

Board of Directors approves results for first quarter 2019

CIR GROUP: NET INCOME € 4.5 MLN IN FIRST QUARTER 2019

Revenues at € 675.8 mln (-2.8%)

EBITDA at € 78.5 mln (€ 80.4 million in 2018)

***Net financial position of the parent company a positive € 326.2 million at 31/3
(€ 325.5 million at 31/12/2018)***

Highlights from the results for 1Q 2019

(in millions of €)

	<u>1Q 2018</u>	<u>1Q 2019*</u>
Revenues	695.2	675.8
EBITDA	80.4	78.5
Net income	9.5	4.5
	31/12	31/3
Net financial debt before IFRS 16	297.1	315.9
Leasing and right of use payables	n.a.	453.4
Net financial debt after IFRS 16	n.a.	769.3

* As from January 1 2019 accounting standard IFRS 16 was applied as explained in the Foreword

Milan, April 29 2019 – The **Board of Directors** of **CIR-Compagnie Industriali Riunite S.p.A.**, which met today under the chairmanship of **Rodolfo De Benedetti**, approved the **Financial Report as of March 31 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 for the first quarter of 2019 was prepared applying IFRS 16, which establishes a new way of accounting for leasing contracts. This has significant effects particularly for the presentation of the net financial debt and EBITDA of the Group and will be specified further on in this press release.

Consolidated results

The **revenues** of the CIR group for the first quarter of 2019 came in at **€ 675.8 million**, down slightly (-2.8%) compared to the same period of 2018 (€ 695.2 million) because of the unfavourable performance of the world car market and the Italian publishing market, in which two of its three subsidiaries operate, *Sogefi* and *GEDI* respectively.

KOS reported a rise in revenues of 5.3%, thanks to the constant development activity being carried out by the Company; *Sogefi*, in a market that saw a decline in car production of 7%, reported a decline in revenues of 2.9% at constant exchange rates and of 4% at historical exchange rates; lastly *GEDI*, in a difficult environment for the publishing sector and for advertising collection in particular (advertising investment in the printed press fell by 11.3% in the first two months of 2019 compared to the same period of 2018), reported a fall in revenues of 6.5% compared to the first quarter of last year.

The consolidated **gross operating margin (EBITDA)** came to **€ 78.5 million** (of which € 15.2 million due to the application of the new accounting standard IFRS 16) compared to € 80.4 million in the first three months of last year.

The consolidated **operating result (EBIT)** was **€ 24.8 million**, down from € 41.6 million in the first quarter of 2018, with *KOS* posting an increase (from € 15.4 million in the first quarter of 2018 to € 16.8 million in 2019), *Sogefi* reporting a reduction (€ 11.3 million from € 22.6 million in the first quarter of 2018) and *GEDI* also posting a lower figure (€ 0.5 million from € 6.6 million in 2018).

Consolidated **net income** came in at **€ 4.5 million** versus € 9.5 million in the first quarter of 2018.

Consolidated net financial debt, excluding financial payables for rights of use introduced by accounting standard IFRS 16, amounted to **€ 315.9 million** at March 31 2019, up from € 297.1 million at December 31 2018.

The application of IFRS 16 at March 31 2019 involved recognizing financial payables for rights of use for an amount of € 453.4 million and therefore the consolidated net financial debt figure after application of IFRS 16 came to a total of **€ 769.3 million**. The increase linked to IFRS 16 is concentrated in the subsidiary *KOS* (€ 323.8 million), due to the fact that the business activity carried out requires ample use of residential facilities that are mostly leased.

The total net debt at March 31 2019 of the industrial subsidiaries before IFRS 16 amounted to € 642.1 million and was higher than the figure at December 31 2018 (€ 622.6 million) because of the increase of € 21.5 million in the debt of the *GEDI* group (as an effect of the change in working capital and the expenses incurred for company restructuring).

The **net financial position of the parent company of the group** (including the non-industrial subsidiaries) was a positive € 326.2 million at March 31 2019, compared to € 325.5 million at the end of 2018.

The **equity of the group** amounted to **€ 937.8 million** at March 31 2019 versus € 936.2 million at December 31 2018.

At March 31 2019 the CIR group had **16,433 employees** (16,358 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 85 facilities, mainly in the centre and north of Italy, for a total of 8,117 beds, and is also active in India and the United Kingdom.

In the first three months of 2019 KOS obtained **revenues** of € 140.3 million, up by 5.3% on the same period of 2018. The *Long Term Care* area reported an increase due to its organic growth and to the contribution of the acquisitions made in 2018 and the *Diagnostics, oncology treatments and acute* area grew thanks to the new services launched during 2018.

EBIT came to € 16.8 million, compared to € 15.4 million in the same period of the previous year.

Net income came in at € 7.8 million up from € 7.5 million in the same period of 2018.

At March 31 2019, KOS had a **net debt position** before IFRS 16 of € 255.8 million, down by € 3.6 million from € 259.4 million at December 31 2018. The application of accounting standard IFRS 16 involved the recognition at March 31 2019 of financial payables for leasing and rights of use totalling € 323.8 million and thus the overall net financial debt came to € 579.6 million.

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 42 production plants in four continents. The company is controlled by CIR (56.8%) and is listed on the Stock Exchange.

In the first quarter of 2019, the world car market saw a decline in production of 6.7%, with Europe down by 5%, Asia by 11.8% (mainly because of the contraction of the Chinese market, -13.5%), while North America was down by 2.5% and South America down by 4.9% (source IHS – April 2019).

In this context, *Sogefi's revenues* came in at € 389.9 million, down by 2.9% at constant exchange rates and by 4% at historical exchange rates compared to the corresponding period of 2018, but nonetheless the company reported a better performance than that of the market in which it operates.

By geographical area, revenues at constant exchange rates declined by 3.6% in Europe, by 2.6% in North America and by 9.1% in Asia. By business unit, *Suspensions* reported a fall of 6.9%, *Filtration* one of 4.1% while, lastly, *Air and Cooling* revenues were substantially unchanged.

EBIT came to € 11.3 million, compared to € 22.6 million in the first quarter of 2018, equal to 2.9% of revenues. The decline in EBIT mainly reflects the lower volumes and the erosion of the gross margin that occurred in 2018, and has not yet been recovered, because of the rise in the prices of raw materials particularly in the *Suspensions* business unit.

Net income came in at € 1.6 million, down from the figure recorded in first quarter 2018 (€ 11.2 million), after tax charges of € 3.6 million (€ 5.2 million in the first quarter of 2018).

At March 31 2019, Sogefi had **net financial debt** before IFRS 16 of € 262.1 million, versus 260.5 million at December 31 2018. The application of accounting standard IFRS 16 involved the recognition at March 31 2019 of financial payables of € 66.8 million for leasing and rights of use and thus the overall net financial debt came to € 328.9 million.

For further information on the results of *Sogefi* see the press release issued by the company on April 26.

Media: GEDI Gruppo Editoriale

GEDI Gruppo Editoriale is the leading company in Italy for daily and multimedia news and is also one of the most important players 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.

As far as the market is concerned, in the first two months of 2019 advertising investment declined by 3.6% compared to the same period of last year (source *Nielsen Media Research*). The print sector reported a fall of 11.3%, with newspapers posting -13.6% and magazines -6.9%. As for newspaper circulation, in the first two months of 2019 sales on the news-stands and by subscription declined by 7.1%. Including digital copies, total newspaper circulation posted -5.9% (source *ADS-Accertamento Diffusione Stampa*).

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In the first quarter of 2019 *GEDI's revenues* totalled € 145.6 million, down by 6.5% on the first quarter of 2018. Circulation revenues of € 67.1 million were down by 6.5%, in a market that, as stated above, reported a 7.1% reduction in sales on the news-stands and by subscription and advertising revenues were down by 8%, reflecting the performance of the respective markets.

EBIT came in at € 0.5 million, down from € 6.6 million in the first quarter of 2018, due to the lower revenues.

Net income was € 2 million down from € 3 million in the first quarter of 2018.

At March 31 2019, GEDI had **net financial debt** before IFRS 16 of € 124.7 million, up from € 103.2 million at December 31 2018 as a result of the disbursements made for the reorganization plan currently in progress, and of the performance of working capital. The application of IFRS 16 involved the recognition at March 31 2019 of € 62.8 million of financial payables for rights of use and leasing and thus the overall net debt amounted to € 187.5 million.

For further information on the results of *GEDI* see the press release issued by the company on April 19.

Non-core investments

The non-core investments of the CIR group were worth € 67 million at March 31 2019 (€ 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 on the NAV given by the respective funds, was € 41.3

million at March 31 2019, investments in non-strategic shareholdings worth € 15.7 million and a portfolio of non-performing loans worth a total of € 10 million.

Outlook for the year

Performance in the remaining part of the year will depend on how the three business sectors evolve.

As far as *KOS* is concerned, there is expected to be an increase, albeit more moderate than in the previous year, in revenues and margins, and the commitment to development activity is scheduled to continue.

As for *Sogefi*, there is still little visibility as to the evolution of the market in the near future. It does however seem that the prices of the main raw materials could be stabilizing and the company is engaged in recovering profitability.

Regarding *GEDI*, there is not expected to be any change in the current market trends and the group is committed to continuing to counter their impact on results with appropriate operating actions.

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.

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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, of loans from banks, bonds, other borrowings and financial payables for rights of use in current liabilities.

Si allegano i prospetti di sintesi della situazione patrimoniale e finanziaria e del conto economico consolidati.

1. Statement of Financial Position

(in thousands of euro)

ASSETS	31.03.2019	31.12.2018
NON-CURRENT ASSETS	2,765,970	2,314,052
INTANGIBLE ASSETS	1,140,526	1,139,840
TANGIBLE ASSETS	827,576	822,169
RIGHTS OF USE	446,892	--
INVESTMENT PROPERTY	17,636	17,825
INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	110,298	110,179
OTHER EQUITY INVESTMENTS	12,680	12,525
OTHER RECEIVABLES	50,247	50,534
OTHER FINANCIAL ASSETS	56,872	61,980
DEFERRED TAX ASSETS	103,243	99,000
CURRENT ASSETS	1,250,059	1,206,395
INVENTORIES	141,099	134,218
TRADE RECEIVABLES	432,466	420,969
OTHER RECEIVABLES	97,167	79,017
FINANCIAL RECEIVABLES	19,999	25,773
SECURITIES	25,945	25,069
OTHER FINANCIAL ASSETS	285,030	276,880
CASH AND CASH EQUIVALENTS	248,353	244,469
ASSETS HELD FOR DISPOSAL	12,706	13,599
TOTAL ASSETS	4,028,735	3,534,046
LIABILITIES AND EQUITY	31.03.2019	31.12.2018
SHAREHOLDERS' EQUITY	1,456,247	1,448,875
SHARE CAPITAL	320,575	322,089
RESERVES	237,192	236,862
RETAINED EARNINGS (LOSSES)	375,555	364,307
NET INCOME (LOSS) FOR THE PERIOD	4,487	12,890
EQUITY OF THE GROUP	937,809	936,148
MINORITY SHAREHOLDERS' EQUITY	518,438	512,727
NON-CURRENT LIABILITIES	1,440,741	1,008,337
BONDS	272,881	270,254
OTHER BORROWINGS	345,400	327,303
FINANCIAL PAYABLES FOR RIGHTS OF USE	405,804	--
OTHER PAYABLES	65,922	62,968
DEFERRED TAX LIABILITIES	174,332	169,698
PERSONNEL PROVISIONS	133,428	135,091
PROVISIONS FOR RISKS AND LOSSES	42,974	43,023
CURRENT LIABILITIES	1,123,328	1,067,470
LOANS FROM BANKS	20,741	13,046
BONDS	116,930	113,801
OTHER BORROWINGS	132,990	144,874
FINANCIAL PAYABLES FOR RIGHTS OF USE	53,900	--
TRADE PAYABLES	497,744	497,264
OTHER PAYABLES	229,049	211,108
PROVISIONS FOR RISKS AND LOSSES	71,974	87,377
LIABILITIES HELD FOR DISPOSAL	8,419	9,364
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,028,735	3,534,046

2. Income Statement

(in thousands of euro)

	01/01 - 31/03 2019	01/01 - 31/03 2018 (*)
REVENUES	675,782	695,217
CHANGE IN INVENTORIES	470	(490)
COSTS FOR THE PURCHASE OF GOODS	(244,231)	(248,234)
COSTS FOR SERVICES	(147,798)	(167,005)
PERSONNEL COSTS	(196,222)	(193,287)
OTHER OPERATING INCOME	10,568	8,468
OTHER OPERATING COSTS	(20,070)	(14,251)
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(53,725)	(38,752)
OPERATING RESULT	24,774	41,666
FINANCIAL INCOME	2,293	2,338
FINANCIAL EXPENSE	(15,336)	(15,180)
DIVIDENDS	14	16
GAINS FROM TRADING SECURITIES	689	2,972
LOSSES FROM TRADING SECURITIES	--	(100)
SHARE OF INCOME (LOSS) OF INVESTEEES CONSOLIDATED USING THE EQUITY METHOD	119	403
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	56	(2,261)
RESULT BEFORE TAXES	12,609	29,854
INCOME TAXES	(2,981)	(10,891)
RESULT OF OPERATIONS DESTINED TO CONTINUE	9,628	18,963
NET INCOME/(LOSS) FROM OPERATIONS HELD FOR DISPOSAL	1,288	1,589
NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	10,916	20,552
- (INCOME) LOSS MINORITY INTERESTS	(6,429)	(11,037)
- NET INCOME (LOSS) OF THE GROUP	4,487	9,515

(*) It should be noted that the effect of application of "IAS 29 "Financial Reporting in Hyperinflationary Economies", recognized to the accounts for the closure of the financial statements for the year ended December 31 2018 were spread over the quarters of the same year.

Some values for 2018, relating to "Assets held for disposal", were restated following application of IFRS 5 "Non-current assets held for sale and discontinued operations" in the item "Income/(Loss) from assets held for disposal".

3. Statement of Net Financial Position

(in thousands of euro)

	31.03.2019	31.12.2018
A. Cash and bank deposits	248,353	244,469
B. Other cash equivalents	285,030	276,880
C. Securities held for trading	25,945	25,069
D. Cash and cash equivalents (A) + (B) + (C)	559,328	546,418
E. Current financial receivables	19,999	25,773
F. Current bank borrowings	(75,398)	(65,824)
G. Bonds issued	(116,930)	(113,801)
H. Current part of non-current debt	(80,230)	(92,096)
I. Other current financial payables	(52,003)	--
J. Current financial debt (F) + (G) + (H) + (I)	(324,561)	(271,721)
K. Current net financial position (J) + (E) + (D)	254,766	300,470
L. Non-current bank borrowings	(291,812)	(267,032)
M. Bonds issued	(272,881)	(270,254)
N. Other non-current payables	(459,392)	(60,271)
O. Non-current financial debt (L) + (M) + (N)	(1,024,085)	(597,557)
P. Net financial debt (K) + (O)	(769,319)	(297,087)

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