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Oggetto : STREAMLINING OF THE GROUP
STRUCTURE THROUGH THE MERGER
BY INCORPORATION OF CIR INTO
COFIDE

Testo del comunicato

Vedi allegato.



JOINT PRESS RELEASE

STREAMLINING OF THE GROUP STRUCTURE THROUGH THE MERGER BY INCORPORATION OF CIR INTO COFIDE

Merger of CIR into COFIDE unanimously approved by the Boards of Directors

Exchange ratio: 2.01 new COFIDE shares for 1 CIR share

Milan, March 11, 2019 – The Boards of Directors of CIR-Compagnie Industriali Riunite S.p.A. (“**CIR**”) and COFIDE-Gruppo De Benedetti S.p.A. (“**COFIDE**” and together with CIR, the “**Companies**”), which met today in Milan under the chairmanship of Rodolfo De Benedetti, examined and approved the merger plan by incorporation of CIR into its parent company COFIDE (the “**Merger**” or “**Transaction**”).

The Chairman of the Group, Rodolfo De Benedetti, made the following statement: “*The merger is an important turning point which will enable us to simplify the group structure consistently with the evolution of the market in the interest of the shareholders of CIR and COFIDE. The new holding company will confirm its focus on its industrial businesses and will be named CIR. Together with the CEO Monica Mondardini we will continue to pursue our policy of creating value for all our shareholders and to strengthen and grow our strategic investments*”.

Rationale and benefits of the Merger

The Merger aims to achieve the following main objectives:

- Shortening the control chain of the operating companies, in line with international best practices and market and regulatory authorities’ expectations;
- Creating a company with a larger free float both in terms of percentage of share capital and in absolute terms, thus increasing liquidity and attractiveness to investors;
- Reducing the operating costs related to the double listed holding structure and streamlining of the ownership chain and corporate governance with consequent synergies creation for the benefit of all shareholders.

The financial profile of the entity resulting from the merger will be substantially in line with CIR's and, more specifically, the Merger will not materially impact its net financial position and therefore its financial firepower and investment policy.

Exchange ratio

The exchange ratio has been determined as 2.01 COFIDE shares for each CIR share.

Two valuation methodologies have been adopted. These methodologies are in line with national and international market practices and consistent with relevant precedent transactions in the Italian market: the Net Asset Value ("NAV") methodology, commonly adopted to value financial holding companies and the market price ("Market Price") methodology (based on the volume weighted average official share prices observed over different time horizons), a methodology commonly used to value listed companies.

The exchange ratio was determined considering both the NAV and the Market Price methodologies, taking into account the dividends proposed by the respective Boards of Directors to their Shareholders' Meetings based on 2018 net profit. The methodologies used to calculate the exchange ratio will be further illustrated in the Reports presented by the Boards of Directors to their respective Extraordinary General Meetings.

For the definition of the financial terms of the Merger, the Boards of Directors of the Companies were assisted by professional financial advisors of proven standing, who supported the valuation activities.

Terms and conditions of the Transaction

The merger plan was drafted on the basis of the financial statements as of December 31, 2018 of COFIDE and CIR, approved today by their respective Boards of Directors and used as reference financial statements for the merger plan as per the terms and effects of Art. 2501-*quater* of the Civil Code.

Based on the Exchange Ratio, COFIDE will proceed to increase its share capital by a maximum nominal amount of Euro 281,364,327 through the issuance of a maximum of 562,728,654 new ordinary shares each with a nominal value of Euro 0.50. Moreover, in the context of the Merger, (i) any CIR ordinary shares owned by COFIDE at completion of the Merger and (ii) any treasury shares held by CIR at completion of the Merger will be cancelled without exchange.

The COFIDE shares that will be issued and assigned in exchange to CIR shareholders will have the same features and rights as the ordinary shares of the incorporating company in circulation at the moment of the assignment.

The newly issued shares of the incorporating company assigned in exchange will be listed in the same way as the ordinary COFIDE shares already in circulation, and will also be subject to centralized management by Monte Titoli S.p.A. in dematerialized form as per the terms of the law.

The Merger will produce legal effects from the date of the last registration with the Milan Company Registry as required by Art. 2504-*bis* of the Civil Code, or from a later date indicated in the deed of merger.

For accounting purposes, the transactions recorded by CIR will be accounted on the financial statements of COFIDE starting from January 1 of the year in which the Merger is effective. The fiscal effects will also become effective from the same date.

The Extraordinary General Meeting of COFIDE called to approve the merger plan will also be called to approve a share capital increase to service stock option plans already approved by CIR, to the extent they are still effective.

Changes to the Bylaws and Governance

It is intended that, as a result of the Merger, COFIDE will change its name to “CIR S.p.A. - COMPAGNIE INDUSTRIALI RIUNITE”.

The Bylaws of the company resulting from the Merger will contain a temporary clause pursuant to which the Board of Directors of COFIDE will automatically expire on the date of completion of the Merger and the Directors will be obliged to call an Ordinary General Meeting without delay to elect a new Board of Directors. The appointment of the administrative body of the company resulting from the Merger will thus take place according to the list vote mechanism and will respect the principle of representation of minority interests. In this perspective, with the merger agreement the Companies agree that it is appropriate for the Board of Directors of the company resulting from the Merger to benefit from the experience and professional competences currently existing in the administrative body of CIR.

Furthermore, the Board of Directors of COFIDE will also, at the same time as the Extraordinary General Meeting called to approve the Merger, call an Ordinary General Meeting to adopt a resolution on the adoption of a new incentive plan, with content substantially in line with the existing stock grant plans of CIR and such as to enable the exercise of any rights already vested but not exercised by the beneficiaries of such plans or those still in the vesting stage.

The Shareholders of the Company resulting from the Merger, in line with what is provided in the current Bylaws of COFIDE, will benefit from the increased voting rights for stable shareholders. On this subject it should be remembered that COFIDE will submit to the approval of the Annual General Meeting of the Shareholders, convened to approve the 2018 financial statements, an amendment to its Company Bylaws to lengthen the period of continuous possession needed to obtain the benefit of the increased voting right (so-called “vesting period”) from the current 24 months to 48 months. Any shareholders of COFIDE who do not agree to the adoption of this resolution will be able to exercise the right of withdrawal as per the terms of Art. 2437, paragraph 1, letter g), of the Civil Code. The effectiveness of this amendment to the Bylaws will be subject to the condition, which COFIDE may waive, that the total value of COFIDE shares for which the right of withdrawal may be validly exercised, does not exceed Euro 5 million. This amendment of the Bylaws will take effect on the thirtieth day following the date of completion of the Merger and in any case as from June 1, 2020. Therefore, in the event that the Merger is completed, the shareholders of CIR will have a period of thirty days in which they can request increased voting rights according to the current shorter Vesting Period of 24 months of continuous ownership of the shares.

Shareholding structure of incorporating company after the Merger

Based on its current shareholding interests in CIR and COFIDE and the Exchange Ratio, Fratelli De Benedetti S.p.A. would have 29.8% of the ordinary capital and 44.8% of the voting capital of the company resulting from the Merger.

Conditions of the transaction

The completion of the Merger transaction is subject not only to its approval by the Extraordinary General Meetings of the Companies, but also to the fulfilment, or where permitted, to the waiver, of the following conditions:

- (i) that the procedure of informing and consulting with the trade unions has been carried out and completed as per the terms of Art. 47 of Law no. 428 of December 29 1990, as subsequently amended;
- (ii) that by the date on which the Merger takes effect no notification has been received from the President of the Council of Ministers regarding the exercise of vetoes and/or comments and/or the imposition of conditions regarding the Merger, as per the terms of D. L. no. 21 of March 15 2012, transposed into Law no. 56 of May 11 2012, containing *“Rules on the subject of special powers for corporate structures in the sectors of defence and national security, and for businesses of strategic importance in the energy, transport and communications sectors”* and the relative acts for implementation;
- (iii) that Borsa Italiana S.p.A. has issued an authorization for the admission to trading on the Mercato Telematico Azionario of the ordinary shares of the incorporating company issued to service the Merger;
- (iv) where required by rules in force at the time, that Consob has issued its *“giudizio di equivalenza”* (equivalence clearance) as per Art. 57, paragraph 1, letter d) of the Regulation approved with Consob resolution no. 11971/99 (the **“Rules for Issuers”**) in relation to the information document that will be prepared by the Companies in accordance with the terms of Art. 57 of the Rules for Issuers;
- (v) that by the date on which the Merger is effective no event or circumstances have occurred that could have a significant negative impact on the businesses, the legal relationships, the liabilities and/or the operating results of the Companies, such as to alter the risk profile or the valuations on which the Exchange Ratio is based;
- (vi) that consent for the Merger is given by the lending banks of the Companies and their respective subsidiaries, as per the terms of the outstanding loan agreements.

Timing

After today’s resolution, COFIDE and CIR will file a joint application to the Milan Court for the appointment of an expert to provide a report on the fairness of the exchange ratio as per the terms of Art. 2501-*sexies* of the Civil Code.

The Extraordinary General Meetings for the approval of the Merger plan and the amendments to the Bylaws should be held before June 30, 2019, once the information required by law has been published.

The Merger is expected to complete by the end of 2019.

Withdrawal

The approval of the Merger resolution by the General Meetings of the Companies will not give rise to any right of withdrawal for their respective shareholders, as of the terms of Art. 2437 of the Civil Code and other law provisions, given that both participants in the Merger have nature of holding companies, can hold interests in any economic or industrial sector and their shares are listed on a regulated market.

Related parties

COFIDE and CIR are related parties as the former controls the latter and they are directly and indirectly, respectively, subject to control by Fratelli De Benedetti S.p.A.. It should also be noted that Fratelli De Benedetti S.p.A. exercises management and coordination over COFIDE which in turn exercises management and coordination activity over CIR. It should be also noted that Rodolfo, Marco and Edoardo De Benedetti are members of the Board of Directors of COFIDE and CIR and that Rodolfo De Benedetti is Chairman of both companies.

The Board of Directors of COFIDE has voluntarily applied to the Merger the rules contained in the RPC Procedure on the subject of transactions with related parties “of material significance” despite being of the opinion that the Merger is within the scope of application of the exemption contained in Art. 14 of Consob Regulation approved with resolution no. 17221 of March 12 2010 and in Art. 4.3 of the RPC Procedure, as it is being carried out with a controlled company in which there are no significant interests of other related parties. The Transaction was therefore approved unanimously by the Board of Directors of COFIDE with the prior favourable opinion of the Committee for Related Party Transactions. For this matter, the Committee consulted with Prof. Pietro Mazzola as an independent financial advisor who issued an opinion on the fairness of the Exchange Ratio from a financial point of view.

For the Merger, the Board of Directors of CIR applied the rules contained in the RPC Procedure on the subject of transactions with related parties “of material significance”. The Transaction was approved unanimously by the Board of Directors with the favourable opinion of the Committee for Related-Party Transactions. In this regard, the Committee retained Prof. Giovanni Petrella as an independent financial advisor who issued an opinion on the fairness of the Exchange Ratio from a financial point of view.

Within seven days of today’s date, COFIDE and CIR will publish the information document required by Art. 5 of the Regulation on related-party transactions adopted by Consob.

COFIDE and CIR share buyback programmes

The Companies have agreed to suspend the respective share buyback programmes, as from today’s date and until the date on which the Merger is completed.

Advisors

CIR is assisted on the transaction by:

- Mediobanca - Banca di Credito Finanziario S.p.A., as financial advisor to the Board of Directors

- Prof. Andrea Zoppini, as legal advisor to the Board of Directors and the Committee for Related-Party Transactions
- Prof. Giovanni Petrella, as financial advisor to the Committee for Related-Party Transactions

COFIDE is assisted on the transaction by:

- Natixis and Société Générale as financial advisors to the Board of Directors
- Chiomenti, with partner Prof. Marco Maugeri, as legal advisor to the Board of Directors and the Committee for Related-Party Transactions
- Prof. Pietro Mazzola, as financial advisor to the Committee for Related-Party Transactions

The merger plan, the illustrative report prepared by the Directors as per the terms of Art. 2501-*quinquies* of the Civil Code and drawn up in accordance with Art. 70 of the Rules for Issuers, the opinion attesting the fairness of the Exchange Ratio given by the common expert to be appointed as per the terms of Art. 2501-*sexies*, paragraphs 1, 3 and 4, of the Civil Code, together with the rest of the documentation required by law will be published in accordance with the law and regulations.

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