

PRESS RELEASE

Board of Directors approves results as of September 30 2019

COFIDE GROUP: NET INCOME AT € 2.3 MLN IN FIRST NINE MONTHS OF 2019

Highlights from results for 9M 2019

(in millions of €)

	<u>9M 2018</u>	<u>9M 2019*</u>
Revenues	2,059.9	2,010.8
EBITDA	233.5	245.4
Net income	14.9	2.3
	30/9	30/9
Net debt before IFRS 16	381.6	380.0
Payables for leasing and rights of use IFRS 16		443.1
Net debt after IFRS 16		813.1

** As from January 1 2019 accounting standard IFRS 16 was applied as stated in the Foreword*

Milan, October 28 2019 - The **Board of Directors** of **COFIDE-Gruppo De Benedetti S.p.A.**, which met today in Milan under the chairmanship of **Rodolfo De Benedetti**, has approved the **Financial Report as of September 30 2019**.

COFIDE is the controlling **shareholder CIR-Compagnie Industriali Riunite S.p.A. (CIR)**, the company at the head of an industrial group active mainly in healthcare (*KOS*), automotive components (*Sogefi*) and media (*GEDI Gruppo Editoriale*).

Foreword

The Financial Report as of September 30 2019 was formulated applying IFRS 16, which establishes a new way of accounting for lease contracts and has a significant effect on the items of net debt and EBITDA of the Group. These will be highlighted further on in this press release.

Consolidated results

The **revenues** of the COFIDE group in the first nine months of 2019 totalled **€ 2,010.8 million**, up from € 2.059,9 million in the same period of 2018.

EBITDA came to **€ 245.4 million** (12.2% of revenues); before application of IFRS 16, EBITDA would have been € 199.8 million (9.9% of revenues), down by 14.4% compared to the first nine months of 2018.

In the first nine months of 2019 the COFIDE group posted **net income** of **€ 2.3 million** versus € 14.9 million in the previous year. The consolidated result consisted of the contribution of the parent company CIR for € 4.1 million (€ 18.2 million in the first nine months of 2018) and the loss of the parent company COFIDE of € 1.8 million (€ -3.3 million in the same period of 2018).

In the first nine months of 2019 the consolidated net income of CIR came in at € 7.2 million, € 20.3 million excluding the impact on the group of the write-down recorded by GEDI of its interest in Persidera in the prospect of its disposal (€ -7.9 million), the effect of the new accounting standards (€ -2.6 million) and the non-recurring charges incurred by the parent company mainly for the merger by incorporation of CIR into COFIDE. In the first nine months of 2018, the net result had been € 32.5 million and the decline of € 20.3 million was due to the lower results of the subsidiaries Sogefi and GEDI because of the unfavourable performance of the markets in which they operate.

The **consolidated net financial debt of the COFIDE group totalled € 380.0 million** at September 30 2019, excluding the financial payables for rights of use introduced by accounting standard IFRS 16, compared to € 323.0 million at December 31 2018 and € 368.8 million at June 30 2019.

The application of accounting standard IFRS 16 led to the recognition of financial payables for rights of use of € 433.1 million at September 30 2019.

The **net financial debt of the parent company COFIDE S.p.A.** amounted to **€ 21.9 million** at September 30 2019, an improvement on the € 25.9 million at December 31 2018 due to the receipt of dividends from the subsidiary CIR.

Total shareholders' equity stood at **€ 1,402.5 million** at September 30 2019 compared to € 1,436 million at December 31 2018.

The **equity of the group** totalled **€ 506.9 million** at September 30 2019 versus € 515.8 million at December 31 2018. The reduction of € 8.9 million was a combination of the result for the period of € 2.3 million with a plus sign, and the buyback of own shares in the period for € 1.5 million and the distribution of dividends for € 10 million with a minus sign.

Financial investments (of the parent company COFIDE S.p.A.) amounted to **€ 10.7 million** at September 30 2019.

At September 30 2019 the COFIDE group had **16,526 employees** (16,365 at December 31 2018).

Outlook for the year

Performance in the rest of the year will depend on the evolution of the three business sectors.

As far as KOS is concerned, during the fourth quarter it is expected that the growth reported in the previous nine months will be confirmed, with an additional factor being the consolidation of the acquisition made in Germany.

As regards Sogefi and GEDI, performance in the remaining part of the year will depend on the evolution of the automotive market and the publishing market in Italy, both of which are currently characterized by an unfavourable performance and an outlook of substantial uncertainty.

For Sogefi in particular, in recent months sector sources have revised down their expectations for world car production in the fourth quarter and are now forecasting a decline of 5.5% (in line with what was reported for the first nine months of the year), compared to their previous forecast of -1%. On the basis of these general prospects, as well as other specific factors, Sogefi expects that sales in the last quarter compared to the previous year will be in line with the evolution of the market and that the EBIT margin will improve slightly in comparison with the fourth quarter of 2018.

For GEDI, as regards the outlook for the year, it should be noted that the results of the second and third quarters have improved in comparison with the early months of the year and in the fourth quarter the group expects to see further effects of the actions put in place. It can therefore be expected that, in the absence

any events as yet unpredictable, the group will obtain a positive result, excluding the impact of the sale of Persidera and any other exceptional items.

For further information on the results of the subsidiary CIR, see the press release published today by the company.

The executive responsible for the preparation of the company's financial statements, Giuseppe Gianoglio, hereby declares, in compliance with the terms of paragraph 2 Article 154 bis of the Finance Consolidation Act (TUF), that the figures contained in this press release correspond to the results documented in the company's accounts and general ledger

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Alternative performance indicators

Below the meaning and content are given of the "alternative performance indicators", not envisaged by IFRS accounting standards but used in this press release to provide a better evaluation of the economic and financial performance of the COFIDE group

- **EBITDA (gross operating margin):** an indicator of operating performance calculated by adding "amortization, depreciation and write-downs" to the operating result;
- **Consolidated net financial debt:** an indicator of the financial structure of the group; it is the algebraic sum of financial receivables, securities, other financial assets and cash and cash equivalents in current assets, of bonds, other borrowings and financial payables for rights of use in non-current liabilities, and of bank overdrafts, bonds, other borrowings and financial payables for rights of use in current liabilities.

Attached are key figures from the Consolidated Statement of Financial Position and Income Statement

1. Statement of Financial Position

(in thousands of euro)

ASSETS	30.09.2019 (*)	30.06.2019 (*)	31.12.2018
NON-CURRENT ASSETS	2,668,551	2,669,895	2,328,789
INTANGIBLE ASSETS	1,138,058	1,139,049	1,139,840
TANGIBLE ASSETS	756,728	750,455	822,444
INVESTMENT PROPERTY	17,619	17,808	18,677
RIGHTS OF USE	502,565	516,803	--
INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	18,488	18,420	110,179
OTHER EQUITY INVESTMENTS	14,053	11,748	12,525
OTHER RECEIVABLES	51,091	49,620	50,655
OTHER FINANCIAL ASSETS	68,753	65,010	75,469
DEFERRED TAX ASSETS	101,196	100,982	99,000
CURRENT ASSETS	1,203,183	1,233,929	1,218,476
INVENTORIES	138,737	133,916	134,218
TRADE RECEIVABLES	393,906	443,415	420,969
OTHER RECEIVABLES	108,774	102,472	79,283
FINANCIAL RECEIVABLES	16,908	21,117	25,773
SECURITIES	35,573	36,494	33,563
OTHER FINANCIAL ASSETS	268,787	288,322	276,880
CASH AND CASH EQUIVALENTS	240,498	208,193	247,790
ASSETS HELD FOR DISPOSAL	70,610	70,180	13,599
TOTAL ASSETS	3,942,344	3,974,004	3,560,864
LIABILITIES AND EQUITY	30.09.2019 (*)	30.06.2019 (*)	31.12.2018
SHAREHOLDERS' EQUITY	1,402,527	1,391,744	1,436,037
SHARE CAPITAL	345,998	345,998	347,523
RESERVES	44,791	44,262	51,490
RETAINED EARNINGS (LOSSES)	113,823	113,823	112,263
NET INCOME (LOSS) FOR THE PERIOD	2,273	757	4,535
EQUITY OF THE GROUP	506,885	504,840	515,811
MINORITY SHAREHOLDERS' EQUITY	895,642	886,904	920,226
NON-CURRENT LIABILITIES	1,410,777	1,392,333	1,046,239
BONDS	236,250	233,308	270,254
OTHER BORROWINGS	341,256	314,325	365,004
FINANCIAL PAYABLES FOR RIGHTS OF USE	429,236	443,489	--
OTHER PAYABLES	65,150	61,300	63,003
DEFERRED TAX LIABILITIES	173,915	173,357	169,864
PERSONNEL PROVISIONS	133,918	133,634	135,091
PROVISIONS FOR RISKS AND LOSSES	31,052	32,920	43,023
CURRENT LIABILITIES	1,129,040	1,189,927	1,069,224
BANK LOANS	21,875	15,707	13,046
BONDS	43,168	41,600	113,801
OTHER BORROWINGS	236,793	252,934	144,874
FINANCIAL PAYABLES FOR RIGHTS OF USE	66,302	64,767	--
TRADE PAYABLES	459,760	505,059	497,420
OTHER PAYABLES	229,432	238,258	212,706
PROVISIONS FOR RISKS AND LOSSES	71,710	71,602	87,377
LIABILITIES HELD FOR DISPOSAL	--	--	9,364
TOTAL LIABILITIES AND EQUITY	3,942,344	3,974,004	3,560,864

(*) The Group applied the new accounting standard IFRS 16 "Leases" as from the date of first application (i.e. January 1 2019) using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 was recognized in an adjustment to the opening balance of retained earnings as of January 1 2019, without restating the comparative information.

2. Income Statement

(in thousands of euro)

	1/1 - 30/9 2019 (*)	1/1 - 30/9 2018 (**)	III Quarter 2019 (*)	III Quarter 2018 (**)
REVENUES	2,010,829	2,059,904	648,823	655,284
CHANGE IN INVENTORIES	(156)	767	1,486	(755)
COSTS FOR THE PURCHASE OF GOODS	(716,290)	(734,490)	(232,224)	(234,337)
COSTS FOR SERVICES	(442,428)	(500,058)	(142,136)	(161,496)
PERSONNEL COSTS	(568,552)	(567,342)	(177,259)	(177,141)
OTHER OPERATING INCOME	21,914	19,459	3,627	4,772
OTHER OPERATING COSTS	(59,925)	(44,700)	(17,084)	(10,933)
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(166,131)	(123,150)	(56,263)	(40,348)
OPERATING RESULT	79,261	110,390	28,970	35,046
FINANCIAL INCOME	7,128	6,411	2,141	1,542
FINANCIAL EXPENSE	(44,001)	(42,884)	(13,933)	(13,476)
DIVIDENDS	41	2,782	27	15
GAINS FROM TRADING SECURITIES	4,464	8,381	564	1,637
LOSSES FROM TRADING SECURITIES	(2,950)	(734)	(1,112)	(339)
SHARE OF EARNINGS (LOSS) OF INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	229	447	68	116
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	5,919	(3,113)	1,347	(2,340)
RESULT BEFORE TAXES	50,091	81,680	18,072	22,201
INCOME TAXES	(24,876)	(29,344)	(9,093)	(8,564)
RESULT FROM OPERATING ACTIVITIES DESTINED TO CONTINUE	25,215	52,336	8,979	13,637
NET INCOME/(LOSS) FROM OPERATIONS HELD FOR DISPOSAL	(12,870)	3,289	429	338
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	12,345	55,625	9,408	13,975
- (NET INCOME) LOSS OF MINORITY INTERESTS	(10,072)	(40,744)	(7,892)	(11,822)
- NET INCOME (LOSS) OF THE GROUP	2,273	14,881	1,516	2,153

(*) The Group applied the new accounting standard IFRS 16 "Leases" from the date of first application (i.e. January 1 2019) using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 was recognized in an adjustment to the opening balance of retained earnings at January 1 2019, without restating the comparative information.

(**) It should be noted that the effect of application of IAS 29 "Financial Reporting in Hyperinflationary Economies" for the close of the accounts at December 2018 was shared over the quarters of the same year.

The values for the year 2018 of "Assets held for disposal" were reclassified on application of IFRS 5 "Non-current assets held for sale and Discontinued Operations" in the item "Net income (loss) from assets held for disposal"

3. Statement of Net Financial Position

<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	240,498	208,193	247,790
B. Other cash equivalents	268,787	288,322	276,880
C. Securities held for trading	35,573	36,494	33,563
D. Cash and cash equivalents (A) + (B) + (C)	544,858	533,009	558,233
E. Current financial receivables	16,908	21,117	25,773
F. Current bank borrowings	(199,948)	(191,096)	(65,824)
G. Bonds issued	(43,168)	(41,600)	(113,801)
H. Current part of non-current debt	(58,720)	(77,545)	(92,096)
I. Financial payables for rights of use	(66,302)	(64,767)	--
J. Current financial debt (F) + (G) + (H) + (I)	(368,138)	(375,008)	(271,721)
K. Net current financial position (J) + (E) + (D)	193,628	179,118	312,285
L. Non-current bank borrowings	(338,907)	(311,976)	(304,733)
M. Bonds issued	(236,250)	(233,308)	(270,254)
N. Other non-current payables	(2,349)	(2,349)	(60,271)
O. Financial payables for rights of use	(429,236)	(443,489)	--
P. Non-current financial debt (L) + (M) + (N) + (O)	(1,006,742)	(991,122)	(635,258)
Q. Net financial position (K) + (P)	(813,114)	(812,004)	(322,973)