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Oggetto : CIR group: revenues for first nine months
at almost € 2bn (+2.6%), EBITDA rises to €
190.5m (+9.2%)

Testo del comunicato

Vedi allegato.

Board of Directors approves results as of September 30 2016

**CIR GROUP: REVENUES FOR FIRST NINE MONTHS AT ALMOST € 2BN (+2.6%)
EBITDA RISES TO € 190.5M (+9.2%)**

Net income before disposals € 36.8m (€ 34.3m in 9M 2015)

Net income € 37.4m (€ 39.6m in 9M 2015 including a capital gain realized by Espresso)

Net financial position of the parent company at 30/9 a positive € 338.8m

Financial highlights for 9M 2016

(in millions of €)

	<u>9M 2015</u>	<u>9M 2016</u>	<u>Δ%</u>
Revenues	1,897.4	1,946.7	+2.6
EBITDA	174.4	190.5	+9.2
Net income before disposals	34.3	36.8	
Net income	39.6	37.4	
	<u>31/12</u>	<u>30/9</u>	
Net financial debt	121.7	165.3	

Milan, October 28 2016 – 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 as of September 30 2016** presented by Chief Executive Officer **Monica Mondardini**.

The CIR group, founded in 1976, operates mainly in three sectors: **media (Gruppo Editoriale L'Espresso)**, **automotive components (Sogefi)** and **healthcare (KOS)**.

Consolidated results

The **revenues** of the CIR group for the first nine months of 2016 came in at **€ 1,946.7 million**, and were **up by 2.6%** from € 1,897.4 million in the corresponding period of 2015, underpinned by the growth of *Sogefi* (+4.9%) and *KOS* (+4.4%).

The **gross operating margin (EBITDA)** came to **€ 190.5 million** (9.8% of revenues), and was **up by 9.2%** from € 174.4 million in 2015 (9.2% of revenues). The increase was due to the higher EBITDA of *Sogefi* and *KOS*, while *Espresso* reported a slightly lower margin.

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 before disposals** (the sale of *All Music* to *Discovery* by *Espresso* completed in 2015) came in at **€ 36.8 million**, up from € 34.3 million in the first nine months of 2015.

The **net income of the group** totalled **€ 37.4 million**, substantially in line with the € 39.6 million reported for the first nine months of 2015.

The **contribution of the industrial subsidiaries (Espresso, Sogefi and KOS)** to earnings came to **€ 27.2 million**, an increase compared to € 25 million in 2015. Excluding the capital gain from the sale realized by *Espresso* in 2015, the contribution rose from € 19.7 million to € 26.6 million.

Espresso, despite a decline in revenues of 3.5% due to a situation still difficult for the publishing sector, reported a positive net result (€ 14 million) and a significant financial surplus (€ 47.9 million), with a positive net financial position at September 30 2016 of € 37.2 million. In the first nine months of 2015 the net result was € 24.6 million, of which € 9.4 million was a capital gain on the sale of *All Music*; without considering this item, the net result posted by *Espresso* in 2016 is substantially in line with the result of the previous year.

Sogefi reported a rise in revenues of 4.9%, thanks to development in North America and Asia and despite the crisis of the South American market (revenues, excluding Mercosur, rose by 7.7%). EBITDA was up by 25%, from € 91.3 million in the first nine months of 2015 to € 114.5 million in 2016. Net income doubled, rising from € 7.4 million in the first nine months of 2015 to € 15.8 million in 2016. Cash flow was a positive € 12.3 million versus - € 44.3 million in 2015 (the net debt at September 30 2016 was € 314.1 million, down from € 322.3 million at December 31 2015).

Lastly, *KOS* reported a rise in revenues of 4.4%, thanks in particular to the development of the nursing home sector after the acquisitions made in 2015. The net result was € 17.4 million (€ 13.3 million in the first nine months of 2015). Net financial debt stood at € 230.4 million at September 30 2016, compared to € 210 million at December 31 2015, after the distribution of dividends for € 29.9 million.

The **contribution of the parent company** (including the non-industrial subsidiaries) to net income was a positive figure of **€ 10.2 million** versus € 14.6 million in the first nine months of 2015. The reduction was due mainly to lower gains from the redemption of hedge funds.

Consolidated net financial debt stood at **€ 165.3 million** at September 30 2016, up from € 121.7 million at December 31 2015 (€ 218.2 million at June 30 2016).

The total net debt of the industrial subsidiaries, which amounted to € 504.1 million at September 30 2016, declined in the nine months by € 35.5 million mainly because of the positive change in the net financial position of *Espresso* (+€ 47.9 million) and in that of *Sogefi* (+€ 8.2 million), which more than compensated for the increase of € 20.4 million in the debt of *KOS* (after the payment of dividends for € 29.9 million).

The **net financial position of the parent company** (including the non-industrial subsidiaries) was a **positive € 338.8 million** at September 30 2016, with a reduction of € 79.1 million compared to the end of 2015 (€ 417.9 million) due to the investments made (€ 64.3 million to increase the interest in *KOS* and € 18.4 million for the buyback of own shares) and the distribution of dividends for € 29.5 million.

The **equity of the group** stood at **€ 1,044.8 million** at September 30 2016 compared to € 1,103 million at December 31 2015.

The change, despite the significantly positive net result for the nine months, was due to the distribution of dividends for € 29.5 million, the buyback of own shares for € 18.4 million and the recognition in the accounts, in application of IFRS 3, of the further equity interest in *KOS* at the value of the equity acquired (€ 27 million) rather than the price paid (€ 64.3 million).

At September 30 2016 the CIR group had **14,536 employees** (14,213 at December 31 2015).

Results of the industrial subsidiaries of the CIR group

Media: Espresso

Gruppo Editoriale L'Espresso is one of the most important publishing companies in Italy. It operates especially in the following sectors: newspapers and magazines, radio, internet and the collection of advertising. The group, which is 56.5% controlled by CIR, is listed on the Stock Exchange.

The sales revenues of *Espresso* in the first nine months of 2016 came to € 424.3 million (-3.5% from € 439.6 million in the same period of 2015), with less of a decline than in previous years.

Circulation revenues (including sundry revenues), totalling € 184.5 million, were down by 5.2% compared to 2015 (€ 194.7 million), in a market that has continued to report a significant reduction in the circulation of newspapers (-7.8% in the first eight months of 2016 according to ADS figures). Advertising revenues declined by 2.1%, given the general trend of advertising in the printed press. Radio orders were in line with the same period of last year, while print and the internet were affected by the critical performance of the market.

Costs fell by 2.4%: more specifically declines were seen in industrial costs and personnel costs, given that there was a 4.1% reduction in the average number of personnel compared to the first nine months of 2015.

EBITDA came in at € 37 million compared to € 40.9 million in the first nine months of 2015.

Income from businesses destined to continue amounted to € 13.1 million, versus € 15.2 million in the first nine months of 2015. The sale, at the end of January last year, of *All Music* to *Discovery Italia* gave rise to capital gains, classified under discontinued operations, of € 9.4 million in the first nine months of 2015 and of € 1 million in the first nine months of 2016. Net income, including discontinued operations, came to € 14 million, which compares with € 24.6 million in the first nine months of 2015.

The net financial position at September 30 2016 was a positive € 37.2 million, as in the nine month period there was a financial surplus of € 47.9 million.

Under the deconsolidation plan designed to guarantee compliance with the circulation thresholds laid down by current regulations, in view of the future merger with ITEDI (the company that publishes the newspapers *La Stampa* and *Secolo XIX*), *Espresso* reached agreements for the sale of the newspapers *Il Centro* and *La Città di Salerno* and of the Pescara printing centre. The transfer of ownership will take effect on November 1 2016. After the close of the quarter another agreement was reached for the sale by *Finegil* of the whole equity interest, equal to 71%, in *Seta SpA*, the publisher of *Alto Adige* and *Il Trentino*. The sale takes effect today.

For more information on the results of *Espresso* see the press released published by the company on October 26 (goo.gl/ZQJJpG).

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 three continents. The company is controlled by CIR (57.1%) and is listed on the Stock Exchange.

Sogefi's sales revenues in the first nine months of 2016 came in at € 1,181.5 million and were up by 4.9% from € 1,126.6 million in 2015. Sales in Europe were up by 1.6% on 2015.

Business in North America and Asia continued to develop significantly in the first nine months, with growth in sales revenues of 20.7% and 27.3% respectively. In South America revenues in euro were down by 13.2% because of the depreciation of the local currencies and the continuing crisis in the market. Excluding South America, growth was 7.3%, in line with previous quarters.

EBITDA came in at € 114.5 million and was up by 25.4% on the figure for the same period of 2015 (€ 91.3 million). The increase was due to the higher revenues and to the improvement in profitability, which rose to 9.7% from 8.1% in the first nine months of 2015 and from 9.3% in the first half of 2016. The increase in profitability was due to the slightly higher gross margin and the lower impact of indirect costs which declined from 20.2% to 19.4%.

Net income came to € 15.8 million, up from € 7.4 million in 2015.

Net financial debt stood at € 314.1 million at September 30 2016, showing an improvement compared to both December 31 2015 (€ 322.3 million) and September 30 2015 (€ 339.7 million).

For further information on the results of *Sogefi* see the press release published by the company on October 24 (goo.gl/vIRxxl).

Healthcare: KOS

KOS, which is controlled by CIR and in which F2i Healthcare has an interest, is one of the major groups in Italy in the sector of healthcare and care homes (nursing homes, rehabilitation centres, oncology treatments, 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, and is also active in India and the United Kingdom.

In the first nine months of the year *KOS* obtained revenues of € 340.8 million (+4.4% from € 326.3 million in the same period of 2015), thanks to the acquisitions made last year and to the organic growth in the nursing home sector.

EBITDA was € 59.9 million, up by 12.1% from € 53.4 million in the same period of 2015.

Net income came in at € 17.4 million, up from € 13.3 million in 2015.

Net debt stood at € 230.4 million at September 30 2016 (€ 210 million at December 31 2015). The increase was mainly due to the distribution of dividends in the period.

During the first nine months of the year the *KOS* group continued its development process in the nursing home and rehabilitation areas.

More specifically, in Italy in September the group acquired control of a psychiatric rehabilitation facility in the Marche region (Villa Jolanda), further strengthening its presence in the sector.

Moreover, during the third quarter the group opened its first rehabilitation facility in India through the company *ApoKOS*, an equal share joint venture with the main local healthcare operator Apollo. The facility, situated in the city of Hyderabad, has 64 beds devoted to the rehabilitation of patients with neurological, orthopaedic, cardiopulmonary, paediatric, geriatric and oncological problems.

In the area of oncology treatments and diagnostics, business is continuing to develop in Italy, India (with the subsidiary *ClearMedi Healthcare Ltd*) and in the United Kingdom (with the subsidiary *Medipass Healthcare Ltd*).

Lastly, it should be remembered that in August the *sovereign investment fund of the Kingdom of Bahrain* invested in *KOS* indirectly through *F2i Healthcare*. After this transaction, the shareholding structure of *KOS* now consists of CIR with 59.53% and *F2i Healthcare* with 40.47%. *F2i* remains the majority shareholder of *F2i Healthcare*, with an interest of 61.4%.

Non-core investments

The *non-core investments* of the CIR group consist of private equity initiatives, non-strategic shareholdings and other investments with a total value at September 30 2016 of € 107.7 million (€ 113.7 million at December 31 2015).

More specifically, the CIR group has a diversified portfolio of funds in the private equity sector (with a fair value at September 30 2016 of € 52.6 million, down by € 6.6 million compared to December 31 2015 mainly as an effect of write-downs, capital redemptions and exchange rate differences). Total distributions in the period came to € 9.9 million, generating a capital gain of € 6.6 million.

At September 30 2016 CIR owned, both directly and indirectly, non-strategic equity investments worth € 15 million and a portfolio of non-performing loans with a value of € 40.1 million.

Outlook for 2016

The performance of the CIR group in the last quarter of the year will be influenced 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.

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.
It should be noted that these figures have not been audited by the firm of auditors.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	30.09.2016	30.06.2016	31.12.2015
NON-CURRENT ASSETS	2,040,951	2,049,800	2,071,525
INTANGIBLE ASSETS	992,691	992,611	997,652
TANGIBLE ASSETS	648,910	646,715	658,737
INVESTMENT PROPERTY	19,632	19,822	20,064
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	131,955	130,873	131,833
OTHER EQUITY INVESTMENTS	5,049	5,443	5,830
OTHER RECEIVABLES	78,322	84,082	86,957
SECURITIES	63,339	66,026	65,705
DEFERRED TAXES	101,053	104,228	104,747
CURRENT ASSETS	1,345,974	1,333,449	1,400,094
INVENTORIES	138,532	135,058	134,055
CONTRACTED WORK IN PROGRESS	40,509	39,201	39,178
TRADE RECEIVABLES	423,118	449,403	415,937
OTHER RECEIVABLES	115,482	112,908	97,363
FINANCIAL RECEIVABLES	20,610	28,289	30,496
SECURITIES	65,278	64,546	121,006
AVAILABLE-FOR-SALE FINANCIAL ASSETS	235,596	235,398	251,510
CASH AND CASH EQUIVALENTS	306,849	268,646	310,549
ASSETS HELD FOR DISPOSAL	16,540	11,582	9,005
TOTAL ASSETS	3,403,465	3,394,831	3,480,624
LIABILITIES AND EQUITY	30.09.2016	30.06.2016	31.12.2015
EQUITY	1,514,153	1,476,623	1,590,294
ISSUED CAPITAL	397,146	397,146	397,146
less OWN SHARES	(63,745)	(63,063)	(54,211)
SHARE CAPITAL	333,401	334,083	342,935
RESERVES	299,564	285,874	340,336
RETAINED EARNINGS (LOSSES)	374,459	375,770	377,663
NET INCOME (LOSS) FOR THE PERIOD	37,413	25,883	42,014
EQUITY OF THE GROUP	1,044,837	1,021,610	1,102,948
MINORITY SHAREHOLDERS' EQUITY	469,316	455,013	487,346
NON-CURRENT LIABILITIES	920,332	940,409	1,010,070
BONDS	276,568	275,232	288,366
OTHER BORROWINGS	276,002	303,024	372,076
OTHER PAYABLES	11,865	11,988	9,286
DEFERRED TAXES	145,920	139,475	134,881
PERSONNEL PROVISIONS	130,591	131,621	124,478
PROVISIONS FOR RISKS AND LOSSES	79,386	79,069	80,983
CURRENT LIABILITIES	963,401	968,417	873,598
BANK OVERDRAFTS	23,342	22,384	19,517
BONDS	20,748	19,990	5,011
OTHER BORROWINGS	197,020	194,487	150,316
TRADE PAYABLES	432,351	446,227	427,418
OTHER PAYABLES	223,587	218,637	199,569
PROVISIONS FOR RISKS AND LOSSES	66,353	66,692	71,767
LIABILITIES HELD FOR DISPOSAL	5,579	9,382	6,662
TOTAL LIABILITIES AND EQUITY	3,403,465	3,394,831	3,480,624

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	1/1-30/9 2016	1/1-30/9 2015	III Quarter 2016	III Quarter 2015
SALES REVENUES	1,946,673	1,897,391	627,527	606,654
CHANGE IN INVENTORIES	5,910	13,573	4,585	2,903
COSTS FOR THE PURCHASE OF GOODS	(740,813)	(713,325)	(242,774)	(229,390)
COSTS FOR SERVICES	(452,360)	(460,324)	(144,887)	(148,352)
PERSONNEL COSTS	(529,515)	(525,021)	(165,574)	(163,091)
OTHER OPERATING INCOME	17,673	20,852	5,805	4,212
OTHER OPERATING COSTS	(60,003)	(60,531)	(22,109)	(18,720)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	2,890	1,770	704	(387)
AMORTIZATION, DEPRECIATION & WRITEDOWNS	(82,495)	(77,681)	(23,739)	(26,351)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (E B I T)	107,960	96,704	39,538	27,478
FINANCIAL INCOME	9,374	9,741	3,440	1,101
FINANCIAL EXPENSE	(43,238)	(45,444)	(12,840)	(13,921)
DIVIDENDS	11,949	246	3,996	--
GAINS FROM TRADING SECURITIES	8,620	31,216	3,111	7,785
LOSSES FROM TRADING SECURITIES	(563)	(2,233)	(25)	(86)
ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS	2,060	(9,681)	1,215	(5,961)
INCOME BEFORE TAXES	96,162	80,549	38,435	16,396
INCOME TAXES	(35,345)	(25,936)	(18,433)	(9,375)
RESULT AFTER TAXES FROM OPERATING ACTIVITY	60,817	54,613	20,002	7,021
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	1,000	9,411	--	160
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	61,817	64,024	20,002	7,181
- (NET INCOME) LOSS MINORITY SHAREHOLDERS	(24,404)	(24,431)	(8,472)	(3,990)
- NET INCOME (LOSS) OF THE GROUP	37,413	39,593	11,530	3,191

NET FINANCIAL POSITION

(in thousands of euro)

	30.09.2016	30.06.2016	31.12.2015
A. Cash and bank deposits	306,849	268,646	310,549
B. Other cash equivalents	235,596	235,398	251,510
C. Securities held for trading	65,278	64,546	121,006
D. Cash and cash equivalents (A) + (B) + (C)	607,723	568,590	683,065
E. Current financial receivables	20,610	28,289	30,496
F. Current bank borrowings	(175,075)	(165,260)	(116,507)
G. Bonds issued	(20,748)	(19,990)	(5,011)
H. Current part of non-current debt	(43,697)	(51,611)	(53,326)
I. Other current financial payables	(1,590)	--	--
J. Current financial debt (F) + (G) + (H) + (I)	(241,110)	(236,861)	(174,844)
K. Net current financial position (J) + (E) + (D)	387,223	360,018	538,717
L. Non-current bank borrowings	(178,855)	(203,980)	(267,809)
M. Bonds issued	(276,568)	(275,232)	(288,366)
N. Other non-current payables	(97,147)	(99,044)	(104,267)
O. Non-current financial debt (L) + (M) + (N)	(552,570)	(578,256)	(660,442)
P. Net financial position (K) + (O)	(165,347)	(218,238)	(121,725)

Fine Comunicato n.0079-84

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