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Oggetto : CIR Group: revenues at € 2,010.8 mln in
first 9 months of 2019

Testo del comunicato

Vedi allegato.

CIR GROUP: REVENUES AT € 2,010.8 MLN IN FIRST 9 MONTHS OF 2019**Ebitda at € 247.4 million****Net income at € 7.2 million*****Net financial position of the parent company at 30/9 positive for € 319.2 million*****Highlights from results for 9M 2019**

(in millions of €)

| | <u>9M 2018</u> | <u>9M 2019*</u> |
|--|----------------|-----------------|
| Revenues | 2,059.9 | 2,010.8 |
| EBITDA | 234.5 | 247.4 |
| Net income | 32.5 | 7.2 |
| | 30/9 | 30/9 |
| Net debt before IFRS 16 | 354.4 | 358.1 |
| Payables for leasing and rights of use IFRS 16 | | 433.1 |
| Net debt after IFRS 16 | | 791.2 |

* As from January 1 2019 IFRS 16 has been applied as explained in the Foreword

Milan, October 28 2019 – 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 **Financial Report as of September 30 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 as of September 30 2019 was formulated applying IFRS 16, which establishes a new way of accounting for lease contracts and has a significant effect on the items of net debt and EBITDA of the Group. These will be highlighted further on in this press release.

Consolidated results

The consolidated results of the CIR group in the first nine months of 2019 reflect the unfavourable performance of two of the three markets in which it operates: automotive and publishing. The automotive sector worldwide reported a fall in production of 5.9% and publishing in Italy was impacted by the recession affecting advertising investments, which declined overall by 5.9% in the first eight months of the

year. These developments were reflected in the revenues and results of the subsidiaries *Sogefi* and *GEDI*.

The consolidated **revenues** of the CIR group came in at **€ 2,010.8 million** and were down by 2.4% compared to the same period of 2018 (€ 2,059.9 million), with *KOS* up by 4.3%, *Sogefi* down by 3.2% and *GEDI* down by 6%.

The consolidated **gross operating margin (EBITDA)** came to **€ 247.4 million**; before the application of IFRS 16, EBITDA was € 201.8 million and was down from € 234.5 million in the first nine months of last year because of the lower margins of the subsidiaries *Sogefi* and *GEDI*.

The consolidated **operating result (EBIT)** was **€ 81.3 million** versus € 111.4 million in the same period of last year.

Consolidated **net income** came in at **€ 7.2 million**, € 20.3 million excluding the impact on the group of the write-down reported by *GEDI* of its shareholding interest in *Persidera* in the prospect of its disposal (€ -7.7 million), the effect of the new accounting standards (€ -2.6 million) and the non-recurring charges incurred by the parent company mainly for the merger by incorporation of CIR into COFIDE. In the first nine months of 2018, the net result was € 32.5 million; the decline of € 20.3 million was due to the lower results of the subsidiaries *Sogefi* and *GEDI*, on account of the unfavourable performance of their respective markets.

The consolidated **net financial debt** at September 30 2019, excluding the financial expenses for rights of use introduced by IFRS 16, amounted to **€ 358.1 million**, in line with the figure at September 30 2018 (€ 354.4 million).

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The total net financial debt at September 30 2019 of the industrial subsidiaries, before IFRS 16, stood at € 677.8 million (€ 622.6 million at the end of December 2018), with an increase in the debt of *KOS* of € 31 million due to the payment of dividends and investments made in development, and a reduction of € 6.3 million in the net debt of *GEDI* and of € 21.6 million in that of *Sogefi*.

The **net financial position of the parent company** (including the non-industrial subsidiaries) was a positive **€ 319.2 million** at September 30 2019, unchanged from € 320.3 million at September 30 2018. The change in the first nine months of 2019 was the result of disbursements for the distribution of dividends (€ 25 million) and the buyback of own shares (€ 3.2 million), the effect of IFRS 16 for € -0.5 million, offset by the positive cash flow from operations (€ 22.4 million).

The application of accounting standard IFRS 16 at September 30 2019 involved the recognition of financial payables for rights of use for an amount of € 433.1 million and thus the consolidated net debt figure after IFRS totalled € 791.2 million. The increase relating to IFRS 16 came mainly from the subsidiary *KOS* (€ 311.3 million), which operates mainly in leased premises.

The **shareholders' equity of the group** amounted to **€ 914.6 million** at September 30 2019 versus € 936.2 million at December 31 2018.

At September 30 2019 the CIR group had **16,526 employees** (16,365 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 86 facilities, mainly in the centre and north of Italy, for a total of 8,153 beds, and is also active in India and the United Kingdom.

In the first nine months of 2019 KOS reported **revenues** of € 420.3 million, showing an increase of 4.3% compared to € 403.1 million in the same period of last year. The *Long Term Care* area posted a rise thanks to organic growth and the contribution of the acquisitions made in 2018; the *Diagnostics, oncology treatments and acute* area reported growth after new services were introduced in 2018 and 2019.

EBITDA came to € 101.6 million; excluding the effect of IFRS 16, it was € 75.9 million (18.1% of revenues) in line (+1.3%) with the first nine months of 2018 (€ 74.9 million).

EBIT was € 50.4 million; before IFRS 16 it was € 47.9 million, in line with the first nine months of 2018.

Net income came in at € 23.5 million compared to € 24.8 million in the first nine months of 2018; the slight decline was due to the application of IFRS 16, which had an impact of € 1.6 million.

At September 30 2019, KOS had **net financial debt** before IFRS 16 of € 295.3 million, up by € 35.9 million from € 259.4 million at December 31 2018, after the distribution of dividends of € 35.1 million in the period and investments in development for € 26 million (greenfield and new projects in the diagnostics and cancer treatment areas).

The application of accounting standard IFRS 16 involved the recognition at September 30 2019 of financial payables for leasing and rights of use of € 311.3 million and therefore the net financial debt figure came to € 606.6 million.

In July the company *KOS Germany GmbH* was set up, a special purpose vehicle for the formalization of the acquisition of *Charleston Holding GmbH*, a German company active in the supply of residential services for the non-self-sufficient elderly and of ancillary services for patients who are elderly and have a high level of disability. *Charleston* manages 47 care homes with a total of 4,050 beds. The deal is expected to close in November.

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 41 production plants in four continents. The company is controlled by CIR (56.7%) and is listed on the Stock Exchange.

In the first nine months of 2019, the world car market reported a decline in production of 5.9% (source *IHS* – October 2019) compared to the same period of 2018, with Europe down by 4.3%, Asia falling 11.6%,

North America declining by 2.2% and South America down by 3.3%.

The **revenues** of *Sogefi* came in at € 1,149.0 million, down by 2.2% at constant exchange rates and by 3.2% at historical exchange rates compared to the same period of 2018, but holding up better than the market thanks to business in Europe.

By geographical area, revenues at constant exchange rates were down by 1.6% in Europe, by 4.2% in North America and by 13% in Asia, while in South America they posted a rise of +8.6%.

By business sector, at constant exchange rates, *Suspensions* posted a decline in revenues of 4.2% (-7.3% at current exchange rates) and *Air and Cooling* a decline of 3.5% (-1.6% at current exchange rates) while the revenues of *Filtration* rose by 1.1% (+0.1% at current exchange rates).

EBITDA came in at € 130.7 million, down from € 141.6 million in the first nine months of 2018; with the same accounting criteria and excluding for the previous year the non-recurring gain of € 6.6 million from the closure of the quality claims in *Systèmes Moteurs S.A.S.*, profitability (EBITDA/ Revenues %) was 11.4% versus 12% in the same period of 2018. In the third quarter, profitability (12%) recovered compared to the figures for the previous two quarters (10.6% and 11.6% in the first and second quarters respectively) to a higher level than that reported for the third quarter of 2018.

EBIT came to € 37.4 million versus € 56.3 million in the first nine months of 2018. Profitability (EBIT/Revenues %) was 3.3% down from 4.3% in the first nine months of 2018 (with the same accounting criteria and excluding the above-mentioned non-recurring gain). Profitability in the third quarter of 2019 shows an improvement from the third quarter of 2018 (from 3.1% to 3.5%). The operating result held up well in the main markets, Europe and North America, thanks to the actions put in place during the period, while the unfavourable performance of the Chinese market and that of South America (particularly Argentina) together with the start-up costs of the filter production plant in Morocco had a negative impact.

Net income came in at € 8.3 million, down from € 20.4 million in the first nine months of 2018, after tax expense of € 12.6 million in the first nine months of 2019, versus € 16.5 million in the same period of 2018.

The **net debt** totalled € 327.7 million at September 30 2019, including € 63.1 million resulting from the application of IFRS 16. Excluding this amount, the net debt at September 30 2019 was € 264.6 million, down by 21.6 million from the figure at September 2018 and substantially in line with the net debt figure for December 2018.

For further information on the results of *Sogefi*, see the press release published by the company on October 25 2019.

Media: GEDI Gruppo Editoriale

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

In the first eight months of 2019 advertising investments were down by 5.9% compared to the same period of last year (*Nielsen Media Research* data). Of the main media only radio and the internet (excluding search engines and social media) reported a positive performance posting growth of 2.5% and 2.2% respectively. The printed press was the medium that suffered the most, again reporting a fall of 12.5%. As for circulation, in the first eight months of 2019 daily newspapers reported a decline in sales on the newsstands and by subscription of 8.2% (*ADS-Accertamento Diffusione Stampa* figures). Including digital copies, the overall circulation of daily newspapers posted -7.3%.

GEDI's revenues totalled € 441.5 million, declining by 6% compared to the first nine months of 2018. Circulation revenues came to € 205.2 million and were down by 4.8% on those of the same period of last year with advertising revenues, amounting to € 206.4 million, falling by 7%.

EBITDA came in at € 31.1 million; excluding the effect of IFRS 16, it would have been € 20.2 million (€ 31.4 million in the first nine months of 2018), after restructuring costs of € 4.9 million.

EBIT came to € 7.1 million (€ 17.3 million in the first nine months of 2018).

The **net result** was a loss of € 18.3 million. Given the scheduled sale of the interest in *Persidera*, the company aligned its carrying value to the expected sale price, with a negative impact on the net result of € 16.9 million, plus that of € 3.7 million of restructuring costs. Net of these effects the consolidated result would have been a positive € 2.2 million (net income of € 7.8 million in the first nine months of 2018).

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Net financial debt at September 30 2019, before the application of accounting standard IFRS 16, amounted to € 118.4 million, down from € 124.7 million at September 30 2018, but higher than the € 103.2 million at December 31 2018, as an effect of € 25.6 million of disbursements relating to the restructuring plans in progress. The application of IFRS 16 led to the recognition at September 30 2019 of financial payables for leasing and rights of use of € 58.6 million and thus the net debt figure after IFRS came to € 177.0 million.

For further information on the results of *GEDI* see the press released published by the company on October 21 2019.

Non-core investments

At September 30 2019 the non-core investments of the CIR group totalled € 67.2 million (€ 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 based on the NAVs produced by the funds themselves, was € 47.6 million at September 30 2019, investments in non-strategic equity interests worth € 10.5 million and a portfolio of non-performing loans with a total value of € 9.1 million.

Outlook for the year

Performance in the rest of the year will depend on the evolution of the three business sectors.

As far as *KOS* is concerned, during the fourth quarter it is expected that the growth reported in the previous

nine months will be confirmed, with the addition of the consolidation of the acquisition made in Germany.

As regards *Sogefi* and *GEDI*, performance in the remaining part of the year will depend on the evolution of the automotive market and the publishing market in Italy, both of which are currently characterized by an unfavourable performance and an outlook of substantial uncertainty.

For *Sogefi* in particular, in recent months sector sources have revised down their expectations for world car production in the fourth quarter and are now forecasting a decline of 5.5% (in line with what was reported for the first nine months of the year), compared to their previous forecast of -1%. On the basis of these general prospects, as well as other specific factors, *Sogefi* expects that sales in the last quarter compared to the previous year will be in line with the evolution of the market and that the EBIT margin will improve slightly in comparison with the fourth quarter of 2018.

For *GEDI*, as regards the outlook for the year, it should be noted that the results of the second and third quarters have improved in comparison with the early months of the year and in the fourth quarter the group expects to see further effects of the actions put in place. It can therefore be expected that, in the absence of any events as yet unpredictable, the group will obtain a positive result, excluding the impact of the sale of *Persidera* and any other exceptional items.

Significant events that have taken place since September 30 2019

On October 11 an irrevocable bid was received for the acquisition of a 29.9% interest in *GEDI*. The bid was neither agreed upon nor requested and all the CIR Board members defined it as inadmissible as contrary to the interest of the company.

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 "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, and of bank overdrafts, bonds, other borrowings, and financial payables for rights of use in current liabilities.

Attached are key figures from the consolidated statement of financial position and the income statement

1. Statement of Financial Position

(in thousands of euro)

| ASSETS | 30.09.2019 (*) | 30.06.2019 (*) | 31.12.2018 |
|--|-----------------------|-----------------------|-------------------|
| NON-CURRENT ASSETS | 2,656,674 | 2,657,118 | 2,314,052 |
| INTANGIBLE ASSETS | 1,138,058 | 1,139,049 | 1,139,840 |
| TANGIBLE ASSETS | 756,494 | 750,207 | 822,169 |
| INVESTMENT PROPERTY | 16,767 | 16,956 | 17,825 |
| RIGHTS OF USE | 502,565 | 516,803 | -- |
| INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD | 18,488 | 18,420 | 110,179 |
| OTHER EQUITY INVESTMENTS | 14,053 | 11,748 | 12,525 |
| OTHER RECEIVABLES | 50,969 | 49,498 | 50,534 |
| OTHER FINANCIAL ASSETS | 58,084 | 53,455 | 61,980 |
| DEFERRED TAX ASSETS | 101,196 | 100,982 | 99,000 |
| CURRENT ASSETS | 1,191,060 | 1,212,192 | 1,206,395 |
| INVENTORIES | 138,737 | 133,916 | 134,218 |
| TRADE RECEIVABLES | 393,906 | 443,450 | 420,969 |
| OTHER RECEIVABLES | 108,426 | 102,009 | 79,017 |
| FINANCIAL RECEIVABLES | 16,908 | 21,117 | 25,773 |
| SECURITIES | 24,876 | 26,524 | 25,069 |
| OTHER FINANCIAL ASSETS | 268,787 | 288,322 | 276,880 |
| CASH AND CASH EQUIVALENTS | 239,420 | 196,854 | 244,469 |
| ASSETS HELD FOR SALE | 70,610 | 70,180 | 13,599 |
| TOTAL ASSETS | 3,918,344 | 3,939,490 | 3,534,046 |
| LIABILITIES AND EQUITY | 30.09.2019 (*) | 30.06.2019 (*) | 31.12.2018 |
| SHAREHOLDERS' EQUITY | 1,414,541 | 1,402,300 | 1,448,875 |
| SHARE CAPITAL | 320,611 | 320,604 | 322,089 |
| RESERVES | 213,922 | 213,948 | 236,862 |
| RETAINED EARNINGS (LOSSES) | 372,910 | 371,936 | 364,307 |
| NET INCOME (LOSS) FOR THE PERIOD | 7,223 | 1,982 | 12,890 |
| EQUITY OF THE GROUP | 914,666 | 908,470 | 936,148 |
| MINORITY SHAREHOLDERS' EQUITY | 499,875 | 493,830 | 512,727 |
| NON-CURRENT LIABILITIES | 1,376,840 | 1,359,422 | 1,008,337 |
| BONDS | 236,250 | 233,308 | 270,254 |
| OTHER BORROWINGS | 307,520 | 281,615 | 327,303 |
| FINANCIAL PAYABLES FOR RIGHTS OF USE | 429,236 | 443,489 | -- |
| OTHER PAYABLES | 65,115 | 61,265 | 62,968 |
| DEFERRED TAX LIABILITIES | 173,749 | 173,191 | 169,698 |
| PERSONNEL PROVISIONS | 133,918 | 133,634 | 135,091 |
| PROVISIONS FOR RISKS AND LOSSES | 31,052 | 32,920 | 43,023 |
| CURRENT LIABILITIES | 1,126,963 | 1,177,768 | 1,067,470 |
| BANK BORROWINGS | 21,875 | 15,707 | 13,046 |
| BONDS | 43,168 | 41,600 | 113,801 |
| OTHER BORROWINGS | 236,793 | 252,934 | 144,874 |
| FINANCIAL PAYABLES FOR RIGHTS OF USE | 66,302 | 64,767 | -- |
| TRADE PAYABLES | 459,310 | 504,527 | 497,264 |
| OTHER PAYABLES | 227,805 | 226,631 | 211,108 |
| PROVISIONS FOR RISKS AND LOSSES | 71,710 | 71,602 | 87,377 |
| LIABILITIES HELD FOR DISPOSAL | -- | -- | 9,364 |
| TOTAL LIABILITIES AND EQUITY | 3,918,344 | 3,939,490 | 3,534,046 |

(*) The Group applied the new accounting standard IFRS 16 "Leases" from the date of first application (i.e. January 1 2019) using the modified retrospective method. Therefore, the cumulative effect of the adoption of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as of January 1 2019, without restating the comparative information.

2. Income statement

(in thousands of euro)

| | 1/1 - 30/9 2019 (*) | 1/1 - 30/9 2018 (**) | III Quarter 2019 (*) | III Quarter 2018 (**) |
|--|------------------------|-------------------------|-------------------------|--------------------------|
| REVENUES | 2,010,829 | 2,059,904 | 648,823 | 655,284 |
| CHANGE IN INVENTORIES | (156) | 767 | 1,486 | (755) |
| COSTS FOR THE PURCHASE OF GOODS | (716,289) | (734,488) | (232,224) | (234,335) |
| COSTS FOR SERVICES | (440,854) | (499,514) | (141,428) | (161,365) |
| PERSONNEL COSTS | (568,552) | (567,342) | (177,259) | (177,141) |
| OTHER OPERATING INCOME | 21,887 | 19,497 | 3,662 | 4,832 |
| OTHER OPERATING COSTS | (59,451) | (44,291) | (16,943) | (10,804) |
| AMORTIZATION, DEPRECIATION AND WRITEDOWNS | (166,090) | (123,109) | (56,249) | (40,334) |
| OPERATING RESULT | 81,324 | 111,424 | 29,868 | 35,382 |
| FINANCIAL INCOME | 7,122 | 6,409 | 2,135 | 1,541 |
| FINANCIAL EXPENSE | (43,404) | (42,221) | (13,738) | (13,266) |
| DIVIDENDS | 41 | 2,782 | 27 | 15 |
| GAINS FROM TRADING SECURITIES | 4,100 | 8,282 | 530 | 1,547 |
| LOSSES FROM TRADING SECURITIES | (1,248) | (403) | -- | (8) |
| SHARE OF THE EARNINGS (LOSS) OF EQUITY INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD | 229 | 447 | 68 | 116 |
| ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS | 3,752 | (1,676) | 685 | (461) |
| RESULT BEFORE TAXES | 51,916 | 85,044 | 19,575 | 24,866 |
| INCOME TAXES | (24,876) | (29,344) | (9,138) | (8,630) |
| RESULT OF CONTINUING OPERATIONS | 27,040 | 55,700 | 10,437 | 16,236 |
| NET INCOME/(LOSS) OF OPERATIONS HELD FOR SALE | (12,870) | 3,289 | 429 | 338 |
| NET INCOME/(LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS | 14,170 | 58,989 | 10,866 | 16,574 |
| - (NET INCOME) LOSS OF MINORITY INTERESTS | (6,947) | (26,543) | (5,625) | (8,220) |
| - NET INCOME (LOSS) OF THE GROUP | 7,223 | 32,446 | 5,241 | 8,354 |

(*) The Group applied the new accounting standard IFRS 16 "Leases" from the date of first application (i.e. January 1 2019) using the modified retrospective method. Therefore the cumulative effect of the adoption of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as of January 1 2019, without restating the comparative information.

(**) It should be noted that the effect of application of IAS 29 "Financial reporting in hyperinflationary economies" recognized at the close of December 2018, was shared over the quarters of the same year.

The values for the year 2018 of "Assets held for sale" were restated following application of IFRS 5 "Non-current assets held for sale and discontinued operations" in the line "Income (loss) from assets held for sale".

3. Statement of net financial position

| <i>(in thousands of euro)</i> | 30.09.2019 | 30.06.2019 | 31.12.2018 |
|--|------------------|------------------|------------------|
| A. Cash and bank deposits | 239,420 | 196,854 | 244,469 |
| B. Other cash equivalents | 268,787 | 288,322 | 276,880 |
| C. Securities held for trading | 24,876 | 26,524 | 25,069 |
| D. Cash and cash equivalents (A) + (B) + (C) | 533,083 | 511,700 | 546,418 |
| E. Current financial receivables | 16,908 | 21,117 | 25,773 |
| F. Current bank borrowings | (199,948) | (191,096) | (65,824) |
| G. Bonds issued | (43,168) | (41,600) | (113,801) |
| H. Current part of non-current debt | (58,720) | (77,545) | (92,096) |
| I. Financial payables for rights of use | (66,302) | (64,767) | -- |
| J. Current financial debt (F) + (G) + (H) + (I) | (368,138) | (375,008) | (271,721) |
| K. Net current financial position (J) + (E) + (D) | 181,853 | 157,809 | 300,470 |
| L. Non-current bank borrowings | (305,171) | (279,266) | (267,032) |
| M. Bonds issued | (236,250) | (233,308) | (270,254) |
| N. Other non-current payables | (2,349) | (2,349) | (60,271) |
| O. Financial payables for rights of use | (429,236) | (443,489) | -- |
| P. Non-current financial debt (L) + (M) + (N) + (O) | (973,006) | (958,412) | (597,557) |
| Q. Net financial position (K) + (P) | (791,153) | (800,603) | (297,087) |

Fine Comunicato n.0079-50

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