

# **CIR GROUP**

## **INTERIM FINANCIAL REPORT AS AT 30 SEPTEMBER 2011**

*Milan, 27 October 2011*



**INTERIM FINANCIAL REPORT  
AS AT 30 SEPTEMBER 2011**

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## **C O N T E N T S**

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**REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS  
AT 30 SEPTEMBER 2011**

The CIR Group reported consolidated net income of € 15 million in the **first nine months of 2011**, compared to €53.7 million in the same period of last year.

In the first nine months of 2011 the contribution of the operating groups was €38.5 million, down on the €58.8 million for the corresponding period in 2010. The €20.3 million decrease is due to the lower net result achieved by the Sorgenia Group, which in the first nine months of 2010 benefited from a non-recurring component represented by a tax credit on new production capacity investments. The other operating groups, Sogefi in particular, achieved better results than in the first nine months of 2010.

The result for CIR and financial holding companies was a negative €23.3 million compared to the negative € 3.4 million for the first nine months of 2010. This result was largely affected by financial market trends, which led to a negative € 15.8 million fair value adjustment to the securities in portfolio. This adjustment relates to investments in shares for € 7.5 million, structured securities for €4.3 million and bonds for € 4 million, these figures in part due to accounting effects.

Consolidated net debt stood at €2,308.1 million at 30 September 2011 (€2,166.8 million at 31 December 2010) and consisted of a net financial surplus for CIR and the financial holding companies of €38.7 million (€123.6 million at 31 December 2010) and net debt for the operating groups of €2,346.8 million (€2,290.4 million at 31 December 2010).

The Shareholders' equity of the Group totalled €1,467.1 million at 30 September 2011 (€1,487 million at 31 December 2010). During the quarter, also considering market performances, buy-back was arranged for 6,145,000 own shares for a total value of €8.6 million. The total number of own shares held in portfolio at 30 September 2011, therefore, is 49,219,000 for a value of €107.3 million.

In the **third quarter of 2011** the CIR Group recorded a net loss of €4.4 million, down on the net income of € 11.5 million in the corresponding period in 2010. The result for the quarter was affected by the aforementioned adjustment to the fair value of securities in portfolio. Consolidated revenues for the third quarter were € 1,095.3 million, up 7.7% on the € 1,017.2 million for the same period in 2010.

After the Milan Court of Appeal pronouncement of 9 July 2011 ordering Fininvest to pay compensation for damages resulting from bribery of the judge in the “Lodo Mondadori” case, on 26 July 2011 CIR received €564.2 million from Fininvest, including legal costs and interest. As envisaged in international accounting standards (IAS 37) this amount has had no effect on the income statement of the group and will continue to have no effect until the highest level of justice. The higher available funding will have no effect on the Group’s financial management strategy, based on prudent and discerning criteria, in a particularly complex financial markets scenario.

In addition to a breakdown by business sector of the economic and financial results of the Group, the charts on the following pages also provide a breakdown of the contribution of the main subsidiaries and the aggregate results of CIR and its financial holding subsidiaries.

## INCOME STATEMENT BY BUSINESS SECTOR AND CONTRIBUTIONS TO GROUP RESULTS

(in millions of euro)

CONSOLIDATED	1/1-30/9 2011										1/1-30/9 2010	
	Revenues	Costs of production	Other operating revenues and costs	Adjustments to the value of investments consolidated at equity	Amortization, depreciation and write-downs	Net financial income and expense	Dividends, gains and losses from trading and valuing securities	Income taxes	Net income – minority Shareholders	Net income of the Group	Net income of the Group	
AGGREGATE	(1)	(2)	(3)	(4)								
Sorgenia Group	1,552.7	(1,458.6)	20.7	14.7	(70.1)	(61.5)	8.2	10.8	(10.0)	6.9	29.5	
Espresso Group	653.7	(539.1)	(3.4)	0.7	(27.6)	(10.7)	(0.1)	(32.1)	(18.5)	22.9	20.0	
Sogefi Group	829.8	(729.0)	(19.0)	--	(38.3)	(10.3)	--	(12.2)	(10.1)	10.9	7.7	
Kos Group	261.9	(214.4)	(7.8)	--	(13.3)	(6.9)	--	(10.5)	(4.2)	4.8	2.6	
Other subsidiaries	2.8	(19.2)	11.9	--	(0.9)	(2.7)	--	0.4	0.7	(7.0)	(1.0)	
<b>Total operating subsidiaries</b>	<b>3,300.9</b>	<b>(2,960.3)</b>	<b>2.4</b>	<b>15.4</b>	<b>(150.2)</b>	<b>(92.1)</b>	<b>8.1</b>	<b>(43.6)</b>	<b>(42.1)</b>	<b>38.5</b>	<b>58.8</b>	
Financial subsidiaries	--	(0.1)	--	--	--	--	(0.1)	--	--	(0.2)	(1.7)	
<b>Total subsidiaries</b>	<b>3,300.9</b>	<b>(2,960.4)</b>	<b>2.4</b>	<b>15.4</b>	<b>(150.2)</b>	<b>(92.1)</b>	<b>8.0</b>	<b>(43.6)</b>	<b>(42.1)</b>	<b>38.3</b>	<b>57.1</b>	
<b>CIR and financial holding companies</b>												
Revenues	--									--	--	
Costs of production		(21.1)								(21.1)	(16.9)	
Other operating income and costs			3.1							3.1	3.3	
Adjustments to the value of investments consolidated at equity				--						--	--	
Amortization/depreciation and write-downs					(0.6)					(0.6)	(0.6)	
Net financial income and expense						(3.9)				(3.9)	(11.9)	
Dividends, gains and losses from trading securities							(7.0)			(7.0)	21.7	
Income taxes								6.2		6.2	1.0	
<b>Total CIR and financial holding companies</b>	<b>--</b>	<b>(21.1)</b>	<b>3.1</b>	<b>--</b>	<b>(0.6)</b>	<b>(3.9)</b>	<b>(7.0)</b>	<b>6.2</b>	<b>--</b>	<b>(23.3)</b>	<b>(3.4)</b>	
<b>Consolidated Group total</b>	<b>3,300.9</b>	<b>(2,981.5)</b>	<b>5.5</b>	<b>15.4</b>	<b>(150.8)</b>	<b>(96.0)</b>	<b>1.0</b>	<b>(37.4)</b>	<b>(42.1)</b>	<b>15.0</b>	<b>53.7</b>	

(1) This item is the sum of "change in inventories", "costs for the purchase of goods", "costs for services", "personnel costs" in the consolidated income statement.

This item does not take into account the € (8.9) million effect of intercompany eliminations.

(2) This item is the sum of "other operating income" and "other operating costs" in the consolidated income statement. The item does not take into account the € 8.9 million effect of intercompany eliminations.

(3) This item is the sum of "financial income" and "financial expense" in the consolidated income statement.

(4) This item is the sum of "dividends", "gains from trading securities", "losses from trading securities" and "adjustments to the value of financial assets" in the consolidated income statement.

## CONSOLIDATED BALANCE SHEET BY BUSINESS SECTOR

(in millions of euro)

CONSOLIDATED	30.09.2011							31.12.2010
	Fixed assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total equity of which:	Minority shareholders' equity	Equity of the Group	Equity of the Group
AGGREGATE	(1)	(2)	(3)	(4)				
Sorgenia Group	2,427.4	217.9	254.1	(1,699.3) (*)	1,200.1	604.0	596.1	586.7
Espresso Group	855.2	(194.8)	2.4	(112.4)	550.4	247.1	303.3	296.4
Sogefi Group	459.8	(29.7)	103.6	(325.3)	208.4	98.6	109.8	113.3
Kos Group	378.4	(25.0)	12.4	(155.3)	210.5	99.6	110.9	100.3
Other subsidiaries	14.6	54.8	7.7	(54.5)	22.6	2.5	20.1	16.6
<b>Total subsidiaries</b>	<b>4,135.4</b>	<b>23.2</b>	<b>380.2</b>	<b>(2,346.8)</b>	<b>2,192.0</b>	<b>1,051.8</b>	<b>1,140.2</b>	<b>1,113.3</b>
<b>CIR and financial holding companies</b>								
Fixed assets	155.6				155.6	--	155.6	127.7
Other net non-current assets and liabilities		152.3			152.3	--	152.3	139.6
Net working capital			(19.7)		(19.7)	--	(19.7)	(17.2)
Net financial position				38.7	38.7	--	38.7	123.6
<b>Consolidated Group total</b>	<b>4,291.0</b>	<b>175.5</b>	<b>360.5</b>	<b>(2,308.1)</b>	<b>2,518.9</b>	<b>1,051.8</b>	<b>1,467.1</b>	<b>1,487.0</b>

(\*) The financial position includes Sorgenia Holding S.p.A. cash and cash equivalents

(1) This item is the algebraic sum of "intangible assets", "tangible assets", "investment property", "investments in companies consolidated at equity" and "other equity investments" in the consolidated balance sheet.

(2) This item is the algebraic sum of "other receivables", "securities" and "deferred taxes" under non-current assets and "other payables", "deferred taxes", "personnel provisions" and "provisions for risks and losses" under non-current liabilities in the consolidated balance sheet. It also includes "Assets held for disposal" in the consolidated balance sheet.

(3) This item is the algebraic sum of "inventories", "contracted work in progress", "trade receivables", "other receivables" under current assets and "trade payables", "other payables" and "provisions for risks and losses" under current liabilities in the consolidated balance sheet.

(4) This item is the algebraic sum of "financial receivables", "securities", "available-for-sale financial assets" and "cash and cash equivalents" under current assets, "bonds and notes" and "other borrowings" under non-current liabilities and "bank overdrafts", "bonds and notes" and "other borrowings" under current liabilities in the consolidated balance sheet.

## 1. PERFORMANCE OF THE GROUP

**Consolidated revenues** for the first nine months of 2011 came in at €3,300.9 million, compared to €3,263.8 million in the same period of 2010, with a rise of €37.1 million (+1.1%).

This change is due to the higher revenues achieved by Espresso, Kos and especially Sogefi, which more than offset the drop in Sorgenia sales.

Consolidated revenues can be broken down by business sector as follows:

<i>(in millions of euro)</i>	<i>1/1-30/10</i>						<i>III quarter</i>					
	<i>2011</i>	<i>%</i>	<i>2010</i>	<i>%</i>	<i>Change absolute</i>	<i>%</i>	<i>2011</i>	<i>%</i>	<i>2010</i>	<i>%</i>	<i>Change absolute</i>	<i>%</i>
<b>Energy</b>												
Sorgenia group	1,552.7	47.0	1,697.3	52.0	(144.6)	(8.5)	509.6	46.5	512.6	50.3	(3.0)	(0.6)
<b>Media</b>												
Espresso group	653.7	19.8	639.5	19.6	14.2	2.2	196.3	17.9	194.4	19.1	1.9	1.0
<b>Automotive components</b>												
Sogefi group	829.8	25.2	687.0	21.1	142.8	20.8	303.2	27.7	229.4	22.6	73.8	32.2
<b>Healthcare</b>												
Kos group	261.9	7.9	239.0	7.3	22.9	9.6	85.0	7.8	80.0	7.9	5.0	6.2
<b>Other</b>												
Other	2.8	0.1	1.0	-	1.8	-	1.2	0.1	0.8	0.1	0.4	-
<b>Total consolidated revenues</b>	<b>3,300.9</b>	<b>100.0</b>	<b>3,263.8</b>	<b>100.0</b>	<b>37.1</b>	<b>1.1</b>	<b>1,095.3</b>	<b>100.0</b>	<b>1,017.2</b>	<b>100.0</b>	<b>78.1</b>	<b>7.7</b>

The **comparison of key income statement figures** of the CIR Group for first nine months is as follows:

<i>(in millions of euro)</i>	<i>1/1-30/10</i>		<i>III quarter</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Revenues	3,300.9	3,263.8	1,095.3	1,017.2
<b>Consolidated gross operating margin (EBITDA)</b>	<b>340.3</b>	<b>289.7</b>	<b>114.1</b>	<b>95.8</b>
<b>Consolidated operating result (EBIT)</b>	<b>189.5</b>	<b>160.6</b>	<b>61.0</b>	<b>52.4</b>
Financial management result	(95.0)	(55.2)	(42.8)	(12.3)
Income taxes	(37.4)	10.5	(7.2)	(18.6)
<b>Net result including minority interests</b>	<b>57.1</b>	<b>115.9</b>	<b>11.0</b>	<b>21.5</b>
Net result of minority shareholders	(42.1)	(62.2)	(15.4)	(10.0)
<b>Net result of the Group</b>	<b>15.0</b>	<b>53.7</b>	<b>(4.4)</b>	<b>11.5</b>

The **consolidated gross operating margin (EBITDA)** in the first nine months of 2011 was €340.3 million (10.3% of revenues) up from €289.7 million in the first nine months of 2010 (8.9% of revenues), with a rise of €50.6 million (+17.5%) thanks to the improvement in profitability of all the operating groups.

The **consolidated operating margin (EBIT)** for the first nine months of 2011 was €189.5 million (5.7% of revenues) compared to €160.6 million (4.9% of revenues) in the same period of 2010, recording a €28.9 million increase (+18%).

The net financial management result was a negative €95 million (negative of €55.2 million in the first nine months of 2010), determined by net financial expense of €96 million (€78.1 million in the first nine months of 2010), net gains from trading and valuing securities for €13.8 million (€18.6 million in the first nine months of 2010) and negative adjustments to the value of financial assets for €12.8 million (positive for €4.3 million in the first nine months of 2010).

In the third quarter of 2011 the **consolidated gross operating margin (EBITDA)** was €114.1 million (10.4% of revenues), up €18.3 million (+19.1%) on the €95.8 million in the same period of 2010 (9.4% of revenues).

The **consolidated operating margin (EBIT)** for the third quarter of 2011 was €61 million (5.6% of revenues) compared to €52.4 million (5.2% of revenues) in the same period of 2010 (+16.4%).

The **key figures of the consolidated balance sheet** of the CIR Group at 30 September 2011 compared to the position at 30 June 2011 and 31 December 2010 is as follows:

<i>(in millions of euro)</i>	<i>30.09.2011</i>	<i>30.06.2011</i>	<i>31.12.2010</i>
Fixed assets	4,291.0	4,190.3	4,293.6
Other net non-current assets and liabilities	175.5	156.7	99.2
Net working capital	360.5	381.7	296.9
<b>Net invested capital</b>	<b>4,827.0</b>	<b>4,728.7</b>	<b>4,689.7</b>
<b>Net financial position</b>	<b>(2,308.1)</b>	<b>(2,184.3)</b>	<b>(2,166.8)</b>
<b>Total Shareholders' equity</b>	<b>2,518.9</b>	<b>2,544.4</b>	<b>2,522.9</b>
Shareholders' equity of the Group	1,467.1	1,493.9	1,487.0
Minority shareholders' equity	1,051.8	1,050.5	1,035.9

**Consolidated net invested capital** at 30 September 2011 stood at €4,827 million compared to €4,689.7 million at 31 December 2010 (€4,728.7 million at 30 June 2011), up €137.3 million mainly due to the consolidation of Systèmes Moteurs business into the Sogefi Group.

The **consolidated net financial position** at 30 September 2011, as already mentioned, showed debt of €2,308.1 million (up from €2,166.81 million at 31 December 2010 and €2,184.3 million at 30 June 2011) which was the result of:

- a financial surplus for CIR and the financial holding companies of €38.7 million, against the €123.6 million at 31 December 2010. The €84.9 million decrease is largely due to equity investments and buy-back of own shares for a total of €65 million, disbursements for operating costs and financial expense, negative fair value adjustment to securities in portfolio for €22.4 million, of which €6.6 million relating to hedge fund units recognised directly to equity and €15.8 million recognised to the income statement. This last amount includes approximately €2.2 million accounting effects due to the difference between bid-ask prices of corporate bonds acquired and the purchase of these bonds over par, which leads to a decrease in the price of the bond to par value at the time of redemption (this effect offset by the high-return interest margin on coupons);
- total net debt in the operating groups of €2,346.8 million against €2,290.4 million at 31 December 2010. The €56.4 million increase is essentially due to the increased debt of the

Sogefi group following the acquisition of Systèmes Moteurs for an enterprise value of €150 million, partly offset by the decrease in net financial position of the Sorgenia, Espresso and Kos groups.

The net financial position includes shares of hedge funds which amounted to €76.7 million at 30 September 2011. The accounting treatment of these investments involves the direct recognition of changes in the fair value of the funds to equity. The fair value reserve relating to these funds at 30 September 2011 amounted to €8.5 million (€15 million at 31 December 2010). In the first nine months of 2011 the sale of shares in hedge funds led to realized gains, net of write-downs, of €1.5 million (€0.3 million in the first nine months of 2010).

The performance of these investments since inception (April 1994) up to and including 2010 has given a weighted average return on the portfolio in dollar terms of 7.6%. In the first nine months of 2011 performance was a negative 6.4%.

**Total Shareholders' equity** stood at €2,518.9 million at 30 September 2011 down €4 million from €2,522.9 million at 31 December 2010 (€2,544.4 million at 30 June 2010).

The **Shareholders' equity of the Group** stood at €1,467.1 million at 30 September 2011 compared to €1,487 million at 31 December 2010 (€1,493.9 million at 30 June 2011), recording a net decrease of €19.9 million.

At 30 September 2011 **minority shareholders' equity** totalled €1,051.8 million, compared to €1,035.9 million at 31 December 2010 (€1,050.5 million at 30 June 2011), with a net increase of €15.9 million.

The **consolidated cash flow statement** in the first nine months of 2011, prepared according to a managerial format which shows changes in net financial position, can be broken down as follows:

<i>(in millions of euro)</i>	<i>1/1-30/09 2011</i>	<i>1/1-30/09 2010</i>
<b>SOURCES OF FUNDING</b>		
Net income for the period including minority interests	57.1	115.9
Amortization, depreciation, write-downs and other non-monetary changes	135.2	24.2
<b>Self-financing</b>	<b>192.3</b>	<b>140.1</b>
<b>Change in working capital</b>	<b>(93.8)</b>	<b>(133.0)</b>
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>98.5</b>	<b>7.1</b>
Capital increases	29.5	3.4
<b>TOTAL SOURCES OF FUNDING</b>	<b>128.4</b>	<b>10.5</b>
<b>USES OF FUNDING</b>		
Net investments in fixed assets	(34.2)	(430.5)
Equity investments	(123.7)	-
Financial position of acquired companies	(12.2)	-
Buy-back of own shares	(13.7)	(0.1)
Payment of dividends	(40.1)	(7.0)
Other changes	(45.8)	5.5
<b>TOTAL USES OF FUNDING</b>	<b>(269.7)</b>	<b>(432.1)</b>
<b>FINANCIAL SURPLUS (DEFICIT)</b>	<b>(141.3)</b>	<b>(421.6)</b>
<b>NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD</b>	<b>(2,166.8)</b>	<b>(1,801.1)</b>
<b>NET FINANCIAL POSITION AT THE END OF THE PERIOD</b>	<b>(2,308.1)</b>	<b>(2,222.7)</b>

The cash flow generated by operations, compared to the same period last year, increased as a result of the higher impact of non-monetary items, particularly amortization/depreciation and the lower absorption of working capital, especially in the Sorgenia Group. The capital increases refer to minority interests in KOS, Sorgenia and Food Concepts.

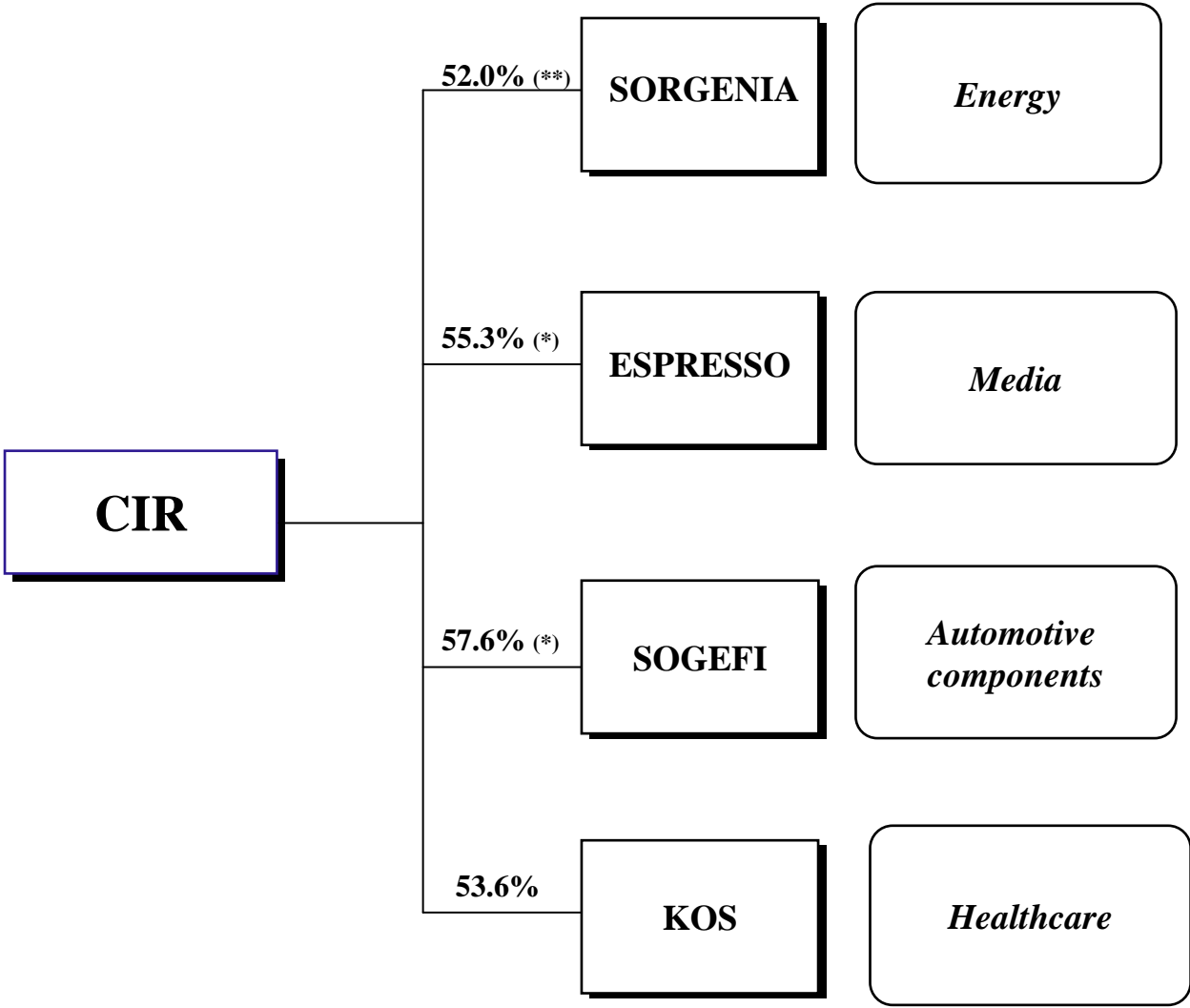
Uses in the period relate mainly to the Sogefi equity investment in Systèmes Moteurs, the buy-back of own shares by CIR, Sogefi and the Espresso Group, and to the payment of dividends.

A breakdown of the net financial position is reported in the financial statements section.

At 30 September 2011 the Group had 15,102 employees on its books, compared to 12,910 at 31 December 2010.

**MAIN EQUITY INVESTMENTS OF THE GROUP (\*)**

AS AT 30 SEPTEMBER 2011



(\*) The percentage is calculated net of own shares held in portfolio

(\*\*) Percentage of indirect control through Sorgenia Holding

## 2. PERFORMANCE OF THE BUSINESS SECTORS

### ENERGY SECTOR

The chart below shows the main performance indicators of the Sorgenia group for this current year and a comparison with those of the same periods of the previous year:

#### Results for the period 1 January-30 September 2011

<i>(in millions of euro)</i>	<i>1/1-30/9 2011</i>	<i>1/1-30/9 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	1,552.7	1,697.3	(144.6)	(8.5)
<b>Adjusted net result (*)</b>	18.0	61.0	(43.0)	(70.5)
<b>Net result</b>	13.5	57.6	(44.1)	(76.6)

(\*) the adjusted net result is obtained by excluding the fair value measurement of hedging and derivative contracts from the net result.

#### Results for the III quarter 2011

<i>(in millions of euro)</i>	<i>III quarter 2011</i>	<i>III quarter 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	509.6	512.6	(3.0)	(0.6)
<b>Adjusted net result (*)</b>	17.5	9.0	8.5	94.4
<b>Net result</b>	13.2	1.7	11.5	n.a.

#### Position at 30 September 2011

	<i>30/9/2011</i>	<i>30/6/2011</i>	<i>31/12/2010</i>
<b>Net financial position</b>	(1,661.9)	(1,767.5)	(1,745.7)
<b>No. of employees</b>	455	433	415

In the first nine months of 2011 the Sorgenia Group reported consolidated revenues of €1,552.7 million, down 8.5% on the €1,697.3 million in the corresponding period in 2010, in particular due to the drop in natural gas sales volumes – mainly the result of lower availability on existing supply contracts given the temporary closure of the Libyan Greenstream gas pipeline – and to a different customer mix.

Adjusted EBITDA for the first half totalled €128.1 million, up 18.7% on the €107.9 million of the corresponding period in 2010. EBITDA came in at €125.7 million, up 16.8% compared to the €107.7 million in the first nine months of 2010. The increase on the previous year is attributable to the commercial start-up of the Bertinico-Turano Lodigiano combined-cycle plant (Lodi) in the middle of the first quarter, and to development, construction and sale of Sorgenia Solar photovoltaic plants. These effects offset the drop in generation margins that affected the entire

market, the lower contribution from the investee Tirreno Power, electricity grid congestion costs that penalised the Modugno (Bari) and Termoli (Campobasso) plants and reduced operations on the dispatch services market.

Consolidated EBIT for the first nine months of 2011 was €55.7 million (3.6% of revenues) compared to the €51.3 million (3% of revenues) for the corresponding period in 2010, also due to higher amortization relating to production start-up of the Bertónico-Turano Lodigiano (Lodi) thermoelectric plant and the renewable energy plants.

In the first nine months of 2011 the Group achieved an adjusted net income of €18 million, down on the €61 million in the corresponding period in 2010. The difference was essentially due to an extraordinary component referring to a tax credit for new production capacity investments made by the company. Consolidated net income was €13.5 million compared to €57.6 million in the first nine months of 2010.

The consolidated net financial position at 30 September 2011 recorded a net debt of €1,661.9 million, down on the €1,745.7 million at 31 December 2010. This change is mainly due to sale of 19 MW photovoltaic plants in Italy and 50% of the equity investment in Sorgenia France, a 50-50 joint venture with the KKR Fund. These factors, together with cash flows from ordinary operations, more than offset the new production capacity investments.

In the third quarter of 2011 the Sorgenia Group achieved consolidated revenues of €509.6 million, down 0.6% on the €512.6 million in the third quarter of 2010.

Consolidated EBITDA for the third quarter of 2011 stood at €49.4 million compared to €42.4 million in the same period in 2010, and consolidated EBIT stood at €26.9 million, up on the €23 million recorded in the third quarter last year.

The consolidated net result came in at €13.2 million compared to €1.7 million in the third quarter of 2010.

Employees at 30 September 2011 numbered 455 compared to 415 at 31 December 2010.

Concerning the progress of the Business Plan 2011-2016, which during the first quarter saw the trading start-up of the Bertónico-Turano Lodigiano power plant (Lodi), construction work has continued on the Aprilia plant (Latina), the fourth and last combined cycle power plant (CCGT) planned by Sorgenia scheduled to begin operations in the early months of next year. Preparatory works also began on the construction of two new wind farms in Italy for a total of 20 MW. Activities are also progressing in the area of hydrocarbon Exploration and Production (E&P), which holds exploration licenses in Colombia, the North Sea and Poland. On 11 October 2011, in line with the Business Plan 2011-2016, Sorgenia announced the launch of new supplies for the residential market, offering Italian consumers an additional option four years on from deregulation of the market for households. Sorgenia aims to reach 1.5 million new customers by the end of 2016, bringing its total customers to around 2 million.

## MEDIA SECTOR

The chart below shows the main performance indicators of the Espresso group for this year, compared with indicators for the same periods of the previous year:

### Results for the period 1 January-30 September 2011

<i>(in millions of euro)</i>	<i>1/1-30/9 2011</i>	<i>1/1-30/9 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	653.7	639.5	14.2	2.2
<b>Net result</b>	41.4	36.3	5.1	14.0

### Results for the III quarter 2011

<i>(in millions of euro)</i>	<i>III quarter 2011</i>	<i>III quarter 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	196.3	194.4	1.9	1.0
<b>Net result</b>	9.9	7.7	2.2	28.5

### Position at 30 September 2011

	<i>30/9/2011</i>	<i>30/06/2011</i>	<i>31/12/2010</i>
<b>Net financial position</b>	(112.4)	(150.7)	(135.0)
<b>No. of employees</b>	2,723	2,752	2,789

In the first nine months of 2011 the Espresso Group achieved consolidated revenues of €653.7 million, up 2.2% on the €639.5 million for the corresponding period last year.

Consolidated net income was €41.4 million, up from €36.3 million in the first nine months of 2010.

The weak growth of the economy in the first nine months of 2011 was reflected in the advertising investment performance which August figures recorded as a 4% drop compared to the same period in 2010 (Nielsen Media Research data).

This negative performance affected all traditional media, from television (-4.7%) despite digital channel developments, to radio (-5.5%) and the press (-6%). Only Internet business reported results against this trend, the increase in this sector again very strong (+13.5%).

Regarding the press in particular, newspaper advertising fell by 8.3%, down 5.6% for paid newspapers and a drastic drop for the free press. The decrease in periodicals was more limited (-1.8%).

In terms of circulation, ADS figures (moving average for the last 12 months to June 2011, on the same range of products) show a decline in sales on the news-stands of 5.3% for the daily newspapers, 1.9% for weeklies and 6% for monthlies.

Circulation revenues were €252.9 million, down 1.1% on the €255.7 million recorded in the first nine months of 2010. The performance of circulation revenues, considerably better than general market developments, reflects the relatively steady sales of group publications: dailies, periodicals and optionals. Local newspaper circulation figures showed a weaker trend, but

revenues benefited from the price increase implemented at the beginning of the year on 7 out of 18 of the Group's local titles.

Advertising revenues, totalling €380.7 million, recorded a 3.1% increase on the same period in 2010, the opposite of the negative market trend.

Advertising collected by the Group's press titles was in line with that of the corresponding period in 2010 (+0.1%), in a market that recorded a considerable downturn (-6% in August). This stability applied to all the titles (*La Repubblica*, local dailies and periodicals), achieved also with the aid of successful revamping, of L'Espresso, Velvet in particular and of various local dailies.

Internet advertising reported positive developments, up 14.1% and sustained by strong increases in the Group's web site audience (+32.4% to 1.9 million average individual users per day - source: Audiweb/AWDB), by the consolidated leadership of Repubblica.it (+32.6% to 1.6 million individual daily users), the growth of local press (local editions of *La Repubblica* and local titles) and launch of the new web site for women.

Lastly, radio advertising, including that from third parties, reported a 3.8% decrease, lower than that recorded by the market (-5.5% at the end of August).

The consolidated gross operating margin was €112 million, up 7.7% from €104 million for the first nine months of 2010.

Total operating costs recorded a 1.2% increase, attributable in full to sectors undergoing strong growth (digital publications and the digital terrestrial TV network). After the 17% decrease at 31 December 2010, traditional core business (press and radio) costs decreased by a further 1.1%: Increases in the cost of paper and higher product advertising costs were more than offset by this drop in structural costs.

Consolidated net income for the first nine months of 2011 amounted to €84.3 million (12.9% of revenues), up 9.7% on the €76.8 million recorded for the same period last year (12% of revenues). Improvements were reported in press results as a result of steady revenues and a further decrease in total operating costs, despite the increase in the cost of production materials and higher product advertising costs.

The contribution from digital publications also continued to increase as a result of the growth in revenues, in spite of higher operating costs associated with product development and advertising. Television has also recorded an upward trend, whilst radio – though profitability was still high (38.4%) - recorded a slightly lower operating result as a consequence of the drop in revenues caused by the weak advertising market.

Consolidated net debt at 30 September 2011 was €112.4 million, recording a decrease compared to the €135 million at 31 December 2010, with a financial surplus of €56.2 million for the period.

Consolidated equity totalled €548.6 million at 30 September 2011, up from €539.4 million at 31 December 2010.

At 30 September 2011 the Group's total workforce, including short-term contracts, numbered 2,723 employees, with the average workforce for the period 5.3% lower than that for the first nine months of 2010.

In the third quarter of 2011, the Group achieved consolidated revenues of €196.3 million, up 1% on the €194.4 million for the corresponding period in 2010. Advertising funding recorded a 1.9% growth, whilst circulation revenues – including optional products – fell by 1.8%.

The gross operating margin was €30.5 million, up 4.3% on the €29.2 million for the third quarter of 2010. Net income for the third quarter was €9.9 million compared to €7.7 million in the same period of 2010.

For the publishing sector, 2011 has again recorded a critical performance with a significant drop in advertising funding and circulation trends that confirm the erosion seen in recent years.

The worsening of the situation in general and the stronger uncertainty about macro-economic prospects, seen during the last quarter, do not allow any improvement in the forecast for the final part of the year in the performances recorded thus far, and further weaken the perception of medium-term developments in the advertising market.

In this context, as seen in the improved results for the first nine months, the Group has been able to overcome the unfavourable trends in the reference sectors through improvements to traditional products, digital developments, the concessionaire performance and additional cost saving action. Given the above and provided there is no strong sector discontinuity, despite the further deterioration in the economy, at year end the Group can expect to confirm better results than the previous year.

## AUTOMOTIVE COMPONENTS SECTOR

The chart below shows the main performance indicators of the Sogefi group for this year, compared with indicators for the same periods of the previous year:

### Results for the period 1 January-30 September 2011

<i>(in millions of euro)</i>	<i>1/1-30/9 2011</i>	<i>1/1-30/9 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	829.8	687.0	142.8	20.8
<b>Net result</b>	18.8	13.5	5.3	40.0

### Results for the III quarter 2011

<i>(in millions of euro)</i>	<i>III quarter 2011</i>	<i>III quarter 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	303.2	229.4	73.8	32.2
<b>Net result</b>	3.5	3.5	0.0	-

### Position at 30 September 2011

	<i>30/9/2011</i>	<i>30/6/2011</i>	<i>31/12/2010</i>
<b>Net financial position</b>	(325.3)	(167.6)	(164.9)
<b>No. of employees</b>	7,543	5,777	5,841

With effect from 1 August 2011, Sogefi began the full consolidation of Systèmes Moteurs business after the takeover completed on 29 July. Systèmes Moteurs is a world leader in the production of air flow and engine cooling systems.

Following this transaction the Group set up the new Engine Systems Division, including traditional filter business and the new product lines acquired on consolidation of Systèmes

Moteurs. The suspension components and precision springs division of the group remains unchanged.

In the first nine months of 2011 the Sogefi Group recorded a double-figure increase in all economic indicators compared to the corresponding period in 2010 as a result of increased business on the main markets and, in the two months August-September, the contribution from Systèmes Moteurs business.

Again in the third quarter, the world vehicle manufacturing market confirmed the increase in volumes recorded in the first half of the year, with stronger growth in the non-European markets. In the BRIC countries (Brazil, Russia, India and China) production levels confirmed their upward trend. The Brazilian market recorded a slowing down in September due to a decrease in vehicle manufacturer stock levels and in their distribution chain. In Europe, the less than optimistic results for new vehicle registrations were more than offset by the positive trend in exports, particularly in the top-of-the-range market and for the German manufacturers, with an overall increase in production of more than 7%. The European industrial vehicles market also accelerated the volume recovery that began in mid-2010, though it has not yet returned to the pre-crisis levels of 2007. Vice versa, independent aftermarket demand weakened during the period, affected by the economic situation in many European countries (Italy, Spain, Greece, UK and Portugal).

In a favourable scenario on all markets except the European spares market, in the first nine months of the year the Sogefi Group achieved consolidated revenues of €829.8 million, up 20.8% on the €687 million in the corresponding period of 2010. Without changes to the consolidation area, so net of Systèmes Moteurs revenues in August-September, sales would have totalled €776.2 million (+13%).

The strongest growth (+21.9%) was recorded by the suspension components division with revenues of €413.5 million, whilst the engine systems division achieved sales of €418.2 million (+19.7%). Based on the same year-on-year consolidation area, the engine systems division would have achieved revenues of €364.7 million, up 4.4%.

The group recorded double-figure increases in revenues in all its markets: Europe +18.2%, Latin America +12.9%, United States +155.1%, China +30.1% and India +35.1%.

During the period the transfer pricing of increased raw materials costs to sales prices continued successfully. As in previous years, the increase in main commodity costs was for the most part recovered over a spread of just a few months. Marketing action will continue in the coming months, with a further recovery expected by the end of the year. At the end of September, the impact of variable costs on sales was 68.7%, slightly worse than the September figure last year, also due to the higher cost of labour and the previously mentioned lower sales in the more profitable spares market.

Consolidated EBITDA stood at €76.5 million (9.2% of revenues) compared to €64.5 million (9.4% of revenues) for the first nine months of 2010. Without changes to the consolidation area the total would have been €71.6 million (9.2% of revenues).

EBIT came in at €41.6 million (5% of revenues), up from €31.1 million (4.6% of revenues). Without changes to the consolidation area the total would have been €38.7 million.

Net income amounted to €18.8 million, up 40% compared to €13.5 million in the first nine months of 2010.

At 30 September 2011 the Group net debt included the enterprise value of Systèmes Moteurs (approximately €150 million) and totalled €325.3 million compared to €164.9 million at 31 December 2010.

As a result of the increase in ordinary business and especially after the takeover of Systèmes Moteurs, the Group workforce at 30 September 2011 – including casual staff but excluding flexible contracts – increased to 7,543 (5,841 at 31 December 2010).

In the third quarter of 2011 revenues stood at €303.2 million, up 32.2% from €229.4 million in the corresponding period of 2010. Without changes to the consolidation area they would have totalled €249.6 million (+8.8%).

Consolidated EBITDA was €23.6 million (7.8% of revenues), up 42.6% (+18.9% without consolidation changes) from €19.2 million (8.4% of revenues) in the same period of last year.

Consolidated net income for the quarter was €3.5 million, in line with that of the third quarter of the previous year.

The positive results achieved by the Group in the first nine months should also be confirmed for all of 2011. At present, in fact, despite fears of a weakening economic scenario in 2012, no significant announcements or forecasts of a slowing demand in components in the final part of the year have been reported by customers. Nevertheless, it is considered that if the slowdown should occur it would not be strong enough to essentially change the group's performance for the year.

## **HEALTHCARE SECTOR**

The chart below shows the main performance indicators of the KOS group for this year, compared with indicators for the same periods of the previous year:

## Results for the period 1 January-30 September 2011

<i>(in millions of euro)</i>	<i>1/1-30/9 2011</i>	<i>1/1-30/9 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	261.9	239.0	22.9	9.6
<b>Net result</b>	8.9	4.0	4.9	n.a.

## Results for the III quarter 2011

<i>(in millions of euro)</i>	<i>III quarter 2011</i>	<i>III quarter 2010</i>	<i>Change absolute</i>	<i>%</i>
<b>Revenues</b>	85.0	80.0	5.0	6.2
<b>Net result</b>	2.7	2.0	0.7	35.0

## Position at 30 September 2011

	<i>30/9/2011</i>	<i>30/06/2011</i>	<i>31/12/2010</i>
<b>Net financial position</b>	(155.3)	(159.8)	(189.3)
<b>No. of employees</b>	4,191	4,173	4,006

In the first nine months of 2011 the KOS Group recorded revenues of €261.9 million compared to €239 million in the corresponding period in 2010, up 9.6% as a result of developments in the three business areas and to acquisitions completed in 2010.

Consolidated EBITDA stood at €39.7 million, up 30.6% on the €30.4 million recorded in the first nine months of 2010.

Consolidated EBIT was €26.4 million, up from €19.1 million in the same period last year.

Consolidated net income for the first nine months of 2011 was €8.9 million, up from €4 million in the same period of 2010.

At 30 September 2011, the KOS Group recorded a net debt of €155.3 million, compared to €189.3 million at 31 December 2010. The improvement is attributable to deconsolidation of the properties held for disposal and to the subscription of a €20 million share capital increase in June by the shareholder Axa.

In the third quarter of 2011, the KOS Group achieved consolidated revenues of €85 million, up 6.2% on the €80 million recorded for the corresponding period in 2010.

Consolidated EBITDA came in at €13.8 million compared to €12 million in the third quarter of 2010, and consolidated EBIT stood at €8.3 million, up from the €7.2 million of the same period last year.

Consolidated net income amounted to €2.7 million compared to €2 million in the same period of 2010.

The KOS Group today manages 60 facilities, mainly in the centre-north of Italy with a total of over 5,600 beds, plus approximately 900 more in facilities under construction.

At 30 September 2011 the Group had 4,191 employees compared to 4,006 at 31 December 2010.

### 3. FINANCIAL INVESTMENTS AND OTHER ASSETS

**INVESTMENTS IN PRIVATE EQUITY FUNDS** - The CIR Group, through its subsidiary CIR International, manages a diversified portfolio of funds and minority private equity holdings, the fair value of which was approximately € 85.8 million, determined on the basis of the NAV provided by the various funds at 30 September 2011. Remaining commitments outstanding at 30 September 2011 amounted to €18.4 million.

**CIR VENTURES** – The portfolio of CIR Ventures, the venture capital fund of the Group, contains investments in four companies, of which three in the United States and one in Israel. These companies all operate in the information and communications technology sector. The total fair value of these investments at 30 September 2011 was €15 million dollars.

**JUPITER FINANCE** – The company operates in the servicing sector of non-performing loans acquired from securitisation vehicles. At 30 September 2011 the value of CIR's investment in such activities totalled approximately €63 million.

In the first nine months of 2011 the company completed the reorganisation necessary to eliminate critical points discovered by the Supervisory Authority.

The result for the period was a negative €4.4 million, €2.5 million of which due to the write-down of receivables.

**KTP**– In April 2011 the Board of Directors of CQS Holding/Ktesios began the winding up of the company by appointing a liquidator. The investment has been cancelled in full and no further costs for the CIR Group are expected from the winding-up procedure.

**OTHER ASSETS** – During the third quarter of 2011 the CIR Group acquired 20% of SEG (Swiss Education Group), a world leader in hospitality management training (hotels, restaurants, etc.) for approximately €28 million. Founded in 1982, the SEG Group has five hospitality management schools and a language school in Switzerland with a total of around 4,600 students from over 70 countries worldwide. SEG Group annual turnover is approximately € 100 million. This transaction allows the CIR Group an investment in one of the most prestigious hospitality management schools in the world, with impressive growth prospects, and to acquire new skills in the training sector.

Furthermore, in the third quarter of 2011 the subsidiary Food Concepts – with business start-up last year in the European food and beverage sector – opened two new restaurants under the brand name LaBaracca in Düsseldorf and Hamburg as additions to that opened in Munich in spring 2010. In the first nine months of 2011 Food Concepts business activities achieved revenues of €2.8 million. The result for the period was a negative €2.6 million, discounting start-up costs.

#### 4. SIGNIFICANT EVENTS WHICH OCCURRED AFTER 30 SEPTEMBER 2011 AND OUTLOOK FOR THE REST OF THE YEAR

Regarding the main events which have taken place since 30 September 2011, information has already been provided in this report under the various business sectors.

In the last part of the year CIR will continue to pursue its core business development strategy. In particular, the group will be putting in place the investments planned in the various sectors and pursuing efficiency initiatives in all of the businesses.

#### 5. OTHER INFORMATION

##### **Other**

CIR S.p.A. – Compagnie Industriali Riunite has its registered office at Via Ciovassino 1, Milan, Italy.

The CIR share has been listed on the Milan Stock Exchange since 1973 (Reuters code CIRX.MI, Bloomberg code CIR IM).

This Financial Report for the period 1 January–30 September 2011 was approved by the Board of Directors on 27 October 2011.

CIR S.p.A. is subject to management and coordination by Cofide S.p.A.

## **CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION**

**INCOME STATEMENT**

**NET FINANCIAL POSITION**

# 1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euro)

<b>ASSETS</b>	<i>30.09.2011</i>	<i>30.06.2011</i>	<i>31.12.2010</i>
<b>NON-CURRENT ASSETS</b>	<b>4,844,290</b>	<b>4,682,025</b>	<b>4,791,833</b>
INTANGIBLE ASSETS	1,496,019	1,402,738	1,391,359
TANGIBLE ASSETS	2,362,143	2,423,728	2,553,835
INVESTMENT PROPERTY	23,768	23,606	23,890
INVESTMENTS IN COMPANIES CONSOLIDATED AT EQUITY	374,802	335,208	319,469
OTHER EQUITY INVESTMENTS	34,283	5,065	5,041
OTHER RECEIVABLES	217,131	181,502	179,082
SECURITIES	110,648	100,237	100,772
DEFERRED TAXES	225,496	209,941	218,385
<b>CURRENT ASSETS</b>	<b>2,876,756</b>	<b>2,484,027</b>	<b>2,485,685</b>
INVENTORIES	209,335	169,323	151,283
CONTRACTED WORK IN PROGRESS	35,925	11,695	10,421
TRADE RECEIVABLES	1,130,688	1,325,057	1,137,448
OTHER RECEIVABLES	189,292	183,103	177,660
FINANCIAL RECEIVABLES	100,491	63,266	54,996
SECURITIES	630,904	214,047	216,552
AVAILABLE-FOR-SALE FINANCIAL ASSETS	142,178	158,614	144,244
CASH AND CASH EQUIVALENTS	437,943	358,922	593,081
ASSETS HELD FOR DISPOSAL	718	199,476	722
<b>TOTAL ASSETS</b>	<b>7,721,764</b>	<b>7,365,528</b>	<b>7,278,240</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>30.09.2011</i>	<i>30.06.2011</i>	<i>31.12.2010</i>
<b>SHAREHOLDERS' EQUITY</b>	<b>2,518,946</b>	<b>2,544,386</b>	<b>2,522,940</b>
ISSUED CAPITAL	396,636	396,614	396,059
less OWN SHARES	(21,537)	(21,537)	(21,537)
SHARE CAPITAL	375,099	375,077	374,522
RESERVES	312,833	326,984	321,923
RETAINED EARNINGS (LOSSES)	764,181	772,402	733,733
INCOME FOR THE PERIOD	15,015	19,432	56,850
<b>SHAREHOLDERS' EQUITY OF THE GROUP</b>	<b>1,467,128</b>	<b>1,493,895</b>	<b>1,487,028</b>
MINORITY SHAREHOLDERS' EQUITY	1,051,818	1,050,491	1,035,912
<b>NON-CURRENT LIABILITIES</b>	<b>3,075,620</b>	<b>3,020,806</b>	<b>3,118,360</b>
BOND AND NOTES	557,245	560,326	547,455
OTHER BORROWINGS	2,139,882	2,070,623	2,171,116
OTHER PAYABLES	1,747	1,835	2,021
DEFERRED TAXES	175,416	189,027	193,228
PERSONNEL PROVISIONS	123,517	122,566	124,343
PROVISIONS FOR RISKS AND LOSSES	77,813	76,429	80,197
<b>CURRENT LIABILITIES</b>	<b>2,127,198</b>	<b>1,800,336</b>	<b>1,636,940</b>
BANK OVERDRAFTS	183,466	211,179	173,671
BOND AND NOTES	--	52	157,978
OTHER BORROWINGS	739,067	136,964	125,426
TRADE PAYABLES	850,917	978,490	863,344
OTHER PAYABLES	273,851	253,035	234,170
PROVISIONS FOR RISKS AND LOSSES	79,897	75,994	82,351
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR DISPOSAL	--	144,622	--
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7,721,764</b>	<b>7,365,528</b>	<b>7,278,240</b>

## 2. INCOME STATEMENT

(in thousands of euro)

	1/1-30/9 2011	1/1-30/9 2010	III quarter 2011	III quarter 2010
SALES REVENUES	3,300,890	3,263,790	1,095,260	1,017,229
CHANGE IN INVENTORIES	9,784	5,737	612	(718)
COSTS FOR THE PURCHASE OF GOODS	(1,843,195)	(1,892,730)	(633,454)	(569,079)
COSTS FOR SERVICES	(609,686)	(564,695)	(196,222)	(177,890)
PERSONNEL COSTS	(529,562)	(501,532)	(168,849)	(155,655)
OTHER OPERATING INCOME	124,741	59,900	53,726	15,065
OTHER OPERATING COSTS	(128,115)	(121,095)	(44,614)	(41,590)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS CONSOLIDATED AT EQUITY	15,466	40,331	7,597	8,487
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(150,786)	(129,153)	(53,095)	(43,406)
<b>INCOME BEFORE FINANCIAL ITEMS AND TAXES (EBIT)</b>	<b>189,537</b>	<b>160,553</b>	<b>60,961</b>	<b>52,443</b>
FINANCIAL INCOME	41,166	38,698	12,840	10,969
FINANCIAL EXPENSE	(137,147)	(116,835)	(46,464)	(36,667)
DIVIDENDS	215	115	78	27
GAINS FROM TRADING SECURITIES	16,396	23,062	8,538	8,966
LOSSES FROM TRADING SECURITIES	(2,861)	(4,509)	(2,531)	(1,101)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(12,799)	4,295	(15,219)	5,470
<b>INCOME BEFORE TAXES</b>	<b>94,507</b>	<b>105,379</b>	<b>18,203</b>	<b>40,107</b>
INCOME TAXES	(37,348)	10,525	(7,258)	(18,577)
<b>RESULT AFTER TAXES FROM OPERATING ACTIVITY</b>	<b>57,159</b>	<b>115,904</b>	<b>10,945</b>	<b>21,530</b>
INCOME/(LOSS) FROM ASSETS HELD FOR DISPOSAL	--	--	--	--
<b>NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS</b>	<b>57,159</b>	<b>115,904</b>	<b>10,945</b>	<b>21,530</b>
- NET INCOME OF MINORITY SHAREHOLDERS	(42,144)	(62,175)	(15,362)	(9,974)
<b>- NET INCOME OF THE GROUP</b>	<b>15,015</b>	<b>53,729</b>	<b>(4,417)</b>	<b>11,556</b>

### 3. NET FINANCIAL POSITION

*(in thousands of euro)*

	<i>30.09.2011</i>	<i>30.06.2011</i>	<i>31.12.2010</i>
A. Cash and bank deposits	437,943	358,922	593,081
B. Other cash equivalents	142,178	158,614	144,244
C. Securities held for trading	630,904	214,047	216,552
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>1,211,025</b>	<b>731,583</b>	<b>953,877</b>
<b>E. Current financial receivables</b>	<b>100,491</b>	<b>63,266</b>	<b>54,996</b>
F. Current bank payables	(246,474)	(273,707)	(244,579)
G. Bonds and notes issued	..	(52)	(157,978)
H. Current portion of non-current debt	(676,059)	(76,312)	(54,516)
I. Other current financial payables	..	(2,171)	(2)
<b>J. Current financial debt (F) + (G) + (H) + (I)</b>	<b>(922,533)</b>	<b>(352,242)</b>	<b>(457,075)</b>
<b>K. Net current financial position (J) + (E) + (D)</b>	<b>388,983</b>	<b>442,607</b>	<b>551,798</b>
L. Non-current bank payables	(1,943,941)	(2,047,828)	(1,994,968)
M. Bonds and notes issued	(557,245)	(560,326)	(547,455)
N. Other non-current payables	(195,941)	(140,596)	(176,148)
<b>O. Non-current financial debt (L) + (M) + (N)</b>	<b>(2,697,127)</b>	<b>(2,748,750)</b>	<b>(2,718,571)</b>
<b>P. Net financial position (K) + (O)</b>	<b>(2,308,144)</b>	<b>(2,306,143)</b>	<b>(2,166,773)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. FOREWORD

This consolidated interim report at 30 September 2011, not subjected to audit, was prepared in accordance with the IAS/IFRS international accounting standards mandatory since 2005 for preparing the consolidated financial statements of companies listed on European regulated markets.

The figures given for comparison purposes were also determined in accordance with IAS/IFRS.

This interim report was prepared in compliance with the provisions of Art. 154-*ter*, subsection 5, Italian Legislative Decree no. 58 of 24 February 1998, as amended (TUF). Therefore the provisions of international accounting standards regarding interim financial statements were not adopted (IAS 34 “Interim Financial Reporting”).

### 2. CONSOLIDATION PRINCIPLES

Consolidation is carried out using the full line-by-line method. The criteria adopted for the application of this method are the same as those used at 31 December 2010.

The consolidated interim financial statements of the Group at 30 September 2011, as for those of 31 December 2010, are the result of the consolidation at those dates of the financial statements of the Parent Company CIR and of all the companies directly or indirectly controlled, joint ventures and associates with the exception of companies in liquidation. The assets and liabilities of companies scheduled for disposal are reclassified to items of assets and liabilities to indicate such circumstances.

### 3. ACCOUNTING PRINCIPLES APPLIED

The Accounting Principles adopted for preparation of the interim financial statements at 30 September 2011 are the same as those adopted for the financial statements for the year ended 31 December 2010.

#### 4. SHARE CAPITAL

The share capital of €396,635,733.50 at 30 September 2011 (793,271,467 shares) has increased from the share capital of €396,058,633.50 at 31 December 2010 (792,117,267 shares with a nominal value of €0.50 each) as a result of the issue of 1,154,200 shares following the exercise of stock option plans.

At 30 September 2011 the Company held 49,219,000 own shares (6.20% of share capital) for a value of €107,272 thousand, compared to the 43,074,000 own shares (5.44% of share capital) for a value of €98,657 thousand at 31 December 2010.

In application of IAS 32, the own shares held by the Parent Company of the Group are deducted from equity.

In this respect, for the sake of clarity, the nominal value of own shares held was reclassified as a direct reduction in the amount of share capital issued.

The share capital is fully subscribed and paid up. None of the shares are subject to any rights, privileges or limitations on the distribution of dividends, with the exception of own shares.

It should be noted that for a period of five years from 30 April 2009 the Board of Directors was authorised to increase the share capital once or more up to a maximum €500 million (nominal value) and for a further maximum of €20 million (nominal value) in favour of employees of the Company, its subsidiaries and parent companies.

Regarding stock option plans and stock grants at 30 September 2011 there were 43,395,700 options outstanding, corresponding to an equal number of shares.

The notional cost of the stock options assigned to employees, posted to a special equity reserve, totalled €3,331 thousand at 30 September 2011.

DECLARATION PURSUANT TO ART. 154-BIS, SUBSECTION 2, ITALIAN LEGISLATIVE  
DECREE 58/1998

**Re: Interim Financial Report at 30 September 2011**

The undersigned, Alberto Piaser, as the Officer responsible for the preparation of the accounting and corporate documents of the company, hereby

declares

in accordance with the terms of Article 154-bis, subsection 2 of the Consolidated Law on Finance (TUF) that the accounting information contained in this report corresponds to the results documented in the books and the general ledger.

*Milan, 27 October 2011*

*Signed by*  
CIR S.p.A.  
Alberto Piaser