www.cirgroup.it

PRESS RELEASE

Board of Director approves results of 1st Quarter 2005

CIR GROUP: NET INCOME OF € 14.2 MILLION THANKS TO GOOD RESULTS OF ESPRESSO AND SOGEFI

Consolidated results of 1st Quarter 2005

Revenues € 830.2 million (+10 %)
Net income € 14.2 million (-13.4%)
Aggregate net financial surplus € 349.3 million (358.2 million at close of 2004)

Today in Turin, under the Chairmanship of Mr Carlo De Benedetti, the Board of Directors of CIR met to examine the results of the Group as of March 31 2005.

In the first quarter, CIR recorded **consolidated net income** of 14.2 million euros compared with 16.4 million in the corresponding period of 2004 (-13.4%). While the contribution of the subsidiaries amounted to a total of 19.6 million euros, substantially unchanged on first quarter 2004 (19.7 million), the decline in net income was mainly due to a fall of 4.1 million euros in net income from trading and from the valuation of the securities portfolio compared with the same period of last year.

Consolidated revenues of the CIR Group in the first quarter of 2005 were 830.2 million euros, up from 754.4 million in the corresponding period of 2004 (+10%). The Energia Group in particular contributed 62 million euros to this improvement in revenues while the Sogefi Group contributed 12.7 million and the HSS Group (Holding Sanità e Servizi) contributed 10 million.

MEDIA

In the first quarter of 2005 the **Espresso Group** posted consolidated net income of 27.9 million euros, up sharply from 21.7 million in the same period of 2004 (+28.6%), and consolidated revenues of 275.8 million euros, slightly lower than the figure of 282.6 million for first quarter 2004 (-2.4%). The positive performance of operations was due to the continuing success of the optional products sold alongside the publications of the Group and to the signs of recovery in advertising. These results, together with the reduction in working capital, enabled the group to achieve a significant reduction in its net financial debt, which fell from 131.1 million euros at December 31 2004 to 46.8 million at March 31 2005.

UTILITIES

In the first quarter of 2005 the **Energia Group** continued to record strong growth, posting consolidated revenues of 286.8 million euros, up by 27.6% from 224.8 million in first quarter 2004, thanks in particular to the good performance of gas sales (+36% in volume).
Consolidated net income came in at 0.6 million euros, which is not comparable with the 8.1 million in the first three months of 2004. The result was in fact penalized by the different distribution of prices due to the new time bands introduced by Resolution 05/2004 of the Authority for Electricity and Gas (AEEG), which changed the seasonal distribution of revenues and thus also the evolution of profitability over the course of the year.
The consolidated net financial position of the Energia Group at March 31 2005 showed indebtedness of 304.3 million euros, compared with 154.6 million at the end of 2004. This rise in debt is mainly due to the change in working capital which had a negative impact of around 88 million euros, to the investment of some 47 million euros made in the power generating plant under construction in Termoli, and to 17 million euros of further investment made in Tirreno Power to finance its repowering plan.

AUTOMOTIVE COMPONENTS

In the preparation of its accounts for the first quarter of 2005 the Sogefi Group has adopted the new IAS/IFRS accounting principles. Since CIR and the other companies of the Group have opted to prepare their first quarterly interim accounts for 2005 using domestic accounting rules, the Sogefi figures included in the Quarterly Interim Report of CIR have been brought into line with Italian accounting principles which are still in force.

With the application of IAS/IFRS principles, in first quarter 2005 the **Sogefi Group** recorded growth of 23.4% in consolidated net income, which rose from 7.9 million euros in the first three months of 2004 to 9.8 million. In the same period consolidated revenues rose by 5.3% to 253.2 million euros, from 240.5 million in the corresponding period of 2004.
These results are due to the positive performance of the suspension components sector particularly in Latin-American markets.
The net financial debt of the Sogefi Group stood at 207.4 million euros at March 31 2005, down from 240.6 million at March 31 2004 (204 million at December 31 2004).

In first quarter 2005 **HSS (Holding Sanità e Servizi)** reported consolidated revenues of 10.8 million euros, up from 0.8 million in first quarter 2004, while the net result was a negative 1.1 million euros, still discounting the start-up phase of the business. HSS is currently managing approximately 1,200 beds.

The **balance sheet** of CIR at March 31 2005 showed financial fixed assets of 653.8 million euros (616.2 million at December 31 2004) and 665.3 million of net capital invested (638.6 million at December 31 2004), against 1,014.6 million of shareholders' equity (996.8 million at December 31 2004) and 349.3 million of **aggregate net financial surplus** relating to CIR and the wholly owned financial companies (358.2 million at December 31 2004).
The consolidated net financial position of the CIR Group at March 31 2005 showed indebtedness of 194.5 million euros (against 129.4 million at December 31 2004), the sum of the surplus of 349.3 million of CIR and the wholly owned financial companies and the debt of 543.8 million for all the operating groups (487.6 million at December 31 2004).

At March 31 2005 the CIR Group had 10,158 **employees** on its payroll, compared with 10,192 at December 31 2004.

Bearing in mind that the current year is not expected to benefit from any extraordinary events such as those that characterized the previous year, the result of CIR in 2005 will not be comparable with that of 2004.

TRANSITION TO IFRS INTERNATIONAL ACCOUNTING PRINCIPLES (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

The CIR Group, availing itself of the right given by Consob in its resolution no. 14990 of April 14 2005, has decided that the international accounting principles (IAS/IFRS) will be applied to the preparation of the consolidated financial statements starting with the Semi-Annual Interim Accounts for 2005.

On the basis of the recommendations issued by CONSOB, CIR is presenting here a preliminary update on the transition process and of the resulting impact of IFRS on the financial statements.

In summary, and on the basis of what is emerging from the first results of the transition process effected by the Parent Company and its subsidiaries, the application of IFRS should not have any great impact either on net income and shareholders' equity, or on the net financial position.

The most significant options involved in the international accounting principles and adopted by the Group are as summarized below:

- **Aggregation of businesses, acquisitions of shareholdings in affiliated companies and/or subject to joint control:** the Group has decided to avail itself of the possibility of claiming exemption from backdated application for the aggregation of businesses that took place before January 1 2004;

- **Book value of tangible and intangible assets and real-estate investments:** on the basis of the provisions of IFRS no. 1, the Group has decided to apply the criterion of estimated cost with reference to tangible fixed assets. The valuation for subsequent periods will also be made using the cost criterion;
- **Designation of financial instruments:** the CIR Group will opt for the application of IAS international accounting principles nos. 32 and 39 starting from January 1 2005. From an initial evaluation, the effects of this on the shareholders' equity of the Group as from January 1 2005 are positive compared with the accounts for 2004 and mainly concern the consolidation and the valuation at a fair market value of the assets of Medinvest ;
- **Stock options:** the Group will apply IFRS 2 to issues made after November 7 2002 and which had not yet matured as of January 1 2004;
- **Inventories:** the Group has opted for the continuous weighted average cost method, a method that was already used under Italian Accounting Principles;
- **Presentation of the financial statements:** for the presentation of its balance sheet the CIR Group has decided to adopt the classification according to the "current/non-current" criterion, for the statement of income the classification "according to kind" and for the statement of changes in financial position the "indirect method".

The main impact that this will have on the relative items of the financial statements following the application of the new accounting principles are indicatively the following:

Extraordinary items

- According to IFRS extraordinary items are not contemplated, except for exceptional events, and consequently can no longer be separated out in the statement of income but must be reclassified according to kind among the ordinary items.

Consolidation area (IAS nos. 27, 28 and 31)

- As a result of the introduction of IAS no. 27, the area of consolidation will include in the fully integrated consolidation of the Group certain companies that are currently excluded because they carry out very different businesses. The same principle will also mean that the Parent Company will have to abandon the equity method of valuing its investments in subsidiaries and affiliates, which is no longer allowed in the statutory financial statements.

Intangible fixed assets (IAS no. 38)

- The IFRS principles consider goodwill acquired at a cost as an indefinite intangible fixed asset and therefore not subject to amortization but rather to an impairment test, to be carried out at least once a year, to verify whether there has been any decline in value. The reversal of amortization from the statement of income will cause a significant improvement of the net result, while from the first results of the impairment test the value of intangible fixed assets is significantly higher than that recorded in the balance sheet and there will therefore be no write-down of the same. On the basis of a preliminary check carried on the present value of future cash flows, it would appear that keeping goodwill at a higher value than that recorded in the balance sheet would be justified.
- According to IFRS the start-up costs of a business can no longer be capitalized. Within the Group there are limited examples of this kind of capitalized costs, which regard in particular the costs incurred for Sogefi to start operating in the United States in fiscal years 2003 and 2004.

Tangible fixed assets (IAS no. 16)

- International accounting principles stipulate that the value of an asset that can be depreciated, calculated by deducting realization value, must be distributed over the useful life of the asset. The useful life of an asset and the depreciation method must be reviewed at regular intervals and if there are any significant variations the necessary changes must be made in the year in which the change took place and in subsequent years. For the Group the application of this principle does not appear to involve any significant impact since the depreciation rates being used were already in line with the useful life of the fixed assets.
- The main difference between domestic and international accounting principles concerns land and buildings, where IFRS principles involve identifying and separating out in the accounts the value of land from the value of the buildings which are built on such land and only the buildings shall be subject to depreciation. The Group has identified instances of this but does not expect that there will be any particularly significant impact.

Benefits for employees (IAS no. 19 and IFRS no. 2)

Severance indemnity and pension funds

- International accounting principles (IAS no. 19) involve the introduction of actuarial methodologies for valuing the benefits paid out to employees, and more specifically the employee severance indemnity (TFR) and pension funds. In order to comply with the provisions of IFRS there will have to be an adjustment made to the way the TFR and other deferred salary components are accounted for, as will have to be the case more in general for all so-called employee benefits, by means of the application of actuarial methodologies for expressing the current value of a benefit paid out at the termination of employment, which employees have accrued as of the date of the financial statements. The impact of these adjustments for the Group does not appear to be very significant except regarding the posting of the pension fund deficit of the British companies, which could involve important changes in the starting balance of shareholders' equity for 2004.
- In relation to these items of the financial statements the hypothesis is to apply the so-called "corridor method" , which allows any deficit in excess of 10% of liabilities to be spread over subsequent periods.

Stock options

- IFRS no. 2 classifies stock options within the sphere of "payments based on shares" i.e. "assets or services purchased with payment in instruments representing capital". On the basis of this principle, stock options must be given a fair value at the moment when they are assigned. The posting of the cost to the statement of income, which is offset by an increase in the shareholders' equity reserves, will be effected on the basis of the number of options exercisable during the period.

Reserves for risks and losses (IAS no. 37)

- IFRS stipulate that these reserves can be recorded in the accounts if they relate to a current obligation (legal or implied), resulting from a past event, and which will involve the need to use financial resources to fulfil such obligation and where there is a reliable estimate of the cost involved. An analysis has been carried out with all the companies of the Group in order to guarantee that all the requirements of IFRS are complied with and to ensure that the provisions made to these funds are reversed where the said requirements are not met with.
- In relation to reserves for restructuring, in the past these were set aside at the moment when the restructuring plan was defined and approved by top management, which does not always coincide with the provisions of IAS no. 37, which makes it possible to set aside these costs only when the reorganization plans have been officially notified to all the parties involved. This has meant, for some companies of the Group, that it has been necessary to change the time period to which the accounting entry of these charges refers, moving them either to earlier or later accounting periods, thus having an effect that in some cases can be significant on the results for the period and the equity situation.

Leasing (IAS no. 17)

- IAS principle no. 17 states that all kinds of financial leasing must be valued using the financial method that establishes that the interest on the capital financed and the accumulated depreciation of the value of the assets bought in leasing be charged to the statement of income, while in the balance sheet the assets used in leasing are recorded in the assets and the remaining payable being financed is recorded in the liabilities.
- An analysis has been carried out in all the companies of the Group of all the leasing contracts outstanding and where the elements of financial leasing are present, the treatment set forth in the IFRS will be followed. From a preliminary analysis some cases of real estate leasing have been found to meet such criteria, with a substantial impact particularly on the financial position.

Financial instruments (IAS nos. 32 and 39)

Own shares

- The IFRS principles do not allow own shares to be recorded in the accounts. Consequently these will be reversed with a corresponding reduction in shareholders' equity.

Derivative instruments

- Derivative instruments: the impact resulting from the valuation at fair value of interest rate swaps (IRS) against medium-term loans entered into by companies of the Group could have an important effect on current financial liabilities and on shareholders' equity at January 1 2005.
- IAS no. 39 regulates the way financial instruments are classified and the criteria for valuing them, distinguishing between derivatives designated as available for trading and those designated as "effective" hedging instruments. The effects of the valuation of the former are posted to the statement of income, while the economic and equity impact of the latter, on the basis of hedge accounting principles, are offset against the valuation of the instruments being hedged.

CIR intends to award a mandate to audit the reconciliation accounts required by IFRS no. 1 and for the major action needing to be carried out for the initial transition to IFRS, as well as the revision work limited to the comparison of the figures with the corresponding figures of previous periods, to the firm of Auditors PricewaterhouseCoopers.

Turin, April 27 2005

CONTACTS
CIR GROUP www.cirgroup.it
EXTERNAL RELATIONS AND PRESS OFFICE
Beppe Pescetto
Francesca Sagramoso
Tel.: +39 02 722701 e-mail: info@cirgroup.it

CIR GROUP: RECLASSIFIED ACCOUNTS
AS OF MARCH 31 2005

CONSOLIDATED BALANCE SHEET*

(in millions of euros)	*31.03.2005*	*31.12.2004*	*31.03.2004*
Equity investments (including own shares)	653.8	616.2	592.2
Net tangible and intangible fixed assets	16.4	15.8	13.9
Own shares recorded in current assets	25.1	23.6	--
Balance of receivables and payables, accruals and deferrals and miscellaneous reserves	(30.0)	(17.0)	400.3
NET CAPITAL INVESTED	**665.3**	**638.6**	**1,006.4**
SHAREHOLDERS' EQUITY	**1,014.6**	**996.8**	**894.3**
AGGREGATE NET FINANCIAL SURPLUS (DEBT)	**349.3**	**358.2**	**(112.1)**

CONSOLIDATED STATEMENT OF INCOME*

(in millions of euros)	*1st Quarter 2005*	*1st Quarter 2004*	*Change*
Net contributions from subsidiaries	19.6	19.7	(0.1)
Net financial income and expenses	(6.8)	(7.5)	0.7
Net gains and losses from trading and valuation of securities portfolio	2.4	6.5	(4.1)
Net operating costs	(2.1)	(2.0)	(0.1)
Amortization and depreciation	(0.1)	(0.1)	--
Other net income and expenses	(0.3)	0.1	(0.4)
INCOME BEFORE TAXES	**12.7**	**16.7**	**(4.0)**
TAXES FOR THE PERIOD	**1.5**	**(0.3)**	**1.8**
NET INCOME	**14.2**	**16.4**	**(2.2)**

** With equity investments valued using the equity method*