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Oggetto : CIR group: rise in revenues and EBITDA in
Q1 2017

Testo del comunicato

Vedi allegato.

Board of Directors approves results for first quarter 2017

CIR GROUP: RISE IN REVENUES (€ 693 MLN; +7.6%) AND EBITDA (€ 72.4 MLN; +16.8%)

**Net income in line with last year
(€ 14.1 mln in 1Q 2017 vs € 14.7 mln in 1Q 2016, which included a capital gain of € 6.5 mln)**

**The contribution of the three industrial subsidiaries to group earnings is up 64.9%
on 2016 (€ 12.2 mln vs € 7.4 mln) thanks to growth in the contributions of Sogefi and KOS**

Net financial position of the parent company positive for € 331.6 mln at 31/3

**In the media sector, the merger of Espresso and ITEDI gives rise to
GEDI Gruppo Editoriale: CIR will be the main shareholder with 43.4% of its capital**

Financial highlights for 1Q 2017

(in millions of €)

	<u>1Q 2016</u>	<u>1Q 2017</u>	<u>Δ%</u>
Revenues	644.3	693	+7.6%
EBITDA	62	72.4	+16.8%
Net income	14.7	14.1	
	<u>31/12</u>	<u>31/3</u>	
Net debt (at end of period)	143.6	144.7	

Milan, April 28 2017 – 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 as of March 31 2017** as presented by Chief Executive Officer **Monica Mondardini**.

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

In the media sector GEDI Gruppo Editoriale is launched

In the media sector, as is known, in 2016 *Gruppo Editoriale L'Espresso* signed an agreement to merge with *ITEDI*, the company that publishes the newspapers *La Stampa* and *Il Secolo XIX*.

On April 27 2017, once the conditions for carrying out the transaction had been verified positively, the Annual General Meeting of the Shareholders of *Gruppo Editoriale L'Espresso* approved the capital increase that will implement the merger.

The capital increase will be subscribed to and paid in through the contribution of the entire share capital of *ITEDI*, with the issuance of new ordinary shares in *Gruppo Editoriale L'Espresso*.

Given the importance of the merger deal, the name of the company has been changed to *GEDI Gruppo Editoriale*.

GEDI Gruppo Editoriale will be one of the most important companies in Italy and at European level in daily newspapers and digital news. CIR will be the main shareholder of the company with an interest of 43.4%.

For the first quarter of 2017 the results of the media sector refer to *Gruppo Editoriale L'Espresso* and are compared with the results of the previous year on a like-for-like basis. In view of the merger with *ITEDI*, during 2016 *Espresso* divested five local newspaper titles (one of which was leased) in order to guarantee compliance with the circulation thresholds required by current legislation.

Consolidated results

The **revenues** of the CIR group in the first quarter of 2017 came in at **€ 693 million**, with a **rise of 7.6%** from € 644.3 million in the same period of 2016, underpinned in particular by the significant growth of *Sogefi* (+12.6%).

The **gross operating margin (EBITDA)** came to **€ 72.4 million** (10.4% of revenues) and was **up by 16.8%** from € 62 million in first quarter 2016 (9.6% of revenues). The increase was due mainly to the higher EBITDA of *Sogefi*.

The **net income of the group** was **€ 14.1 million**, in line with the result of first quarter 2016 (€ 14.7 million, including a capital gain of € 6.5 million on the sale of a non-strategic equity investment in China).

The **contribution of the industrial subsidiaries (Espresso, Sogefi and KOS)** to the earnings of first quarter 2017 came to **€ 12.2 million**, up by 64.9% from € 7.4 million in 2016 thanks to the higher contributions of *Sogefi* and *KOS*.

Espresso, despite an environment that is still difficult for the publishing sector, reported a slight increase in revenues and EBITDA for the quarter on a like-for-like basis compared to the same period of last year and a positive net result of € 5 million (€ 5.5 million in 2016).

Sogefi posted a rise in revenues of 12.6%, thanks to significant growth in Europe, North America and Asia and to the recovery in South America. EBITDA was up by 30.2% at € 45.1 million. Net income rose from € 2.9 million in the first quarter of 2016 to € 11.6 million in 2017. These results are confirmation that the action taken by the company to improve its profitability and cash flow generation has been effective.

Lastly, *KOS* reported a rise in revenues of 3.6%, due to the organic growth of all areas of the business and to an acquisition in rehabilitation in the second half of 2016. EBITDA was in line with the previous year at € 17.8 million, and the net result was € 4.6 million (€ 4.4 million in 2016).

The **contribution of the parent company** (including the non-industrial subsidiaries) to consolidated net income was a positive **€ 1.9 million** compared to a result of € 7.3 million in first quarter 2016, which included the already mentioned capital gain of € 6.5 million on the sale of a non-strategic equity interest.

Consolidated net debt stood at **€ 144.7 million** at March 31 2017, almost unchanged from € 143.6 million at December 31 2016 (€ 110.2 million at March 31 2016).

The total net debt of the industrial subsidiaries amounted to € 476.3 million at March 31 2017, in line with the figure at December 31 2016 (€ 477.9 million) but significantly lower than at March 31 2016 (€ 520.2 million), thanks to the cash flow generated by *Sogefi* and *Espresso*.

The **net financial position of the parent company** (including the non-industrial subsidiaries) at March 31 2017 was a **positive € 331.6 million**, which was slightly lower than at the end of 2016 (€ 334.3 million) mainly as result of the buyback of own shares in the quarter (€ 4.2 million).

The **equity of the group** amounted to **€ 1,062 million** at March 31 2017, up from € 1,052.3 million at December 31 2016. The increase of € 9.7 million was due substantially to the result for the period net of the own shares bought back.

At March 31 2017 the CIR group had **14,398 employees** (14,329 at December 31 2016).

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 mainly in the following sectors: newspapers and magazines, radio, internet and advertising. The group, which is 56.5% controlled by CIR, is listed on the Stock Exchange.

After the merger with ITEDI, the company has changed its name to GEDI Gruppo Editoriale.

The revenues of *Espresso* in first quarter 2017 came in at € 136.4 million, up by 0.4% on first quarter 2016 (-3.1% on a non like-for-like basis).

Circulation revenues (including sundry revenues), totalling € 47 million, were down by 3.4%, in a market that is continuing to experience a significant decline in newspaper circulation (-9.3% in the first two months of 2017 according to ADS figures).

Advertising revenues were up by 6.8%, posting a decline of 6.6% for the group media but a significant increase in third-party concessions, thanks to the new national advertising concessions for *Radio Italia*, *La Stampa* and *Il Secolo XIX*. Costs were down by 6.4%.

EBITDA came to € 13.1 million versus € 12.3 million in first quarter 2016.

Net income came in at € 5 million, down from € 5.5 million in first quarter 2016.

The net financial position at March 31 2017 was a positive € 29 million compared to € 31.7 million at December 31 2016.

For further information on the results of *Espresso*, see the press release published by the company on April 27 (goo.gl/Ja2dct).

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%) and is listed on the Stock Exchange

Sogefi's sales revenues in first quarter 2017 came in at € 439.1 million, up by 12.6% from € 390.1 million in 2016 (+11% with the same exchange rates).

In Europe revenues rose by 8.2% with a better performance than that of the market as a whole (+4.2%). Business continued to develop strongly in North America (+15.4%) and Asia (+26.4%).

In South America revenues were up by 30.6%, reflecting the recovery in that market and the favourable effect of exchange rates (+14.1% at the same exchange rates). All of the Business Units reported significant growth: *Air and Cooling* +17.8%, *Filtration* +13.8%, and *Suspensions* +7.1%.

EBITDA came in at € 45.1 million and was up by 30.2% compared to the figure for first quarter 2016 (€ 34.6 million).

The increase was due to the revenue growth and to the improvement in profitability, which rose to 10.3% from 8.9% in 2016. The higher profitability was the consequence of the further increase in the contribution margin and the reduced impact of indirect costs.

Net income came to € 11.6 million, up from € 2.9 million in 2016.

Net debt stood at € 291.4 million at March 31 2017, with an improvement of € 7.6 million compared to December 31 2016 (€ 299 million).

For further information on the results of *Sogefi*, see the press release published by the company on April 26 (goo.gl/Nt7fWi).

Healthcare: KOS

KOS, which is controlled by CIR and in which F2i Healthcare has an interest, is one of the largest groups in Italy in the sector of healthcare and care homes (care homes, rehabilitation units, 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 quarter of 2017 *KOS* reported revenues of € 117.5 million (+3.6% versus € 113.4 million in 2016), mainly thanks to organic growth in all areas of the business and to the acquisition of Villa Jolanda in rehabilitation, which was completed in the second half of 2016.

EBITDA came to € 17.8 million, in line with the margin obtained in the first quarter of 2016.

Net income was € 4.6 million, versus € 4.4 million in 2016.

Net debt totalled € 216.5 million at March 31 2017, up from € 213.6 million at December 31 2016.

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 March 31 2017 of € 111.3 million (€ 114.7 million at December 31 2016).

More specifically the CIR group has a diversified portfolio of funds in the private equity sector (with a fair value at March 31 2017 of € 56.3 million, down by € 1.8 million compared to December 31 2016). Total distributions in the period came to € 2.2 million generating a capital gain of € 1.5 million.

At March 31 2017 CIR directly or indirectly had investments in non-strategic shareholdings worth € 18.3 million and a portfolio of non-performing loans worth a total of € 36.8 million.

Outlook for 2017

As regards the performance of the CIR group in the whole of 2017, the trends seen in the first quarter are expected to be confirmed unless there are any extraordinary events that cannot at the moment be foreseen.

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.*

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

ASSETS	31.03.2017	31.12.2016	31.03.2016
NON-CURRENT ASSETS	2,049,930	2,056,164	2,060,851
INTANGIBLE ASSETS	987,171	988,003	997,191
TANGIBLE ASSETS	670,333	670,775	648,633
INVESTMENT PROPERTY	19,103	19,292	19,961
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	129,465	129,987	132,669
OTHER EQUITY INVESTMENTS	5,343	5,323	5,830
OTHER RECEIVABLES	79,965	78,980	88,218
SECURITIES	70,278	72,069	65,287
DEFERRED TAXES	88,272	91,735	103,062
CURRENT ASSETS	1,374,409	1,335,311	1,428,357
INVENTORIES	141,037	137,406	133,627
CONTRACTED WORK IN PROGRESS	40,559	40,947	38,591
TRADE RECEIVABLES	454,787	414,370	437,839
OTHER RECEIVABLES	113,237	92,669	102,687
FINANCIAL RECEIVABLES	27,497	30,183	28,201
SECURITIES	54,363	54,892	86,521
AVAILABLE-FOR-SALE FINANCIAL ASSETS	237,977	234,012	247,756
CASH AND CASH EQUIVALENTS	304,952	330,832	353,135
ASSETS HELD FOR DISPOSAL	--	3,418	8,512
TOTAL ASSETS	3,424,339	3,394,893	3,497,720
LIABILITIES AND EQUITY	31.03.2017	31.12.2016	31.03.2016
EQUITY	1,539,144	1,518,476	1,591,309
ISSUED CAPITAL	397,146	397,146	397,146
less OWN SHARES	(65,476)	(64,283)	(59,428)
SHARE CAPITAL	331,670	332,863	337,718
RESERVES	310,199	310,850	334,116
RETAINED EARNINGS (LOSSES)	406,010	374,811	412,804
NET INCOME (LOSS) FOR THE PERIOD	14,105	33,751	14,684
EQUITY OF THE GROUP	1,061,984	1,052,275	1,099,322
MINORITY SHAREHOLDERS' EQUITY	477,160	466,201	491,987
NON-CURRENT LIABILITIES	929,204	938,119	968,332
BONDS	284,414	283,742	285,621
OTHER BORROWINGS	261,850	274,819	334,104
OTHER PAYABLES	15,637	15,140	12,037
DEFERRED TAXES	151,364	149,683	135,742
PERSONNEL PROVISIONS	130,113	131,058	121,926
PROVISIONS FOR RISKS AND LOSSES	85,826	83,677	78,902
CURRENT LIABILITIES	955,991	938,298	931,910
BANK OVERDRAFTS	25,492	12,771	27,300
BONDS	21,505	20,980	5,747
OTHER BORROWINGS	176,226	201,179	173,046
TRADE PAYABLES	447,911	432,507	450,109
OTHER PAYABLES	214,204	198,084	207,572
PROVISIONS FOR RISKS AND LOSSES	70,653	72,777	68,136
LIABILITIES HELD FOR DISPOSAL	--	--	6,169
TOTAL LIABILITIES AND EQUITY	3,424,339	3,394,893	3,497,720

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	01/01 - 31/03 2017	01/01 - 31/03 2016
SALES REVENUES	693,002	644,344
CHANGE IN INVENTORIES	(954)	(601)
COSTS FOR THE PURCHASE OF GOODS	(271,079)	(245,084)
COSTS FOR SERVICES	(158,187)	(147,818)
PERSONNEL COSTS	(179,983)	(179,283)
OTHER OPERATING INCOME	7,535	7,540
OTHER OPERATING COSTS	(17,923)	(17,130)
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	(28,586)	(28,855)
INCOME BEFORE FINANCIAL ITEMS AND TAXES (EBIT)	43,825	33,113
FINANCIAL INCOME	2,992	2,996
FINANCIAL EXPENSE	(13,328)	(15,262)
DIVIDENDS	10	6,204
GAINS FROM TRADING SECURITIES	3,073	2,478
LOSSES FROM TRADING SECURITIES	(5)	(135)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	(522)	778
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	787	475
INCOME BEFORE TAXES	36,832	30,647
INCOME TAXES	(12,353)	(8,441)
RESULT AFTER TAXES FROM OPERATING ACTIVITY	24,479	22,206
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	161	161
INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	24,640	22,367
- (NET INCOME) LOSS OF MINORITY SHAREHOLDERS	(10,535)	(7,683)
- NET INCOME (LOSS) OF THE GROUP	14,105	14,684

CONSOLIDATED NET FINANCIAL POSITION

(in thousands of euro)

	31.03.2017	31.12.2016	31.03.2016
A. Cash and bank deposits	304,952	330,832	353,135
B. Other cash equivalents	237,977	234,012	247,756
C. Securities held for trading	54,363	54,892	86,521
D. Cash and cash equivalents (A) + (B) + (C)	597,292	619,736	687,412
E. Current financial receivables	27,497	30,183	28,201
F. Current bank borrowings	(149,575)	(168,647)	(152,857)
G. Bonds issued	(21,505)	(20,980)	(5,747)
H. Current part of non-current debt	(52,143)	(45,303)	(47,489)
I. Other current financial payables	--	--	--
J. Current financial debt (F) + (G) + (H) + (I)	(223,223)	(234,930)	(206,093)
K. Current net financial position (J) + (E) + (D)	401,566	414,989	509,520
L. Non-current bank borrowings	(161,098)	(170,915)	(232,017)
M. Bonds issued	(284,414)	(283,742)	(285,621)
N. Other non-current payables	(100,752)	(103,904)	(102,087)
O. Non-current financial debt (L) + (M) + (N)	(546,264)	(558,561)	(619,725)
P. Net financial position (K) + (O)	(144,698)	(143,572)	(110,205)

Fine Comunicato n.0079-35

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