www.cirgroup.it

PRESS RELEASE

*Board approves results of first nine months of 2006*

# CIR GROUP: 77.5 MILLION OF NET INCOME (+42.2%) REVENUES +20.8%

Consolidated results at September 30 2006

*Revenues € 2,971.8 million (+20.8%)*
*EBITDA € 334.8 million (+13.9%)*
*EBIT € 261 million (+16.8%)*
*Net income € 77.5 million (+42.2%)*

*Aggregate net financial surplus € 269.2 million (359.8 million at December 31 2005)*
*Consolidated net debt € 802.5 million (465.2 million at December 31 2005)*
*Total shareholders' equity € 1,897 million (1,856.4 at December 31 2005)*

Today in Milan, 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 September 30 2006.

In the first nine months of the year, the CIR Group reported **consolidated net income** of 77.5 million euro, up by 42.2% from 54.5 million in the same period of 2005.
The contribution of the operating groups to consolidated net income in the first nine months of 2006 was a positive 82.7 million euro (+17.3% from 70.5 million in the same period of 2005).

In the first nine months of 2006 the **consolidated revenues** of the CIR Group totalled 2,971.8 million euro, up by 20.8% from 2,460 million in the same period of 2005. This increase of 511.8 million euro came mainly from the Sorgenia Group for 475.9 million, the Espresso Group for 26.4 million and the HSS Group for 26.3 million.

In the first nine months of 2006 the **consolidated gross operating margin (EBITDA)** was 334.8 million euro (11.3% of revenues), up by 13.9% from 293.9 million (11.9% of revenues) in the corresponding period of 2005.

The **consolidated operating margin (EBIT)** rose by 16.8% from 223.5 million euro in the first nine months of 2005 to 261 million in the same period of 2006.

**Consolidated net capital invested** at September 30 2006 stood at 2,699.5 million euro, compared with 2,321.6 million at December 31 2005, with a rise of 377.9 million mainly due to the significant investments made during the period by the Sorgenia and HSS groups.

The **consolidated net financial position** at September 30 2006 showed net debt of 802.5 million euro (compared with 465.2 million at December 31 2005 and 786.4 million at June 30 2006), resulting from a financial surplus of 269.2 million (compared with 359.8 million at December 31 2005) for CIR and the wholly owned financial companies and total debt of 1,071.7 million for the operating groups (825 million at December 31 2005). This rise in the amount of debt was mainly due to the investments made by the Sorgenia Group for its new power stations and to the acquisition of Anni Azzurri by the HSS Group.

The **consolidated shareholders' equity of the Group** rose from 1,185 million euro at December 31 2005 (1,187.6 million at June 30 2006) to 1,207.9 million at September 30 2006 (+22.9 million). **Minority**

**equity** rose from 671.4 million at December 31 2005 (664.4 million at June 30 2006 ) to 689.1 million at September 30 2006 (+17.7 million). **Total shareholders' equity** stood at 1,897 million at September 30 2006, up from 1,856.4 million at December 31 2005 (1,852 at June 30 2006), with a rise of 40.6 million euro.

At September 30 2006 the CIR Group had 11,071 **employees,** compared with 11,201 at June 30 2006 and 10,043 at December 31 2005.

## Performance of the industrial businesses of the Group as of September 30 2006

### MEDIA

In the first nine months of 2006 the **Espresso Group** reported consolidated revenues of 814.1 million euro, with a rise of 3.3% from 787.7 million at September 30 2005, and consolidated net income of 65.6 million, unchanged from the same period of last year (65.4 million). At September 30 2006 the net financial position of the Group showed debt of 240.9 million euro, which was an improvement on the figure of 252.6 million at December 31 2005. In the period under examination the newspaper *la Repubblica* confirmed its ranking as number one newspaper in terms of number of readers nationwide and the radio stations of the Espresso Group consolidated their position of leadership in terms of audience. In a somewhat lacklustre market, the Espresso Group obtained more advertising than the competition thanks to the fact that it was the only operator in Italy that could offer a complete multimedia portfolio (press, radio, TV, internet).

### UTILITIES

In July 2006 the Energia Group adopted the new name **Sorgenia,** with the aim of giving greater value to its positioning and to the role that it wishes to play in the free electricity and gas market in Italy and defining itself as a provider sensitive to environmental issues.
In the first nine months of 2006, the **Sorgenia Group** continued with the rollout of its industrial plan, which involves the construction of a series of greenfield combined cycle power stations, each of 770 MW, fired by natural gas. In particular the **Termoli** power plant in Molise began industrial production and work continued on the construction of the **Modugno** power plant in Puglia. In September the authorization process was completed for the power plant in **Aprilia** (Lazio), with a favourable opinion expressed by the Services Conference and the issue of the final authorization Decree by the Ministry of Economic Development on October 2 2006. This authorization follows the one already obtained for the power plant in **Bertonico-Turano Lodigiano** (Lombardy).
In the meantime the repowering plan of **Tirreno Power** has been continuing in Napoli Levante and Vado Ligure, while on October 25 2006 the Torrevaldaliga plant was officially inaugurated after having been totally renovated.
Lastly, Sorgenia has also been developing generating projects from renewable sources, devoting particular attention to building windfarms and photovoltaic or solar plants. Soluxia, the company set up to design and build photovoltaic plants, has already obtained from the GRTN (Electricity Grid Management) admission to tariff incentives for 15 new solar plants of 1 MW each, located in various regions of Southern Italy, for a total installed capacity of approximately 15 MW. As far as wind energy is concerned, Sorgenia has completed the preliminary authorization procedures for a total of 62 MW
In the first nine months of 2006 Sorgenia reported consolidated revenues of 1,327.4 million euro, up by 55.9% from 851.5 million in the same period of last year, thanks to the good performance of electricity and natural gas sales (+65.5% and +40.9% respectively). Consolidated net income came in at 47.9 million euro, up by 90.8% from 25.1 million in the same period of last year.
In the same period the advertising campaign aimed at the self-employed and small businesses with VAT status was extremely successful, enabling **Sorgenia** to reach approximately 100,000 customers in the electricity market.

**AUTOMOTIVE COMPONENTS**

In the first nine months of 2006 the **Sogefi Group**, the leading Italian producer of automotive components, confirmed its position of leadership in Europe in the two sectors in which it operates: filters and suspension components. In the period under examination, with consolidated revenues of 765.5 million euro (-1.2% on the same period of 2005), the group managed to increase further its profitability in a market environment that was not entirely favourable, recording consolidated net income of 39.3 million euro, up by 17.7% from 33.4 million in the same period of 2005.

**HEALTHCARE**

In the first nine months of 2006 **HSS–Holding Sanità e Servizi** further developed its operating activity, with a view to consolidating a strong presence in the healthcare sector. In June of this year HSS acquired 100% of Anni Azzurri, a company specializing in the construction and management of residences for the elderly and present in five regions with eleven residences and a total of 1,600 beds. With this acquisition, HSS is now managing approximately 3,400 beds.
In the first nine months of 2006, HSS reported consolidated revenues of 64.6 million euro (+68.7% compared with 38.3 million in the same period of 2005). EBIT was a positive 0.5 million euro, in spite of acquisition costs of 1.3 million euro, and compares with a negative figure of 0.4 million in the first nine months of last year. The net result was a loss of 2.3 million euro which compares with a net loss of 0.5 million in the corresponding period of 2005.

## Performance in third quarter 2006

In the third quarter of 2006, the CIR Group recorded **consolidated revenues** of 950.4 million euro, with a rise of 25.8% from 755.6 million in the third quarter of 2005, while profitability was impacted by the non-renewal of contributions for the purchase of paper (14 million euro) which affected the Espresso Group. These contributions were fully accounted for the third quarter of 2005.
The **consolidated EBITDA** of CIR in third quarter 2006 was 78.6 million euro, compared with 76.9 million in the same period of 2005. **Consolidated EBIT** came in at 52.6 million euro, compared with 54.2 million. **Consolidated net income** was 14.8 million euro, compared to 16.9 million in the same period of 2005.

Between January 1 2006 and the date of this report, CIR bought back 6,877,358 of its own shares for a total value of 15.6 million euro. Therefore as of today the number of own shares being held as treasury stock totals 39,094,000, equal to 4.37% of capital.

On the subject of Corporate Governance, the Board of Directors has amended and made additions to its Corporate Governance Model in order to introduce the recommendations set forth in the Code of Conduct for Listed Companies in the version published in March 2006 by Borsa Italiana SpA. The Board also appointed professor Guido Tabellini Lead Independent Director

Regarding the outlook for this year, considering the good performance of the operating businesses it can reasonably be expected that there will be an improvement in operating income for the whole year 2006 compared with 2005.

Milan, October 31 2006

**CONTACTS**

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

# CIR – CONSOLIDATED BALANCE SHEET

*(in thousands of euro)*

| **ASSETS** | *30.09.2006* | *30.06.2006* | *31.12.2005* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | **2,719,871** | **2,648,329** | **2,401,558** |
| INTANGIBLE ASSETS | 944,856 | 932,197 | 864,436 |
| TANGIBLE ASSETS | 1,066,543 | 1,032,333 | 897,972 |
| REAL ESTATE INVESTMENTS | 17,679 | 17,361 | 6,944 |
| INVESTMENTS IN COMPANIES VALUED AT EQUITY | 241,011 | 240,489 | 221,042 |
| OTHER EQUITY INVESTMENTS | 10,056 | 7,657 | 7,529 |
| OTHER RECEIVABLES | 257,999 | 251,330 | 261,403 |
| SECURITIES | 85,155 | 82,291 | 59,841 |
| DEFERRED TAXES | 96,572 | 84,671 | 82,391 |
| **CURRENT ASSETS** | **2,892,852** | **2,833,649** | **2,775,594** |
| INVENTORIES | 209,959 | 174,087 | 162,864 |
| CONTRACTED WORK IN PROGRESS | 744 | 2,098 | 933 |
| TRADE RECEIVABLES | 845,983 | 862,396 | 790,744 |
| OTHER RECEIVABLES | 268,801 | 265,798 | 201,362 |
| FINANCIAL RECEIVABLES | 15,405 | 9,729 | 26,513 |
| SECURITIES | 617,736 | 571,819 | 467,959 |
| FINANCIAL ASSETS AVAILABLE FOR SALE | 359,983 | 354,734 | 362,930 |
| CASH AND CASH EQUIVALENTS | 574,241 | 592,988 | 762,289 |
| ASSETS HELD FOR DISPOSAL | 2,638 | 2,601 | 17,143 |
| **TOTAL ASSETS** | **5,615,361** | **5,484,579** | **5,194,295** |

| **LIABILITIES AND SHAREHOLDERS' EQUITY** | *30.09.2005* | *30.06.2005* | *01.01.2005* |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | **1,897,065** | **1,852,027** | **1,856,383** |
| SHARE CAPITAL | 390,040 | 390,040 | 389,621 |
| RESERVES | 339,410 | 333,387 | 401,794 |
| RETAINED EARNINGS (LOSSES) | 401,016 | 401,550 | 305,945 |
| NET INCOME FOR THE PERIOD | 77,465 | 62,658 | 87,675 |
| **SHAREHOLDERS' EQUITY- GROUP** | **1,207,931** | **1,187,635** | **1,185,035** |
| SHAREHOLDERS' EQUITY – MINORITY INTERESTS | 689,134 | 664,392 | 671,348 |
| **NON-CURRENT LIABILITIES** | **2,265,125** | **2,229,816** | **2,186,453** |
| BONDS | 1,205,559 | 1,189,071 | 1,199,251 |
| OTHER BORROWINGS | 709,797 | 694,307 | 654,785 |
| OTHER PAYABLES | 1,117 | 1,064 | 21 |
| DEFERRED TAXES | 135,459 | 132,440 | 126,260 |
| PERSONNEL PROVISIONS | 170,224 | 168,466 | 163,671 |
| PROVISIONS FOR RISKS AND LOSSES | 42,969 | 44,468 | 42,465 |
| **CURRENT LIABILITIES** | **1,453,171** | **1,402,736** | **1,137,983** |
| BANK OVERDRAFTS | 161,529 | 136,855 | 54,962 |
| OTHER BORROWINGS | 292,973 | 295,398 | 175,881 |
| TRADE PAYABLES | 673,308 | 630,630 | 649,766 |
| OTHER PAYABLES | 288,642 | 303,429 | 213,768 |
| PROVISIONS FOR RISKS AND LOSSES | 36,719 | 36,424 | 43,606 |
| LIABILITIES HELD FOR DISPOSAL | -- | -- | 13,476 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **5,615,361** | **5,484,579** | **5,194,295** |

# CIR GROUP – CONSOLIDATED INCOME STATEMENT

*(in thousands of euro)*

| | *1/1-30/9 2006* | *1/1-30/9 2005* | *3rd Quarter 2006* | *3rd Quarter 2005* |
|---|---|---|---|---|
| TRADE REVENUES | 2,971,807 | 2,460,046 | 950,358 | 755,551 |
| CHANGE IN INVENTORIES | 2,034 | 22,442 | 2,073 | 25,361 |
| COSTS FOR PURCHASE OF GOODS | (1,726,062) | (1,324,155) | (577,224) | (442,163) |
| COSTS FOR SERVICES | (538,217) | (489,203) | (155,801) | (152,651) |
| PERSONNEL COSTS | (423,421) | (410,367) | (134,450) | (126,090) |
| OTHER OPERATING REVENUES | 81,928 | 58,492 | 6,190 | 15,707 |
| OTHER OPERATING COSTS | (54,437) | (43,106) | (12,810) | (10,011) |
| ADJUSTMENTS TO THE VALUE OF INVESTMENTS VALUED AT EQUITY | 21,206 | 19,715 | 228 | 11,158 |
| AMORTIZATION, DEPRECIATION AND WRITE-DOWNS | (73,828) | (70,421) | (25,995) | (22,670) |
| **INCOME BEFORE FINANCIAL COMPONENTS AND TAXES ( E B I T )** | **261,010** | **223,443** | **52,569** | **54,192** |
| FINANCIAL INCOME | 48,863 | 58,441 | 16,794 | 14,264 |
| FINANCIAL EXPENSES | (96,051) | (84,931) | (35,294) | (21,566) |
| DIVIDENDS | 1,441 | 368 | 24 | 25 |
| GAINS FROM TRADING SECURITIES | 71,375 | 64,375 | 18,104 | 18,502 |
| LOSSES FROM TRADING SECURITIES | (36,534) | (61,486) | (10,784) | (9,792) |
| ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS | (15,698) | (16) | (2,643) | (692) |
| **INCOME BEFORE TAXES** | **234,406** | **200,194** | **38,770** | **54,933** |
| INCOME TAXES | (76,269) | (76,910) | (8,288) | (19,931) |
| **NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS** | **158,137** | **123,284** | **30,482** | **35,002** |
| - NET INCOME - MINORITY INTERESTS | (80,672) | (68,794) | (15,675) | (18,053) |
| **- NET INCOME - GROUP** | **77,465** | **54,490** | **14,807** | **16,949** |

# CIR GROUP – NET FINANCIAL POSITION

*(in thousands of  euro)*

| | | *30.09.2006* | *30.06.2006* | *31.12.2005* |
|---|---|---|---|---|
| A. | Cash and bank deposits | 574,241 | 592,988 | 762,289 |
| B. | Other free cash flow | 359,983 | 354,734 | 362,930 |
| C. | Securities held for trading | 617,736 | 571,819 | 467,959 |
| **D.** | **Cash and cash equivalents (A) + (B) + (C)** | 1,551,960 | 1,519,541 | 1,593,178 |
| **E.** | **Current financial receivables** | 15,405 | 9,729 | 26,513 |
| F. | Current borrowings | (393,701) | (358,571) | (176,796) |
| G. | Current part of non-current borrowings | (60,563) | (73,435) | (53,797) |
| H. | Other current borrowings | (238) | (247) | (250) |
| **I.** | **Current financial debt (F) + (G) + (H)** | (454,502) | (432,253) | (230,843) |
| **J.** | **Current net financial position (I) + (E) + (D)** | 1,112,863 | 1,097,017 | 1,388,848 |
| K. | Non-current bank borrowings | (676,912) | (664,887) | (631,131) |
| L. | Bond issues | (1,205,559) | (1,189,071) | (1,199,251) |
| M. | Other non-current payables | (32,885) | (29,420) | (23,654) |
| **N.** | **Non-current financial debt (K) + (L) + (M)** | (1,915,356) | (1,883,378) | (1,854,036) |
| **O.** | **Net financial debt (J) + (N)** | (802,493) | (786,361) | (465,188) |