

**PRESS RELEASE**

*Board of Directors approves results as of September 30 2014*

**CIR GROUP: NET INCOME FOR FIRST NINE MONTHS AT € 5.4 MLN**

***Revenues at € 1.78 billion, down slightly (-1.5%) on 2013***

***EBITDA up at € 154.1 million (+9.5%) thanks to the improved margins of the parent company (negatively affected in 2013 by non-recurring charges) and to the slight increase reported by Espresso and KOS, despite the lower profitability of Sogefi***

***Net income for the period at 5.4 million (€ 10.7 million in 2013 but a loss of € 16.2 million excluding non-recurring items)***

***Plan launched for buyback of own shares***

**Financial highlights of 9M 2014**

(in millions of €)

	9M 2013*	9M 2014	Δ%
Revenues	1,804.5	<b>1,776.6</b>	(1.5)
EBITDA	140.7	<b>154.1</b>	9.5
Net income	10.7	<b>5.4</b>	

*\*Economic results at September 30 2013 reclassified in application of accounting standard IFRS 5*

*Milan, October 27 2014 – The **Board of Directors of CIR-Compagnie Industriali Riunite S.p.A.**, which met today under the chairmanship of **Rodolfo De Benedetti**, approved the **Interim Financial Report of the group as of September 30 2014** as presented by the Chief Executive Officer **Monica Mondardini**.*

**Foreword**

*On July 23 2014, CIR signed an agreement with the lending banks of Sorgenia for the restructuring of the debt of the energy company. The debt restructuring process for Sorgenia will follow the procedure “as per Art. 182 bis” and envisages that, subject to ratification of the plan, there will be a capital increase of 400 million euro, in which the current shareholders will not take part and which will be wholly subscribed to by the lending banks through the conversion of receivables into capital. Once the deal has been completed, CIR will no longer hold any shares in Sorgenia.*

*Given what has been stated above, the CIR group, starting from its Semi-annual Interim Report as of June 30 2014, has adopted international accounting standard IFRS 5 for the consolidation of the Sorgenia group. On the basis of this standard the Sorgenia group must be classified as an asset held for sale. Therefore the statement of financial position of Sorgenia is included in the consolidated financial statements of CIR in the item “Assets/Liabilities held for disposal”, separated out from the other assets and liabilities shown in the statement of financial position, and no longer consolidated according to the full line-by-line method. A similar presentation is used for the income statement which includes Sorgenia’s results in the item “Income/Loss from assets held for disposal”.*

*Therefore, more specifically, the revenues, EBITDA and EBIT of the consolidated income statement of CIR do not include the contribution of Sorgenia, which is however included in the net result. For the purposes of comparison the consolidated income statement of the corresponding period of last year was also reclassified in the same way. The comments on the balance sheet items take this reclassification into account.*

## Consolidated results

The **revenues** of the CIR group in the first nine months of 2014 came in at **€ 1,776.6 million** (-1.5% compared to the € 1,804.5 million of the same period of 2013). The slight decline was due to the lower revenues of the Espresso group, negatively affected by the complex situation in the publishing sector and the still critical performance of the economy, which led to a further reduction in advertising investment. Sogefi reported stable revenues while KOS reported growth of 4.7%.

**EBITDA** came to **€ 154.1 million** (8.7% of revenues), and was **up by 9.5%** compared to the figure for the first nine months of 2013 (€ 140.7 million). The growth was due mainly to the improvement in the margin of the parent company CIR S.p.A., which in 2013 had incurred non-recurring costs relating to the Lodo Mondadori case, and to the slight increase in the profitability reported by Espresso and KOS. These factors more than compensated for the decline in margins reported by Sogefi.

The **net result** of the group was a positive figure of **€ 5.4 million**; in the same period of last year it was € 10.7 million but would have been -€ 16.2 million excluding extraordinary items. It should indeed be remembered that the result of the first nine months of 2013 contained two non-recurring items one with a plus and one with a minus sign: on the one hand the negative effect of the Sorgenia write-downs, on the other the positive impact of the final ruling on the Mondadori case.

The contribution of the operating subsidiaries to the consolidated financial statements of CIR in the nine months was a positive € 4.4 million. In the same period of last year they made a negative contribution of € 299.4 million; excluding the write-downs relating to the Sorgenia group, the contribution would still have been a negative figure of € 12.2 million.

In the nine months Espresso and KOS achieved earnings substantially in line with those of the same period of last year. Sogefi reported a loss of € 5.8 million, compared to earnings of € 23.8 million in the same period of 2013: this result was due to the negative evolution of the South American market, the slight decline in margins in Europe and to non-recurring charges for restructuring.

As far as the Sorgenia group is concerned, this year its contribution to CIR's accounts were equal to zero as it was entirely offset by the write-downs made in 2013 (at September 30 2013 they amounted to € 287.2 million).

The result of the parent company and of the non-operating subsidiaries was a positive € 1.1 million (versus a positive € 310.1 million in 2013 relating mainly to non-recurring gains, net of which there would have been a loss of € 4 million).

The **net financial position** of the CIR group at September 30 2014 amounted to **-€ 156.8 million** versus -€ 1,845.3 million at December 31 2013; the change was due to the deconsolidation of the net financial position of Sorgenia after application of accounting standard IFRS 5.

The increase in the net financial position of the group compared to the figure at June 30 2014 (-€ 56.6 million) was due mainly to the expected disbursements for taxes, which were already recognized in the accounts in 2013, in relation to the Lodo Mondadori case.

The **net financial position of the parent company** was a **positive € 391.3 million** at September 30 2014.

The **equity of the group** amounted to **€ 1,148.1 million** at September 30 2014, up from € 1,131 million at December 31 2013.

At September 30 2014 the CIR group had **13,887 employees** (14,111 at December 31 2013).

## Results of the main subsidiaries of the CIR group

### **Media: Espresso**

*Gruppo Editoriale L'Espresso is one of the most important publishing companies in Italy. It operates in all sectors of communication: the daily and periodical press, radio, internet, television and the collection of advertising. The group is 55.9% controlled by CIR and is listed on the Stock Exchange.*

Despite the negative evolution of the market, which has had a significant impact on revenues, the group closed the first nine months of 2014 with a positive result in line with that of the same period of last year. It should be noted that following the integration of the network operator activities into Persidera, the consolidation perimeter has now changed.

The sales revenues of Espresso in the first nine months of 2014 came in at € 471.2 million (-8.1% from € 512.6 million in 2013), while EBITDA came to € 41.5 million, up slightly from € 38.4 million in the same period of last year.

The consolidated net result, with the same consolidation perimeter, was net income of € 4.9 million (€ 3.9 million in 2013). Including the businesses sold, the net result was € 4.6 million versus € 4.5 million in the same period of last year.

For further information on the results of Espresso see the press release published by the company on October 22 2014 (<http://goo.gl/2milHq>).

#### **Automotive components: Sogefi**

*Sogefi is one of the main world producers in the sectors of filters, engine air systems and suspension components with 42 production plants in 4 continents. The company is controlled by CIR (57.2%) and is listed on the Stock Exchange.*

The sales revenues of Sogefi in the first nine months of 2014 came in at € 1,010.2 million, unchanged from € 1,010.6 million in the same period of 2013 (+4.6% at the same exchange rates).

EBITDA came to € 80.8 million (-25.5% from € 108.4 million in the first nine months of 2013). The results were affected above all by the continuing weakness of the South American market, where sales fell by 23.3% compared to the first nine months of 2013. Apart from Mercosur, margins were also affected by the restructuring and the resulting temporary inefficiencies in Europe. Growth continues in North America, although at a lower rate than in the recent past, and in Asia. The contraction in margins weighed on the net result for the period, which came to -€ 5.8 million (net income of € 23.8 million in the first nine months of last year).

For further information on the results of Sogefi see the press release published by the company on October 21 2014 (<http://goo.gl/B50JYK>).

#### **Healthcare: KOS**

*KOS is one of the most important Italian groups in the care-home sector (managing nursing homes and rehabilitation centres, and hospital facilities). The group manages 71 facilities, mainly in the centre and north of Italy, with a total of around 6,350 beds in operation plus another 300 or so under construction. Controlled by CIR (with 51.3%), KOS also has the Ardian group as a shareholder.*

In the first nine months of 2014 KOS achieved revenues of € 289.7 million (+4.7% compared to € 276.8 million in 2013), thanks to the development of its three areas of activity (nursing homes, rehabilitation centres, high-tech services/hospital management). EBITDA came to € 44.2 million, posting a rise from € 41.3 million in 2013. Net income was € 10.1 million, up from € 9.6 million in 2013. Net debt stood at € 158.7 million at September 30 2014 (€ 155.7 million at December 31 2013).

During the quarter two RSA facilities (nursing homes) started operating in Bergamo (120 beds) and Montecosaro (MC) (85 beds) while the RSA facility at Dorzano (68 beds) was sold. In the sector of high-tech services business is continuing in India with the joint venture ClearMedi Healthcare Ltd and in the United Kingdom with the subsidiary Medipass Healthcare Ltd.

#### **Non-core investments**

The non-core investments of the group consist of private equity initiatives, minority shareholdings and other investments for a total value at September 30 2014 of € 183.7 million (€ 179.9 million at December 31 2013).

More specifically, the CIR group has a diversified portfolio of funds in the private equity sector (with a fair value at September 30 2014 of € 71.4 million). It should also be noted that there is an interest of around 20% in the company Swiss Education Group, a world leader in managerial training in the hospitality sector: the value of this investment at September 30 2014 was € 21.2 million. Lastly, the CIR group has a portfolio of non-performing loans, the value of which was € 73.9 million at September 30 2014.

## **Outlook for the rest of the year 2014**

The performance of the CIR group in the last part of 2014 will be affected by the evolution of the Italian economic climate, which is still uncertain and has a significant impact particularly on the media sector, and also by the performance of the South American market for the automotive component sector.

The net result for the year will be affected by non-recurring costs of approximately € 16.5 million for the buyback of the 2024 Notes, which will be recognized to the accounts in the fourth quarter.

## **Significant events that occurred after September 30 2014**

On October 16 2014, CIR S.p.A. repaid its “€ 300,000,000 5.75 per cent. Notes due 2024” (€ 210,162,000 in circulation) after the majority of the Noteholders had accepted the buyback offer announced by the company on September 9 2014 and the general meeting held on October 13 had approved the *Extraordinary Resolution* for early repayment. The total amount paid by CIR was € 237,147,254.28. Following the repayment of the 2024 Notes, CIR has no more bonds or notes in circulation.

On October 21 2014, the Board of Directors of Sogefi announced that Chief Executive Guglielmo Fiocchi and the company had by common accord considered Fiocchi’s management experience to have come to an end. At the proposal of Chairman Rodolfo De Benedetti, the Board appointed Monica Mondardini, the Chief Executive of CIR, as Executive Vice Chairman. Ms Mondardini has been entrusted by the Board of Directors with the selection of a new chief executive officer, with whom to formulate a strategic plan for the company.

## **Share buyback plan launched**

CIR S.p.A. intends to start buying back its own shares in accordance with and in execution of the authorization given by the Annual General Meeting of the Shareholders on June 30 2014.

As already announced to the market, the authorization of the AGM concerns the possible buyback, even a partial one, of a maximum number of 30,000,000 ordinary shares (in addition to the shares already held as treasury stock) for a period of 18 months with a maximum disbursement limit of € 50 million. The rationale behind the buyback program is given in the AGM resolution available on the Company’s website [www.cirgroup.it](http://www.cirgroup.it) and on the authorized storage system website [www.1Info.it](http://www.1Info.it).

In the event of buyback transactions, CIR will inform the market of the deals done on a weekly basis. Where liquidity is extremely low, the Company anticipates that at some trading sessions it may exceed the limit of 25% of the average daily volume of the twenty days preceding the date of the buyback, but in any case the maximum number of own shares that can be bought back will not exceed 50% of the average daily volume.

Banca Intermobiliare di Investimenti e Gestioni S.p.A. is the intermediary appointed to buy back the own shares. As of today CIR S.p.A. owns 48,703,842 of its own shares, equal to 6.13% of the share capital.

*The executive responsible for the preparation of the company’s financial statements, Giuseppe Gianoglio, 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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**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 financial 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 subject to an audit by the firm of auditors*

## Consolidated Statement of Financial Position

(in thousands of euro)

ASSETS	30.09.2014	30.06.2014	31.12.2013
<b>NON-CURRENT ASSETS</b>	<b>2,111,254</b>	<b>2,085,822</b>	<b>3,775,336</b>
INTANGIBLE ASSETS	994,196	989,695	1,161,522
TANGIBLE ASSETS	609,512	598,026	1,998,469
INVESTMENT PROPERTY	20,894	21,148	21,458
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	165,677	165,802	81,988
OTHER EQUITY INVESTMENTS	4,984	4,940	5,636
OTHER RECEIVABLES	138,495	138,038	233,931
SECURITIES	79,776	73,736	79,351
DEFERRED TAXES	97,720	94,437	192,981
<b>CURRENT ASSETS</b>	<b>1,756,379</b>	<b>1,859,914</b>	<b>2,816,818</b>
INVENTORIES	134,246	138,435	160,945
CONTRACTED WORK IN PROGRESS	28,408	29,721	30,926
TRADE RECEIVABLES	444,947	484,911	1,192,627
OTHER RECEIVABLES	114,249	113,505	209,740
FINANCIAL RECEIVABLES	64,558	27,044	1,433
SECURITIES	221,714	202,581	166,037
AVAILABLE-FOR-SALE FINANCIAL ASSETS	101,076	94,561	98,011
CASH AND CASH EQUIVALENTS	647,181	769,156	957,099
ASSETS HELD FOR DISPOSAL	2,412,467	2,514,704	--
ELISION OF ASSETS TO/FROM DISCONTINUED OPERATIONS	(1,558)	(52,043)	--
<b>TOTAL ASSETS</b>	<b>6,278,542</b>	<b>6,408,397</b>	<b>6,592,154</b>

LIABILITIES AND EQUITY	30.09.2014	30.06.2014	31.12.2013
<b>EQUITY</b>	<b>1,626,137</b>	<b>1,613,842</b>	<b>1,602,346</b>
ISSUED CAPITAL	397,146	397,146	397,146
less OWN SHARES	(24,352)	(24,529)	(24,764)
SHARE CAPITAL	372,794	372,617	372,382
RESERVES	314,076	303,594	302,231
RETAINED EARNINGS (LOSSES)	455,828	456,058	725,603
NET INCOME (LOSS) FOR THE PERIOD	5,391	5,328	(269,210)
<b>EQUITY OF THE GROUP</b>	<b>1,148,089</b>	<b>1,137,597</b>	<b>1,131,006</b>
MINORITY SHAREHOLDERS' EQUITY	478,048	476,245	471,340
<b>NON-CURRENT LIABILITIES</b>	<b>958,920</b>	<b>1,159,127</b>	<b>1,331,174</b>
BONDS AND NOTES	269,626	475,735	365,558
OTHER FINANCIAL LIABILITIES	325,438	322,028	497,143
OTHER PAYABLES	315	276	930
DEFERRED TAXES	144,086	141,594	215,120
PERSONNEL PROVISIONS	123,346	123,879	128,535
PROVISIONS FOR RISKS AND LOSSES	96,109	95,615	123,888
<b>CURRENT LIABILITIES</b>	<b>1,286,051</b>	<b>1,177,912</b>	<b>3,658,634</b>
BANK OVERDRAFTS	22,101	22,181	194,114
BONDS AND NOTES	413,739	192,837	230,719
OTHER FINANCIAL LIABILITIES	160,426	137,155	1,780,326
TRADE PAYABLES	392,958	455,900	1,011,523
OTHER PAYABLES	213,776	284,864	332,586
PROVISIONS FOR RISKS AND LOSSES	83,051	84,975	109,366
LIABILITIES HELD FOR DISPOSAL	2,408,992	2,509,559	--
ELISION OF LIABILITIES TO/FROM DISCONTINUED OPERATIONS	(1,558)	(52,043)	--
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,278,542</b>	<b>6,408,397</b>	<b>6,592,154</b>

## Consolidated Income Statement

<i>(in thousands of euro)</i>	<i>1/1-30/9</i> <i>2014</i>	<i>1/1-30/9</i> <i>2013</i>	<i>3rd Quarter</i> <i>2014</i>	<i>3rd Quarter</i> <i>2013</i>
SALES REVENUES	1,776,648	1,804,508	569,596	573,648
CHANGE IN INVENTORIES	(1,570)	(3,359)	(5,652)	(2,268)
COSTS FOR THE PURCHASE OF GOODS	(636,173)	(631,810)	(202,131)	(204,453)
COSTS FOR SERVICES	(450,300)	(497,321)	(145,275)	(176,953)
PERSONNEL COSTS	(503,721)	(510,163)	(155,930)	(156,542)
OTHER OPERATING INCOME	24,187	22,077	6,173	6,493
OTHER OPERATING COSTS	(56,101)	(44,467)	(17,199)	(13,534)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	1,186	1,226	(255)	(619)
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(74,711)	(74,022)	(24,308)	(26,068)
<b>EARNINGS BEFORE INTEREST AND TAXES ( E B I T )</b>	<b>79,445</b>	<b>66,669</b>	<b>25,019</b>	<b>(296)</b>
FINANCIAL INCOME	19,749	46,202	6,358	26,135
FINANCIAL EXPENSE	(72,909)	(63,779)	(23,390)	(15,025)
DIVIDENDS	75	322	1	--
GAINS FROM TRADING SECURITIES	13,089	9,879	1,636	2,901
LOSSES FROM TRADING SECURITIES	(3,662)	(3,237)	(21)	(1,733)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	2,175	(297)	1,691	3,183
NON-RECURRING GAINS (LOSSES)	--	491,312	--	491,312
<b>INCOME BEFORE TAXES</b>	<b>37,962</b>	<b>547,071</b>	<b>11,294</b>	<b>506,477</b>
INCOME TAXES	(23,432)	(197,123)	(6,908)	(173,840)
<b>RESULT AFTER TAXES FROM OPERATING ACTIVITY</b>	<b>14,530</b>	<b>349,948</b>	<b>4,386</b>	<b>332,637</b>
NET INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	(2,785)	(643,580)	(2,374)	(300,159)
<b>NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS</b>	<b>11,745</b>	<b>(293,632)</b>	<b>2,012</b>	<b>32,478</b>
- (NET INCOME) LOSS MINORITY SHAREHOLDERS	(6,354)	304,356	(1,949)	143,188
<b>- NET INCOME (LOSS) OF THE GROUP</b>	<b>5,391</b>	<b>10,724</b>	<b>63</b>	<b>175,666</b>

## Consolidated Net Financial Position

<i>(in thousands of euro)</i>		<i>30.09.2014</i>	<i>30.06.2014</i>	<i>31.12.2013</i>
A.	Cash and bank deposits	647,181	769,156	957,099
B.	Other cash equivalents	101,076	94,561	98,011
C.	Securities held for trading	221,714	202,581	166,037
<b>D.</b>	<b>Cash and cash equivalents (A) + (B) + (C)</b>	969,971	1,066,298	1,221,147
<b>E.</b>	<b>Current financial receivables</b>	64,558	27,044	1,433
F.	Current bank borrowings	(150,671)	(144,476)	(1,886,721)
G.	Bonds and notes issued	(413,739)	(192,837)	(230,719)
H.	Current part of non-current debt	(31,856)	(14,860)	(87,719)
I.	Other current financial payables	--	--	--
<b>J.</b>	<b>Current financial debt (F) + (G) + (H) + (I)</b>	(596,266)	(352,173)	(2,205,159)
<b>K.</b>	<b>Current net financial position (J) + (E) + (D)</b>	438,263	741,169	(982,579)
L.	Non-current bank borrowings	(181,245)	(180,241)	(291,277)
M.	Bonds and notes issued	(269,626)	(475,735)	(365,558)
N.	Other non-current payables	(144,193)	(141,787)	(205,866)
<b>O.</b>	<b>Non-current financial debt (L) + (M) + (N)</b>	(595,064)	(797,763)	(862,701)
<b>P.</b>	<b>Net financial position (K) + (O)</b>	(156,801)	(56,594)	(1,845,280)