



PRESS RELEASE

**CIR GROUP, SHAREHOLDERS APPROVE FINANCIAL STATEMENTS FOR 2006:
NET INCOME OF 101 MILLION EURO (+15%)**

Consolidated results for financial year 2006

REVENUES € 4,136.8 million (+22.3 %)

EBITDA € 442.4 million (+19.6%)

EBIT € 339.5 million (+23.4%)

NET INCOME € 101.1 million (+15.3%)

Aggregate net financial surplus € 258.2 million (359.8 million at December 31 2005)

Consolidated net debt € 850.6 million (465.2 million at December 31 2005)

Total shareholders' equity € 1,979.9 million (1,856.4 million at December 31 2005)

*Approved distribution of dividend of € 0.050 per share (unchanged from 2005)
and incentive plan for 2007 (phantom stock options)*

Today in Turin, under the chairmanship of Mr Carlo De Benedetti, the Ordinary General Meeting of the Shareholders of **CIR SpA** approved the statutory financial statements and examined the consolidated accounts of the Group for financial year 2006.

Consolidated net income for 2006 came in at 101.1 million euro, up by 15.3% from 87.7 million in 2005. The contribution of the operating groups to the result for the year rose by approximately 6.6%, from 104.7 million in 2005 to 111.6 million in 2006, while the contribution of the financial subsidiaries edged down from 16.2 million in 2005 to 15 million in 2006.

In 2006 the CIR Group achieved **consolidated revenues** of 4,136.8 million euro, up by 22.3% from 3,382.7 million in 2005.

The **consolidated gross operating margin (EBITDA)** in 2006 rose by 19.6% to 442.4 million euro from 370 million in 2005.

The **consolidated operating margin (EBIT)** rose by 23.4% to 339.5 million euro from 275.1 million in 2005.

Consolidated net invested capital at December 31 2006 stood at 2,830.5 million euro, up from 2,321.6 million at December 31 2005, with a rise of 508.9 million, mainly due to the substantial investment made during the year by the Sorgenia and HSS groups in particular.

The consolidated net financial position at December 31 2006 showed net debt of 850.6 million euro (compared to 465.2 million at December 31 2005), resulting from a financial surplus of 258,2 million (compared with 359,8 million at December 31 2005) for CIR and the wholly owned financial companies and total debt of 1,108.8 million for the operating groups (compared with 825 million at December 31 2005). The rise of 283.8 million was mainly due to the investment made by the Sorgenia Group for its new power plants and to the acquisition of Anni Azzurri by the HSS Group.

The **consolidated shareholders' equity** rose from 1,185 million euro at December 31 2005 to 1,260.2 million at December 31 2006 (+75.2 million). **Minority interests** also rose from 671.4 million euro at December 31 2005 to 719.7 million at December 31 2006 (+48.3 million). **Total equity** at December 31 2006 stood at 1,979.9 million euro, up from 1,856.4 million at December 31 2005, with a rise of 123.5 million after the distribution of 37.5 million in dividends by CIR and a total of 53.3 million by the subsidiaries to their minority shareholders.

At December 31 2006 the CIR Group had 11,102 **employees**.

Parent Company – The Shareholders approved the financial statements of the Parent Company **CIR SpA**, which closed the year 2006 with **net income** of 36.7 million euro, up from 4.8 million in 2005, a year that was burdened with 16.1 million euro of taxes relating to prior periods. **Shareholders' equity** at December 31 2006 was 940.7 million euro, compared with 953.2 million at December 31 2005.

At December 31 2006 **treasury stock** amounted to 34,094,000 own shares (27,216,642 at December 31 2005), equal to 4.37% of share capital, with a total value of 76.9 million euro.

Dividend - The Shareholders approved the distribution of a **dividend** of 0.050 euro per share, unchanged from 2005, which will be payable as from May 17 2007. The total dividend payout for 2006 will be approximately 37.5 million euro.

Authorization renewed for share buy-back

The Shareholders renewed their authorization of the Board of Directors, for a period of 18 months, to buy back a maximum of 40 million of the Company's own shares, with a maximum disbursement limit of 120 million euro, at a unit price that shall not be more than 10% higher or lower than the benchmark price recorded by the shares in the regulated market on the trading day prior to each individual transaction.

The main reasons for renewing this authorization are, on the one hand, the possibility of investing in the company's shares at prices below their actual value based on the company's equity and income prospects and, on the other hand, the possibility of reducing the average cost of capital for the company. As of today the company is holding treasury stock of 37,944,000 ordinary shares, corresponding to 4.84% of share capital with a total value of 87.9 million euro, at an average carrying value of 2.32 euro.

Incentive plan for 2007

The Shareholders approved an incentive plan (phantom stock options) for the year 2007 for the Chief Executive Officer and executives of the Company.

Amendment of the Bylaws

At its extraordinary session, the Shareholders Meeting amended the Company Bylaws to bring them into line with the new regulations regarding savings.

The main changes to the CIR Bylaws are the following: 1) the introduction of a list voting system for appointing the members of the Board of Directors, some of whom must be independent, with appropriate evaluation criteria; 2) Shareholders with a stake of at least 2% will have the right to add items to the Agenda of Shareholders' Meetings; 3) Criteria of integrity have been established for Directors and General Managers; 4) The position of the executive responsible for the preparation of the financial statements has been introduced; 5) At least two Statutory Auditors will now have the right to call a Shareholders' Meeting, each Statutory Auditor can call a Board of Directors Meeting, and the position of Chairman of the Board of Statutory Auditors is assigned to the Statutory Auditor elected by minority Shareholders.

The Board of Directors, which met after the Shareholders' Meeting, approved an incentive plan for 2007 (phantom stock options) for a total of 6,105,000 options in favour of the Chief Executive Officer and Executives of the Company.

The main points of the Regulations of incentive plan 2007 (phantom stock options) are as follows:

- The incentive plan (phantom stock options) has the purpose of rewarding the loyalty of beneficiaries in pursuing the business of the group and provides an incentive which aims to increase their commitment to improving the Company's performance;
- Each option gives the right to receive gross compensation equal to the "difference" between the market value of one CIR share during the exercise period (Normal Value) and the market value of a share at the date of assignment of the option (Initial Value);

- The value of the CIR stock at the moment when the option is assigned (Initial Value) means the simple arithmetic average of the official Stock Exchange prices on days when the stock is actually quoted in the 15 calendar days preceding the date of assignation of the options; the market value of the CIR stock over the exercise period of the option (Normal Value) means the simple arithmetic average of the official Stock Exchange prices on the days between the first and fifteenth days of the month during which each exercise period falls;
- The exercise of the options is not subject to reaching any particular economic or financial results. The Regulations stipulate that the essential condition for exercising the option is the continuing of the directorship or employment with the Company or one of its subsidiaries as of the date of exercise of the option;
- The options assigned are exercisable from 30/09/2007 to 30/06/2011 for the options of the first tranche and from 31/03/2008 to 31/12/2011 for the options of the second tranche; the final expiry date on which they will lose their validity and no longer be exercisable will be 30/09/2017 for the first tranche options and 31/03/2018 for the second tranche options;
- The options are assigned free of charge, are personal, and cannot be transferred by deed between living persons.

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