

PRESS RELEASE

Board of Directors approves results of first quarter 2012

CIR GROUP: NET INCOME UP AT 15.2 MILLION EURO (+5.5%)

The result benefits from the contribution of the subsidiaries and more especially from the positive fair value adjustment of the securities portfolio of the group thanks to the recovery of the financial markets in the first quarter

Consolidated results of Q1 2012

- **Revenues: € 1,244.9 million (+11.6% from € 1,115.5 million in Q1 2011)**
- **EBITDA: € 99.2 million (-20.6% from € 124.9 million in Q1 2011)**
- **Net income: € 15.2 million (+5.5% from € 14.4 million in Q1 2011)**
- **Aggregate net financial surplus: € 24.6 million (€ 10.8 million at 31/12/2011)**
- **Consolidated net financial debt: € 2,437.9 million (€ 2,335.1 million at 31/12/2011)**

Milan, April 27 2012 – The **Board of Directors** of **CIR-Compagnie Industriali Riunite SpA**, which met today under the chairmanship of **Stefano Micossi**, has approved the **Interim Financial Report for the first quarter of 2012**. The CIR group operates in five sectors: energy (Sorgenia), media (Espresso), automotive components (Sogefi), healthcare (KOS) and non-core investments (private equity, venture capital and other investments).

Performance of operations

Despite the gradual worsening of the economic climate, the **CIR group** closed the first quarter of 2012 with a **rise in earnings of 5.5%** on the same period of 2011. The result benefited from the positive contribution of the main operating subsidiaries and above all from the recovery of the financial markets which made it possible to post significant gains on the fair value of the securities portfolio compared to the end of 2011. The revenues of the group rose by 11.6% to over 1.2 billion euro thanks to the growth reported by Sorgenia, Sogefi and KOS, while the lower margins were due essentially to the decline in the profitability of Sorgenia and Espresso, only partly offset by the rise in the results of Sogefi.

Consolidated results

The **revenues** of the CIR group in the first quarter of 2012 came in at **1,244.9 million** euro, posting **double-digit growth (+11.6%)** from the figure of 1,115.5 million euro in the same period of 2011 thanks particularly to the higher sales reported by Sorgenia, Sogefi and KOS.

EBITDA was **99.2 million** euro (8% of revenues) and was **down by 20.6%** from 124.9 million euro (11.2% of revenues) in the first quarter of 2011. The **operating result (EBIT)** came to **47.3 million** euro, down from 76.8 million euro in 2011. The reduction in margins, despite the significant increase reported by Sogefi, was due mainly to the lower profitability of Sorgenia and Espresso as a result of the negative economic situation in Italy.

The net result of financial management was a negative figure of 12.3 million euro (a negative 22.4 million euro in the first quarter of 2011) and was made up of net financial expense of 28 million euro partly offset by dividends and net gains from trading and valuing securities of 15.7 million euro.

The **net income** of the CIR group for the quarter was **15.2 million** euro and was **up by 5.5%** from the figure of 14.4 million euro for the same period of 2011.

The result was determined by the contribution of the main operating subsidiaries, which was positive although lower than in first quarter 2011, and by the favourable adjustment of the fair value of the securities portfolio, which thanks to the recovery of the financial markets during the quarter made it possible to recoup a significant amount of value compared to the end of 2011.

The **net financial debt** of the CIR group at March 31 2012 amounted to **2,437.9 million** euro, up from 2,335.1 million euro at December 31 2011. The consolidated net financial debt figure is a combination of the following:

- An **aggregate net financial surplus at holding level** of **24.6 million** euro (10.8 million euro at December 31 2011). The rise was due mainly to the positive adjustment to the fair value of the securities portfolio;
- **Total net financial debt of the operating companies** of **2,462.5 million** euro (2,345.9 million euro at December 31 2011). The change compared to the figure at the end of last year was attributable essentially to Sorgenia on account of the investments made in new production capacity and the rise in working capital, due partly to seasonal factors.

Total consolidated equity stood at **2,480 million** euro at March 31 2012 versus 2,479.7 million euro at December 31 2011. The **group's equity** amounted to **1,447.3 million** euro compared to 1,438.1 million euro at December 31 2011.

At March 31 2012 the CIR group had **14,050 employees** (14,072 at December 31 2011).

Industrial businesses

Energy: Sorgenia

The **revenues** of the **Sorgenia** group in the first quarter of 2012 totalled **601.9 million** euro and were **up by 9.5%** on the figure for the same period of 2011 (549.7 million euro). **Adjusted EBITDA** came to **26.8 million** euro, **down by 41.1%** on the figure for the first quarter of 2011 (45.5 million euro). EBITDA was 27.5 million euro versus 51.1 million euro in 2011.

The significant fall in operating results compared to last year was due essentially to three factors: the reduction in thermoelectric generating margins, negatively affected in particular by the sharp slowdown in demand, the rise in the prices of gas for the power plants, the overcapacity of the electricity system as a whole in terms of production, and the competition from renewable sources at peak times of day; higher provisions set aside for client receivables because of the worsening economic situation; the lower volumes of natural gas sold and thus the lower margins on the same. The **net result** of the group was a **loss of 14.7 million** euro compared to net income of 6.8 million euro in the same period of 2011.

Media: Espresso

The **revenues** of the **Espresso** group in the first quarter of 2012 totalled **206.5 million** euro and were **down by 7.1%** on the figure for the same period of 2011 (222.2 million euro) mainly because of the decline in collateral products. Circulation revenues, excluding optional products, came to 64.1 million euro and were substantially in line with the previous year.

Advertising revenues, which came to 120.8 million euro, were down by 5.3% compared to first quarter 2011 while in the period January-February the whole market declined by 5.7% (*Nielsen Media Research* figures). However the performance of internet advertising was very positive (+16%), confirming the brilliant dynamics of recent years even in a particularly bad general climate.

The revenues from optional products amounted to 14 million euro and were down sharply (-40.9%) on first quarter 2011, while sundry revenues came to 7.6 million euro and were up by 20%.

EBITDA was **29.6 million** euro, **down by 19.5%** compared to 36.8 million euro in first quarter 2011. Excluding the effect of collateral products, EBITDA would have been stable. **Net income** came to **10.1 million** euro versus 13.1 million euro in 2011 (**-23.2%**).

Automotive components: Sogefi

The **revenues** of **Sogefi** in the first quarter of 2012 totalled **346.9 million** euro and were **up by 35.6%** on the figure of 255.8 million euro for the same period of 2011 thanks to the consolidation of the businesses of Systèmes Moteurs as from August 1 of last year. With the same consolidation as last year, revenues would have been 254.1 million euro, substantially in line with 2011. The most significant figure was the continuing growth in North America, where Sogefi achieved revenues of 36.8 million euro, which were up fourfold on 2011. North America now contributes 10.6% of total revenues compared to 6.2% at the end of 2011. Growth is also continuing in India (revenues +75%), while in the Mercosur region there was a contraction of 4.3% due to the trend of the local market in the period. In Europe Sogefi reported revenues of 243.6 million euro, up by 32% on last year as a result of the contribution of Systèmes Moteurs (stable at 184.1 million euro with the same consolidation, despite the contraction in the market).

EBITDA for the quarter came in at **34.3 million** euro (9.9% of revenues) and was **up by 37.3%** from 25 million euro for the same period of 2011 (9.8% of revenues). With the same consolidation the ratio of EBITDA to revenues would have been 9.5%. **Net income** came to **9.2 million** euro, posting **growth of 37.5%** on the figure for the same period of last year (6.7 million euro).

Healthcare: KOS

The **revenues** of **KOS** for first quarter 2012 amounted to **88.3 million** euro and were **up by 1.5%** compared to the figure for the corresponding period of 2011 (87 million euro), thanks to the development of its three business areas (nursing homes, rehabilitation units and hospital management) and to the acquisitions made in 2011.

EBITDA came to **11.9 million** euro, which was substantially in line with the figure reported for the first three months of 2011 (12.1 million euro) despite the higher costs for leases generated by the sale of three instrumental properties in the third quarter of last year. **Net income** came in at **1.9 million** euro compared to 2.8 million euro in the previous year. Net financial debt stood at 171.5 million euro at March 31 2012, up from 165.1 million euro at December 31 2011. The KOS group today manages some **60 facilities**, mainly in the centre and north of Italy, with a total of over 5,700 beds in operation plus more than 1,000 under construction.

Non-core investments

The group's non-core investments are venture capital and private equity initiatives and other investments. In particular CIR has a diversified portfolio of funds and minority holdings in the private equity sector (with a fair value at March 31 2012 of 89.6 million euro) as well as the venture capital fund CIR Ventures (with a fair value at March 31 2012 of 14 million dollars). Among the other investments is a 20% interest in the company Swiss Education Group, a world leader in the training of managerial staff in the hospitality sector. Lastly, the CIR group also has a portfolio of non-performing loans: the net value of the investment in this business amounted to 63.7 million euro at March 31 2012.

Outlook for the year 2012

The performance of the CIR group in 2012 will be influenced by the evolution of the macroeconomic environment, which is currently characterized by a recessionary scenario the intensity and duration of which cannot at the moment be predicted, and by the performance of the financial markets.

In this scenario the main operating subsidiaries of the group will continue their strategy of combining action to improve their operating efficiency with business development initiatives.

Bonds maturing in the 24 months following March 31 2012

The company, which has a BB rating with a stable outlook issued by Standard&Poor's, has no bonds maturing in the 24 months following March 31 2012.

Significant events which have occurred since March 31 2012

On April 20 2012 the Board of Directors of KOS approved a share capital increase of 17.5 million euro that will be subscribed by the shareholder AXA Private Equity. This deal, which is to fund the development of the business, is part of the agreement signed by the shareholders of the KOS group at the end of 2010. After the capital increase, CIR will remain the principal shareholder of KOS with 51.26% of its capital, AXA Private Equity will rise to 46.70% while the part held by management and other shareholders will be 2.04%.

The executive responsible for the preparation of the company's financial statements, Gerardo Benuzzi, hereby declares, in compliance with the terms of paragraph 2 Article 154-bis of the Finance Consolidation Act (TUF), that the accounting figures contained in this press release correspond to the results documented in the company's accounts and general ledger.

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Alternative performance indicators

Below the meaning and content are given of the "alternative performance indicators", not envisaged by IFRS accounting standards but used in this press release to provide a better evaluation of the economic and financial performance of the CIR group.

- **EBITDA (gross operating margin):** an indicator of operating performance calculated by adding "amortization, depreciation and write-downs" to the EBIT figure (earnings before interest and taxes);
- **Consolidated net financial debt:** an indicator of the financial structure of the group; it corresponds to the algebraic sum of financial receivables, securities, available-for-sale financial assets and cash and cash equivalents in current assets, and bonds and notes and other borrowings in non-current liabilities, bank overdrafts, bonds and notes and other borrowings in current liabilities;
- **Aggregate net financial surplus:** an indicator of the financial structure of CIR and its financial subsidiaries; it is determined as the balance of borrowings net of cash and cash equivalents and current financial assets (financial receivables, securities and available-for-sale financial assets).

*Attached are the key figures from the consolidated statement of financial position and income statement.
It should be noted that these accounts have not been externally audited.*

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.03.2012	31.12.2011	31.03.2011
NON-CURRENT ASSETS	4,951,123	4,901,207	4,819,883
INTANGIBLE ASSETS	1,504,044	1,493,826	1,392,509
TANGIBLE ASSETS	2,437,305	2,399,721	2,563,098
INVESTMENT PROPERTY	23,365	23,551	23,709
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	381,679	386,253	322,132
OTHER EQUITY INVESTMENTS	26,769	22,903	5,134
OTHER RECEIVABLES	250,493	247,079	202,640
SECURITIES	104,260	107,321	97,006
DEFERRED TAXES	223,208	220,553	213,655
CURRENT ASSETS	3,139,806	2,929,298	2,427,992
INVENTORIES	190,683	184,530	158,512
CONTRACT WORK IN PROGRESS	37,199	35,330	10,560
TRADE RECEIVABLES	1,334,164	1,215,226	1,245,535
OTHER RECEIVABLES	315,293	247,878	255,225
FINANCIAL RECEIVABLES	12,775	11,956	14,033
SECURITIES	545,066	613,877	224,852
AVAILABLE-FOR-SALE FINANCIAL ASSETS	130,507	126,495	162,074
CASH & CASH EQUIVALENTS	574,119	494,006	357,201
ASSETS HELD FOR DISPOSAL	646	1,924	704
TOTAL ASSETS	8,091,575	7,832,429	7,248,579
LIABILITIES AND EQUITY	31.03.2012	31.12.2011	31.03.2011
EQUITY	2,480,038	2,479,711	2,549,208
ISSUED CAPITAL	396,670	396,666	396,059
less OWN SHARES	(24,995)	(24,995)	(21,537)
SHARE CAPITAL	371,675	371,671	374,522
RESERVES	287,091	293,015	325,454
RETAINED EARNINGS (LOSSES)	773,395	763,246	790,583
NET INCOME FOR THE PERIOD	15,153	10,144	14,383
GROUP EQUITY	1,447,314	1,438,076	1,504,942
MINORITY INTERESTS EQUITY	1,032,724	1,041,635	1,044,266
NON-CURRENT LIABILITIES	3,201,050	3,091,529	3,088,224
BOND LOANS	500,583	525,802	553,342
OTHER BORROWINGS	2,325,523	2,197,337	2,125,477
OTHER PAYABLES	1,694	1,856	2,849
DEFERRED TAXES	169,361	168,079	204,245
PERSONNEL PROVISIONS	123,009	123,766	123,902
PROVISIONS FOR RISKS AND LOSSES	80,880	74,689	78,409
CURRENT LIABILITIES	2,410,487	2,261,189	1,611,147
BANK OVERDRAFTS	140,257	142,485	192,540
BOND LOANS	6,943	4,243	791
OTHER BORROWINGS	727,079	711,600	112,906
TRADE PAYABLES	1,046,417	979,190	925,235
OTHER PAYABLES	403,550	337,987	303,523
PROVISIONS FOR RISKS AND LOSSES	86,241	85,387	76,152
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR DISPOSAL	--	297	--
TOTAL LIABILITIES AND EQUITY	8,091,575	7,832,429	7,248,579

(Note) For the presentation of these consolidated Financial Statements the group recalculated the comparison balances of current assets and liabilities at 31 March 2011 to align their accounting presentation to the financial instrument trading transactions of the sub-holding Sorigenia, executed as part of its normal business activities, to those of the leading energy traders.

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	01/01-31/03 2012	01/01-31/03 2011
SALES REVENUES	1,244,901	1,115,545
CHANGE IN INVENTORIES	7,495	5,419
COSTS FOR THE PURCHASE OF GOODS	(738,657)	(626,847)
COSTS FOR SERVICES	(210,112)	(198,482)
PERSONNEL COSTS	(190,347)	(176,019)
OTHER OPERATING INCOME	24,692	32,982
OTHER OPERATING COSTS	(37,096)	(23,318)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS		
CONSOLIDATED AT EQUITY	(1,704)	(4,365)
AMORTISATION, DEPRECIATION & WRITE-DOWNS	(51,862)	(48,100)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)	47,310	76,815
FINANCIAL INCOME	24,089	15,226
FINANCIAL EXPENSE	(52,130)	(47,509)
DIVIDENDS	43	46
GAINS FROM TRADING SECURITIES	1,192	5,296
LOSSES FROM TRADING SECURITIES	(140)	(66)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	14,623	4,573
INCOME (LOSS) BEFORE TAXES	34,987	54,381
INCOME TAXES	(17,132)	(27,254)
NET INCOME FOR THE YEAR INCLUDING MINORITY INTERESTS	17,855	27,127
- NET INCOME - MINORITY INTERESTS	(2,702)	(12,744)
- NET INCOME OF THE GROUP	15,153	14,383

3. NET FINANCIAL POSITION

(in thousands of euro)

	31.03.2012	31.12.2011	31.03.2011
A. Cash and bank deposits	574,119	494,006	357,201
B. Other cash equivalents	130,507	126,495	162,074
C. Securities held for trading	545,066	613,877	224,852
D. Cash and cash equivalents (A) + (B) + (C)	1,249,692	1,234,378	744,127
E. Current financial receivables	12,775	11,956	14,033
F. Current bank payables	(223,546)	(216,473)	(264,612)
G. Bonds issued	(6,943)	(4,243)	(791)
H. Current portion of non-current debt	(643,788)	(637,610)	(40,832)
I. Other current financial payables	(2)	(2)	(2)
J. Current financial debt (F) + (G) + (H) + (I)	(874,279)	(858,328)	(306,237)
K. Current net financial position (J) + (E) + (D)	388,188	388,006	451,923
L. Non-current bank payables	(2,108,028)	(1,984,806)	(1,986,695)
M. Bonds issued	(500,583)	(525,802)	(553,342)
N. Other non-current payables	(217,495)	(212,531)	(138,782)
O. Non-current financial debt (L) + (M) + (N)	(2,826,106)	(2,723,139)	(2,678,819)
P. Net financial position (K) + (O)	(2,437,918)	(2,335,133)	(2,226,896)