

PRESS RELEASE

Board of Directors approves results as of September 30 2012

CIR GROUP: REVENUES OF OVER 3.6 BLN (+9.8%), EBITDA DOWN TO 253 MLN

In a climate characterized by a slowdown of the global economy and deep recession in Italy, the group reports a rise in sales but a contraction in operating results due to the lower contribution of the companies most active in the domestic market, especially Sorigenia and Espresso

Despite the net income reported by three of its main operating subsidiaries (Espresso, Sogefi and KOS) in a difficult economic environment, the group closed the first nine months with a loss of 10 million euro due to the negative result of Sorigenia, which was affected by the slowdown in electricity demand and by the economic crisis in Italy

*Worldwide growth continues in the automotive components sector (Sogefi).
Positive, in the first nine months, the contribution of the financial investments of the group.
Financial surplus at holding level of over 20 million euro*

*Carlo De Benedetti completes the succession process in the group:
after leaving his executive positions at the beginning of 2009,
in coming weeks he will transfer control of the group to his three sons without return consideration*

*Following this transaction, at the next Annual General Meeting of the Shareholders, Rodolfo De Benedetti will be appointed executive chairman of CIR. As an effect of this appointment, in agreement with his family, Rodolfo De Benedetti will propose that Monica Mondardini be appointed as chief executive officer which will also have the aim of further strengthening the managerial structure of the group.
Monica Mondardini will keep the position of chief executive officer of Gruppo Editoriale L'Espresso SpA*

Consolidated results for the first nine months of 2012

- **Revenues: € 3,625.8 million (+9.8% from € 3,300.9 million in 9M 2011)**
- **EBITDA: € 253 million (-25.7% from € 340.3 million in 9M 2011)**
- **Net result: -€ 10 million (net income of € 15 million in 9M 2011)**
- **Aggregate net financial surplus: € 20.3 million (€ 25.6 million at 30/6/2012)**
- **Consolidated net financial debt: € 2,593.6 million (€ 2,551.5 million at 30/6/2012)**

Milan, October 29 2012 – The Board of Directors of CIR-Compagnie Industriali Riunite SpA, which met today under the chairmanship of Stefano Micossi, approved the Interim Financial Report of the Group as of September 30 2012.

The CIR group operates in five sectors: energy (Sorigenia), media (Espresso), automotive components (Sogefi), healthcare (KOS) and non-core investments (private equity and minority shareholdings, venture capital and other investments).

Performance of operations

The CIR group, in a scenario of a slowing world economy and deep recession in Italy, closed the first nine months of the year with revenues up almost 10% to over 3.6 billion euro and a gross operating margin of over 250 million euro but which was lower than in 2011 because of the lower contribution of the companies most active in the domestic market, Sorigenia and Espresso.

The net result, despite the net income posted by three of the four main operating subsidiaries of the group (Espresso, Sogefi and KOS) in a difficult environment, was negative because of the loss reported by Sorgenia. The contribution of the financial investments of the group was positive in the nine month period.

Consolidated results

The **revenues** of the CIR group in the first nine months of 2012 came to **3,625.8 million** euro, and were **up by 9.8%** from 3,300.9 million euro in the same period of 2011 thanks especially to the higher sales reported by Sorgenia, Sogefi and KOS.

EBITDA came to **253 million** euro (7% of revenues), **down by 25.7%** compared to 340.3 million euro (10.3% of revenues) in the first nine months of 2011. The **operating margin (EBIT)** was **76.2 million** euro versus 189.5 million euro in 2011. The contraction in margins, despite the 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, a negative figure of 70.2 million euro (an improvement on the negative figure of 95 million euro in the first nine months of 2011), was determined by net financial expense of 91.3 million euro partly offset by dividends and net gains from trading and valuing securities for of 21.1 million euro.

The **net result** of the CIR group in the first nine months was a **negative 10 million** euro, compared to net income of 15 million euro in the same period of 2011. The change from last year, despite the higher earnings of Sogefi, was due mainly to the lower contribution of the other operating subsidiaries and of Sorgenia in particular, which closed the first nine months with a net loss of approximately 77.1 million euro because of the slowdown in electricity demand, the high cost of gas for its power plants and the recession in Italy. The result of the first nine months benefited from the positive adjustment made to the fair value of the securities portfolio (10.7 million euro) and from gains on private equity investments (5.6 million euro).

The **net financial debt** of the CIR group stood at **2,593.6 million** euro at September 30 2012, up from 2,551.5 million euro at June 30 2012 (2,335.1 million euro at December 31 2011). The consolidated net debt figure is a combination of the following factors:

- An **aggregate net financial surplus at holding level of 20.3 million** euro (25.6 million euro at June 30 2012). The increase from 10.8 million euro at December 31 2011 was due mainly to the positive adjustment of the fair value of the securities portfolio;
- **Total net debt in the operating companies of 2,613.9 million** euro (2,577.1 million euro at June 30 2012). The increase from 2,345.9 million euro at December 31 2011 was due essentially to the investments made by Sogefi and Sorgenia and to the rise in working capital of Sorgenia.

Total consolidated equity stood at **2,424.8 million** euro at September 30 2012 versus 2,479 million euro at December 31 2011. The **equity of the group** totalled **1,416.3 million** euro down from 1,437.7 million euro at December 31 2011. The change was due mainly to the payment of dividends and the result for the period.

At September 30 2012 the CIR group had **14,175 employees on the payroll** (14,072 at December 31 2011).

Industrial businesses

Energy: Sorgenia

Sorgenia is the main private operator in the electricity sector in Italy with some 500 thousand clients and a generating capacity of approximately 5 thousand Megawatts. The company is controlled by CIR (52.9%) with the main Austrian utility VERBUND also holding an interest.

The **revenues** of the **Sorgenia** group in the first nine months of 2012 came in at **1,758.2 million** euro and were **up by 13.2%** on the figure for the same period of 2011 (1,552.7 million euro) thanks to the higher volumes of electricity sold. **EBITDA** was **49.6 million** euro, down by **60.6%** from 125.7 million euro in 2011.

The sharp decline in operating results compared to last year was due mainly to the following factors: the contraction of thermoelectric generating margins essentially because of the high costs of gas for the power plants and the competition of renewable energy at peak times of day; the lower contribution of the subsidiary Tirreno Power; the higher congestion charges on the electricity grid in the Southern region; the reduction in the contribution of renewables following the change in the scope of the consolidation; the decline in sales volumes of natural gas and lower margins on the same.

The **net result** of the group was a **loss of 77.1 million** euro (net income of 13.5 million euro in 2011). Apart from the lower EBITDA, the result for the first nine months was negatively affected by higher amortization, a rise in financial expense and asset writedowns of 13 million euro, mainly in hydrocarbon extraction and production. To **counter the deep recession** in Italy and the difficulties in the Italian energy market, Sorgenia **has begun a series of actions (renegotiating its gas supply contract, reducing operating costs and possibly selling off non-strategic businesses)** which should give the first results in economic and financial terms between the end of this year and 2013.

Media: Espresso

Gruppo Editoriale L'Espresso is one of the most important publishing companies in Italy. It operates in all sectors of communication: daily newspapers and periodicals, radio, internet, television and the collection of advertising. The group is 55.8% controlled by CIR and is listed on the Stock Exchange.

The **revenues** of the **Espresso** group came to **594 million** euro in the first nine months of 2012 and were **down by 9.1%** on the figure for 2011 (653.7 million euro) because of the contraction in advertising revenues due to the performance of the market, and reduced activity in the add-on sector. Circulation revenues, excluding add-ons, came to 199.3 million euro with a decline compared to 2011 (-3%) but holding up reasonably well in a market where consumption is falling and the printed press is gradually declining. Based on the latest *ADS* and *Audipress* figures, *La Repubblica* still ranks as the number one daily newspaper in Italy in terms of sales on the news-stands and the top information newspaper in terms of number of readers per day. In September 2012 the number of subscriptions to the newspaper's digital products topped 50 thousand.

Advertising revenues totalled 342.4 million euro and were down by 10.1% on 2011, which was slightly less than the market decline (-10.5% in the first eight months according to *Nielsen Media Research* figures). Internet advertising was extremely positive (+14.3%), confirming the excellent performance of recent years despite the particularly unfavourable climate. Revenues from add-on products came in at 34 million euro, posting a significant decline (-35.1%) compared to the first nine months of 2011, while other revenues came to 18.3 million euro and were up by over 20% thanks to the growth in the business of leasing out digital terrestrial bandwidth to third parties.

EBITDA came to **82.8 million** euro, **down by 26.1%** from 112 million euro in the first nine months of 2011. About half of this decline was due to lower margin on add-on products and the rest was from the print and radio businesses, hit by the contraction in advertising revenues, while the results of the internet and television businesses showed an improvement. **Net income** came in at **26.4 million** euro versus 41.4 million euro in 2011 (-36.2%).

Automotive components: Sogefi

Sogefi is one of the main world producers in the sector of filters, engine air and cooling systems and suspension components with 44 production sites in 16 countries. The company is controlled by CIR (58.3%) and is listed on the Stock Exchange.

The **revenues** of **Sogefi** for the first nine months of 2012 came in at **1,005.1 million** euro and were **up by 21.1%** from 829.8 million euro in the same period of 2011 thanks to growth in the North American market and to the contribution of the businesses of *Systèmes Moteurs*, consolidated as from August 1 of last year. This result was obtained in a difficult market context at global level with a gradual reduction in production levels and sales of motor vehicles which became even more acute in September. In geographical terms, the highest growth in revenues took place in NAFTA countries (+182.1%), India (+52.8%), China (+25.3%) and Europe (+16.3%). By contrast, sales in Mercosur countries fell by 6.3%. With the same consolidation as last year Sogefi's revenues would have been slightly down (-4.3%).

The action taken by management to offset the impact of the decline in volumes of activity, together with substantial stability in the prices of the commodities that most affect product cost, enabled the group to achieve better profits overall, while they were only slightly down on a comparable basis. **EBITDA** for the first nine months came to **98.1 million** euro (9.8% of revenues), **up by 22.8%** from 79.9 million euro in 2011 (9.6% of revenues).

Net income was **22.4 million** euro, posting **growth of 19%** on the figure for the previous year (18.8 million euro).

Healthcare: KOS

KOS is one of the major Italian groups active in the healthcare and care-home sector (managing nursing homes and rehabilitation centres, and hospital management). KOS is controlled by CIR (51.3%), with the AXA Private Equity group also holding an interest.

The **revenues** of **KOS** in the first nine months of 2012 totalled **265.3 million** euro and were **up by 1.3%** on the figure for the same period of 2011 (261.9 million euro), thanks to the development of its three areas of activity (nursing homes, rehabilitation centres and hospital management). **EBITDA** was **37.9 million** euro, down on the figure for the first nine months of 2011 (41.3 million euro) partly because of higher leasing costs following the sale of three properties in the third quarter of last year. **Net income** came in at **8 million** euro versus 8.9 million euro in the previous year. Net debt stood at 152.8 million euro at September 30 2012 compared to 151.7 million euro at June 30 2012 (165.1 million euro at December 31 2011).

KOS currently manages **63 facilities**, mainly in the centre and north of Italy with a total of over 5,800 beds, plus approximately 1,000 more under construction. Start-up activities are continuing in India where in the second half of 2011 the KOS group set up the joint venture **ClearMedi Healthcare LTD**. 51% controlled by the KOS group and 49% by a local operator, the company is active in the supply of diagnostic and therapeutic technologies in outsourcing to Indian hospitals.

Non-core investments

The non-core investments of the group consist of private equity initiatives and minority shareholdings, venture capital and other investments. More specifically, CIR has a diversified portfolio of funds and direct minority shareholdings in the private equity sector (with a fair value at September 30 2012 of 105.8 million euro) and the venture capital fund CIR Ventures (with a fair value at September 30 of 14 million dollars). Among the other investments, it should be noted that there is a 20% interest in the company **Swiss Education Group**, a world leader in managerial training in the hospitality sector. Lastly, the CIR group has a portfolio of non-performing loans. The net value of the investment in this business at September 30 2012 was 62.7 million euro.

Outlook for the year 2012

The performance of the CIR group in the last quarter of 2012 will continue to be affected by the evolution of the macroeconomic environment, which is currently characterized by a recessionary scenario. In this scenario the main operating subsidiaries of the group have boosted their action to improve their operating efficiency while at the same time engaging in business development initiatives.

Securities maturing in the 24 months following September 30 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 September 30 2012.

Waiver of the obligation to publish information documents

The Board of Directors voted to adopt the opt-out regime as per Articles 70, paragraph 8, and 71, paragraph 1-*bis*, of the Rules for Issuers, thereby availing itself of the right to waive the obligation to publish information documents in the event of significant mergers or demergers, capital increases through the contribution of assets in kind, acquisitions and disposals.

Corporate governance and amendments to the Company Bylaws

The Board also approved a series of amendments improving its Corporate Governance in order to comply with the new rules introduced by Italian Exchange's Code of Conduct for Listed Companies.

Lastly, in the extraordinary part of the meeting the Board of Directors approved amendments to Articles 8 and 19 of its Company Bylaws to bring them into line with the new rules introduced by Law 120/2011 on the subject of balance between the genders in the administrative and control bodies of companies.

At the meeting of the Board of Directors, Mr Carlo De Benedetti announced the final steps in completion of the succession process in the group which began three and a half years ago. After leaving his executive positions at the beginning of 2009, in the coming weeks he will transfer control of the group to his three sons without return consideration.

Following this decision, Carlo De Benedetti proposed to the Board of Directors that at the next Shareholders' Meeting they appoint Rodolfo De Benedetti as executive chairman of CIR. At the same time Rodolfo De Benedetti, in agreement with his family, will propose that Monica Mondardini be appointed as chief executive officer of CIR, which also has the aim of further strengthening the managerial structure of the group. Monica Mondardini will keep the position of chief executive officer of Gruppo Editoriale L'Espresso SpA.

Carlo and Rodolfo De Benedetti have asked the current chairman of CIR, Stefano Micossi, to remain on the Board even after the Shareholders' Meeting as a director. Carlo De Benedetti will remain honorary chairman and a director of the company.

Rodolfo De Benedetti, Chief Executive Officer of CIR, made the following statement: *"I would like to thank my father, on behalf of my brothers too, for his confidence and for the opportunity that he has with such generosity given us. We will exercise our role as shareholders with responsibility valuing his teachings and his experience with the aim of continuing and honouring an entrepreneurial tradition begun almost a century ago by our grandfather and which he consolidated significantly 36 years ago with the establishment of CIR. I am proud to take on the role of executive chairman of CIR and to be able to count on a management team of excellence, to be further strengthened with the imminent arrival of Monica Mondardini, with whom I have worked for four years and been able to appreciate her extraordinary qualities at both a human and a professional level. I will devote myself with even greater commitment to developing our companies and ensuring that they are competitive in the long term, in the interest of all our shareholders and the over 14 thousand employees of the group".*

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 figures contained in this press release correspond to the results documented in the company's accounts and general ledger.

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This press release may also be consulted on the website: <http://www.cirgroup.it/sala-stampa/comunicati-stampa.html>

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 financial items and taxes);
- **Consolidated net debt:** an indicator of the financial structure of the group; it is the algebraic sum of financial receivables, securities, available-for-sale financial assets and cash and cash equivalents in current assets, of bonds and notes and other borrowings in non-current liabilities, and of 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 key figures from the consolidated statement of financial position and income statement
It should be noted that these results have not been externally audited.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	30/09/12	30/06/12	31/12/2011 (*)
NON-CURRENT ASSETS	4,961,265	4,956,022	4,919,524
INTANGIBLE ASSETS	1,502,103	1,489,319	1,500,545
TANGIBLE ASSETS	2,408,114	2,422,718	2,400,534
INVESTMENT PROPERTY	22,933	23,218	23,551
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	384,692	388,024	386,253
OTHER EQUITY INVESTMENTS	6,816	6,668	22,903
OTHER RECEIVABLES	252,798	247,442	247,079
SECURITIES	124,006	123,042	107,321
DEFERRED TAXES	259,803	255,591	231,338
CURRENT ASSETS	3,019,537	3,041,110	2,951,235
INVENTORIES	180,941	196,801	184,530
CONTRACTED WORK IN PROGRESS	42,402	40,666	35,330
TRADE RECEIVABLES	1,302,155	1,312,408	1,215,226
OTHER RECEIVABLES	316,433	327,238	269,815
FINANCIAL RECEIVABLES	12,365	27,723	11,956
SECURITIES	445,295	612,256	613,877
AVAILABLE-FOR-SALE FINANCIAL ASSETS	118,582	131,096	126,495
CASH AND CASH EQUIVALENTS	601,364	392,922	494,006
ASSETS HELD FOR DISPOSAL	55,337	47,397	1,924
TOTAL ASSETS	8,036,139	8,044,529	7,872,683
LIABILITIES AND EQUITY	30/09/12	30/06/12	31/12/11
EQUITY	2,424,764	2,426,998	2,479,021
ISSUED CAPITAL	396,670	396,670	396,666
less OWN SHARES	(24,995)	(24,995)	(24,995)
SHARE CAPITAL	371,675	371,675	371,671
RESERVES	300,185	290,741	293,015
RETAINED EARNINGS (LOSSES)	754,430	754,430	763,246
NET INCOME (LOSS) FOR THE PERIOD	(9,973)	703	9,744
EQUITY OF THE GROUP	1,416,317	1,417,549	1,437,676
MINORITY SHAREHOLDERS' EQUITY	1,008,447	1,009,449	1,041,345
NON-CURRENT LIABILITIES	3,004,175	2,984,248	3,101,148
BONDS AND NOTES	508,116	504,328	525,802
OTHER BORROWINGS	2,116,009	2,099,651	2,197,337
OTHER PAYABLES	527	1,679	1,856
DEFERRED TAXES	185,293	183,272	177,698
PERSONNEL PROVISIONS	121,950	122,239	123,766
PROVISIONS FOR RISKS AND LOSSES	72,280	73,079	74,689
CURRENT LIABILITIES	2,604,355	2,633,283	2,292,217
BANK OVERDRAFTS	203,246	180,233	142,485
BONDS AND NOTES	13,289	10,037	4,243
OTHER BORROWINGS	930,545	921,227	711,600
TRADE PAYABLES	1,004,770	1,026,838	980,427
OTHER PAYABLES	358,371	402,943	368,075
PROVISIONS FOR RISKS AND LOSSES	94,134	92,005	85,387
LIABILITIES HELD FOR DISPOSAL	2,845	--	297
TOTAL LIABILITIES AND EQUITY	8,036,139	8,044,529	7,872,683

(*) Some values for the year 2011 were restated following completion, by the Sogefi group, of the Purchase Price Allocation of Systèmes Moteurs S.A.S.

INCOME STATEMENT

(in thousands of euro)

	1/1-30/9 2012	1/1-30/9 2011	3rd Quarter 2012	3rd Quarter 2011
TRADE REVENUES	3,625,795	3,300,890	1,218,849	1,095,260
CHANGE IN INVENTORIES	10,922	9,784	(1,971)	612
COSTS FOR THE PURCHASE OF GOODS	(2,153,976)	(1,843,195)	(760,481)	(633,454)
COSTS FOR SERVICES	(614,999)	(609,686)	(188,014)	(196,222)
PERSONNEL COSTS	(550,808)	(529,562)	(168,985)	(168,849)
OTHER OPERATING INCOME	77,516	124,741	19,211	53,726
OTHER OPERATING COSTS	(135,838)	(128,115)	(39,717)	(44,614)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(5,589)	15,466	(1,692)	7,597
AMORTIZATION, DEPRECIATION & WRITEDOWNS	(176,798)	(150,786)	(56,571)	(53,095)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)	76,225	189,537	20,629	60,961
FINANCIAL INCOME	53,711	41,166	14,836	12,840
FINANCIAL EXPENSE	(145,025)	(137,147)	(45,353)	(46,464)
DIVIDENDS	396	215	7	78
GAINS FROM TRADING SECURITIES	10,832	16,396	4,383	8,538
LOSSES FROM TRADING SECURITIES	(2,698)	(2,861)	(1,450)	(2,531)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	12,531	(12,799)	2,645	(15,219)
INCOME BEFORE TAXES	5,972	94,507	(4,303)	18,203
INCOME TAXES	(20,655)	(37,348)	(4,195)	(7,258)
RESULT AFTER TAXES FROM OPERATING ACTIVITY	(14,683)	57,159	(8,498)	10,945
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	(5,906)	--	(5,906)	--
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	(20,589)	57,159	(14,404)	10,945
- (NET INCOME) LOSS OF MINORITY SHAREHOLDERS	10,616	(42,144)	3,728	(15,362)
- NET INCOME (LOSS) OF THE GROUP	(9,973)	15,015	(10,676)	(4,417)

NET FINANCIAL POSITION

(in thousands of euro)

	30/09/12	30/06/12	31/12/11
A. Cash and bank deposits	601,364	392,922	494,006
B. Other cash equivalents	118,582	131,096	126,495
C. Securities held for trading	445,295	612,256	613,877
D. Cash and cash equivalents (A) + (B) + (C)	1,165,241	1,136,274	1,234,378
E. Current financial receivables	12,365	27,723	11,956
F. Current bank borrowings	(505,066)	(471,915)	(216,473)
G. Bonds and notes issued	(13,289)	(10,037)	(4,243)
H. Current part of non-current debt	(628,723)	(629,543)	(637,610)
I. Other current borrowings	(2)	(2)	(2)
J. Current financial debt (F) + (G) + (H) + (I)	(1,147,080)	(1,111,497)	(858,328)
K. Net current financial position (J) + (E) + (D)	30,526	52,500	388,006
L. Non-current bank borrowings	(1,891,365)	(1,880,514)	(1,984,806)
M. Bonds and notes issued	(508,116)	(504,328)	(525,802)
N. Other non-current payables	(224,644)	(219,137)	(212,531)
O. Non-current financial debt (L) + (M) + (N)	(2,624,125)	(2,603,979)	(2,723,139)
P. Net financial position (K) + (O)	(2,593,599)	(2,551,479)	(2,335,133)