

PRESS RELEASE

Board approves results of first half of 2005

**CIR GROUP: 37.5 MILLION OF NET INCOME
ALL SUBSIDIARIES SHOW GROWTH: REVENUES +11%**

**Consolidated results of first half 2005
(with the new IAS/IFRS accounting principles)**

*Revenues 1,704.5 million euros (+11%)
Ebitda 217 million euros (+19.1%)
Ebit 169.3 million euros (+22.9%)
Net income 37.5 million euros (86.3 million in first half 2004
thanks to an extraordinary capital gain of 64,5 million euros)*

*Aggregate net financial surplus 392 million euros (448.6 million at January 1 2005)
Consolidated net financial debt 391.8 million euros (75.5 million at January 1 2005)
Total shareholders' equity 1,732.7 million euros (1,702.7 at January 1 2005)*

Today in Milan, under the chairmanship of Mr Carlo De Benedetti, the Board of Directors of CIR met to examine the results of the Group as of June 30 2005.

During the first half of 2005, as in the past the CIR Group continued to pursue its objective of creating value for its shareholders through the development of the activities of its subsidiaries, increasing their profitability and researching new initiatives in business sectors with high growth potential.

The current structure of the Group includes three main areas of business, each of which brings in approximately one third of consolidated revenues: **media** (publishing, radio and television), **utilities** (electricity and gas) and **automotive components** (filters and suspension systems). These businesses have more recently been joined by the **healthcare** sector. In particular in the utilities business an ambitious plan of investment requiring significant financial support from the shareholders is currently under way while in the publishing and components sectors development is being financed with resources generated in-house by the companies themselves.

In its pursuit of these development strategies, the CIR Group continues to favour financial policy aimed at guaranteeing a balanced ratio of its own resources to those of third parties, thus maintaining a solid equity structure.

The management objective of CIR is the research of continuing growth in the value of its investments over the **medium term**. In this context, the economic results of the period do not always reflect this growth in a linear way; also a comparison of results over short periods is not always representative if one takes into account the extraordinary elements which can from time to time influence results.

The adoption in the first half of 2005 of the **new IAS/IFRS accounting principles** by both the Group and the Parent Company CIR SpA has meant the restatement of the accounts of the previous years and also a new opening balance sheet as of January 1 2005.

The application of the new international accounting principles to the consolidated financial statements as of December 31 2004 drawn up according to Italian accounting principles had positive effects: in essence an increase in shareholders' equity of 122.5 million euros, an improvement of 5.6 million in the earnings for fiscal year 2004 and a reduction in net financial debt of 53.9 million.

The consolidated economic results for the first half of 2005

In the first six months of the year CIR reported **consolidated net income** of 37.5 million euros, compared with 86.3 million in the corresponding period of 2004, which had benefited from an extraordinary capital gain of 64,5 million euros resulting from the subscription by Verbund of a capital increase in Energia.

The contribution of the operating groups to consolidated net income in first half 2005 was a positive 55.3 million euros (38.6 million in first half 2004). Against this contribution in the same period there were costs and financial charges net of tax of 17.8 million (16.8 million in the first half of 2004) incurred by CIR and the fully owned financial companies.

In the first half of 2005 the **consolidated revenues** of CIR totalled 1,704.5 million euros, up by 11% from June 30 2004 (1,535.4 million). This increase of 169.1 million came mainly from the Energia Group for 110.1 million and from the Sogefi Group for 40.1 million.

With the same basis of consolidation and at the same exchange rates, the rise in consolidated revenues from one half-year to the next would have been very similar (+ 10.9%).

The **consolidated gross operating margin (EBITDA)** rose by 19.1% in the first half of 2005, reaching 217 million euros (12.7% of revenues), compared with 182.2 million in the corresponding period of 2004 (11.9% of revenues).

The **consolidated operating margin (EBIT)** rose by 22.9%, from 137.8 million in the first six months of 2004 to 169.3 million in the first half of 2005.

Net financial charges totalled 23.7 million euros, against 33.2 million in the first half of 2004. Dividends and net gains and losses from securities trading in first half 2005 came in at 0.3 million euros, compared with 106.1 million in first half 2004, which included an extraordinary capital gain of 88 million, including the part attributable to minority interests, resulting from the subscription by Verbund of the capital increase in Energia.

Consolidated net capital invested at June 30 2005 stood at 1,887.1 million euros, compared with 1,619.5 million at January 1 2005, showing a rise of 267.6 million following the significant investment made primarily in the Energia and Espresso groups.

The **consolidated net financial position** at June 30 2005 showed net debt of 391.8 million euros (compared with 75.5 million at January 1 2005), resulting from a financial surplus of 392 million (compared with 448.6 million at January 1 2005) for CIR and the fully owned financial companies and total debt of 783.8 million for the operating groups (compared with 524.1 million at January 1 2005).

The **consolidated shareholders' equity of the Group** moved from 1,119.3 million euros at January 1 2005 to 1,121.7 million at June 30 2005 (+2.4 million). **Minority equity** rose from 583.4 million euros at January 1 2005 to 611 million at June 30 2005 (+27.6 million). **Total shareholders' equity** stood at 1,732.7 million euros at June 30 2005, up from 1,702.7 million at January 1 2005, showing a rise of 30 million after the distribution of 38 million of dividends by CIR and a total of 35.9 million by the subsidiaries to their minority shareholders.

At June 30 2005 the CIR Group had 10,201 **employees**.

The performance of the **industrial businesses of the Group** was particularly positive in the first half of 2005 and the results of the subsidiaries showed progress compared with the same period of last year.

MEDIA

In the first half of 2005 the **Espresso Group** reported consolidated sales revenues of 567.6 million euros, up by 3.9% from June 30 2004, and achieved consolidated net income of 54.8 million, an improvement on the figure of 52.4 million for the first half of last year. At June 30 2005 the net financial position showed indebtedness of 255.5 million euros, up from January 1 2005 (141.4 million) mainly due to the outlay resulting from the acquisition of the television company Rete A, an operation forming part of the development plan involving investment, currently being made, for the construction of a suitable terrestrial digital supply system. In the first half of 2005 the radio sector of the Espresso Group confirmed its leadership in Italy in terms of audience.

UTILITIES

In the first half of 2005 the **Energia Group** progressed with the implementation of its industrial plan, consolidating even further its position as an important operator in the free market for electricity and gas. The construction work on the power plant in Termoli (Campobasso) is moving towards completion and will start operating in the first half of 2006, work is expected to begin in the next few months on the power plant in Modugno (Bari), while the repowering plan for Tirreno Power is going ahead. In the first six months of 2005 consolidated revenues rose by 23.6% reaching 575.9 million euros, thanks to the good performance of sales of both gas and electricity. Consolidated earnings were 19.9 million, up significantly from the corresponding period of last year (10.5 million).

AUTOMOTIVE COMPONENTS

In spite of the negative environment in the car sector, the **Sogefi Group**, European leader in its market sectors, reported consolidated revenues of 535.4 million euros (+8.1%) in the first half of 2005 and achieved consolidated earnings of 22 million euros, compared with 13.1 million in the corresponding period of 2004. This significant improvement in results was due to good levels of demand in South American countries, to a sharp increase in sales of suspension components for industrial vehicles and the partial incorporation into selling prices of the further substantial rise in steel costs that took place during the period.

In the first half of 2005 **HSS–Holding Sanità e Servizi**, operating in the healthcare sector, reported consolidated revenues of 23.2 million euros, while the net result was a loss of 1 million, discounting the start-up development phase of the business. HSS currently manages approximately 1,200 beds.

The **Parent Company CIR SpA** closed the first half of 2005 with net income of 34.6 million euros (20.9 million in the first half of 2004) and shareholders' equity of 994.1 million at June 30 2005 (1,013.7 million at January 1 2005). This reduction in equity was due partly to the distribution of dividends for 38 million euros, and partly to the effects of the treatment, under the terms of the IAS/IFRS principles, of treasury stock totalling 22.3 million acquired during the first half.

After the close of the first half, and more precisely on September 2 2005, CIR set up Jupiter Finance SpA, a company whose objective is to acquire and manage portfolios of non-performing loans from financial institutions. The Chief Executive Officer will be Andrea Mignanelli, currently a Mc Kinsey partner, and the Operating Officer will be Michele Cermele, who comes from Mastercard.

During the first half of 2005, the company acquired 10,164,000 treasury shares for a total amount of 22.3 million euros. At June 30 2005 CIR owned 21,159,000 treasury shares.

Regarding the outlook for the rest of the year, there are unlikely to be any positive events of an extraordinary nature such as those that characterized last year. Taking into account the good performance of the operating businesses, it can reasonably be predicted that the year 2005 will close with better operating results than those recorded in 2004.

Using the authorization granted by the Shareholders' Meeting held on April 27 2005, the Board of Directors voted to increase the share capital by a total of 1,395,000 euros, through the issuance of

2,790,000 shares each at a price of 2.49 euros. This capital increase is intended to service a stock option plan for the executives of CIR and its parent company COFIDE.

For the publication of its semi-annual report and accounts CIR will avail itself of the timing schedules given in provisional regime of Consob Regulatory Document 11971.

Milan, September 6 2005

Below are charts showing key figures from the consolidated and statutory balance sheets and statements of income.

CONTACTS

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Conference call with financial analysts

Rodolfo De Benedetti, Chief Executive Officer of the Company, will illustrate the results of the CIR Group for the first half of the year to the financial community during a conference call that will be held this afternoon at 5 p.m.

Those interest in taking part can connect up by dialling the following telephone numbers:

Italy: +39.02.8020911
France: +33.170.700532
UK: +44.208.7929750
USA: +1.8662396425

As from Wednesday September 7 2005 the complete audio recording of the conference call will be available on the company website www.cirgroup.it.

CONTACTS

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CIR GROUP – CONSOLIDATED BALANCE SHEET

(in thousands of euros)

ASSETS	<i>30:06:2005</i>	<i>01:01:2005</i>
NON-CURRENT ASSETS	2,203,926	1,886,011
INTANGIBLE FIXED ASSETS	829,827	667,041
TANGIBLE FIXED ASSETS	875,832	758,303
REAL ESTATE INVESTMENTS	261	268
INVESTMENTS IN COMPANIES VALUED BY EQUITY	197,761	200,549
OTHER EQUITY INVESTMENTS	11,633	11,262
TRADE RECEIVABLES	1,288	1,206
OTHER RECEIVABLES	196,665	157,575
SECURITIES	44,542	37,732
DEFERRED TAXES	46,117	52,075
CURRENT ASSETS	2,869,124	3,158,457
INVENTORIES	162,872	160,725
CONTRACTED WORK IN PROGRESS	645	544
TRADE RECEIVABLES	753,466	690,102
OTHER RECEIVABLES	250,213	239,212
FINANCIAL RECEIVABLES	51,704	83,620
SECURITIES	380,513	269,266
FINANCIAL ASSETS AVAILABLE FOR SALE	312,763	264,029
CASH AND CASH EQUIVALENTS	956,948	1,450,959
TOTAL ASSETS	5,073,050	5,044,468
LIABILITIES AND SHAREHOLDERS' EQUITY	<i>30:06:2005</i>	<i>01:01:2005</i>
SHAREHOLDERS' EQUITY	1,732,670	1,702,660
SHARE CAPITAL	378,486	382,781
RESERVES	555,769	551,350
ACCUMULATED INCOME (LOSSES)	187,485	185,197
SHAREHOLDERS' EQUITY - GROUP	1,121,740	1,119,328
SHAREHOLDERS' EQUITY - MINORITY INTERESTS	610,930	583,332
NON-CURRENT LIABILITIES	2,045,381	1,965,363
BONDS	1,212,115	1,265,864
OTHER FINANCIAL DEBT	516,505	433,077
TRADE PAYABLES	34	34
OTHER PAYABLES	104	575
DEFERRED TAXES	110,697	67,070
RESERVES FOR PERSONNEL	162,997	157,759
RESERVES FOR RISKS AND LOSSES	42,929	40,984
CURRENT LIABILITIES	1,294,999	1,376,445
BANKS - OVERDRAFT FACILITIES	40,527	29,894
BONDS	245,696	228,353
OTHER FINANCIAL DEBT	78,735	186,172
TRADE PAYABLES	651,407	645,706
OTHER PAYABLES	229,029	231,834
RESERVES FOR RISKS AND LOSSES	49,605	54,486
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,073,050	5,044,468

CIR GROUP – CONSOLIDATED STATEMENT OF INCOME

(in thousands of euros)

	<i>1st Half 2005</i>	<i>1st Half 2004</i>
SALES REVENUES	1,704,495	1,535,410
OTHER REVENUES	--	--
CHANGE IN INVENTORIES	(2,919)	444
COSTS FOR THE PURCHASE OF GOODS	(881,992)	(754,600)
COSTS FOR SERVICES	(336,552)	(306,884)
PERSONNEL COSTS	(284,277)	(275,545)
OTHER OPERATING REVENUES	42,785	12,320
OTHER OPERATING COSTS	(33,095)	(33,347)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS VALUED BY EQUITY	8,557	4,382
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(47,751)	(44,383)
OPERATING INCOME	169,251	137,797
FINANCIAL INCOME	90,729	44,163
ONERI FINANZIARI	(114,457)	(77,331)
DIVIDENDS	343	179
INCOME FROM SECURITIES TRADING	43,761	126,412
LOSSES FROM SECURITIES TRADING	(45,042)	(17,595)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	676	(2,899)
INCOME/LOSS BEFORE TAXES RESULTING FROM OPERATING ACTIVITY	145,261	210,726
INCOME TAXES	(56,979)	(62,653)
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	88,282	148,073
- NET INCOME - MINORITY INTERESTS	(50,741)	(61,805)
- NET INCOME - GROUP	37,541	86,268
BASIC EARNINGS PER SHARE	0.0493	0.1134
DILUTED EARNINGS PER SHARE	0.0490	0.1134

CIR GROUP – CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of euros)

	<i>1st Half</i> 2005	<i>1st Half</i> 2004
OPERATING ACTIVITY		
INCOME/LOSS AFTER TAXES RESULTING FROM OPERATING ACTIVITY	88,282	148,073
ADJUSTMENTS:		
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	47,751	44,383
LOSSES/(INCOME) FROM THE SALE OF GROUP EQUITY INVESTMENTS	--	(87,526)
(INCREASE)/REDUCTION IN NET WORKING CAPITAL	(78,598)	7,760
CASH FLOW FROM OPERATING ACTIVITY	57,435	112,690
INVESTMENT ACTIVITY		
PURCHASE OF FIXED ASSETS	(316,242)	(187,908)
PURCHASE OF OWN SHARES	(22,311)	--
OTHER CHANGES	17,125	(11,179)
CASH FLOW FROM INVESTMENT ACTIVITY	(321,428)	(199,087)
FUNDING ACTIVITY		
INFLOWS FROM CAPITAL INCREASES	18,239	150,000
REPAYMENT AND/OR BUY-BACK OF BONDS	(36,406)	(76,219)
OTHER FINANCIAL DEBT - NEW LOANS/(MATURING LOANS)	(24,009)	90,138
NET CHANGE IN SECURITIES AND ASSETS AVAILABLE FOR SALE	(124,575)	77,167
DIVIDENDS PAID OUT	(73,900)	(67,746)
CASH FLOW FROM FUNDING ACTIVITY	(240,651)	173,340
INCREASE/ (REDUCTION) IN NET CASH AND CASH EQUIVALENTS	(504,644)	86,943
NET CASH AND CASH EQUIVALENTS AT START OF PERIOD	1,421,065	298,785
NET CASH AND CASH EQUIVALENTS AT CLOSE OF PERIOD	6,421	385,728

CIR GROUP – CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(in thousands of euros)</i>	<i>Share capital</i>	<i>Reserves</i>	<i>Accumulated income (losses)</i>	<i>Total</i>
BALANCE AT JANUARY 1 2005	382,781	551,350	185,197	1,119,328
Capital increases:	787	1,381	--	2,168
Allocation net income 2004:				
Dividends to Shareholders	--	--	(38,009)	(38,009)
Portion at the disposal of the Board of Directors	--	--	(708)	(708)
Fair value of instruments hedging cash flows	--	(265)	--	(265)
Fair value of securities	--	9,994	--	9,994
Adjustment of own-share transactions	(5,082)	(20,693)	3,464	(22,311)
Notional credit of stock options	--	4,637	--	4,637
Effects of changes in the equity of subsidiaries		1,977		1,977
Conversion rate differences	--	7,388	--	7,388
Net income for the period	--	--	37,541	37,541
BALANCE AT JUNE 30 2005	378,486	555,769	187,485	1,121,740

CIR S.p.A.

SEPARATE BALANCE SHEET – KEY FIGURES

<i>(in millions of euros)</i>	<i>30.6.2005</i>	<i>01.01.2005</i>
ASSETS		
Fixed assets	904.6	867.6
Current assets	469.1	486.9
Total assets	1,373.7	1,354.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	994.1	
Bonds	304.1	295.4
Other liabilities	75.5	45.4
Total liabilities and shareholders' equity	1,373.7	1,354.5

SEPARATE STATEMENT OF INCOME – KEY FIGURES

<i>(in millions of euros)</i>	<i>1st Half 2005</i>	<i>1st Half 2004</i>
Net operating costs	(7.0)	(7.1)
Net financial income and expenses	39.4	35.1
Adjustments to the value of financial assets	(3.8)	(0.4)
Other income and expenses	--	(5.9)
Income before taxes	28.6	21.7
Income taxes	6.0	(0.8)
Net income for the period	34.6	20.9