



## PRESS RELEASE

*Board approves results of first quarter 2007*

### **CIR GROUP: NET INCOME SHOWS STRONG GROWTH**

#### **Consolidated results as of March 31 2007**

*Revenues € 1,080.5 million (+4.1%)*

*EBITDA € 114.5 million (+25.7%)*

*EBIT € 84.8 million (+25.8%)*

*Net income € 28.3 million, up from € 10.9 million in first quarter 2006 (+159.6%)*

*Aggregate net financial surplus of € 138.4 million (258.2 million at December 31 2006)*

*Consolidated net debt of € 888.5 million (850.6 million at December 31 2006)*

*Total shareholders' equity € 2,024.4 million (1,979.9 million at December 31 2006)*

Today in Turin, under the Chairmanship of Mr Carlo De Benedetti, the Board of Directors of CIR SpA met to examine the results of the Group as of March 31 2007.

The management objective of CIR is the search for continuing growth in the value of its investments over the **medium term**. In this context, economic results for the period do not always reflect this growth in a linear fashion and a comparison of results over short periods can sometimes be misleading given that various exceptional events can often influence results.

In the first three months of this year the CIR Group reported:

- **consolidated net income** of 28.3 million euro, up from 10.9 million in the same period of 2006;
- **consolidated revenues** of 1,080.5 million euro, compared to 1,037.5 million in the first quarter of 2006 (+4.1%).

The contribution of the operating groups to the consolidated net result of first quarter 2007 rose by 6.7 million euro from 17.7 million in the same period of 2006 to 24.4 million (+37.9%), thanks to the improved profitability of the Sorgenia group.

In the first quarter of 2007 the **consolidated gross operating margin (EBITDA)** increased by 25.7%, reaching 114.5 million euro (10.6% of revenues), up from 91.1 million (8.8% of revenues) in the same period of 2006. This result was determined by the following factors:

- The significant improvement of around 42 million euro of the Sorgenia group, due to the development of the generating business following the start of industrial production of the Termoli power plant and better sales margins on both electricity and natural gas;
- The confirmed profitability of the Sogefi group;
- The lower profitability of the Espresso group caused mainly by a decline in revenues and margins on optional products.

Similarly, the **consolidated operating margin (EBIT)** rose by 25.8% from 67.4 million euro in the first quarter of 2006 (6.5% of revenues) to 84.8 million in the first three months of 2007 (7.8% of revenues).

**Consolidated net invested capital** at March 31 2007 totalled 2,912.9 million euro, compared to 2,830.5 million at December 31 2006, with a rise of 82.4 million.

At March 31 2007 the **consolidated net financial debt** of CIR stood at 888.5 million euro (850.6 million at December 31 2006), resulting from net debt of the operating groups of 1,026.9 million euro (1,108.8 million at December 31 2006) and a net financial surplus for CIR and the wholly owned financial subsidiaries of 138.4 million euro, compared with 258.2 million at December 31 2006. The change in the surplus figure was mainly due to the 96.8 million euro investment made by CIR International in Oakwood, jointly with Merrill Lynch.

The **total shareholders' equity of the Group** at March 31 2007 amounted to 2,024.4 million euro, up from 1,979.9 million at December 31 2006, with a rise of 44.5 million. **Consolidated shareholders' equity** at March 31 2007 stood at 1,292.4 million euro, compared to 1,260.2 million at December 31 2006, with a net rise of 32.2 million.

At March 31 2007 the CIR Group had 11,195 **employees**, up from 11,102 at December 31 2006.

Below are the **main results** of the industrial businesses of the CIR Group.

## UTILITIES

In the first quarter of 2007 the **Sorgenia Group** reported consolidated sales revenues of 505.9 million euro, with a rise of 11.3% compared with the first quarter of 2006 (454.5 million euro), thanks to the rise in volumes of electricity sold (+14.3%). Sales of natural gas however declined by 11% due to lower consumption because of the mild temperatures recorded during the winter months.

The consolidated net income of first quarter 2007 came in at 18.1 million euro, compared with a loss of 3.9 million in the same period of 2006.

The consolidated net financial position at March 31 2007 showed net debt of 563.6 million euro, down from 601.9 million at December 31 2006.

The Sorgenia Group has been continuing to roll out its business plan 2007-2010, which after the start of production of the Termoli power plant involves the construction of 3 more combined cycle power plants fired by natural gas (CCGTs), each with an output of 770 MW, the completion of the repowering program of the power plants of the subsidiary Tirreno Power, the construction of wind farms for 450 MW and investment in the photovoltaic solar sector (22 plants in the South of Italy for a total output of 22 MW). For Tirreno Power too, the repowering program is proceeding according to schedule.

In March the Sorgenia Group finalized two important financial deals: a 345 million euro syndicated loan with a pool of banks to finance the industrial plan of the Group, which involves total investment of over 1.8 billion euro in the period up to 2010; a loan of 343 million euro, structured as without-recourse project finance, with another pool of banks to finance approximately two thirds of the investment (inclusive of VAT) in the CCGT power plant under construction at Modugno.

Lastly, Sorgenia and IRIDE in a joint venture in which they have equal stakes have acquired 51% of LNG Med Gas Terminal, the company that is following the authorization process for constructing and running a regasification terminal at Gioia Tauro (Calabria), with an expected total capacity of 12 billion cubic metres per year.

## MEDIA

In the first quarter of 2007 the **Espresso Group** reported consolidated net income of 13.5 million euro, down from 26.6 million in the same period of 2006, and consolidated sales revenues of 272.5 million euro, down from 303.2 million in the first quarter of 2006. These results were due to the expected slowdown in revenues and margins on optional add-ons, which were partially offset by the good performance of advertising revenues (+11.9%).

At March 31 2007 the net financial position showed net debt of 218.3 million euro, an improvement from the figure of 262.7 million at December 31 2006.

Net of optional products, in the first three months of 2007 the figures were positive and were up on those of the corresponding period of 2006. Revenues totalled 231.5 million euro (+10.5%) and operating income came in at 23.3 million (+51.7%). The rise in the selling price of all the newspapers of the Group from 0.90 to 1 euro did not affect circulation (641 thousand average copies for *la Repubblica*, 466 thousand copies for all the local dailies), in line with the figures for first quarter 2006.

All the main titles of the Group confirmed their leadership: *la Repubblica* with over 3 million readers was for the third year running the most widely read newspaper in Italy; *Radio DeeJay* confirmed its number one ranking among commercial radio stations with 5.7 million listeners on an average day, and with the contribution of *Radio Capital* and *m2o* the audience of the radio stations of the Group has reached 22.9 million over the week; *All Music* has reached over 2.8 million viewers on an average day in the young people sectors; the internet network of the Group recorded 12.6 million visitors in March (9.4 million for *Repubblica.it*, +54% compared to March 2006).

## **AUTOMOTIVE COMPONENTS**

In the first quarter of 2007 the consolidated revenues of the **SOGEFI Group** came in at 267.1 million euro, with a rise of 1% from 264.3 million in the same period of 2006, in spite of an unfavourable exchange rate scenario. Consolidated net income rose by 8.9% to 12.7 million euro, up from 11.6 million in the first quarter of 2006.

The rise in profitability recorded by SOGEFI in the first quarter of the year was achieved in spite of the stable performance of the largest vehicle markets worldwide, continuing low levels of demand by French car manufacturers, the main clients of the Group, the rise in price of the steel for suspension and aluminium for filter systems, and the greater impact of energy costs.

The consolidated net financial position of the Sogefi Group at March 31 2007 showed net debt of 124.5 million euro, substantially unchanged from December 31 2006 (126.3 million).

## **HEALTHCARE**

In the first quarter of 2007 the business development activity of **HSS (Holding Sanità e Servizi)** accelerated and the company more than doubled its consolidated revenues compared with the same period of 2006 (35 million euro compared to 15.4 million). Ebit was a positive 2.3 million, up from 0.4 million in the first quarter of 2006. The net result was a negative 0.6 million compared with breaking even in first quarter 2006, due to the rise in net financial expense (from 0.2 to 2.2 million) because of the higher debt caused by the acquisitions that took place in 2006.

The HSS Group, which is active in hospital services, rehabilitation, residences for the elderly and psychiatric nursing homes, manages a total of approximately 3,760 beds (including 288 under construction) with 1,329 employees on its payroll at March 31 2007.

On April 19 2007 two Morgan Stanley funds acquired 10% of HSS, through a capital increase of 16.3 million euro. Following this deal, CIR now holds 76.4% of HSS.

Regarding the evolution of the business of the CIR Group during the year, so far the results of the operating companies are going according to plan.

Turin, April 27 2007

## **CONTACTS**

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## CIR GROUP – CONSOLIDATED BALANCE SHEET

*(in thousands of euro)*

<b>ASSETS</b>	<i>31.03.2007</i>	<i>31.12.2006</i>	<i>31.03.2006</i>
<b>NON-CURRENT ASSETS</b>	<b>2,900,856</b>	<b>2,742,536</b>	<b>2,429,827</b>
INTANGIBLE ASSETS	959,101	951,009	865,308
TANGIBLE ASSETS	1,124,264	1,091,030	906,659
REAL ESTATE INVESTMENTS	17,864	17,604	6,898
INVESTMENTS IN COMPANIES VALUED AT EQUITY	230,812	214,163	229,543
OTHER EQUITY INVESTMENTS	9,090	8,530	9,943
OTHER RECEIVABLES	355,700	250,991	262,602
SECURITIES	97,525	98,583	66,312
DEFERRED TAXES	106,500	110,626	82,562
<b>CURRENT ASSETS</b>	<b>2,749,918</b>	<b>2,984,189</b>	<b>2,881,346</b>
INVENTORIES	205,510	217,082	148,742
CONTRACTED WORK IN PROGRESS	1,962	1,685	1,888
TRADE RECEIVABLES	906,691	996,477	855,188
OTHER RECEIVABLES	241,043	273,992	210,455
FINANCIAL RECEIVABLES	1,591	21,354	4,427
SECURITIES	633,638	654,248	624,116
FINANCIAL ASSETS AVAILABLE FOR SALE	375,257	372,867	384,346
CASH AND CASH EQUIVALENTS	384,226	446,484	652,184
ASSETS HELD FOR DISPOSAL	48,976	47,589	--
<b>TOTAL ASSETS</b>	<b>5,699,750</b>	<b>5,774,314</b>	<b>5,311,173</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>31.03.2007</i>	<i>31.12.2006</i>	<i>31.03.2006</i>
<b>SHAREHOLDERS' EQUITY</b>	<b>2,024,439</b>	<b>1,979,912</b>	<b>1,894,299</b>
SHARE CAPITAL	391,689	390,240	390,021
RESERVES	381,361	367,779	408,254
RETAINED EARNINGS (LOSSES)	491,083	401,016	393,620
NET INCOME FOR THE PERIOD	28,323	101,120	10,862
<b>SHAREHOLDERS' EQUITY OF THE GROUP</b>	<b>1,292,456</b>	<b>1,260,155</b>	<b>1,202,757</b>
MINORITY INTERESTS	731,983	719,757	691,542
<b>NON-CURRENT LIABILITIES</b>	<b>2,368,359</b>	<b>2,288,420</b>	<b>2,161,733</b>
BONDS	1,169,860	1,187,750	1,177,375
OTHER BORROWINGS	853,598	758,514	655,222
OTHER PAYABLES	12	1,178	3
DEFERRED TAXES	142,487	137,743	126,980
PERSONNEL PROVISIONS	165,554	166,554	161,767
PROVISIONS FOR RISKS AND LOSSES	36,848	36,681	40,386
<b>CURRENT LIABILITIES</b>	<b>1,271,194</b>	<b>1,469,640</b>	<b>1,255,141</b>
BANK OVERDRAFT FACILITIES	112,725	265,180	119,811
OTHER BORROWINGS	147,004	134,134	169,611
TRADE PAYABLES	690,802	748,901	682,656
OTHER PAYABLES	273,488	273,962	242,375
PROVISIONS FOR RISKS AND LOSSES	47,175	47,463	40,688
LIABILITIES HELD FOR DISPOSAL	35,758	36,342	--
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,699,750</b>	<b>5,774,314</b>	<b>5,311,173</b>

## CIR GROUP – CONSOLIDATED INCOME STATEMENT

*(in thousands of euro)*

	<i>01/01-31/03 2007</i>	<i>01/01-31/03 2006</i>
SALES REVENUES	1,080,547	1,037,549
CHANGE IN INVENTORIES	1,881	--
COSTS FOR PURCHASE OF GOODS	(630,822)	(623,089)
COSTS FOR SERVICES	(182,333)	(187,700)
PERSONNEL COSTS	(156,443)	(143,470)
OTHER OPERATING REVENUES	15,823	11,292
OTHER OPERATING COSTS	(18,216)	(12,054)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS VALUED AT EQUITY	4,144	8,596
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(29,700)	(23,705)
<b>INCOME BEFORE FINANCIAL COMPONENTS AND TAXES ( E B I T )</b>	<b>84,881</b>	<b>67,419</b>
FINANCIAL INCOME	16,101	16,017
FINANCIAL EXPENSE	(35,957)	(38,106)
DIVIDENDS	108	--
GAINS FROM TRADING SECURITIES	18,115	20,924
LOSSES FROM TRADING SECURITIES	(3,239)	(15,628)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	3,355	2,542
<b>INCOME/LOSS BEFORE TAXES</b>	<b>83,364</b>	<b>53,168</b>
INCOME TAXES	(30,539)	(21,873)
<b>NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS</b>	<b>52,825</b>	<b>31,295</b>
- NET INCOME – MINORITY INTERESTS	24,502	20,433
<b>- NET INCOME – GROUP</b>	<b>28,323</b>	<b>10,862</b>

## CIR GROUP – NET FINANCIAL POSITION

*(in thousands of euro)*

	31.03.2007	31.12.2006	31.03.2006
A. Cash and bank deposits	384,226	446,484	652,184
B. Other free cashflow	375,257	372,867	384,346
C. Securities held for trading	633,638	654,248	624,116
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>1,393,121</b>	<b>1,473,599</b>	<b>1,660,646</b>
<b>E. Current financial receivables</b>	<b>1,591</b>	<b>21,354</b>	<b>4,427</b>
F. Current bank borrowings	(164,937)	(338,730)	(234,016)
G. Current part of non-current borrowings	(94,791)	(60,353)	(55,168)
H. Other current financial payables	(1)	(231)	(238)
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>(259,729)</b>	<b>(399,314)</b>	<b>(289,422)</b>
<b>J. Net current financial position (I) + (E) + (D)</b>	<b>1,134,983</b>	<b>1,095,639</b>	<b>1,375,651</b>
K. Non-current bank borrowings	(806,402)	(728,444)	(632,662)
L. Bonds issued	(1,169,860)	(1,187,750)	(1,177,375)
M. Other non-current payables	(47,196)	(30,070)	(22,560)
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>(2,023,458)</b>	<b>(1,946,264)</b>	<b>(1,832,597)</b>
<b>O. Net financial position (J) + (N)</b>	<b>(888,475)</b>	<b>(850,625)</b>	<b>(456,946)</b>