components		1,149.0	(1,002.0)	(16.3)	(93.2)	37.5	(17.7)	--	--	(12.6)	4.0	(6.5)	4.7	11.6
GEDI group - Media		441.5	(406.9)	(3.6)	(24.0)	7.0	(6.4)	0.1	0.2	(2.4)	(16.9)	10.0	(8.4)	3.6
<b>Total for main subsidiaries</b>		<b>2,010.8</b>	<b>(1,715.5)</b>	<b>(35.1)</b>	<b>(165.3)</b>	<b>94.9</b>	<b>(38.9)</b>	<b>0.2</b>	<b>0.2</b>	<b>(26.3)</b>	<b>(12.9)</b>	<b>(6.9)</b>	<b>10.3</b>	<b>30.0</b>
Other subsidiaries		--	(0.1)	--	--	(0.1)	(0.1)	--	--	--	--	--	(0.2)	(0.1)
<b>Total industrial subsidiaries</b>		<b>2,010.8</b>	<b>(1,715.6)</b>	<b>(35.1)</b>	<b>(165.3)</b>	<b>94.8</b>	<b>(39.0)</b>	<b>0.2</b>	<b>0.2</b>	<b>(26.3)</b>	<b>(12.9)</b>	<b>(6.9)</b>	<b>10.1</b>	<b>29.9</b>
<b>CIR and other non-industrial subsidiaries</b>														
Revenue		--											--	--
Operating costs			(11.6)										(11.6)	(9.7)
Other operating income & expense				(1.1)									(1.1)	0.5
Amortisation, depreciation & impairment losses					(0.8)								(0.8)	(0.6)
Operating profit						(13.5)								
Financial income & expense							2.7						2.7	2.1
Dividends and net gains from securities trading								6.5					6.5	8.9
Fair value gains on equity-accounted investments									--				--	--
Income taxes										1.4			1.4	1.4
Profit (loss) from discontinued operations											--		--	--
<b>Total CIR and other non-industrial subsidiaries before non-recurring items</b>		<b>--</b>	<b>(11.6)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(13.5)</b>	<b>2.7</b>	<b>6.5</b>	<b>--</b>	<b>1.4</b>	<b>--</b>	<b>--</b>	<b>(2.9)</b>	<b>2.6</b>
<b>Non-recurring items</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Consolidated total for the group</b>		<b>2,010.8</b>	<b>(1,727.2)</b>	<b>(36.2)</b>	<b>(166.1)</b>	<b>81.3</b>	<b>(36.3)</b>	<b>6.7</b>	<b>0.2</b>	<b>(24.9)</b>	<b>(12.9)</b>	<b>(6.9)</b>	<b>7.2</b>	<b>32.5</b>

The group applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retroactive approach.

The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

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

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

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 € (1.3) million effect of intercompany eliminations.

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

	30.09.2019							31.12.2018
CONSOLIDATED	Non-current assets	Other net non-current assets and liabilities	Net working capital	Net financial position (indebtedness)	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)				
KOS group - Healthcare	972.9	(18.2)	(61.9)	(606.6)	286.2	119.5	166.7	173.5
Sogefi group - Automotive components	728.6	(102.9)	(80.8)	(327.3)	217.6	105.9	111.7	109.5
GEDi group - Media	723.3	(66.7)	26.0	(177.0)	505.6	274.5	231.1	239.2
Other subsidiaries		(0.5)	0.7	0.5	0.7	--	0.7	0.8
<b>Total industrial subsidiaries</b>	<b>2,424.8</b>	<b>(188.3)</b>	<b>(116.0)</b>	<b>(1,110.4)</b>	<b>1,010.1</b>	<b>499.9</b>	<b>510.2</b>	<b>523.0</b>
<b>CIR and other non-industrial subsidiaries</b>								
Non-current assets	21.6				21.6		21.6	18.5
Other net non-current assets and liabilities		65.3			65.3		65.3	70.8
Net working capital			(1.7)		(1.7)		(1.7)	(1.6)
Net financial position				319.2	319.2		319.2	325.5
<b>Consolidated total for the group</b>	<b>2,446.4</b>	<b>(123.0)</b>	<b>(117.7)</b>	<b>(791.2)</b>	<b>1,414.5</b>	<b>499.9</b>	<b>914.6</b>	<b>936.2</b>

The group applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retroactive approach.

The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

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



### 3. Performance of the group

In the first nine months of 2019, **consolidated revenue** came in at € 2,010.8 million, versus € 2,059.9 million in the same period of 2018, with a drop of € 49.1 million (-2.4%). Sogefi recorded a 3.2% reduction in revenue (-2.2% at constant exchange rates) and GEDI a 6.0% drop, while KOS revenue grew by 4.3%.

(in millions of euro)	1/1-30/09 2019	%	1/1-30/09 2018 (*)	%	Change amount	%
<b>Healthcare</b>						
KOS group	420.3	20.9	403.1	19.6	17.2	4.3
<b>Automotive components</b>						
Sogefi group	1,149.0	57.1	1,187.1	57.6	(38.1)	(3.2)
<b>Media</b>						
GEDI Gruppo Editoriale	441.5	22.0	469.7	22.8	(28.2)	(6.0)
<b>Total consolidated revenue</b>	<b>2,010.8</b>	<b>100.0</b>	<b>2,059.9</b>	<b>100.0</b>	<b>(49.1)</b>	<b>(2.4)</b>

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

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

The following is the **comparative condensed consolidated income statement** of the CIR group for the first nine months of 2019.

(in millions of euro)	1/1-30/09 2019	1/1-30/09 2018 (*)
Revenue	2,010.8	2,059.9
<b>Gross operating profit (1)</b>	<b>247.4</b>	<b>234.5</b>
<b>Operating profit</b>	<b>81.3</b>	<b>111.4</b>
Net financial expense (2)	(29.4)	(26.4)
Income taxes	(24.9)	(29.3)
Profit (loss) from discontinued operations	(12.9)	3.3
<b>Profit including non-controlling interests</b>	<b>14.1</b>	<b>59.0</b>
Non-controlling interests	(6.9)	(26.5)
<b>Profit attributable to the owners of the parent</b>	<b>7.2</b>	<b>32.5</b>

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

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

(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 consolidated income statement.

In the first nine months of 2019, **consolidated gross operating profit** amounted to € 247.4 million (12.3% of revenue); before the application of IFRS 16, gross operating profit would have been € 201.8 million (10.0% of revenue), with a decline of 13.9% on the first nine months of 2018 (€ 234.5 million), due to the reduction in profit margins at the Sogefi and GEDI groups.

**Consolidated operating profit** for the first nine months of 2019 was € 81.3 million (4.0% of revenue), compared with € 111.4 million (5.4% of revenue) in the corresponding period of 2018.

**Net financial expense** came to € 29.4 million; before the application of IFRS 16, this expense amounted to € 20.3 million, a significant reduction compared with € 26.4 million in the first nine months of 2018; in detail:

- net financial expense amounted to € 27.2 million, compared with € 35.8 million in the first nine months of 2018, a reduction due to hedging costs in the Sogefi group;
- net gains on dividends and securities trading came to € 2.9 million, down on € 10.7 million in the first nine months of 2018, which benefited from a non-recurring dividend from Emittenti Titoli S.p.A. and higher gains from Private Equity;
- adjustments to financial assets were positive for € 3.8 million, compared with losses of € 1.7 million in the first nine months of 2018.

The **condensed consolidated statement of financial position** of the CIR group at 30 September 2019, with comparative figures at 30 June 2019 and 31 December 2018, is as follows.

<i>(in millions of euro) (1)</i>	<i>30.09.2019</i>	<i>30.06.2019</i>	<i>31.12.2018</i>
Non-current assets	2,446.4	2,453.2	2,102.5
Other net non-current assets and liabilities	(123.0)	(126.9)	(195.0)
Net working capital	(117.7)	(123.4)	(161.5)
<b>Net invested capital</b>	<b>2,205.7</b>	<b>2,202.9</b>	<b>1,746.0</b>
<b>Net financial indebtedness</b>	<b>(791.2)</b>	<b>(800.6)</b>	<b>(297.1)</b>
<b>Total equity</b>	<b>1,414.5</b>	<b>1,402.3</b>	<b>1,448.9</b>
Equity attributable to the owners of the parent	914.6	908.5	936.2
Non-controlling interests	499.9	493.8	512.7

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

**Consolidated net invested capital** at 30 September 2019 came to € 2,205.7 million versus € 1,746.0 million at 31 December 2018 and € 2,202.9 million at 30 June 2019. The increase of € 459.7 million in the first nine months of 2019 was caused almost entirely by the FTA of IFRS 16, which led to the recognition of € 451.1 million of "rights of use" under assets.

As mentioned previously, **consolidated net financial indebtedness** at 30 September 2019, before the application of IFRS 16, came to € 358.1 million (compared with € 297.1 million at 31 December 2018 and € 354.4 million at 30 September 2018). Consolidated net financial indebtedness is made up of:

- cash flow for CIR and its non-industrial subsidiaries of € 319.7 million, much the same as € 325.5 million at 31 December 2018 and € 320.3 million at 30 September 2018. Outflows during the first nine months refer to the distribution of dividends (€ 25.0 million) and the purchase of treasury shares (€ 3.2 million) versus positive operating cash flow of € 22.4 million;
- total indebtedness of the industrial subsidiaries of € 677.8 million compared with € 622.6 million at 31 December 2018 and € 675.2 million at 30 September 2018; over the last 12 months, GEDI recorded a decrease in net indebtedness of € 6.3 million, Sogefi one of € 21.6 million, whereas KOS had an increase of € 31.0 million, after paying dividends of € 35 million and development expenditure of € 41.0 million, of which € 26.6 million in 2019.

First-time adoption (FTA) of IFRS 16 meant the industrial subsidiaries had to recognise lease liabilities of € 432.6 million at 30 September 2019, which added to the net indebtedness mentioned above, resulting in the industrial subsidiaries having total post-IFRS 16 net financial indebtedness of € 1,110.4 million.

At a consolidated level, after the application of IFRS 16, net financial indebtedness came to € 791.2 million.

**Total equity** at 30 September 2019 came to € 1,414.5 million compared with € 1,448.9 million at 31 December 2018, a reduction of € 34.4 million.

**Equity attributable to the owners of the parent** at 30 September 2019 amounted to € 914.6 million compared with € 936.2 million at 31 December 2018, a reduction of € 21.6 million.

**Equity attributable to non-controlling interests** at 30 September 2019 amounted to € 499.9 million compared with € 512.7 million at 31 December 2018, a reduction of € 12.8 million.

The **consolidated statement of cash flows** for the first nine months of 2019, prepared according to a "management" format, which shows the changes in net financial position, can be summarised as follows.

<i>(in millions of euro)</i>	<i>1/1-30/09 2019</i>	<i>1/1-30/09 2018 (*)</i>
<b>SOURCES OF FUNDS</b>		
Profit from continuing operations	27.0	55.7
Amortisation, depreciation, impairment losses & other non-monetary changes	117.0	103.4
<b>Self-financing</b>	<b>144.0</b>	<b>159.1</b>
<b>Change in working capital and other non-current assets and liabilities</b>	<b>(39.4)</b>	<b>(42.3)</b>
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>104.6</b>	<b>116.8</b>
Capital increases	--	1.0
<b>TOTAL SOURCES OF FUNDS</b>	<b>104.6</b>	<b>117.8</b>
<b>APPLICATION OF FUNDS</b>		
Net investment in non-current assets	(132.3)	(129.4)
Consideration paid for business combinations	(1.1)	(20.6)
Net financial position of acquired companies	--	1.5
Payment of dividends	(43.6)	(37.3)
Purchase of treasury shares	(3.2)	(10.1)
Other changes	7.4	(7.3)
<b>TOTAL APPLICATIONS OF FUNDS</b>	<b>(172.8)</b>	<b>(203.2)</b>
<b>CASH FLOWS USED IN CONTINUING OPERATIONS</b>	<b>(68.2)</b>	<b>(85.4)</b>
<b>CASH FLOWS FROM DISCONTINUED OPERATIONS</b>	<b>7.2</b>	<b>3.5</b>
<b>CASH FLOWS USED IN THE YEAR</b>	<b>(61.0)</b>	<b>(81.9)</b>
<b>OPENING NET FINANCIAL INDEBTEDNESS</b>	<b>(297.1)</b>	<b>(272.5)</b>
<b>CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16</b>	<b>(358.1)</b>	<b>(354.4)</b>
<b>FIRST-TIME ADOPTION OF IFRS 16</b>	<b>(433.1)</b>	<b>--</b>
<b>CLOSING NET FINANCIAL INDEBTEDNESS AFTER IFRS 16</b>	<b>(791.2)</b>	<b>(354.4)</b>

*(\*) Note that the effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies", recognised in the financial statements at 31 December 2018, has been spread over the four quarters of the year.  
Certain 2018 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".*

In the first nine months of 2019 the group recognised cash outflows of € 61.0 million (€ 81.9 million in the same period of 2018) resulting from sources of funds for € 104.6 million and application of funds for € 172.8 million, compared with € 203.2 million in 2018.

For the analysis of the net financial indebtedness, reference should be made to the condensed interim consolidated financial statements.

At 30 September 2019 the CIR group had 16,526 employees, compared with 16,365 at 31 December 2018.

The following is the comparative condensed **consolidated income statement** of the CIR group for the third quarter of 2019.

<i>(in millions of euro)</i>	<i>3rd quarter 2019</i>	<i>3rd quarter 2018 (*)</i>
Revenue	648.8	655.3
<b>Gross operating profit</b>	<b>86.1</b>	<b>75.7</b>
<b>Operating profit</b>	<b>29.8</b>	<b>35.4</b>
Net financial expense	(10.3)	(10.5)
Income taxes	(9.1)	(8.6)
Profit from discontinued operations	0.4	0.3
<b>Profit including non-controlling interests</b>	<b>10.8</b>	<b>16.6</b>
Non-controlling interests	(5.6)	(8.2)
<b>Profit attributable to the owners of the parent</b>	<b>5.2</b>	<b>8.4</b>

*(\*) Note that the effect of applying IAS 29 "Financial Reporting in Hyperinflationary Economies", recognised in the financial statements at 31 December 2018, has been spread over the four quarters of the year.  
Certain 2018 figures, relating to "Assets held for sale", have been reclassified to "Profit (loss) from discontinued operations" following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".*

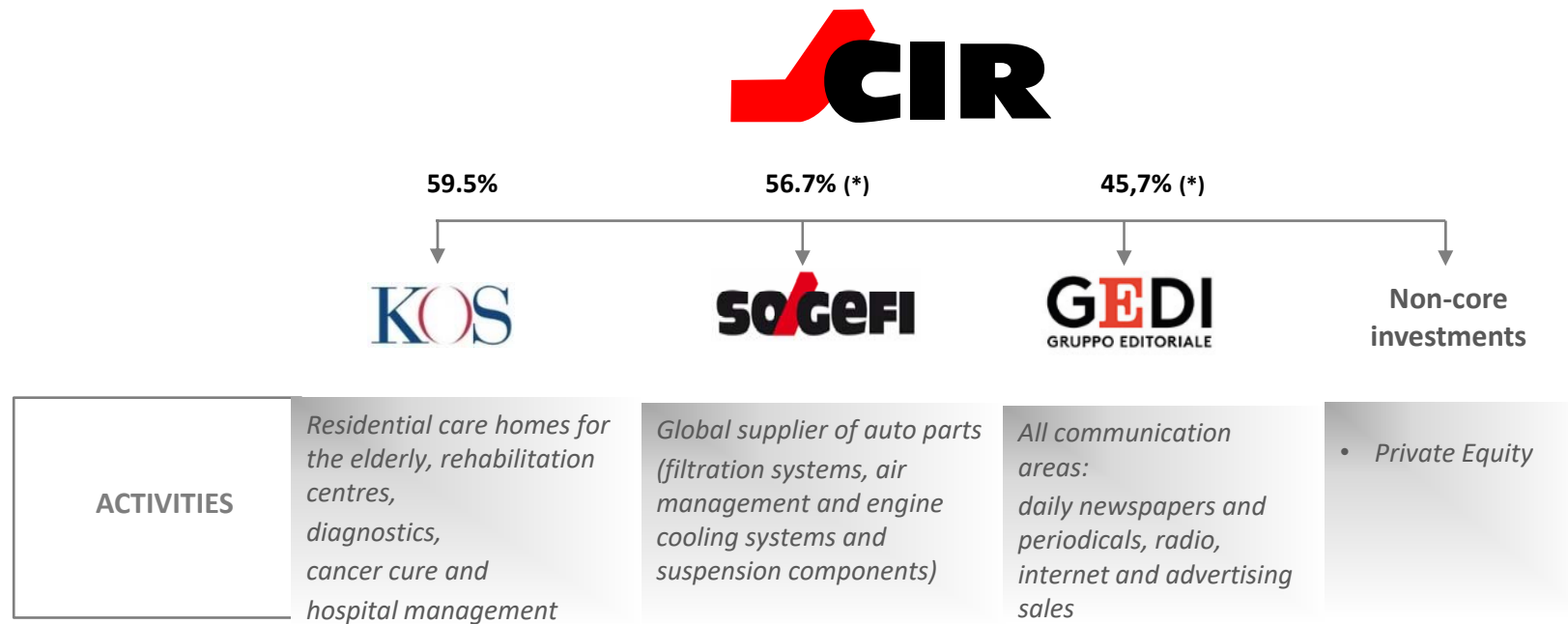
**Consolidated revenue** amounted to € 648.8 million, substantially in line with € 655.3 million in the same period of 2018 (-1.0%).

**Consolidated gross operating profit** amounted to € 86.1 million (13.3% of revenue); before the application of the new IFRS 16, the gross operating profit amounted to € 70.8 million, compared with € 75.7 million (11.6% of revenue) in the same period of 2018.

**Consolidated operating profit** was € 29.8 million, compared with € 35.4 million in the corresponding period of 2018.

**Profit for the period** was € 5.2 million compared with € 8.4 million in the corresponding period of 2018.

Main equity investments  
at 30 September 2019



(\*) Percentage calculated net of treasury shares.

## 4. Performance of the business segments

### ■ HEALTHCARE

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

Results for 9 months (in millions of euro)	1/1-30/9 2019	1/1-30/9 2018	Change amount	%
<b>Revenue</b>	420.3	403.1	17.2	4.3
<b>Profit for the period</b>	23.5	24.8	(1.3)	(5.0)

Results for the quarter (in millions of euro)	3rd quarter 2019	3rd quarter 2018	Change amount	%
<b>Revenue</b>	139.0	133.6	5.4	4.0
<b>Profit for the period</b>	9.1	8.3	0.8	n.a.

Situation at 30 September 2019

	30.09.2019	30.06.2019	31.12.2018
<b>Net financial indebtedness before IFRS 16</b>	(295.3)	(292.7)	(259.4)
<b>Net financial indebtedness after IFRS 16</b>	(606.6)	(609.8)	---
<b>No. of employees</b>	7,596	7,741	7,006

In the first nine months of 2019, the KOS group recognised revenue of € 420.3 million, up 4.3% compared with € 403.1 million in the same period last year. The *Long Term Care* segment recorded an increase thanks to the organic growth and full contribution of the acquisitions made in 2018; the *Diagnostics, cancer cure and acute* segment grew thanks to new services launched in 2018 and 2019.

**Gross operating profit** amounted to € 101.6 million. Before IFRS 16, it would have come to € 75.9 million (18.1% of revenue), in line (+1.3%) with the first nine months of 2018 (€ 74.9 million).

Consolidated **operating profit** was € 50.4 million; before IFRS 16, operating profit amounted to € 47.9 million, in line with the first nine months of 2018.

Consolidated **profit for the period** came in at € 23.5 million, compared with € 24.8 million in the first nine months of 2018; the slight decrease derived from the application of IFRS 16, which had an impact of € 1.6 million.

At 30 September 2019, the KOS group had a **net financial indebtedness** before IFRS 16 of € 295.3 million, up by € 35.9 million on € 259.4 million at 31 December 2018, after distributing dividends during the period of € 35.1 million and development expenditure of € 26 million (greenfield and new projects in the *Diagnostics and Cancer Cure* area).

The FTA of IFRS 16 entailed the recognition at 30 September 2019 of lease liabilities amounting to € 311.3 million, with the result that total net financial indebtedness came to € 606.6 million.

In March 2019, the company acquired Selemar S.r.l., which runs an analysis laboratory in Urbino (province of Pesaro-Urbino), and in September it bought 100% of Laboratorio Gamma S.r.l., based in Fano (province of Pesaro-Urbino).

In July, KOS Germany GmbH was set up as a corporate vehicle for the acquisition of Charleston Holding GmbH, a German company that provides residential services for elderly people who are not self-sufficient and ancillary services for severely disabled elderly patients. It manages 47 residences for a total of 4,050 beds. The deal is expected to be closed in November.

The KOS group had 7,596 employees at 30 September 2019 compared with 7,006 at 31 December 2018.

As regards the outlook for the rest of 2019, the growth of the previous nine months is expected to be confirmed during the fourth quarter. The results of the company acquired in Germany will have to be consolidated as well.

## ■ AUTOMOTIVE COMPONENTS

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

<i>Results for 9 months (in millions of euro)</i>	<i>1/1-30/9 2019</i>	<i>1/1-30/9 2018</i>	<i>Change amount</i>	<i>%</i>
<b>Revenue</b>	1,149.0	1,187.1	(38.1)	(3.2)
<b>Profit for the period</b>	8.3	20.4	(12.1)	(59.4)

<i>Results for the quarter (in millions of euro)</i>	<i>3rd quarter 2019</i>	<i>3rd quarter 2018</i>	<i>Change amount</i>	<i>%</i>
<b>Revenue</b>	371.1	374.5	(3.4)	(0.9)
<b>Profit for the period</b>	1.4	5.5	(4.1)	(75.0)

Situation at 30 September 2019

	<i>30.09.2019</i>	<i>30.06.2019</i>	<i>31.12.2018</i>
<b>Net financial indebtedness before IFRS 16</b>	(264.6)	(267.3)	(260.5)
<b>Net financial indebtedness after IFRS 16</b>	(327.7)	(332.1)	--
<b>No. of employees</b>	6,663	6,683	6,967

In the first nine months of 2019, the world automotive market recorded a 5.9% decline in production (source IHS - October 2019) compared with the corresponding period of 2018, with Europe decreasing by 4.3%, Asia by 11.6%, North America by 2.2% and South America by -3.3%.

Sogefi posted **revenue** of € 1,149.0 million, down 2.2% at constant exchange rates and 3.2% at historical exchange rates, compared with the same period in 2018, more resilient than the reference market thanks to the business in Europe.

As regards geographical segments, revenue at constant exchange rates decreased by 1.6% in Europe, 4.2% in North America and 13% in Asia, whereas it increased by 8.6% in South America.

By business segment, at constant exchange rates, *Suspensions* saw a fall in revenue of 4.2% (-7.3% at current exchange rates) and *Air and Cooling* by 3.5% (-1.6% at current exchange rates), whereas for *Filtration* revenue was up by 1.1% (+0.1% at current exchange rates).

**Gross operating profit** amounted to € 130.7 million, compared with € 141.6 million in the first nine months of 2018; based on the same accounting standards and excluding the previous year's non-recurring income of € 6.6 million deriving from closure of the quality claims against Systèmes Moteurs S.A.S., profitability (gross operating profit/revenue %) was 11.4%, compared with 12.0% in the corresponding period of 2018. Profitability in the third quarter (12%) showed a recovery compared with the previous two quarters (10.6% and 11.6% in the first and second quarters, respectively), higher than the figure for the third quarter of 2018.

**Operating profit** was € 37.4 million (€ 56.3 million in the first nine months of 2018). Profitability (operating profit/revenue %) was 3.3%, compared with 4.3% in the first nine months of 2018 (based on the same accounting standards and excluding the non-recurring income). Profitability in the third quarter of 2019 showed an improvement compared with the third quarter of 2018 (from 3.1% to 3.5%). The operating profit in its main markets, Europe and North America, held up well thanks to the steps taken during the period, while the unfavourable trend of the Chinese and South American markets (Argentina in particular) and the start-up costs of the factory for the production of filters in Morocco had a negative impact.

**Profit for the period** was € 8.3 million, compared with € 20.4 million in the first nine months of 2018, after tax charges of € 12.6 million in the first nine months of 2019, compared with € 16.5 million in the same period of 2018.

**Net financial indebtedness** at 30 September 2019 was € 327.7 million, including € 63.1 million arising from the application of IFRS 16. Excluding this amount, net financial indebtedness at 30 September 2019 amounted to € 264.6 million, down by € 21.6 million compared with September 2018 and substantially in line with the figure in December 2018.

The Sogefi group had 6,663 employees at 30 September 2019 compared with 6,967 at 31 December 2018. The reduction is partially due to the decline in business activity and partially to the sale of the Fraize plant in 2019 (127 employees at 31 December 2018).

As regards the outlook for the rest of 2019, over the last few months, sector sources have revised their expectations for world car production for the fourth quarter downwards, currently forecasting a 5.5% decline (in line with the figure seen in the first nine months of the year), compared with the previous -1%. Based on these general prospects, as well as on specific factors, Sogefi expects a trend in sales for the last quarter, in relation to the previous year, in line with the evolution of the market and an operating margin slightly better than the fourth quarter of 2018.



## ■ MEDIA

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

<i>Results for 9 months (in millions of euro)</i>	<i>1/1-30/9 2019</i>	<i>1/1-30/9 2018</i>	<i>Change amount</i>	<i>%</i>
<b>Revenue</b>	441.5	469.7	(28.2)	(6.0)
<b>Profit (loss) for the period</b>	(18.3)	7.8	(26.1)	n.a.

<i>Results for the quarter (in millions of euro)</i>	<i>3rd quarter 2019</i>	<i>3rd quarter 2018</i>	<i>Change amount</i>	<i>%</i>
<b>Revenue</b>	138.6	147.1	(8.5)	(5.8)
<b>Profit for the period</b>	0.7	3.5	(2.8)	(80.0)

Situation at 30 September 2019

	<i>30.09.2019</i>	<i>30.06.2019</i>	<i>31.12.2018</i>
<b>Net financial indebtedness before IFRS 16</b>	(118.4)	(123.1)	(103.2)
<b>Net financial indebtedness after IFRS 16</b>	(177.0)	(184.4)	n.a.
<b>No. of employees</b>	2,241	2,259	2,359

In the first eight months of 2019, advertising investments decreased by 5.9% compared with the corresponding period of the previous year (Nielsen Media Research data). Among the main media, only radio and the internet (excluding search engines and social media) showed a positive trend with growth of 2.5% and 2.2% respectively. The press was the most penalised, with a further decrease of 12.5%. As for circulation, in the first eight months of 2019 newspapers reported a decline in newsstand and subscription sales of 8.2% (figures ADS - Press Distribution Assessment). Including digital copies, overall newspaper circulation was down by 7.3%.

The GEDI group consolidated **revenue**, € 441.5 million, reported a decrease of 6.0% compared with the first nine months of 2018. Circulation revenue, € 205.2 million, declined by 4.8% compared with the corresponding period of the previous year and advertising revenue, € 206.4 million, by 7.0%.

**Gross operating profit** amounted to € 31.1 million; excluding the IFRS 16 effect, it amounted to € 20.2 million (€ 31.4 million in the first nine months of 2018), after restructuring expense of € 4.9 million.

**Operating profit** was € 7.1 million (€ 17.3 million in the first nine months of 2018).

The **loss for the period** was € 18.3 million. Taking into account the planned sale of the investment in Persidera<sup>1</sup>, the company aligned its carrying amount to the expected sale price, with a negative impact on the loss for the period of € 16.9 million, in addition to the charge for restructuring costs of € 3.7

<sup>1</sup> On 5 June 2019, in agreement with TIM S.p.A., the other vendor, GEDI signed a binding agreement with F2i and Ei Towers for the sale of its 30% stake in Persidera, which is considered a non-core asset of the group. The agreement envisages proceeds for GEDI of € 74.5 million, from which dividends distributed during 2019 (€ 4.3 million received in April) will be deducted at the closing date and to which interest accruing from 1 August until the closing date will be added. The value of the investment was written down by € 16.9 million, in order to adjust it to the agreed price.

million. Net of these effects, the consolidated result is positive for € 2.2 million (profit of € 7.8 million in the first nine months of 2018).

**Net financial indebtedness** at 30 September 2019, before the FTA of IFRS 16, amounted to € 118.4 million, lower than the € 124.7 million at 30 September 2018 and higher than the € 103.2 million at 31 December 2018 due to the € 25.6 million invested in ongoing reorganisation plans. The FTA of IFRS 16 led to the recognition at 30 September 2019 of lease liabilities and right-of-use assets for € 58.6 million, so net financial indebtedness after IFRS 16 amounts to € 177.0 million.

The group had 2,241 employees at 30 September 2019 a decrease of 118 employees compared with 31 December 2018.

As regards the outlook for operations, it should be noted that the results of the second and third quarters are improving compared with the initial months of the year and that the group expects to see further benefits in the fourth quarter from the measures already implemented. We can therefore expect that, in the absence of unforeseeable events, the group will turn in a positive result at the end of the year, excluding the impact of the sale of Persidera and any other non-recurring components.

## **5. Non-core investments**

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They are represented by private equity, non-controlling investments and other investments amounting to € 67.2 million at 30 September 2019, compared with € 72.5 million at 31 December 2018.

### **PRIVATE EQUITY**

CIR International, a group company, manages a diversified portfolio of investments in private equity funds. The overall fair value of the portfolio at 30 September 2019, based on the NAVs provided by the corresponding funds, came to € 47.6 million, an increase of € 1.6 million compared with 31 December 2018, due to net investments for the period and the adjustments to fair value. The profits realised in the first nine months of 2019, partially offset by the fair value adjustments, with the additional effect of commissions and exchange differences, led to a positive operating result of € 0.6 million. Outstanding commitments at 30 September 2019 amounted to € 21.9 million.

### **OTHER INVESTMENTS**

At 30 September 2019, CIR directly and indirectly held interests in non-controlling investments for a total of € 10.5 million and a non-performing loan portfolio for a total of € 9.1 million.

## **6. Events after the reporting period and outlook**

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No significant events took place after 30 September 2019.

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

As regards KOS, the growth of the previous nine months is expected to be confirmed during the fourth quarter. The results of the company acquired in Germany will have to be consolidated as well.

As regards Sogefi and GEDI, the trend in the remainder of the year will depend on the evolution of the automotive and publishing markets in Italy, both of which are currently showing negative trends and a general uncertainty in making forecasts.

In particular, for Sogefi, over the last few months, sector sources have revised their expectations for world car production for the fourth quarter downwards, currently forecasting a 5.5% decline (in line with the figure seen in the first nine months of the year), compared with the previous -1%. Based on these general prospects, as well as on specific factors, Sogefi expects a trend in sales for the last quarter, in relation to the previous year, in line with the evolution of the market and an operating margin slightly better than the fourth quarter of 2018.

For GEDI, as regards the outlook for operations, it should be noted that the results of the second and third quarters are improving compared with the initial months of the year and that the group expects to see further benefits in the fourth quarter from the measures already implemented. We can therefore expect that, in the absence of unforeseeable events, the group will turn in a positive result at the end of the year, excluding the impact of the sale of Persidera and any other non-recurring components.

## **7. Other information**

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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 2019 was approved by the Board of Directors on 28 October 2019.

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

## **CIR GROUP**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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#### **STATEMENT OF FINANCIAL POSITION**

#### **INCOME STATEMENT**

#### **STATEMENT OF NET FINANCIAL INDEBTEDNESS**

# 1. Statement of financial position

(in thousands of euro)

ASSETS	30.09.2019 (*)	30.06.2019 (*)	31.12.2018
<b>NON-CURRENT ASSETS</b>	<b>2,656,674</b>	<b>2,657,118</b>	<b>2,314,052</b>
INTANGIBLE ASSETS	1,138,058	1,139,049	1,139,840
PROPERTY, PLANT AND EQUIPMENT	756,494	750,207	822,169
INVESTMENT PROPERTY	16,767	16,956	17,825
RIGHT-OF-USE ASSETS	502,565	516,803	--
EQUITY-ACCOUNTED INVESTEEES	18,488	18,420	110,179
OTHER EQUITY INVESTMENTS	14,053	11,748	12,525
OTHER ASSETS	50,969	49,498	50,534
OTHER FINANCIAL ASSETS	58,084	53,455	61,980
DEFERRED TAX ASSETS	101,196	100,982	99,000
<b>CURRENT ASSETS</b>	<b>1,191,060</b>	<b>1,212,192</b>	<b>1,206,395</b>
INVENTORIES	138,737	133,916	134,218
TRADE RECEIVABLES	393,906	443,450	420,969
OTHER ASSETS	108,426	102,009	79,017
LOAN ASSETS	16,908	21,117	25,773
SECURITIES	24,876	26,524	25,069
OTHER FINANCIAL ASSETS	268,787	288,322	276,880
CASH AND CASH EQUIVALENTS	239,420	196,854	244,469
<b>ASSETS HELD FOR SALE</b>	<b>70,610</b>	<b>70,180</b>	<b>13,599</b>
<b>TOTAL ASSETS</b>	<b>3,918,344</b>	<b>3,939,490</b>	<b>3,534,046</b>

LIABILITIES	30.09.2019 (*)	30.06.2019 (*)	31.12.2018
<b>EQUITY</b>	<b>1,414,541</b>	<b>1,402,300</b>	<b>1,448,875</b>
SHARE CAPITAL	320,611	320,604	322,089
RESERVES	213,922	213,948	236,862
RETAINED EARNINGS	372,910	371,936	364,307
PROFIT FOR THE PERIOD	7,223	1,982	12,890
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>914,666</b>	<b>908,470</b>	<b>936,148</b>
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	499,875	493,830	512,727
<b>NON-CURRENT LIABILITIES</b>	<b>1,376,840</b>	<b>1,359,422</b>	<b>1,008,337</b>
BONDS	236,250	233,308	270,254
OTHER LOANS AND BORROWINGS	307,520	281,615	327,303
LEASE LIABILITIES	429,236	443,489	--
OTHER LIABILITIES	65,115	61,265	62,968
DEFERRED TAX LIABILITIES	173,749	173,191	169,698
EMPLOYEE BENEFIT OBLIGATIONS	133,918	133,634	135,091
PROVISIONS FOR RISKS AND CHARGES	31,052	32,920	43,023
<b>CURRENT LIABILITIES</b>	<b>1,126,963</b>	<b>1,177,768</b>	<b>1,067,470</b>
BANK LOANS AND BORROWINGS	21,875	15,707	13,046
BONDS	43,168	41,600	113,801
OTHER LOANS AND BORROWINGS	236,793	252,934	144,874
LEASE LIABILITIES	66,302	64,767	--
TRADE PAYABLES	459,310	504,527	497,264
OTHER LIABILITIES	227,805	226,631	211,108
PROVISIONS FOR RISKS AND CHARGES	71,710	71,602	87,377
<b>LIABILITIES HELD FOR SALE</b>	<b>--</b>	<b>--</b>	<b>9,364</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,918,344</b>	<b>3,939,490</b>	<b>3,534,046</b>

(\*) The group applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retroactive approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

## 2. Income statement

(in thousands of euro)

	1/1 - 30/9 2019 (*)	1/1 - 30/9 2018 (**)	3rd quarter 2019 (*)	3rd quarter 2018 (**)
REVENUE	2,010,829	2,059,904	648,823	655,284
CHANGE IN INVENTORIES	(156)	767	1,486	(755)
COSTS FOR THE PURCHASE OF GOODS	(716,289)	(734,488)	(232,224)	(234,335)
COSTS FOR SERVICES	(440,854)	(499,514)	(141,428)	(161,365)
PERSONNEL EXPENSES	(568,552)	(567,342)	(177,259)	(177,141)
OTHER OPERATING INCOME	21,887	19,497	3,662	4,832
OTHER OPERATING EXPENSE	(59,451)	(44,291)	(16,943)	(10,804)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES	(166,090)	(123,109)	(56,249)	(40,334)
<b>OPERATING PROFIT</b>	<b>81,324</b>	<b>111,424</b>	<b>29,868</b>	<b>35,382</b>
FINANCIAL INCOME	7,122	6,409	2,135	1,541
FINANCIAL EXPENSE	(43,404)	(42,221)	(13,738)	(13,266)
DIVIDENDS	41	2,782	27	15
GAINS FROM SECURITIES TRADING	4,100	8,282	530	1,547
LOSSES FROM SECURITIES TRADING	(1,248)	(403)	--	(8)
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES	229	447	68	116
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	3,752	(1,676)	685	(461)
<b>PROFIT BEFORE TAXES</b>	<b>51,916</b>	<b>85,044</b>	<b>19,575</b>	<b>24,866</b>
INCOME TAXES	(24,876)	(29,344)	(9,138)	(8,630)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>27,040</b>	<b>55,700</b>	<b>10,437</b>	<b>16,236</b>
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(12,870)	3,289	429	338
<b>PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS</b>	<b>14,170</b>	<b>58,989</b>	<b>10,866</b>	<b>16,574</b>
- PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(6,947)	(26,543)	(5,625)	(8,220)
<b>- PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>7,223</b>	<b>32,446</b>	<b>5,241</b>	<b>8,354</b>

(\*) The group applied the new IFRS 16 "Leases" from the date of first-time application (1 January 2019) using the modified retroactive approach. The cumulative effect of adopting IFRS 16 was therefore recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, without restating the comparative information.

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

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

### 3. Statement of net financial indebtedness

<i>(in thousands of euro)</i>	<i>30.09.2019</i>	<i>30.06.2019</i>	<i>31.12.2018</i>
A. Cash and bank deposits	239,420	196,854	244,469
B. Other cash equivalents	268,787	288,322	276,880
C. Securities held for trading	24,876	26,524	25,069
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>533,083</b>	<b>511,700</b>	<b>546,418</b>
<b>E. Current loan assets</b>	<b>16,908</b>	<b>21,117</b>	<b>25,773</b>
F. Current bank loans and borrowings	(199,948)	(191,096)	(65,824)
G. Bonds	(43,168)	(41,600)	(113,801)
H. Current portion of non-current debt	(58,720)	(77,545)	(92,096)
I. Lease liabilities	(66,302)	(64,767)	--
<b>J. Current financial indebtedness (F) + (G) + (H) + (I)</b>	<b>(368,138)</b>	<b>(375,008)</b>	<b>(271,721)</b>
<b>K. Current net financial position (J) + (E) + (D)</b>	<b>181,853</b>	<b>157,809</b>	<b>300,470</b>
L. Non-current bank loans and borrowings	(305,171)	(279,266)	(267,032)
M. Bonds issued	(236,250)	(233,308)	(270,254)
N. Other non-current liabilities	(2,349)	(2,349)	(60,271)
O. Lease liabilities	(429,236)	(443,489)	--
<b>P. Non-current financial indebtedness (L) + (M) + (N) + (O)</b>	<b>(973,006)</b>	<b>(958,412)</b>	<b>(597,557)</b>
<b>Q. Net financial indebtedness (K) + (P)</b>	<b>(791,153)</b>	<b>(800,603)</b>	<b>(297,087)</b>

## ***Notes to the condensed interim consolidated financial statements***

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### ***1. Introduction***

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The condensed interim consolidated financial statements at 30 September 2019, which is unaudited, has been prepared in compliance with the IAS/IFRS, which have been mandatory since 2005 for the preparation of consolidated financial statements of companies listed on regulated European markets. Comparative figures have also been determined according to IAS/IFRS.

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

The interim financial report has been prepared on a consistent basis with previous years, pending clarification on the regulatory framework.

### ***2. Basis of consolidation***

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Consolidation is on a line-by-line basis. The criteria used when applying this basis are the same as those used at 31 December 2018.

The group's consolidated financial statements at 30 September 2019, like those at 31 December 2018, derive from the consolidation at these dates of the financial statements of the parent CIR and all subsidiaries, directly or indirectly controlled by it, joint ventures or associates. Assets and liabilities relating to companies to be disposed of are reclassified to specific asset and liability items to highlight these circumstances.

### ***3. Accounting policies***

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The accounting policies applied in preparing the financial statements at 30 September 2019 do not differ from those applied at 31 December 2018, with the exception of the new accounting standard "IFRS 16 - Leases", which was adopted for the first time from 1 January 2019.

IFRS 16 introduces a single accounting model for leases in the lessees' financial statements according to which the group, as lessee, has recognised an asset that represents the right of use of the underlying asset and a liability that reflects the obligation to pay lease liabilities. The group has applied IFRS 16 using the modified retroactive approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Therefore, the information relating to 2018 has not been restated - that is, it is presented in accordance with IAS 17 and the related interpretations.

The details of the impacts deriving from the application of the aforementioned standard are indicated below.

Previously, the group used to establish at the beginning of the contract whether it was a lease or contained a lease according to IFRIC 4. Now, in compliance with IFRS 16, the group assesses whether the contract is a lease or contains a lease on the basis of the new definition of leases. In fact, according to



IFRS 16 the contract is a lease or contains a lease if, in exchange for a consideration, it transfers the right to use an identified asset for a certain period of time.

On the date of FTA of IFRS 16, the group decided to adopt the practical expedient that allowed companies not to re-examine which existing transactions constituted a lease. IFRS 16 was applied only to contracts that had previously been identified as a lease. Contracts that had not been identified as leases by applying IAS 17 and IFRIC 4 were not reassessed to establish whether or not they represented a lease under the new rules. The IFRS 16 definition of lease was therefore only applied to contracts signed or amended on or after 1 January 2019.

At the beginning of the contract or at the date of re-evaluation of a contract that contains a lease component, the group assigns the consideration to each lease and non-lease component as priced in the contract.

Therefore, as a lessee, the group previously classified leases as operating or finance depending on whether the leases substantially transfer all of the risks and benefits of ownership. In accordance with IFRS 16, the group recognises in the statement of financial position the right-of-use assets and lease liabilities for most of the leases.

However, the group has decided not to recognise the right-of-use assets and lease liabilities relating to assets of modest value. The group therefore records the lease payments due for these leases as a cost on a straight-line basis over the duration of the lease contract.

The group presents the right-of-use assets that do not satisfy the definition of property investments as right-of-use assets. The carrying amount by nature of the assets for the right of use are set out below.

The group shows lease liabilities under "right-of-use lease liabilities" in the statement of financial position.

The group recognises the right-of-use asset and lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, then subsequently at cost net of accumulated depreciation and impairment losses, and adjusted to reflect any increase in the lease liability.

The group measures the lease liability at the present value of the lease payments not paid on the commencement date, discounting them at its incremental borrowing rate.

The lease liability is subsequently increased by the interest that accrues on this liability and decreased by the lease payments made; it is also revalued in the event of a change in future lease payments deriving from a change in the index or rate used, in the event of change in the amount that the group expects to pay as a guarantee on the residual value or when the group changes its assessment depending on whether or not it exercises a purchase, extension or cancellation option.

The group has estimated the lease term of certain contracts in which it acts as a lessee and which provide for renewal options. The group's assessment as to whether or not the option is likely to be exercised affects the estimate of the lease duration, which in turn significantly impacts the lease liabilities and right-of-use assets that are recognised.

On the date of FTA, in the case of contracts classified as operating leases according to IAS 17, the lease liabilities were determined at the present value of the residual lease payments, discounted at the group's incremental borrowing rate at 1 January 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any advance or accumulated lease payments.

The group has used the following practical expedients in applying IFRS 16 to contracts previously classified as operating leases under IAS 17.

- It has applied the exemption from recognition of right-of-use assets and lease liabilities on contracts with a duration of less than 12 months.
- It has also excluded the initial direct costs from the measurement of right-of-use assets at the date of FTA as they were considered immaterial.

- It used the experience gained in calculating the duration of leases containing extension or cancellation options.

The group leases some assets that were classified as finance leases according to IAS 17. For such leases, the carrying amount of a right-of-use asset and lease liability on 1 January 2019 is equal to the carrying amount of the leased asset and of the lease liability according to IAS 17 immediately prior to that date.

On FTA of IFRS 16 to contracts previously classified as finance leases, the group recognised right-of-use assets and lease liabilities of € 87.3 million and € 70.1 million, respectively.

During the initial application phase of IFRS 16, the group recognised additional right-of-use assets and lease liabilities of € 451.1 million and € 455.9 million, respectively. The differences are recorded under retained earnings.

The following table summarises the effects of the application of IFRS 16 at 1 January 2019.

#### STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.12.2018	01.01.2019	Difference
Property, plant and equipment	822,169	734,900	(87,269)
Right-of-use assets	--	538,357	538,357
Deferred tax assets	99,000	100,787	1,787
Other assets – current assets	79,017	78,991	(26)

LIABILITIES	31.12.2018	01.01.2019	Difference
Equity attributable to the owners of the parent	936,148	933,431	(2,717)
Non-controlling interests	512,727	510,658	(2,069)
Other loans and borrowings – non-current liabilities	327,303	269,639	(57,664)
Lease liabilities - non-current liabilities	--	462,606	462,606
Provisions for risks and charges (non-current liabilities)	43,023	47,565	4,542
Other loans and borrowings - current liabilities	144,874	132,419	(12,455)
Lease liabilities - current liabilities	--	63,456	63,456
Other current liabilities	211,508	208,258	(2,850)

As a result of this different classification of lease instalments, the group's consolidated income statement for the first nine months of 2019 recorded higher gross operating profit of € 45.6 million, an increase in depreciation of € 42.2 million, an increase in financial expense of € 9.1 million and a decrease in taxes of € 1.2 million. The impact on the group's profit for the period was negative for € 2.6 million.

The impact of IFRS 16 on the consolidated net financial debt of the group at 30 September 2019 was negative for € 433.1 million (€ 311.3 million for the KOS group, € 58.6 million for the GEDI group, € 62.7 million for the Sogefi group and € 0.5 million for the parent CIR S.p.A.). Note that adoption of the new standard has not had any effect on how covenants are calculated.

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

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Share capital at 30 September 2019 amounted to € 397,146,183.50, the same as at 31 December 2018, and consisted of 794,292,367 shares with a nominal value of € 0.50 each.

At 30 September 2019 the parent held 153,069,429 treasury shares (19.2712% of the share capital) for a value of € 210,248 thousand, compared with 150,113,881 treasury shares at 31 December 2018.

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

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

Note that for a period of five years from 29 April 2019, the date of booking in the Companies Register of the Extraordinary Shareholders' Meeting resolution, the Board of Directors was authorised to increase the share capital on one or more occasions by a maximum of € 500 million (nominal amount) and for a further maximum of € 11 million (nominal amount) in favour of employees of the parent and its subsidiaries and parents.

Regarding stock option plans and stock grants, at 30 September 2019 there were 18,003,413 options outstanding, corresponding to an equivalent number of shares.

The notional cost of stock grants assigned to employees and allocated to a specific equity reserve amounted to € 1,416 thousand in the first nine months of 2019.

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

**Re: Interim Financial Report at 30 September 2019**

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

hereby declares

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

*Milan, 28 October 2019*

C I R S.p.A.  
Giuseppe Gianoglio

**CIR S.p.A.**

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