

CIR GROUP: REVENUES AT € 2,010.8 MLN IN FIRST 9 MONTHS OF 2019

Ebitda at € 247.4 million

Net income at € 7.2 million

Net financial position of the parent company at 30/9 positive for € 319.2 million

Highlights from results for 9M 2019

(in millions of €)

	<u>9M 2018</u>	<u>9M 2019*</u>
Revenues	2,059.9	2,010.8
EBITDA	234.5	247.4
Net income	32.5	7.2
	30/9	30/9
Net debt before IFRS 16	354.4	358.1
Payables for leasing and rights of use IFRS 16		433.1
Net debt after IFRS 16		791.2

* As from January 1 2019 IFRS 16 has been applied as explained in the Foreword

Milan, October 28 2019 – The **Board of Directors** of **CIR-Compagnie Industriali Riunite S.p.A.**, which met today under the chairmanship of **Rodolfo De Benedetti**, has approved the **Financial Report as of September 30 2019** presented by Chief Executive Officer **Monica Mondardini**.

The CIR group operates mainly in three sectors: **healthcare (KOS)**, **automotive components (Sogefi)** and **media (GEDI Gruppo Editoriale)**.

Foreword

The Financial Report as of September 30 2019 was formulated applying IFRS 16, which establishes a new way of accounting for lease contracts and has a significant effect on the items of net debt and EBITDA of the Group. These will be highlighted further on in this press release.

Consolidated results

The consolidated results of the CIR group in the first nine months of 2019 reflect the unfavourable performance of two of the three markets in which it operates: automotive and publishing. The automotive sector worldwide reported a fall in production of 5.9% and publishing in Italy was impacted by the recession affecting advertising investments, which declined overall by 5.9% in the first eight months of the

year. These developments were reflected in the revenues and results of the subsidiaries *Sogefi* and *GEDI*.

The consolidated **revenues** of the CIR group came in at **€ 2,010.8 million** and were down by 2.4% compared to the same period of 2018 (€ 2,059.9 million), with *KOS* up by 4.3%, *Sogefi* down by 3.2% and *GEDI* down by 6%.

The consolidated **gross operating margin (EBITDA)** came to **€ 247.4 million**; before the application of IFRS 16, EBITDA was € 201.8 million and was down from € 234.5 million in the first nine months of last year because of the lower margins of the subsidiaries *Sogefi* and *GEDI*.

The consolidated **operating result (EBIT)** was **€ 81.3 million** versus € 111.4 million in the same period of last year.

Consolidated **net income** came in at **€ 7.2 million**, € 20.3 million excluding the impact on the group of the write-down reported by *GEDI* of its shareholding interest in *Persidera* in the prospect of its disposal (€ -7.7 million), the effect of the new accounting standards (€ -2.6 million) and the non-recurring charges incurred by the parent company mainly for the merger by incorporation of CIR into COFIDE. In the first nine months of 2018, the net result was € 32.5 million; the decline of € 20.3 million was due to the lower results of the subsidiaries *Sogefi* and *GEDI*, on account of the unfavourable performance of their respective markets.

The consolidated **net financial debt** at September 30 2019, excluding the financial expenses for rights of use introduced by IFRS 16, amounted to **€ 358.1 million**, in line with the figure at September 30 2018 (€ 354.4 million).

2

The total net financial debt at September 30 2019 of the industrial subsidiaries, before IFRS 16, stood at € 677.8 million (€ 622.6 million at the end of December 2018), with an increase in the debt of *KOS* of € 31 million due to the payment of dividends and investments made in development, and a reduction of € 6.3 million in the net debt of *GEDI* and of € 21.6 million in that of *Sogefi*.

The **net financial position of the parent company** (including the non-industrial subsidiaries) was a positive **€ 319.2 million** at September 30 2019, unchanged from € 320.3 million at September 30 2018. The change in the first nine months of 2019 was the result of disbursements for the distribution of dividends (€ 25 million) and the buyback of own shares (€ 3.2 million), the effect of IFRS 16 for € -0.5 million, offset by the positive cash flow from operations (€ 22.4 million).

The application of accounting standard IFRS 16 at September 30 2019 involved the recognition of financial payables for rights of use for an amount of € 433.1 million and thus the consolidated net debt figure after IFRS totalled € 791.2 million. The increase relating to IFRS 16 came mainly from the subsidiary *KOS* (€ 311.3 million), which operates mainly in leased premises.

The **shareholders' equity of the group** amounted to **€ 914.6 million** at September 30 2019 versus € 936.2 million at December 31 2018.

At September 30 2019 the CIR group had **16,526 employees** (16,365 at December 31 2018).

Results of the industrial subsidiaries of the CIR group

Healthcare: KOS

KOS, which is controlled by CIR (59.5%) and in which F2i Healthcare has an interest, is one of the largest groups in Italy in the sector of healthcare and care homes (long-term care, diagnostics and oncology treatments, management of hospital facilities). The group manages 86 facilities, mainly in the centre and north of Italy, for a total of 8,153 beds, and is also active in India and the United Kingdom.

In the first nine months of 2019 *KOS* reported **revenues** of € 420.3 million, showing an increase of 4.3% compared to € 403.1 million in the same period of last year. The *Long Term Care* area posted a rise thanks to organic growth and the contribution of the acquisitions made in 2018; the *Diagnostics, oncology treatments and acute* area reported growth after new services were introduced in 2018 and 2019.

EBITDA came to € 101.6 million; excluding the effect of IFRS 16, it was € 75.9 million (18.1% of revenues) in line (+1.3%) with the first nine months of 2018 (€ 74.9 million).

EBIT was € 50.4 million; before IFRS 16 it was € 47.9 million, in line with the first nine months of 2018.

Net income came in at € 23.5 million compared to € 24.8 million in the first nine months of 2018; the slight decline was due to the application of IFRS 16, which had an impact of € 1.6 million.

At September 30 2019, *KOS* had **net financial debt** before IFRS 16 of € 295.3 million, up by € 35.9 million from € 259.4 million at December 31 2018, after the distribution of dividends of € 35.1 million in the period and investments in development for € 26 million (greenfield and new projects in the diagnostics and cancer treatment areas).

The application of accounting standard IFRS 16 involved the recognition at September 30 2019 of financial payables for leasing and rights of use of € 311.3 million and therefore the net financial debt figure came to € 606.6 million.

In July the company *KOS Germany GmbH* was set up, a special purpose vehicle for the formalization of the acquisition of *Charleston Holding GmbH*, a German company active in the supply of residential services for the non-self-sufficient elderly and of ancillary services for patients who are elderly and have a high level of disability. *Charleston* manages 47 care homes with a total of 4,050 beds. The deal is expected to close in November.

Automotive components: Sogefi

Sogefi is one of the main producers worldwide in the sectors of suspension, filtration, and air and cooling systems for motor vehicles, with 41 production plants in four continents. The company is controlled by CIR (56.7%) and is listed on the Stock Exchange.

In the first nine months of 2019, the world car market reported a decline in production of 5.9% (source *IHS* – October 2019) compared to the same period of 2018, with Europe down by 4.3%, Asia falling 11.6%,

North America declining by 2.2% and South America down by 3.3%.

The **revenues** of *Sogefi* came in at € 1,149.0 million, down by 2.2% at constant exchange rates and by 3.2% at historical exchange rates compared to the same period of 2018, but holding up better than the market thanks to business in Europe.

By geographical area, revenues at constant exchange rates were down by 1.6% in Europe, by 4.2% in North America and by 13% in Asia, while in South America they posted a rise of +8.6%.

By business sector, at constant exchange rates, *Suspensions* posted a decline in revenues of 4.2% (-7.3% at current exchange rates) and *Air and Cooling* a decline of 3.5% (-1.6% at current exchange rates) while the revenues of *Filtration* rose by 1.1% (+0.1% at current exchange rates).

EBITDA came in at € 130.7 million, down from € 141.6 million in the first nine months of 2018; with the same accounting criteria and excluding for the previous year the non-recurring gain of € 6.6 million from the closure of the quality claims in *Systèmes Moteurs S.A.S.*, profitability (EBITDA/ Revenues %) was 11.4% versus 12% in the same period of 2018. In the third quarter, profitability (12%) recovered compared to the figures for the previous two quarters (10.6% and 11.6% in the first and second quarters respectively) to a higher level than that reported for the third quarter of 2018.

EBIT came to € 37.4 million versus € 56.3 million in the first nine months of 2018. Profitability (EBIT/Revenues %) was 3.3% down from 4.3% in the first nine months of 2018 (with the same accounting criteria and excluding the above-mentioned non-recurring gain). Profitability in the third quarter of 2019 shows an improvement from the third quarter of 2018 (from 3.1% to 3.5%). The operating result held up well in the main markets, Europe and North America, thanks to the actions put in place during the period, while the unfavourable performance of the Chinese market and that of South America (particularly Argentina) together with the start-up costs of the filter production plant in Morocco had a negative impact.

Net income came in at € 8.3 million, down from € 20.4 million in the first nine months of 2018, after tax expense of € 12.6 million in the first nine months of 2019, versus € 16.5 million in the same period of 2018.

The **net debt** totalled € 327.7 million at September 30 2019, including € 63.1 million resulting from the application of IFRS 16. Excluding this amount, the net debt at September 30 2019 was € 264.6 million, down by 21.6 million from the figure at September 2018 and substantially in line with the net debt figure for December 2018.

For further information on the results of *Sogefi*, see the press release published by the company on October 25 2019.

Media: GEDI Gruppo Editoriale

GEDI Gruppo Editoriale, is the leading company in Italy in daily and multimedia news and one of the most important in Europe. It operates mainly in the following sectors: newspapers and magazines, radio, the internet and the collection of advertising. The company is controlled by CIR (45.8%) and is listed on the Stock Exchange.

In the first eight months of 2019 advertising investments were down by 5.9% compared to the same period of last year (*Nielsen Media Research* data). Of the main media only radio and the internet (excluding search engines and social media) reported a positive performance posting growth of 2.5% and 2.2% respectively. The printed press was the medium that suffered the most, again reporting a fall of 12.5%. As for circulation, in the first eight months of 2019 daily newspapers reported a decline in sales on the newsstands and by subscription of 8.2% (*ADS-Accertamento Diffusione Stampa* figures). Including digital copies, the overall circulation of daily newspapers posted -7.3%.

GEDI's revenues totalled € 441.5 million, declining by 6% compared to the first nine months of 2018. Circulation revenues came to € 205.2 million and were down by 4.8% on those of the same period of last year with advertising revenues, amounting to € 206.4 million, falling by 7%.

EBITDA came in at € 31.1 million; excluding the effect of IFRS 16, it would have been € 20.2 million (€ 31.4 million in the first nine months of 2018), after restructuring costs of € 4.9 million.

EBIT came to € 7.1 million (€ 17.3 million in the first nine months of 2018).

The **net result** was a loss of € 18.3 million. Given the scheduled sale of the interest in *Persidera*, the company aligned its carrying value to the expected sale price, with a negative impact on the net result of € 16.9 million, plus that of € 3.7 million of restructuring costs. Net of these effects the consolidated result would have been a positive € 2.2 million (net income of € 7.8 million in the first nine months of 2018).

5

Net financial debt at September 30 2019, before the application of accounting standard IFRS 16, amounted to € 118.4 million, down from € 124.7 million at September 30 2018, but higher than the € 103.2 million at December 31 2018, as an effect of € 25.6 million of disbursements relating to the restructuring plans in progress. The application of IFRS 16 led to the recognition at September 30 2019 of financial payables for leasing and rights of use of € 58.6 million and thus the net debt figure after IFRS came to € 177.0 million.

For further information on the results of *GEDI* see the press released published by the company on October 21 2019.

Non-core investments

At September 30 2019 the non-core investments of the CIR group totalled € 67.2 million (€ 72.5 million at December 31 2018) and consisted of the following: a diversified portfolio of private equity funds managed by *CIR International*, the fair value of which, calculated based on the NAVs produced by the funds themselves, was € 47.6 million at September 30 2019, investments in non-strategic equity interests worth € 10.5 million and a portfolio of non-performing loans with a total value of € 9.1 million.

Outlook for the year

Performance in the rest of the year will depend on the evolution of the three business sectors.

As far as *KOS* is concerned, during the fourth quarter it is expected that the growth reported in the previous

nine months will be confirmed, with the addition of the consolidation of the acquisition made in Germany.

As regards *Sogefi* and *GEDI*, performance in the remaining part of the year will depend on the evolution of the automotive market and the publishing market in Italy, both of which are currently characterized by an unfavourable performance and an outlook of substantial uncertainty.

For *Sogefi* in particular, in recent months sector sources have revised down their expectations for world car production in the fourth quarter and are now forecasting a decline of 5.5% (in line with what was reported for the first nine months of the year), compared to their previous forecast of -1%. On the basis of these general prospects, as well as other specific factors, *Sogefi* expects that sales in the last quarter compared to the previous year will be in line with the evolution of the market and that the EBIT margin will improve slightly in comparison with the fourth quarter of 2018.

For *GEDI*, as regards the outlook for the year, it should be noted that the results of the second and third quarters have improved in comparison with the early months of the year and in the fourth quarter the group expects to see further effects of the actions put in place. It can therefore be expected that, in the absence of any events as yet unpredictable, the group will obtain a positive result, excluding the impact of the sale of *Persidera* and any other exceptional items.

Significant events that have taken place since September 30 2019

On October 11 an irrevocable bid was received for the acquisition of a 29.9% interest in *GEDI*. The bid was neither agreed upon nor requested and all the CIR Board members defined it as inadmissible as contrary to the interest of the company.

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.

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 "operating result";
- **Consolidated net financial debt:** an indicator of the financial structure of the group; it is the algebraic sum of financial receivables, securities, other financial assets and cash and cash equivalents in current assets, of bonds, other borrowings, and financial payables for rights of use in non-current liabilities, and of bank overdrafts, bonds, other borrowings, and financial payables for rights of use in current liabilities.

Attached are key figures from the consolidated statement of financial position and the income statement

1. Statement of Financial Position

(in thousands of euro)

ASSETS	30.09.2019 (*)	30.06.2019 (*)	31.12.2018
NON-CURRENT ASSETS	2,656,674	2,657,118	2,314,052
INTANGIBLE ASSETS	1,138,058	1,139,049	1,139,840
TANGIBLE ASSETS	756,494	750,207	822,169
INVESTMENT PROPERTY	16,767	16,956	17,825
RIGHTS OF USE	502,565	516,803	--
INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	18,488	18,420	110,179
OTHER EQUITY INVESTMENTS	14,053	11,748	12,525
OTHER RECEIVABLES	50,969	49,498	50,534
OTHER FINANCIAL ASSETS	58,084	53,455	61,980
DEFERRED TAX ASSETS	101,196	100,982	99,000
CURRENT ASSETS	1,191,060	1,212,192	1,206,395
INVENTORIES	138,737	133,916	134,218
TRADE RECEIVABLES	393,906	443,450	420,969
OTHER RECEIVABLES	108,426	102,009	79,017
FINANCIAL RECEIVABLES	16,908	21,117	25,773
SECURITIES	24,876	26,524	25,069
OTHER FINANCIAL ASSETS	268,787	288,322	276,880
CASH AND CASH EQUIVALENTS	239,420	196,854	244,469
ASSETS HELD FOR SALE	70,610	70,180	13,599
TOTAL ASSETS	3,918,344	3,939,490	3,534,046
LIABILITIES AND EQUITY	30.09.2019 (*)	30.06.2019 (*)	31.12.2018
SHAREHOLDERS' EQUITY	1,414,541	1,402,300	1,448,875
SHARE CAPITAL	320,611	320,604	322,089
RESERVES	213,922	213,948	236,862
RETAINED EARNINGS (LOSSES)	372,910	371,936	364,307
NET INCOME (LOSS) FOR THE PERIOD	7,223	1,982	12,890
EQUITY OF THE GROUP	914,666	908,470	936,148
MINORITY SHAREHOLDERS' EQUITY	499,875	493,830	512,727
NON-CURRENT LIABILITIES	1,376,840	1,359,422	1,008,337
BONDS	236,250	233,308	270,254
OTHER BORROWINGS	307,520	281,615	327,303
FINANCIAL PAYABLES FOR RIGHTS OF USE	429,236	443,489	--
OTHER PAYABLES	65,115	61,265	62,968
DEFERRED TAX LIABILITIES	173,749	173,191	169,698
PERSONNEL PROVISIONS	133,918	133,634	135,091
PROVISIONS FOR RISKS AND LOSSES	31,052	32,920	43,023
CURRENT LIABILITIES	1,126,963	1,177,768	1,067,470
BANK BORROWINGS	21,875	15,707	13,046
BONDS	43,168	41,600	113,801
OTHER BORROWINGS	236,793	252,934	144,874
FINANCIAL PAYABLES FOR RIGHTS OF USE	66,302	64,767	--
TRADE PAYABLES	459,310	504,527	497,264
OTHER PAYABLES	227,805	226,631	211,108
PROVISIONS FOR RISKS AND LOSSES	71,710	71,602	87,377
LIABILITIES HELD FOR DISPOSAL	--	--	9,364
TOTAL LIABILITIES AND EQUITY	3,918,344	3,939,490	3,534,046

(*) The Group applied the new accounting standard IFRS 16 "Leases" from the date of first application (i.e. January 1 2019) using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as of January 1 2019, without restating the comparative information.

2. Income statement

(in thousands of euro)

	1/1 - 30/9 2019 (*)	1/1 - 30/9 2018 (**)	III Quarter 2019 (*)	III Quarter 2018 (**)
REVENUES	2,010,829	2,059,904	648,823	655,284
CHANGE IN INVENTORIES	(156)	767	1,486	(755)
COSTS FOR THE PURCHASE OF GOODS	(716,289)	(734,488)	(232,224)	(234,335)
COSTS FOR SERVICES	(440,854)	(499,514)	(141,428)	(161,365)
PERSONNEL COSTS	(568,552)	(567,342)	(177,259)	(177,141)
OTHER OPERATING INCOME	21,887	19,497	3,662	4,832
OTHER OPERATING COSTS	(59,451)	(44,291)	(16,943)	(10,804)
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	(166,090)	(123,109)	(56,249)	(40,334)
OPERATING RESULT	81,324	111,424	29,868	35,382
FINANCIAL INCOME	7,122	6,409	2,135	1,541
FINANCIAL EXPENSE	(43,404)	(42,221)	(13,738)	(13,266)
DIVIDENDS	41	2,782	27	15
GAINS FROM TRADING SECURITIES	4,100	8,282	530	1,547
LOSSES FROM TRADING SECURITIES	(1,248)	(403)	--	(8)
SHARE OF THE EARNINGS (LOSS) OF EQUITY INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	229	447	68	116
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	3,752	(1,676)	685	(461)
RESULT BEFORE TAXES	51,916	85,044	19,575	24,866
INCOME TAXES	(24,876)	(29,344)	(9,138)	(8,630)
RESULT OF CONTINUING OPERATIONS	27,040	55,700	10,437	16,236
NET INCOME/(LOSS) OF OPERATIONS HELD FOR SALE	(12,870)	3,289	429	338
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	14,170	58,989	10,866	16,574
- (NET INCOME) LOSS OF MINORITY INTERESTS	(6,947)	(26,543)	(5,625)	(8,220)
- NET INCOME (LOSS) OF THE GROUP	7,223	32,446	5,241	8,354

(*) The Group applied the new accounting standard IFRS 16 "Leases" from the date of first application (i.e. January 1 2019) using the modified retrospective method. Therefore the cumulative effect of the adoption of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as of January 1 2019, without restating the comparative information.

(**) It should be noted that the effect of application of IAS 29 "Financial reporting in hyperinflationary economies" recognized at the close of December 2018, was shared over the quarters of the same year.

The values for the year 2018 of "Assets held for sale" were restated following application of IFRS 5 "Non-current assets held for sale and discontinued operations" in the line "Income (loss) from assets held for sale".

3. Statement of net financial position

<i>(in thousands of euro)</i>	30.09.2019	30.06.2019	31.12.2018
A. Cash and bank deposits	239,420	196,854	244,469
B. Other cash equivalents	268,787	288,322	276,880
C. Securities held for trading	24,876	26,524	25,069
D. Cash and cash equivalents (A) + (B) + (C)	533,083	511,700	546,418
E. Current financial receivables	16,908	21,117	25,773
F. Current bank borrowings	(199,948)	(191,096)	(65,824)
G. Bonds issued	(43,168)	(41,600)	(113,801)
H. Current part of non-current debt	(58,720)	(77,545)	(92,096)
I. Financial payables for rights of use	(66,302)	(64,767)	--
J. Current financial debt (F) + (G) + (H) + (I)	(368,138)	(375,008)	(271,721)
K. Net current financial position (J) + (E) + (D)	181,853	157,809	300,470
L. Non-current bank borrowings	(305,171)	(279,266)	(267,032)
M. Bonds issued	(236,250)	(233,308)	(270,254)
N. Other non-current payables	(2,349)	(2,349)	(60,271)
O. Financial payables for rights of use	(429,236)	(443,489)	--
P. Non-current financial debt (L) + (M) + (N) + (O)	(973,006)	(958,412)	(597,557)
Q. Net financial position (K) + (P)	(791,153)	(800,603)	(297,087)