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Oggetto : CIR: results for first half 2022

Testo del comunicato

Vedi allegato.

CIR: results for first half 2022

- **Revenues at € 1,102.5 million, up by 10.4% from first half 2021**
- **Positive results for Sogefi, results of KOS in recovery, results of financial management affected by the negative performance of the financial markets**
- **Net income at break-even, negatively affected by the adjustment of fair value of the financial asset portfolio**
- **Reduction of consolidated net debt of the operating subsidiaries**
- **Net financial position of the parent company positive for € 313.3 million, after the disbursement of € 84.2 million for the buyback of own shares and despite the impairment recorded by the portfolio of financial investments in the current market situation**

Milan, 29 July 2022 – The Board of Directors of CIR S.p.A. – Compagnie Industriali Riunite (“CIR” or the “Company”), which met today under the chairmanship of Rodolfo De Benedetti, has approved the Semi-Annual Financial Report as of 30 June 2022 presented by Chief Executive Officer Monica Mondardini.

Consolidated results

In the first half of 2022 the Company and its investees were operating in a complex environment due to the effects of the still ongoing pandemic, which have a direct impact on the social healthcare sector, to the increases in the cost of raw materials and energy, which affect the automotive sector, and the negative performance of the financial markets, which have had an impact on the results of the group’s investment portfolio. The conflict between Russia and Ukraine has worsened the critical issues already present in relation to raw materials, energy, the financial markets and the weakness of certain economic sectors in Europe.

Against this backdrop, KOS continued to see a recovery of its activities which began in the second quarter of 2021, after the fall caused by the pandemic, and Sogefi managed effectively the many critical factors that impacted the market; while the results of financial management suffered the inversion of the trend in the markets, suffering losses in value across all of the main asset classes.

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The **consolidated revenues** of the Group came in at € 1,102.5 million and were up by 10.4% on the first half of 2021, with positive dynamics in both sectors of the group's business activities.

The group reported a **net result** at break-even (-€ 0.2 million) versus net income of € 21.6 million in the first half of 2021. The decline was due to the lower returns on the financial investment portfolio, with the financial companies of the group (CIR, CIR International and CIR Investimenti) contributing a negative € 10.2 million to the consolidated net result after a positive contribution of € 9.3 million in the first half of 2021.

Consolidated net financial debt before IFRS 16 stood at € 95.6 million at 30 June 2022 compared to € 85.6 million at 31 December 2021 and € 41.4 million at 30 June 2021:

- The **net debt of the subsidiaries** declined to € 408.9 million from € 418.0 million at 31 December 2021 and € 446.4 million at 30 June 2021;
- The **net financial position** of the Parent Company (including the subsidiaries CIR Investimenti and CIR International) remains very positive at € 313.3 million and the reduction compared to 31 December 2021 (€ 332.4 million) and 30 June 2021 (€ 405.0 million) was due mainly to the buyback of own shares for € 84.2 million over the last 12 months and to a lesser extent to the impairment losses recorded by the financial investment portfolio in the current market situation.

Consolidated net debt, including IFRS 16 payables, stood at € 969.8 million at 30 June 2022, and included € 874.2 million for rights of use that refer mainly of the subsidiary KOS (€ 805.3 million), which operates in premises that are generally leased.

The Group's **equity** amounted to € 749.4 million at 30 June 2022 (€ 740.4 million at 31 December 2021).

KOS

In 2020 the Covid-19 pandemic had a significant impact on the activities of KOS, leading to a reduction in the number of guests entering the nursing homes and in the services provided in the rehabilitation units. The recovery began in the middle of 2021 and was confirmed in the first half of 2022, although pre-pandemic levels have not yet been reached.

In the first half of 2022, the Group's **revenues** came to € 346.5 million, posting a rise of 6.5% on the same period of the previous year, thanks particularly to the recovery in the nursing home sector in Italy (+16.2%) and in Germany (+5.2%).

Recurring **EBIT** rose from € 8.3 million to € 11.5 million (total EBIT for first half 2021 came to € 20.9 million and included non-recurring income of € 12.6 million).

The **net result** for the period was -€ 2.9 million. Without considering the non-recurring income of first half 2021, there was an improvement of € 5.8 million.

Net debt, excluding the payables resulting from the application of IFRS 16, amounted to € 192.9 million at the end of June 2022, substantially stable compared to the end of June 2021 (€ 185.5 million). Total net debt, including the payables as per IFRS 16, came to € 998.2 million.

The difficulties caused by the pandemic have not had any repercussions on the plan of constant development that has characterized the group since it was founded: since 2019 9 new facilities have been opened and another 9 are under construction in Italy and Germany. The company is in the process of performing an in-depth analysis of service models, in light of technological innovations and of the needs of its patients.

Sogefi

In the first half of 2022 the market continued to have difficulty in the sourcing of raw materials and components (which even caused the temporary closure of certain of the principal car manufacturers' production facilities worldwide) and rises in the prices of raw materials and energy, made worse by the conflict between Russia and Ukraine. World car production fell by 1.8% compared to the first half of 2021, with Europe at -7.6%, China and Mercosur in line (at +0.7% and -0.6% respectively), and NAFTA and India recovering (+4.7% e +16.4% respectively).

In this scenario, Sogefi reported **revenues** 12.3% higher than in the first half of 2021, due to the rise in selling prices to bring them into line with the cost of raw materials, and to the trend of exchange rates; production and sales volumes were substantially in line with first half 2021 with a positive performance compared to the market (-1.8%).

Recurring **EBIT** for the first half of the year was in line with that of the same period of 2021; total EBIT came to € 40.4 million versus € 47.3 million in 2021 because of higher restructuring costs (€ 4.1 million compared to € 1.3 million in the first half of 2021) and lower non-operating income (€ 3.9 million versus € 9.4 million in 2021).

The Group reported **net income** of € 20.8 million, in line with that of the first half of 2021, which was € 21.4 million.

Net debt (before IFRS 16) fell to € 216.4 million at 30 June 2022 from € 258.2 million at 31 December 2021 and € 261.4 million at 30 June 2021.

The first half of the year was positive for **commercial activity** too: the Filtration division was awarded various contracts for the supply of oil and air filters; the Air and Cooling division signed important contracts in NAFTA and Europe for the supply of thermal management products and cooling plates for electric mobility; the Suspensions division obtained contracts for components that will be produced in the new facilities in Romania and in China, even for electric vehicles. Despite the market challenges of the last two years, Sogefi has always been able to meet the needs of its clients, confirming its image of a supplier capable to deliver high quality products, with reliable service levels.

Financial management

In the first half of 2022 the impact on the markets of the war in progress and the rise in interest rates, decided on by the central banks to counter inflationary effects, was negative for all asset classes. **Management of the financial assets** of the parent company and the financial subsidiaries therefore reported a negative net result of € 5.1 million for adjustments made to the fair value of assets, with a return for the first half of -1.3% after income of € 12.4 million in the first half of 2021. In particular, the overall return on cash equivalent assets (shares, bonds, hedge funds) was -2.5%, while the remaining part of the portfolio (private equity and minority shareholdings) gave a positive return of 3.8%.

Significant events that have taken place since 30 June 2022

Since the close of the period there have been no significant events that could have an impact on the economic, patrimonial or financial information reported.

Outlook for the year

Visibility as to the performance of the Group's businesses in coming months remains limited given the continuing uncertainty about the evolution of the pandemic (which has a direct effect on the healthcare sector in particular), the Russian-Ukrainian conflict, the commodity and energy markets (which affect mainly the automotive sector) and the financial markets.

As far as **KOS** is concerned, thanks to the vaccination plan, there are expected to be less critical operational issues linked to the evolution of the pandemic. In this case the forecasts predict that the Rehabilitation and Acute services could return to pre-Covid levels already this year. For the nursing homes in Italy and Germany the time needed to return to full occupancy of the care homes is expected to be structurally longer, lasting at least until 2023.

As for **Sogefi**, visibility as to the performance of the automotive market is limited because of the uncertainty about the macroeconomic scenario and how the public health situation will evolve, the conflict between Russia and Ukraine, the availability and prices of raw materials, and the logistics of transportation and sourcing from Asian markets. However, for 2022 S&P Global (IHS) is continuing to forecast 4.7% growth in world car production compared to 2021, with Europe at +10.7%, Nafta at +12.7%, South America at +6.9% and China remaining substantially stable (+0.4%). As for commodity prices, the first six months of 2022 saw further price rises and it is difficult to make forecasts for the second half of the year; the selling prices of Sogefi's products have been adjusted to factor in these rises and after the further commodity and energy price rises since the start of the Russian-Ukrainian conflict, Sogefi's management is committed to reaching fair agreements with all its customers, as it did in the first half of the year, in order to continue commercial relationships that are sustainable in the long term.

Assuming that there are no factors or circumstances that could make the scenario even more complex than it is at present, the operating results of Sogefi and KOS for the whole year should be at least in line with those of last year.

As for the management of the financial assets of the holding company, given the uncertainty surrounding the geopolitical, macroeconomic and financial scenario, the second part of the year is expected to be just as volatile as the first half was. Despite the prudent management profile adopted, further impairment of the financial instruments in the portfolio cannot be ruled out.

The Executive responsible for the preparation of the Company's Financial Statements, Michele Cavigioli, 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, of bank borrowings, bonds, other borrowings and financial payables for rights of use in current liabilities.

Attached are highlights from the consolidated Statement of Financial Position and Income Statement of CIR

Statement of Financial Position

(in thousands of euro)

ASSETS	30.06.2022	31.12.2021
NON-CURRENT ASSETS	2,323,216	2,298,433
INTANGIBLE ASSETS AND GOODWILL	606,597	607,405
PROPERTY, PLANT AND MACHINERY	651,106	645,987
RIGHTS OF USE	856,495	832,338
INVESTMENT PROPERTY	13,879	14,231
INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	686	622
OTHER EQUITY INVESTMENTS	1,871	1,871
OTHER RECEIVABLES	42,815	44,519
OTHER FINANCIAL ASSETS	81,313	77,759
DEFERRED TAX ASSETS	68,454	73,701
CURRENT ASSETS	1,102,540	1,030,359
INVENTORIES	144,076	117,807
TRADE RECEIVABLES	270,193	215,793
<i>of which with related parties</i>	13	39
OTHER RECEIVABLES	71,608	59,872
<i>of which with related parties</i>	133	133
FINANCIAL RECEIVABLES	17,521	10,593
SECURITIES	19,603	19,357
OTHER FINANCIAL ASSETS	293,283	300,448
CASH AND CASH EQUIVALENTS	286,256	306,489
ASSETS HELD FOR DISPOSAL	--	--
TOTAL ASSETS	3,425,756	3,328,792
LIABILITIES	30.06.2022	31.12.2021
SHAREHOLDERS' EQUITY	1,007,476	982,724
SHARE CAPITAL	638,604	638,604
RESERVES	91,703	76,600
RETAINED EARNINGS (LOSSES)	19,270	7,204
NET INCOME (LOSS) FOR THE PERIOD	(219)	17,981
EQUITY OF THE GROUP	749,358	740,389
MINORITY SHAREHOLDERS' EQUITY	258,118	242,335
NON-CURRENT LIABILITIES	1,643,120	1,607,266
BONDS	158,793	173,235
OTHER BORROWINGS	470,147	433,718
FINANCIAL PAYABLES FOR RIGHTS OF USE	818,335	793,231
OTHER PAYABLES	66,345	66,449
DEFERRED TAX LIABILITIES	51,163	51,894
PERSONNEL PROVISIONS	63,742	73,745
PROVISIONS FOR RISKS AND CHARGES	14,595	14,994
CURRENT LIABILITIES	775,160	738,802
BANK BORROWINGS	3,710	2,018
BONDS	25,536	22,618
OTHER BORROWINGS	38,640	74,142
FINANCIAL PAYABLES FOR RIGHTS OF USE	71,291	67,849
TRADE PAYABLES	393,019	320,345
OTHER PAYABLES	190,827	195,348
PROVISIONS FOR RISKS AND CHARGES	52,137	56,482
LIABILITIES HELD FOR DISPOSAL	--	--
TOTAL LIABILITIES AND EQUITY	3,425,756	3,328,792

Income Statement

(in thousands of euro)

	1st Half 2022	1st Half 2021
REVENUES	1,102,514	998,884
CHANGE IN INVENTORIES	11,123	5,552
COSTS FOR THE PURCHASE OF GOODS	(477,009)	(406,387)
COSTS FOR SERVICES	(160,950)	(139,202)
PERSONNEL COSTS	(319,194)	(302,565)
OTHER OPERATING INCOME	23,432	42,910
<i>of which with related parties</i>	90	82
OTHER OPERATING COSTS	(30,597)	(28,568)
AMORTIZATION, DEPRECIATION AND WRITEDOWNS	(104,093)	(105,476)
OPERATING RESULT	45,226	65,148
FINANCIAL INCOME	4,395	4,740
FINANCIAL EXPENSE	(26,795)	(26,356)
DIVIDENDS	--	32
GAINS FROM TRADING SECURITIES	1,783	4,007
LOSSES FROM TRADING SECURITIES	(196)	(817)
SHARE OF NET INCOME (LOSS) OF INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD	64	--
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(8,732)	8,280
RESULT BEFORE TAXES	15,745	55,034
INCOME TAXES	(7,249)	(18,392)
RESULT OF ONGOING OPERATIONS	8,496	36,642
NET INCOME/LOSS FROM DISCONTINUED OPERATIONS	--	(3,479)
NET INCOME/LOSS FOR THE PERIOD INCLUDING MINORITY INTERESTS	8,496	33,163
- NET INCOME/LOSS OF MINORITY INTERESTS	(8,715)	(11,539)
- NET INCOME/LOSS OF THE GROUP	(219)	21,624
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(0.0002)	0.0173
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(0.0002)	0.0172
BASIC EARNINGS (LOSS) PER SHARE FROM ONGOING OPERATIONS (in euro)	0.0078	0.0293
DILUTED EARNINGS (LOSS) PER SHARE FROM ONGOING OPERATIONS (in euro)	0.0077	0.0291

Comprehensive Income Statement

(in thousands of euro)

	1st Half 2022	1st Half 2021
NET INCOME (LOSS) FOR THE PERIOD INCLUDING MINORITY INTERESTS	8,496	33,163
OTHER ITEMS OF THE COMPREHENSIVE INCOME STATEMENT		
<i>ITEMS THAT WILL NEVER BE RECLASSIFIED TO THE INCOME STATEMENT</i>		
- ACTUARIAL GAINS (LOSSES)	11,290	11,171
- TAX EFFECT ON ITEMS THAT WILL NEVER BE RECLASSIFIED TO THE INCOME STATEMENT	(2,291)	(3,524)
SUBTOTAL OF ITEMS THAT WILL NEVER BE RECLASSIFIED TO THE INCOME STATEMENT	8,999	7,647
<i>ITEMS THAT COULD BE RECLASSIFIED TO THE INCOME STATEMENT</i>		
- CURRENCY TRANSLATION DIFFERENCES OF FOREIGN OPERATIONS	6,939	2,855
- NET CHANGE IN CASH FLOW HEDGE RESERVE	3,649	877
- OTHER ITEMS OF COMPREHENSIVE INCOME STATEMENT	--	--
- TAX EFFECT ON ITEMS THAT COULD BE RECLASSIFIED TO THE INCOME STATEMENT	(876)	(210)
SUBTOTAL OF ITEMS THAT COULD BE RECLASSIFIED TO THE INCOME STATEMENT	9,712	3,522
TOTAL OTHER ITEMS OF THE COMPREHENSIVE INCOME STATEMENT	18,711	11,169
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD	27,207	44,332
TOTAL COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD ATTRIBUTABLE TO:		
SHAREHOLDERS OF THE PARENT COMPANY	10,368	27,917
MINORITY INTERESTS	16,839	16,415

Cash Flow Statement

(in thousands of euro)

	1st Half 2022	1st Half 2021
OPERATING ACTIVITIES		
NET INCOME (LOSS) FOR THE PERIOD	8,496	33,163
(NET INCOME) LOSS FROM DISCONTINUED OPERATIONS	--	3,479
ADJUSTMENTS:		
- AMORTIZATION, DEPRECIATION AND WRITEDOWNS	104,093	105,476
- ADJUSTMENT OF INVESTMENTS CONSOLIDATED AT EQUITY	(64)	--
- VALUATION OF STOCK OPTION/STOCK GRANT PLANS	806	824
- CHANGES IN PERSONNEL PROVISIONS, PROV. FOR RISKS AND CHARGES	(3,457)	(13,156)
- ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	8,732	(12,777)
- LOSSES (GAINS) ON THE SALE OF FIXED ASSETS	(3,513)	(11,867)
- OTHER NON-MONETARY CHANGES	(866)	2,424
- INCREASE (REDUCTION) IN NON-CURRENT RECEIVABLES/PAYABLES	3,570	12,581
- (INCREASE) REDUCTION IN NET WORKING CAPITAL	(25,120)	(12,188)
CASH FLOW FROM OPERATING ACTIVITIES	92,677	107,959
of which:		
- interest received (paid)	(9,521)	(11,578)
- income tax payments	(9,787)	(5,510)
INVESTING ACTIVITIES		
PRICE PAID FOR BUSINESS COMBINATIONS	(4,081)	(1,350)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	405	--
CHANGE IN OTHER FINANCIAL RECEIVABLES	(6,928)	815
(PURCHASE) SALE OF SECURITIES	(798)	6,479
PURCHASE OF FIXED ASSETS	(55,882)	(29,489)
CASH FLOW FROM INVESTING ACTIVITIES	(67,284)	(23,545)
FINANCING ACTIVITIES		
INFLOWS FROM CAPITAL INCREASES	--	80
OTHER CHANGES	613	--
DRAWDOWN/(EXTINGUISHMENT) OF OTHER BORROWINGS	(10,597)	(2,471)
REIMBURSEMENT OF FINANCIAL PAYABLES FOR RIGHTS OF USE	(30,596)	(31,714)
PURCHASE OF OWN SHARES OF THE GROUP	(4,081)	--
DIVIDENDS PAID	(2,657)	(4,015)
CASH FLOW FROM FINANCING ACTIVITIES	(47,318)	(38,120)
INCREASE (REDUCTION) IN NET CASH AND CASH EQUIVALENTS OF ONGOING OPERATIONS	(21,925)	46,294
CASH FLOW/NET CASH AND CASH EQUIVALENTS AT START OF PERIOD FROM OPERATIONS HELD FOR DISPOSAL	--	(3,800)
INCREASE (REDUCTION) OF NET CASH AND CASH EQUIVALENTS	(21,925)	42,494
NET CASH AND CASH EQUIVALENTS AT START OF PERIOD	304,471	419,985
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	282,546	462,479

Prospetto della variazione del patrimonio netto

	Attributable to the Shareholders of the Parent Company										Minority interests	Total	
	Issued capital	Share premium reserve	Legal reserve	Fair value reserve	Translation reserve	Stock option and stock grant reserve	Other reserves	Retained earnings (losses)	Net income (loss) for the period	Total			
<i>(in thousands of euro)</i>													
BALANCE AT 31 DECEMBER 2020	638,404	5,044	25,516	(1,258)	(41,763)	1,481	88,726	38,314	16,313	770,977	216,843	987,820	
Capital increases	--	--	--	--	--	--	--	--	--	--	80	80	
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	(1,015)	(1,015)	
Allocation of result of the previous year	--	--	--	--	--	--	--	16,313	(16,313)	--	--	--	
Adjustment for own share transactions	--	--	--	--	--	--	140	(140)	--	--	--	--	
Notional cost of share-based plans	--	--	--	--	--	724	--	--	--	724	--	724	
Movements between reserves	--	--	--	--	--	(107)	--	107	--	--	--	--	
Effects of equity changes in subsidiaries	--	--	--	(1)	(10)	--	1,819	--	--	1,808	50	1,858	
<i>Comprehensive result for the period</i>													
Fair value measurement of hedging instruments	--	--	--	378	--	--	--	--	--	378	289	667	
Currency translation differences	--	--	--	--	1,586	--	--	--	--	1,586	1,269	2,855	
Actuarial gains (losses)	--	--	--	--	--	--	4,329	--	--	4,329	3,318	7,647	
Result for the period	--	--	--	--	--	--	--	--	21,624	21,624	11,539	33,163	
<i>Total comprehensive result for the period</i>	--	--	--	378	1,586	--	4,329	--	21,624	27,917	16,415	44,332	
BALANCE AT 30 JUNE 2021	638,604	5,044	25,516	(881)	(40,187)	2,098	95,014	54,594	21,624	801,426	232,373	1,033,799	
BALANCE AT 31 DECEMBER 2021	638,604	5,044	25,516	(432)	(24,994)	2,711	68,755	7,204	17,981	740,389	242,335	982,724	
Capital increases	--	--	--	--	--	--	--	--	--	--	--	--	
Dividends to Shareholders	--	--	--	--	--	--	--	--	--	--	(2,657)	(2,657)	
Allocation of result of the previous year	--	--	104	--	--	--	1,981	15,896	(17,981)	--	--	--	
Adjustment for own share transactions	--	--	--	--	--	--	--	(4,081)	--	(4,081)	--	(4,081)	
Notional cost of share-based plans	--	--	--	--	--	671	--	--	--	671	--	671	
Movements between reserves	--	--	--	--	--	(251)	--	251	--	--	--	--	
Effects of equity changes in subsidiaries	--	--	--	--	9	--	2,002	--	--	2,011	1,601	3,612	
<i>Comprehensive result for the period</i>													
Fair value measurement of hedging instruments	--	--	--	1,569	--	--	--	--	--	1,569	1,204	2,773	
Currency translation differences	--	--	--	--	3,928	--	--	--	--	3,928	3,011	6,939	
Actuarial gains (losses)	--	--	--	--	--	--	5,090	--	--	5,090	3,909	8,999	
Result for the period	--	--	--	--	--	--	--	--	(219)	(219)	8,715	8,496	
<i>Total comprehensive result for the period</i>	--	--	--	1,569	3,928	--	5,090	--	(219)	10,368	16,839	27,207	
BALANCE AT 30 JUNE 2022	638,604	5,044	25,620	1,137	(21,057)	3,131	77,828	19,270	(219)	749,358	258,118	1,007,476	

Fine Comunicato n.0097-67

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