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PRESS RELEASE

CIR GROUP, SHAREHOLDERS APPROVE FINANCIAL STATEMENTS FOR 2005: NET INCOME 87.7 MILLION EUROS, REVENUES +10.5%

Consolidated earnings for financial year 2005
(with the new IAS/IFRS accounting standards)

REVENUES € 3,382.7 million (+10.5 %)
EBITDA € 370 million (-6.4%)
EBIT € 275.1 million (-9.1%)
NET INCOME € 87.7 million (€ 155.2 million in 2004
which included extraordinary components for € 90.9 million)

Aggregate net financial surplus € 359.8 million (€ 448.6 million at January 1 2005)
Consolidated net financial debt € 465.2 million (€ 75.5 million at January 1 2005)
Total shareholders' equity € 1,856.4 million (€ 1,702.7 million at January 1 2005)

Approved distribution of dividend of € 0.050 per share (unchanged from 2004)
Renewed authorization of Board of Directors and approved stock option plan

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 2005.

Consolidated net income for 2005 came in at 87.7 million euros which compares, net of extraordinary non-recurring items of 90.9 million, with 64.3 million euros in 2004, when consolidated net income was 155.2 million, having benefited from a capital gain of 64.5 million resulting from the subscription by Verbund of a capital increase in Energia, and from financial income of 26.4 million following the transaction with H3G. Financial year 2005 was also penalized by non-recurring negative components of 16.1 million, tax liabilities following the outcome of a dispute relating to prior periods.
The contribution of the operating groups to the year rose by approximately 21%, from 86.5 million in 2004 to 104.7 million in 2005, while the contribution of the financial subsidiaries rose from 8.1 million in 2004 to 16.2 million in 2005.

In 2005 the CIR Group achieved **consolidated revenues** of 3,382.7 million euros, up by 10.5% from 3,062.4 million in 2004.

The **consolidated gross operating margin (EBITDA)** in 2005 was 370 million euros, compared with 395.4 million in 2004 (-6.4%). This decline was due to the combined effect of a non-recurring revenue item for approximately 36 million in 2004 (stranded costs in the subsidiary Energia) and a non-recurring tax charge of 16.1 million in 2005.

The **consolidated operating margin (EBIT)** was 275.1 million euros, compared with 302.7 million in 2004 (-9.1%).

Consolidated net capital invested stood at 2,321.6 million euros at December 31 2005, up from 1,778.2 million at January 1 2005, with a rise of 543.4 million, mainly due to substantial investments made by the Energia and Espresso groups.

The **consolidated net financial position** at December 31 2005 showed indebtedness of 465.2 million euros (against 75.5 million at January 1 2005), which was the result of a financial surplus of 359.8 million (down from 448.6 million at January 1 2005) for CIR and the wholly owned financial companies, and total debt of 825 million for the operating groups (compared to 524.1 million at January 1 2005).

The **consolidated shareholders' equity of the Group** rose from 1,119.3 million euros at January 1 2005 to 1,185 million at December 31 2005 (+65.7 million). **Minority interests** rose from 583.4 million euros at January 1 2005 to 671.4 million at December 31 2005 (+88 million). **Total equity** stood at 1,856.4 million euros at December 31 2005, up from 1,702.7 million at January 1 2005, with a rise of 153.7 million after the distribution of 38 million in dividends by CIR and a total of 35.9 million by the subsidiaries to their minority shareholders.

At December 31 2005 the CIR Group had 10,043 **employees** on its payrolls.

The Shareholders' Meeting approved the financial statements of the **parent company CIR SpA,** which also adopted the IAS/IFRS international accounting standards in 2005. Their application to the 2004 accounts, prepared according to Italian accounting principles, caused a rise in shareholders' equity of 16.9 million euros and a reduction in the earnings for financial year 2004 of 123 million, mainly due to adjustments made following the different method of valuing equity investments.
CIR SpA closed 2005 with **net income** of 4.8 million euros (26.6 million in 2004), penalized by 16.1 million of tax charges for prior periods. **Shareholders' equity** at December 31 2005 was 953.2 million euros, compared with 1,013.7 million at January 1 2005. The reduction in equity was due partly to the distribution of dividends for 38 million euros but also to the effects of the IAS/IFRS treatment of own shares, which are deducted from shareholders' equity.
At December 31 2005 the number of own shares held totalled 27,216,642 (10,995,000 at January 1 2005), equal to 3.43% of capital, for a total value of 61.3 million euros.

Dividend – The Shareholders voted to distribute a **dividend** of 0.050 euros per share (unchanged from 2004), which will be paid out as from May 11 2006. The total amount of the dividends for 2005 is approximately 37.5 million euros.

Renewed authorization for the buy-back of own shares - The Shareholders renewed the authorization given to the Board of Directors, for a period of eighteen months, to buy back a maximum of 45 million of its own shares, with a maximum disbursement of 120 million euros and at a unit price that must not be more than 10% higher or lower than the reference price recorded by the share in the regulated market on the trading day prior to the date of each individual transaction.
The main reasons why this authorization has been renewed are the following: on the one hand, the possibility of investing in shares in the company at prices considered lower than their actual intrinsic value, based on the value of its equity and its income prospects, thus giving the Company a higher capitalization; and on the other hand, the possibility of reducing the Company's average cost of capital. At present the Company is holding 29,644,000 of its own shares as treasury stock, corresponding to 3.8% of its share capital, at an average carrying price of 2.26 euros.

Stock Option Plan 2006 – The Shareholders also approved a stock option plan for the year 2006, aimed at employees of the Company, its parent company and subsidiaries for a maximum of 5,600,000 options that will give the right, on the basis of the specific situations of the beneficiaries, to subscribe new shares that will be issued one for each option assigned.

After the Shareholders' Meeting, on the basis of the authorization granted by the Shareholders' Meeting held on April 27 2005, the Board of Directors approved a share capital increase of a total of 5,530,000 shares, in two equal tranches to be assigned by May 31 2006 and November 30 2006 respectively, to service the stock option plan for 2006 approved by today's Meeting of the Shareholders.

The main elements of the Regulation of the 2006 stock option plan approved by the Board are as follows:

- The Stock option plan has the purpose of rewarding the loyalty of key persons conducting the business of the group and providing an incentive aimed at increasing their commitment to improving the performance of the Company;
- The 2006 stock option plan is intended for employees of the Company, its parent company and its subsidiaries;
- Exercise of the options is not subject to reaching any specific economic or financial results. The Regulation stipulates that the essential condition for exercising the option is being employed by the Company, its parent company or its subsidiaries on the date on which the option is exercised;

- Options assigned to employees are exercisable from December 31 2006 until September 30 2010 for the first tranche of options and from June 30 2007 to February 28 2011 for the second tranche of options. Exercise of the exercisable options will be permitted only four times a year and specifically on February 28, June 30, September 30 and December 31 of each year in which options can be exercised. The final limit for exercise of all the options, after which they will no longer be valid and can no longer be exercised, will be December 31 2016 for the first tranche options and June 30 2017 for the second tranche options;
- The price is established in accordance with the provisions of Art. 9 paragraph 4 of T.U.I.R. DPR 917/86 and subsequent amendments and additions, as verified and notified by the Chairman of the Board of Directions or any other member of the Board of Directors authorized to do so;
- The options are assigned free of charge, on an individual basis, and are not transferable by deed between living persons.

Turin, April 27 2006

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