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Oggetto : CIR group: results higher in the first nine
months

Testo del comunicato

Vedi allegato.

Board of Directors approves results as of September 30 2015

CIR GROUP: RESULTS HIGHER IN THE FIRST NINE MONTHS

Revenues at € 1.9 bln (+7.1%); EBITDA € 174.4 mln (+13%); net income € 39.6 mln (€ 5.4 mln in 2014)

Significant increase in the net income of the three main industrial subsidiaries Espresso, Sogefi and KOS. Their contribution to the group result was a positive € 25 million (€ 4.4 mln in 2014)

Contribution of parent company and non-industrial subsidiaries also higher (€ 14.6 million versus € 1 million in 2014)

Net financial position of the parent company positive at 30/9 for € 360.2 million

Financial highlights for 9M 2015

(in millions of €)

	9M 2014	9M 2015	Δ%
Revenues	1,771.2	1,897.4	+7.1%
EBITDA	154.4	174.4	+13%
Net income	5.4	39.6	

Milan, October 30 2015 – 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 **Interim Financial Report of the group as of September 30 2015** as presented by Chief Executive Officer **Monica Mondardini**.

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

Consolidated results

The **revenues** of the CIR group in the first nine months of 2015 came to **€ 1,897.4 million** and **were up by 7.1%** from € 1,771.2 million in the same period of the previous year. The increase was driven by *Sogefi* and *KOS*, which achieved growth of 11.5% and 12.6% respectively.

The **gross operating margin (EBITDA)** came in at **€ 174.4 million** (9.2% of revenues), posting a **rise of 13%** from the figure of € 154.4 million in the first nine months of 2014 (8.7% of revenues). The **operating result (EBIT)** came to **€ 96.7 million** (5.1% of revenues), **up by 15.9%** from € 83.4 million last year (4.7% of revenues).

This performance was due mainly to the results obtained by *Sogefi* and *KOS*; *Espresso* reported a margin in line with that of the first nine months of 2014.

CIR Group contact:

Communication Department
Salvatore Ricco
Mariella Speciale
infostampa@cirgroup.com

Finance and Investor Relations
Michele Cavigioli
Angela Andriolo
info@cirgroup.com

T: +39 02 72.27.01
cirgroup.com
twitter: @cirgroup

The **net income** of the group came in at **€ 39.6 million**, up from € 5.4 million in the first nine months of 2014.

The **contribution of the industrial subsidiaries** to the net result of the CIR group was **€ 25 million**, compared to € 4.4 million in the first nine months of 2014. **Espresso, Sogefi and KOS** reported **significant growth in their earnings**.

Espresso reported net income of € 24.6 million (€ 4.6 million in the first nine months of 2014) thanks to having maintained its operating result despite the still difficult situation in the sector, and thanks also to the reduction in financial and tax expense and to the capital gain on the sale of the television channel *Deejay TV*. *Sogefi* achieved net income of € 7.4 million compared to a loss of € 5.8 million in the first nine months of 2014. The change was due to the growth in revenues, to a slight improvement in profitability and to lower financial expense. Lastly, *KOS* reported net income of € 13.3 million, up from € 10.1 million in the same period of 2014 following the action taken in the last two years to develop the business.

The **contribution of the parent company of the group, CIR S.p.A., and the non-industrial subsidiaries** was a positive **€ 14.6 million**, up from € 1 million in the first nine months of 2014. Financial expense decreased thanks to the buyback of the bond in October 2014 and the proceeds of financial management improved.

The **consolidated net financial debt** figure was **€ 202.9 million** at September 30 2015, down from € 209.5 million at June 30. The increase of € 90.1 million compared to the figure at December 31 2014 (€ 112.8 million) was mainly due to the acquisitions made by *KOS*, the higher working capital of *Sogefi* and the shares bought back by CIR in the period. The *Espresso* group reported an improvement in its net financial position, which was partly due to the sale of the television channel *Deejay TV*.

The **net financial position of the parent company of the group** was a positive **€ 360.2 million** (€ 370.8 million at June 30). The reduction from € 379.5 million at the end of 2014 was due mainly to the disbursements made for purchases of own shares in the first nine months of the year (€ 40.3 million), partly offset by the positive cash flows from financial management.

The **equity of the group** stood at **€ 1,106.0 million** at September 30 2015 versus € 1,104.5 million at December 31 2014. The change was caused by the addition of the earnings for the period offset by the decrease for the purchases of own shares by the group in the first nine months of the year.

At September 30 2015 the CIR group had **14,108 employees** (13,846 at December 31 2014).

Results of the industrial subsidiaries of the CIR group

Media: Espresso

Gruppo Editoriale L'Espresso is one of the most important Italian publishing companies. It operates in all sectors of communication: newspapers and magazines, radio, internet, television and advertising. The group, which is 56.4% owned by CIR, is listed on the Stock Exchange.

The revenues of Espresso in the first nine months of 2015 came to € 439.6 million (-5.6% from € 465.8 million in 2014, as a consequence of the crisis that is still affecting the whole sector). Circulation revenues, totalling € 166 million, declined by 5.6% compared to 2014, in a market that is continuing to record a significant fall in the circulation of daily newspapers (-9.4%). Advertising revenues (€ 245 million) posted a decline of 4.4% with contrasting trends: radio and the internet showed positive dynamics while the printed press reflected the still negative trend of the market. Costs went down by 6.6%, which was more than the fall in revenues.

EBITDA came to € 40.9 million versus € 41.8 million in the first nine months of 2014.

During the year the sale of the television channel *DeejayTV* to Discovery Italia was completed, giving rise to a capital gain of € 9.5 million.

Net income was € 24.6 million, up from € 4.6 million in the first nine months of 2014; even excluding the capital gain realized on *Deejay TV*, earnings were significantly higher, coming in at € 15.1 million thanks to the fact that the results of the core business held up well despite the still critical environment, to the reorganization of the television businesses, and to the lower financial and tax expense.

Net financial debt stood at € 8.1 million at September 30 2015 (€ 34.2 million at the end of 2014). For further information on the results of Espresso, see the press release published by the company on October 21 (<http://goo.gl/1mw49Q>).

Automotive components: Sogefi

Sogefi is one of the main producers worldwide in the sectors of suspension, filtration, and air and cooling systems with 42 production plants in four continents. The company is controlled by CIR (57.6%) and is listed on the Stock Exchange.

Sogefi's revenues for the first nine months of 2015 came in at € 1,126.6 million, up by 11.5% from € 1,010.2 million in the same period of 2014 (+8.7% at the same exchange rates). The rise was due to the positive contribution of all the business units and all the geographical areas, especially Europe (+9.3%) and North America (+23.2%), with the sole exception of South America.

EBITDA came to € 91.3 million, up by 13.1% compared to € 80.8 million in the first nine months of 2014, with a ratio to sales stable at 8.1%. In the first nine months of the year non-recurring expenses of € 16.8 million were posted (€ 17.9 million in the same period of 2014), of which € 11.8 million in the second quarter for an amount set aside to the product guarantee fund for *Systèmes Moteurs* and € 4 million for restructuring costs.

In the first nine months Sogefi reported a positive net result of € 7.4 million (a loss of € 5.8 million in the same period of 2014) as an effect of the higher revenues, the better absorption of fixed costs and lower financial expense.

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Net financial debt stood at € 339.7 million at September 30 2015 (€ 304.3 million at December 31 2014).

In October Sogefi put in place a new more streamlined and product-oriented internal organization, setting up three *Business Units: Suspension, Filtration, and Air&Cooling*. The central functions were reduced from seven to three: *Finance, Information Systems and Administration; Human Resources; Innovation and Product Marketing*. For further information on the results of Sogefi, see the press release published by the company on October 23 (<http://goo.gl/jZXlnx>).

Healthcare: KOS

KOS is one of the largest groups in Italy in the sector of healthcare and care homes (care homes, rehabilitation centres, oncology treatment, diagnostics and management of hospital facilities). The group manages 77 facilities in Italy, mainly in the centre and north, for a total of around 7,300 beds. Controlled by CIR (51.3%), KOS also has the private equity fund Ardian group as a shareholder.

In the first nine months of 2015 KOS reported revenues of € 326.3 million (+12.6% compared to € 289.7 million in the same period of 2014), thanks partly to the acquisitions made during the year and to the organic growth of the businesses.

EBITDA came to € 53.4 million, up by 20.8% from € 44.2 million in the first nine months of 2014.

Net income was € 13.3 million, up from € 10.1 million in 2014.

Net financial debt stood at € 218.3 million at September 30 2015. The increase compared to the figure of € 157 million at December 31 2014 was due mainly to the disbursements for the acquisitions made in the period and to investments in the development of the businesses.

In the area of oncology treatment and diagnostics, activities are continuing in India through the joint venture *ClearMedi Healthcare Ltd* and in the United Kingdom through the subsidiary *Medipass Healthcare Ltd*. In October 2015 the KOS group opened a new facility in Turin.

Non-core investments

The *non-core investments* of the group consist of private equity initiatives, non-strategic shareholdings and other investments for a total value at September 30 2015 of € 139.2 million (€ 150.9 million at December 31 2014).

More specifically, the CIR group has a diversified portfolio of funds in the private equity sector (with a fair value at September 30 2015 of € 62.3 million, down by € 5.4 million compared to December 31 2014). Total distributions in the period amounted to € 20 million, generating a capital gain of € 11.4 million.

As for non-strategic equity investments, the value of these at September 30 2015 was € 33.1 million. In particular, at the end of the period the group was holding an interest of around 17.4% in the company *Swiss Education Group (SEG)*, a world leader in managerial training in the hospitality sector: the value of the investment in the education sector was € 22.4 million.

Lastly, the CIR group has a portfolio of non-performing loans, the value of which was € 43.8 million at September 30 2015.

Events following the end of the quarter and outlook for the full year 2015

On October 26 the CIR group reached an agreement with a group of investors involving the sale of the holding in *SEG* for the sum of € 64.1 million euro. The sale is expected to complete in the month of November. Once the deal is completed, it will give the CIR group a capital gain of € 42.1 million euro in the fourth quarter of 2015.

The performance of the CIR group in the last quarter of the year will be also affected by the evolution of the Italian economic environment, the impact of which is significant particularly for the media sector, and by the performance of the main world car markets for the automotive components sector.

For the whole year, the group should obtain a significantly positive net result after the loss in 2014, unless there are any events of an extraordinary nature that cannot be foreseen at present.

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 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 other borrowings in non-current liabilities, and of bank overdrafts, bonds 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.

Consolidated Statement of Financial Position

(in thousands of euro)

ASSETS	30.09.2015	30.06.2015	31.12.2014
NON-CURRENT ASSETS	2,164,300	2,155,321	2,070,948
INTANGIBLE ASSETS	1,038,474	1,039,199	977,733
TANGIBLE ASSETS	651,556	660,137	622,271
INVESTMENT PROPERTY	20,106	20,276	20,439
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	147,362	147,749	148,301
OTHER EQUITY INVESTMENTS	5,695	5,705	4,980
OTHER RECEIVABLES	94,820	67,690	89,122
SECURITIES	86,386	91,426	92,149
DEFERRED TAXES	119,901	123,139	115,953
CURRENT ASSETS	1,323,936	1,361,500	1,327,946
INVENTORIES	141,770	145,519	128,664
CONTRACTED WORK IN PROGRESS	37,389	36,412	29,546
TRADE RECEIVABLES	428,176	467,784	431,691
OTHER RECEIVABLES	109,206	108,923	91,963
FINANCIAL RECEIVABLES	31,513	28,549	10,017
SECURITIES	139,801	147,270	137,918
FINANCIAL ASSETS AVAILABLE FOR SALE	180,404	136,095	150,963
CASH AND CASH EQUIVALENTS	255,677	290,948	347,184
ASSETS HELD FOR DISPOSAL	--	26,910	2,539,260
ELISION OF ASSETS TO/FROM DISCONTINUED OPERATIONS	--	--	(10,308)
TOTAL ASSETS	3,488,236	3,543,731	5,927,846
LIABILITIES AND EQUITY	30.09.2015	30.06.2015	31.12.2014
EQUITY	1,591,632	1,611,778	1,573,199
ISSUED CAPITAL	397,146	397,146	397,146
less OWN SHARES	(47,726)	(40,847)	(27,283)
SHARE CAPITAL	349,420	356,299	369,863
RESERVES	326,339	328,916	307,108
RETAINED EARNINGS (LOSSES)	390,667	401,653	450,886
NET INCOME (LOSS) FOR THE PERIOD	39,593	36,402	(23,399)
EQUITY OF THE GROUP	1,106,019	1,123,270	1,104,458
EQUITY OF MINORITY INTERESTS	485,613	488,508	468,741
NON-CURRENT LIABILITIES	1,035,941	990,167	1,000,286
BONDS	283,640	281,986	270,568
OTHER BORROWINGS	373,890	326,348	337,950
OTHER PAYABLES	7,414	6,958	7,102
DEFERRED TAXES	148,720	148,650	143,036
PERSONNEL PROVISIONS	140,478	144,689	143,720
PROVISIONS FOR RISKS AND LOSSES	81,799	81,536	97,910
CURRENT LIABILITIES	860,663	941,786	855,611
BANK OVERDRAFTS	14,195	52,054	15,671
BONDS	5,579	4,838	4,677
OTHER FINANCIAL PAYABLES	132,951	147,131	130,028
TRADE PAYABLES	416,968	444,697	417,002
OTHER PAYABLES	221,868	216,388	205,578
PROVISIONS FOR RISKS AND LOSSES	69,102	76,678	82,655
LIABILITIES HELD FOR DISPOSAL	--	--	2,509,058
ELISION OF LIABILITIES TO/FROM DISCONTINUED OPERATIONS	--	--	(10,308)
TOTAL LIABILITIES AND EQUITY	3,488,236	3,543,731	5,927,846

Consolidated Income Statement

(in thousands of euro)

	1/1-30/9 2015	1/1-30/9 2014	III Quarter 2015	III Quarter 2014
SALES REVENUES	1,897,391	1,771,193	606,654	568,004
CHANGE IN INVENTORIES	13,573	(1,570)	2,903	(5,652)
COSTS FOR THE PURCHASE OF GOODS	(713,325)	(636,157)	(229,390)	(202,127)
COSTS FOR SERVICES	(460,324)	(445,198)	(136,152)	(143,802)
PERSONNEL COSTS	(525,021)	(503,159)	(163,091)	(155,793)
OTHER OPERATING INCOME	20,852	24,187	4,212	6,173
OTHER OPERATING COSTS	(60,531)	(56,051)	(30,920)	(17,193)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	1,770	1,186	(387)	(255)
AMORTIZATION, DEPRECIATION & WRITEDOWNS	(77,681)	(71,033)	(26,351)	(23,243)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)	96,704	83,398	27,478	26,112
FINANCIAL INCOME	17,266	19,700	3,637	6,321
FINANCIAL EXPENSE	(52,969)	(72,813)	(16,457)	(23,315)
DIVIDENDS	246	75	--	1
GAINS FROM TRADING SECURITIES	40,721	13,089	7,945	1,636
LOSSES FROM TRADING SECURITIES	(2,233)	(3,662)	(86)	(21)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(9,681)	2,175	(5,961)	1,691
INCOME BEFORE TAXES	90,054	41,962	16,556	12,425
INCOME TAXES	(25,936)	(24,980)	(9,375)	(7,235)
RESULT AFTER TAXES FROM OPERATING ACTIVITY	64,118	16,982	7,181	5,190
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	(94)	(5,237)	--	(3,178)
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	64,024	11,745	7,181	2,012
- (NET INCOME) LOSS OF MINORITY INTERESTS	(24,431)	(6,354)	(3,990)	(1,949)
- NET INCOME (LOSS) OF THE GROUP	39,593	5,391	3,191	63

Consolidated Net Financial Position

(in thousands of euro)

	30.09.2015	30.06.2015	31.12.2014
A. Cash and bank deposits	255,677	290,948	347,184
B. Other cash equivalents	180,404	136,095	150,963
C. Securities held for trading	139,801	147,270	137,918
D. Cash and cash equivalents (A) + (B) + (C)	575,882	574,313	636,065
E. Current financial receivables	31,513	28,549	10,017
F. Current bank borrowings	(113,995)	(160,207)	(108,345)
G. Bonds issued	(5,579)	(4,838)	(4,677)
H. Current part of non-current debt	(33,151)	(38,978)	(37,354)
I. Other current financial payables	--	--	--
J. Current financial debt (F) + (G) + (H) + (I)	(152,725)	(204,023)	(150,376)
K. Net current financial position (J) + (E) + (D)	454,670	398,839	495,706
L. Non-current bank borrowings	(268,767)	(218,594)	(231,234)
M. Bonds issued	(283,640)	(281,986)	(270,568)
N. Other non-current payables	(105,123)	(107,754)	(106,716)
O. Non-current financial debt (L) + (M) + (N)	(657,530)	(608,334)	(608,518)
P. Net financial position (K) + (O)	(202,860)	(209,495)	(112,812)

Fine Comunicato n.0079-83

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