



CIR GROUP

QUARTERLY INTERIM REPORT AS OF MARCH 31 2007

Turin, April 27 2007



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AS OF MARCH 31 2007**

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MANAGEMENT REPORT ON THE PERFORMANCE OF OPERATIONS IN THE FIRST QUARTER OF 2007

In the first three months of 2007 the CIR Group reported consolidated net income of €28.3 million, up from €10.9 million in the same period of last year (+159.6%).

In the same period consolidated revenues came in at €1,080.5 million compared to €1,037.5 million in the same period of 2006 (+4.1%).

The contribution of the operating groups to consolidated earnings in the first three months of 2007 rose by €6.7 million (+37.9%) from €17.7 million in the first three months of 2006 to €24.4 million in the same period of 2007, thanks to the improved profitability of the Sorgenia group.

The contribution of the financial subsidiaries increased by €7.6 million due to capital gains realized on the sale of shares of hedge funds by Medinvest.

The result of the holding (CIR and CIR International) in the first three months of 2007, a negative €5 million (€8.1 million in the same period of 2006), apart from their own overheads of €4.3 million, was mainly the result of the following:

- Adjustments to the value of investments valued at equity for a negative €3.2 million;
- Net financial expense of €5.9 million;
- Net gains from trading and valuing securities of €6.9 million;
- Net taxes for a positive €1.5 million.

Consolidated net financial debt at March 31 2007 stood at €888.5 million (€850.6 million at December 31 2006) and consisted of a net financial surplus for CIR and CIR International of €138.4 million (€258.2 million at December 31 2006) and net debt for the operating groups of €1,026.9 million (€1,108.8 million at December 31 2006).

The balance sheet at March 31 2007 showed shareholders' equity of the Group at €1,292.4 million compared to €1,260.2 million at December 31 2006 and total equity of €2,024.4 million up from €1,979.9 million at December 31 2006.

The charts on the following pages show a breakdown by business sector of the financial, economic and equity results of the Group together with a breakdown of the contributions of the main subsidiaries and the aggregate results of the holding (CIR and CIR International).

BREAKDOWN OF INCOME STATEMENT BY BUSINESS SECTOR AND CONTRIBUTIONS TO THE RESULTS OF THE GROUP

(in millions of euro)

	1st Quarter 2007										1st Quarter 2006	
	CONSOLIDATED	Revenues	Costs of production	Other operating income and costs	Adjustments to the value of investments valued at equity	Amortization, depreciation & write-downs	Net financial income and expenses	Dividends, gains and losses from trading and valuation of securities	Income taxes	Minority interests	Net income (loss) for the Group	Net income (loss) for the Group
AGGREGATE												
Sorgenia Group		505.9	(475.7)	4.0	7.0	(5.6)	(4.8)	--	(9.7)	(10.6)	10.5	(2.3)
Espresso Group		272.5	(228.3)	(2.0)	0.3	(10.2)	(4.7)	--	(14.0)	(6.5)	7.1	13.5
Sogefi Group		267.1	(230.1)	(2.1)	--	(11.8)	(2.4)	0.1	(7.5)	(5.9)	7.4	6.8
HSS Group		35.0	(29.4)	(1.4)	--	(1.9)	(2.2)	--	(0.8)	0.2	(0.5)	--
Other subsidiaries		--	(0.5)	0.2	--	--	0.2	--	--	--	(0.1)	(0.3)
Total operating subsidiaries		1,080.5	(964.0)	(1.3)	7.3	(29.5)	(13.9)	0.1	(32.0)	(22.8)	24.4	17.7
Financial subsidiaries		--	(0.7)	--	--	--	--	11.3	--	(1.7)	8.9	1.3
Total subsidiaries		1,080.5	(964.7)	(1.3)	7.3	(29.5)	(13.9)	11.4	(32.0)	(24.5)	33.3	19.0
Holding (CIR and CIR International)												
Revenues		--									--	--
Costs of production			(4.3)								(4.3)	(3.9)
Other operating income and costs				0.2							0.2	1.0
Adjustments to the value of investments valued at equity					(3.2)						(3.2)	--
Amortization, depreciation and write-downs						(0.2)					(0.2)	(0.1)
Net financial income and expenses							(5.9)				(5.9)	(12.5)
Dividends, gains and losses from trading and valuation of securities								6.9			6.9	5.3
Income taxes									1.5		1.5	2.1
Total holding companies (CIR and CIR International)		--	(4.3)	0.2	(3.2)	(0.2)	(5.9)	6.9	1.5		(5.0)	(8.1)
Consolidated total for the Group		1,080.5	(969.0)	(1.1)	4.1	(29.7)	(19.8)	18.3	(30.5)	(24.5)	28.3	10.9

CONSOLIDATED BALANCE SHEET FIGURES BY BUSINESS SECTOR

(in millions of euro)

	31.03.2007							31.12.2006
CONSOLIDATED	Fixed assets	Other net non-current assets and liabilities	Net working capital	Net financial position	Total shareholders' equity of which:	Minority shareholders' equity	Shareholders' equity - Group	Shareholders' equity - Group
AGGREGATE								
Sorgenia Group	789.5	230.1	108.7	(558.6) (*)	569.7	307.2	262.5	251.8
Espresso Group	903.5	(165.8)	58.4	(218.3)	577.8	273.2	304.6	293.7
Sogefi Group	361.8	(55.8)	128.8	(124.5)	310.3	139.1	171.2	163.3
HSS Group	171.1	4.8	(4.2)	(108.1)	63.6	9.8	53.8	54.2
Other subsidiaries	0.3	11.8	61.4	(17.4)	56.1	2.7	53.4	43.4
Total subsidiaries	2,226.2	25.1	353.1	(1,026.9)	1,577.5	732.0	845.5	806.4
Holding (CIR and CIR International)								
Fixed assets	114.9				114.9		114.9	103.0
Other net non-current and liabilities		203.0			203.0		203.0	107.3
Net working capital			(9.4)		(9.4)		(9.4)	(14.7)
Net financial position				138.4	138.4		138.4	258.2
Consolidated total - Group	2,341.1	228.1	343.7	(888.5)	2,024.4	732.0	1,292.4	1,260.2

(*) The financial position includes the free cashflow of Energia Holding S.p.A.

1. PERFORMANCE OF THE GROUP

Consolidated revenues for the first three months of 2007 totalled €1,080.5 million compared to €1,037.5 million in the same period of 2006, with a rise of €43 million (+4.1%).

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

<i>(in millions of euro)</i>	<i>1st Quarter</i>					
	<i>2007</i>	<i>%</i>	<i>2006</i>	<i>%</i>	<i>Change absolute</i>	<i>%</i>
Utilities						
Sorgenia Group	505.9	46.8	454.5	43.8	51.4	11.3
Media						
Espresso Group	272.5	25.2	303.2	29.2	(30.7)	(10.1)
Automotive components						
Sogefi Group	267.1	24.7	264.3	25.5	2.8	1.1
Healthcare						
HSS Group	35.0	3.3	15.4	1.5	19.6	127.3
Other sectors	0.0	--	0.1	--	(0.1)	n.s.
Total consolidated revenues	1,080.5	100.0	1,037.5	100.0	43.0	4.1

The **comparison of the key figures of the income statement** of the CIR Group with those of the previous year is as follows:

<i>(in millions of euro)</i>	<i>1st Quarter</i>			
	<i>2007</i>	<i>%</i>	<i>2006</i>	<i>%</i>
Revenues	1,080.5	100.0	1,037.5	100.0
Consolidated gross operating margin (EBITDA)	114.5	10.6	91.1	8.8
Consolidated operating income (EBIT)	84.8	7.8	67.4	6.5
Financial management result	(1.5)	(0.1)	(14.2)	(1.4)
Income taxes	(30.5)	(2.8)	(21.9)	(2.1)
Net income including minority interests	52.8	4.9	31.3	3.0
Net income – minority interests	(24.5)	(2.3)	(20.4)	(2.0)
Net income of the Group	28.3	2.6	10.9	1.1

In the first three months of 2007 the **consolidated gross operating margin (EBITDA)** was €114.5 million (10.6% of revenues) up from €91.1 million in the first three months of 2006 (8.8% of revenues), with a rise of €23.4 million (+25.7%). This result was due to:

- a significant improvement of approximately €42 million in the results of the Sorgenia group following the expansion of the generation business once the Termoli power plant had started operating and better sales margins in both electricity and natural gas;
- the confirmed profitability of the Sogefi group;
- the decline in profitability of the Espresso group caused mainly by the fall in revenues and margins on optional add-on products.

The consolidated EBITDA figure also contains the portion of the results for the quarter of the Oakwood group, which amounted to a negative €3.2 million.

The **consolidated operating margin (EBIT)** in the first three months of 2007 was a positive €84.8 million (7.8% of revenues) up from €67.4 million (6.5% of revenues) in the same period of 2006, showing a rise of 25.8%.

The financial management result, a loss of €1.5 million, was due to net financial expense of €19.8 million (€22 million in the first three months of 2006), dividends and net gains from trading and valuing securities for €18.3 million (€7.8 million of net gains in the first three months of 2006).

The **comparison of the key figures of the balance sheet** of the CIR Group at March 31 2007 with those at December 31 2006 and March 31 2006 is as follows:

<i>(in millions of euro)</i>	<i>31.03.2007</i>	<i>31.12.2006</i>	<i>31.03.2006</i>
Fixed assets	2,341.1	2,282.3	2,018.4
Other net non-current assets and liabilities	228.1	129.3	82.3
Net working capital	343.7	418.9	250.5
Net invested capital	2,912.9	2,830.5	2,351.2
Net financial debt	(888.5)	(850.6)	(456.9)
Total shareholders' equity	2,024.4	1,979.9	1,894.3
Shareholders' equity of the Group	1,292.4	1,260.2	1,202.8
Minority interests	732.0	719.7	691.5

Consolidated net capital invested at March 31 2007 stood at €2,912.9 million compared to €2,830.5 million at December 31 2006, with a rise of €82.4 million.

Consolidated net financial debt at March 31 2007, as has already been indicated, amounted to €888.5 million (up from €850.6 million at December 31 2006) and was the result of:

- a net financial surplus for CIR and CIR International of €138.4 million which compares with €258.2 million at December 31 2006. The net change of €119.8 million that took place in the first three months of 2007 was mainly due to the joint venture investment made by CIR International with Merrill Lynch in Oakwood for €96.8 million and to other investments in private equity funds and own shares;
- a total debt position in the operating groups of €1,026.9 million compared to €1,108.8 million at December 31 2006. The reduction of €81.9 million was due mainly to the cash flow generated by operations in the Sorgenia group (€38.3 million) and the Espresso group (€44.4 million).

Total shareholders' equity at March 31 2007 stood at €2,024.4 million up from €1,979.9 million at December 31 2006, posting a rise of €44.5 million.

The **shareholders' equity of the Group** amounted to €1,292.4 million at March 31 2007 up from €1,260.2 million at December 31 2006, with a net increase of €32.2 million.

At March 31 2007 **minority equity** stood at €732.0 million compared to €719.7 million at December 31 2006, with a rise of €12.3 million.

Net financial debt and shareholders' equity at March 31 2007 include the sum of €128.6 million from the fair value adjustment of available-for-sale securities, which are mainly held by the company Medinvest. In fact the accounting treatment of Medinvest involves recognizing directly to shareholders' equity the fair value changes in the funds during the period. Gross of any profit realized during the period (€8.8 million) and before any hedging transactions, the net increase in fair value was €11.7 million in the period compared to €18.1 million in the same period of 2006. Since inception (April 1994) performance has been particularly satisfactory up to and including 2006, giving the portfolio a weighted average annual return in dollar terms of 9.7%. In the first three months of 2006 too performance gave a positive return, net of commissions, of 3.05%.

The **consolidated cash flow statement** for the first three months of 2007, prepared according to a managerial format which shows the changes in net financial position, can be summed up in the following chart :

<i>(in millions of euro)</i>	<i>1st Quarter 2007</i>	<i>1st Quarter 2006</i>
SOURCES OF FUNDS		
Net income for the period including minority interests	52.8	31.3
Amortization, depreciation, write-downs and other non-monetary changes	24.6	5.7
Self-financing	77.4	37.0
Change in working capital	75.5	1.5
CASH FLOW GENERATED BY OPERATIONS	152.9	38.5
Capital increases	6.6	0.4
TOTAL SOURCES OF FUNDS	159.5	38.9
APPLICATIONS		
Net investments in fixed assets	(180.6)	(38.7)
Buy-back of own shares	(21.0)	-
Payment of dividends	(1.5)	-
Other changes	5.7	8.1
TOTAL APPLICATIONS	(197.4)	(30.6)
FINANCIAL SURPLUS (DEFICIT)	(37.9)	8.3
NET FINANCIAL DEBT AT BEGINNING OF PERIOD	(850.6)	(465.2)
NET FINANCIAL DEBT AT END OF PERIOD	(888.5)	(456.9)

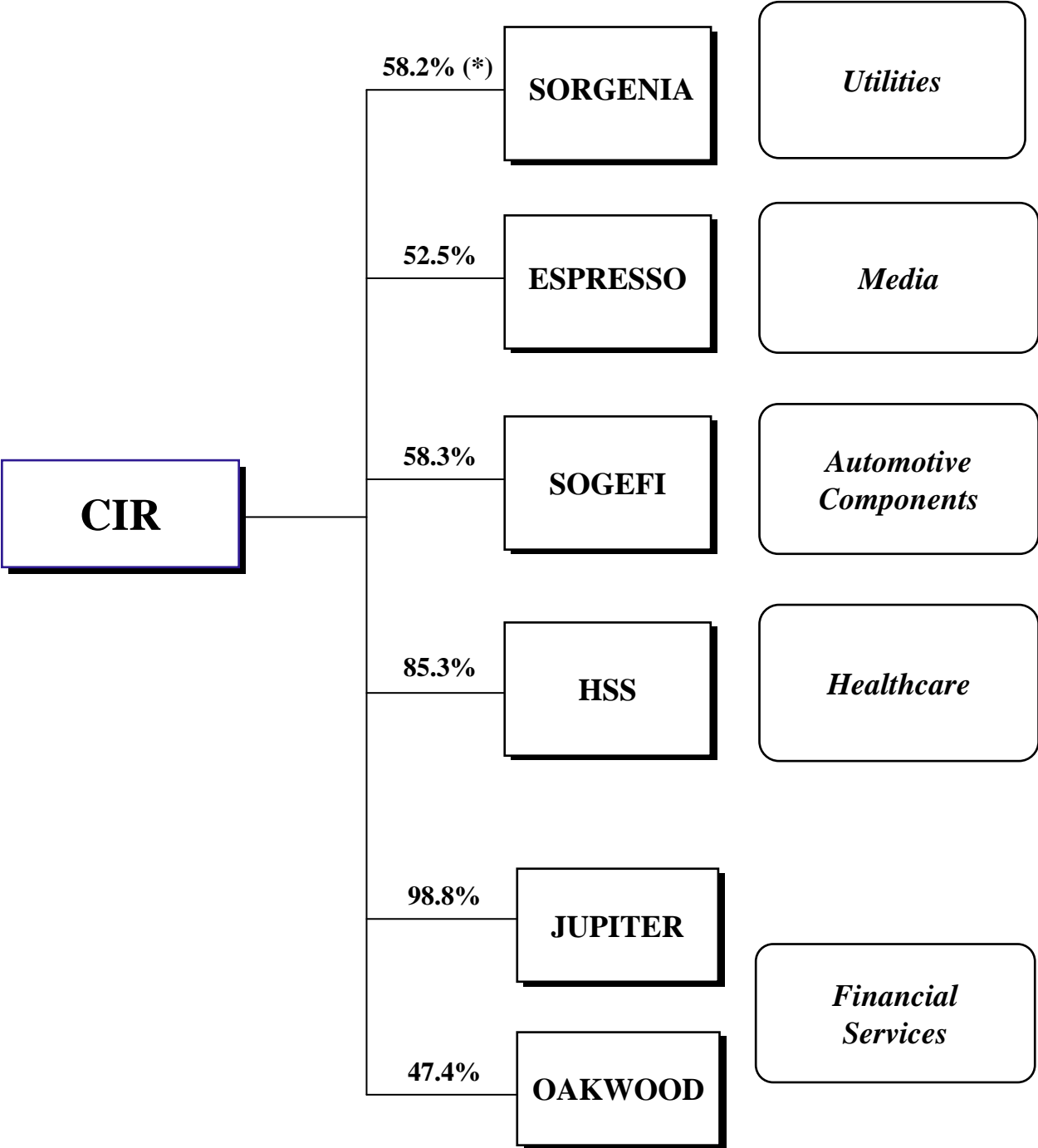
The cash flow generated by operations was sharply higher than that of the same period of last year mainly the result of more self-financing (+ €40.4 million) due to the higher profitability of the Sorgenia group in particular and to a reduction in the working capital of the operating companies.

The applications refer in particular to the investments made by the Sorgenia group and to the investment made in the Oakwood group. Also during the quarter own shares were bought back for the amount of €21 million.

For a more complete analysis of the net financial position we would refer readers to the appropriate section of the accounts where full details are given.

MAIN EQUITY INVESTMENTS OF THE GROUP

AS OF MARCH 31 2007



(*) percentage of indirect control through Energia Holding

2. PERFORMANCE OF THE BUSINESS SECTORS

UTILITIES 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:

<i>(in millions of euro)</i>	<i>1st Quarter 2007</i>	<i>1st Quarter 2006</i>	<i>Change absolute</i>	<i>%</i>
Revenues	505.9	454.5	51.4	11.3
Net income	18.1	(3.9)	22.0	n.a.

	<i>31/03/2007</i>	<i>31/12/2006</i>	<i>31/03/2006</i>
Net financial position	(563.6)	(601.9)	(491.7)
No. of employees	227	208	157

In the first three months of 2007 the Sorgenia group reported consolidated revenues of €505.9 million, with a rise of 11.3% from €454.5 million in the first quarter of 2006, thanks to the rise in the volumes of electricity sold (+14.3%). Natural gas sales declined by 11% as a result of lower consumption due to the mild temperatures recorded during the winter.

Consolidated EBIT rose from a loss of €1.9 million in the first three months of 2006 to a profit of €35.7 million in the first quarter of 2007, the whole quarter having benefited from the energy produced by the Termoli power plant which started operating in the second half of 2006, and from higher sales margins on both electricity and natural gas, while the first three months of 2006 were heavily penalized by the seasonal use of strategic gas stocks.

In the first three months of 2007 the Sorgenia group posted consolidated net income of €18.1 million compared to a net loss of €3.9 million in the same period of 2006.

The consolidated net financial position at March 31 2007 showed net debt of €563.6 million, down from €601.9 million at December 31 2006. This improvement was due for €11.7 million to the partial utilization of gas stocks, for €77.2 million to an improvement in working capital (of which approximately €26 million due to the receipt of VAT credits) and for €29.3 million to self-financing, offsetting a disbursement of approximately €65.5 million for investments made to implement the business plan, in particular for the construction of the Modugno power plant and for the photovoltaic sector.

The Sorgenia group is continuing to roll out its business plan 2007-2010, which, after the entry into production of the Termoli plant, involves the construction of 3 more combined cycle natural gas fired plants (CCGTs), each with an output of 770 MW, the completion of the repowering of the power plants of the subsidiary Tirreno Power, the construction of wind farms for 450 MW and investment in the photovoltaic sector (22 plants in the South of Italy for a total output of 22 MW).

Regarding Tirreno Power, the repowering program is proceeding according to plan with the conversion of a section of the Vado Ligure plant to a 760 MW combined cycle – which is scheduled

to start operating during 2007 – and with the construction of a new 380MW combined cycle module at Napoli Levante.

At the beginning of April, the company presented an industrial restructuring program for the Vado Ligure operation to the institutions and the unions. This program involves a sizeable reduction in emissions while increasing the output of the plant with the construction of a new 460 MW coal-fired unit. It also includes action in the Liguria region in the field of renewable energy with the construction of photovoltaic plants, windfarms and biomass power plants.

During March the Sorgenia group finalized two important financing deals. With the first one, Sorgenia signed a loan agreement in London for €345 million with a pool of banks lead-managed by Intesa Sanpaolo. The deal has a duration of five years and has the purpose of supporting the business plan of the group which involves investment going forward to 2010 of over €1.8 billion.

With the second deal, Energia Modugno perfected a loan for €343 million, structured as project financing without recourse, with a pool of banks (Banca Monte di Paschi di Siena, Westlb Ag, E-fibanca, Banca Nazionale del Lavoro and RZB) aimed at covering approximately two thirds of the investment inclusive of VAT in the CCGT plant under construction at Modugno.

Lastly, Sorgenia and IRIDE in an equal holding joint venture have taken over 51% of LNG Med Gas Terminal, the company that is pursuing the authorization process to build and run a regasification terminal at Gioia Tauro (Calabria), with a total estimated capacity of 12 billion cubic metres per year. When this project is completed, Sorgenia and IRIDE will have a joint regasification capacity of approximately 8 billion cubic metres of gas per year.

MEDIA SECTOR

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

<i>(in millions of euro)</i>	<i>Ist Quarter 2007</i>	<i>Ist Quarter 2006</i>	<i>Change absolute</i>	<i>%</i>
Revenues	272.5	303.2	(30.7)	(10.1)
Net income	13.5	26.6	(13.1)	(49.2)
	<i>31/03/2007</i>	<i>31/12/2006</i>	<i>31/03/2006</i>	
Net financial position	(218.3)	(262.7)	(173.4)	
No. of employees	3,407	3,384	3,392	

The results of the Espresso group for first quarter 2007 show the effect of the expected slowdown in revenues and margins of collateral products, partly offset by the good performance of advertising revenues (+11.9%), which were also boosted by the fact that some important investors brought forward their advertising campaigns and by the rise in the cover price of all the newspapers of the group from a €0.90 to one euro.

The optional add-on products sold together with newspapers and magazines have not maintained the performance recorded last year, but it should be noted that in 2006 the most important initiatives were concentrated in the early months of the year.

Without considering the collateral products, the figures were positive and showed an increase on the first three months of 2006. Sales revenues totalled €231.5 million, up by 10.5% from the same period of 2006 and operating income came in at €23.3 million (+51.7%), with a ratio to sales of 10.1%, which was almost three percentage points higher than profitability in the first three months of 2006. Despite the further rise in the purchase price of paper, the drift upwards of personnel costs and the start-up costs of new publishing initiatives, costs were contained thanks to the renegotiation of several printing contracts.

The hike in the cover price did not, however, affect circulation figures which for *la Repubblica* were 641 thousand average copies, in line with the figures for first quarter 2006, and for the local papers were 466 thousand copies (472 thousand in the same period of last year). Circulation figures for *L'espresso*, which came in at 448 thousand average copies per week (-7.5% compared to first quarter 2006), were affected by the lower demand for the optional products, which was only partially offset by the good performance of sales on the news stands and subscriptions.

All the main media of the group confirmed their leadership in terms of audience in their respective markets (readership for printed matter, listeners for radio and users for the internet).

In particular, *la Repubblica* with over 3 million readers confirmed its ranking as the most widely read newspaper in Italy for the third year running, at the same time increasing its lead over its main competitor (Audipress 2006/II).

Audiradio figures for the first two months of 2007 confirmed the leadership position of *Radio Deejay* with 5.7 million listeners on an average day and 13.3 million over the week. Thanks also to the contribution of *Radio Capital* (1.9 million people on an average day and 6.3 million over seven days) and *m2o* (1.3 million listeners on an average day and 3.3 million over the week), the radio stations of the group clocked up an audience of 8.8 million on an average day and 22.9 million over a seven day period.

All Music reached over 2.8 million viewers on an average day in the 15-34 age group (IPSOS, October 2006).

Lastly, in March the internet network of the group recorded 12.6 million unique users and 558 million page views. During the month the unique users of Repubblica.it numbered 9.4 million (+54% compared to March 2006), with an average of 836 thousand daily contacts, and the page views reached 451 million (up by 37% from the same month of the previous year).

Consolidated net financial debt stood at €218.3 million at March 31 2007, after buying back own shares for €9.9 million and making investments for €8.5 million. The improvement of €44.4 million in the debt position of the group compared with that at the close of 2006 (€262.7 million) was due both to the good operating cash flow (€67.4 million) and to the traditional effect of the seasonal nature of the publishing business.

There were a total of 3,407 employees on the books at March 31 2007, with a rise of 23 people from the 3,384 at December 31 2006.

Estimates of advertising figures for the months of April and May show a sharp slowdown compared with the first three months of the year which, as explained above, benefited from the fact that certain important investors did their advertising campaigns earlier than usual.

Compared with the previous year, advertising revenues are expected to rise this year considering the year as a whole, paper costs and personnel costs should drift higher and a sharp drop is expected in revenues and margins on optional products. Consolidated net income for 2007 will in any case be lower than that of last year because there are no longer any deferred tax assets generated by prior losses in subsidiaries.

AUTOMOTIVE COMPONENTS SECTOR

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

<i>(in millions of euro)</i>	<i>Ist Quarter 2007</i>	<i>Ist Quarter 2006</i>	<i>Change absolute</i>	<i>%</i>
Revenues	267.1	264.3	2.8	1.0
Net income	12.7	11.6	1.2	8.9
	<i>31/03/2007</i>	<i>31/12/2006</i>	<i>31/03/2006</i>	
Net financial position	(124.5)	(126.3)	(160.4)	
No. of employees	6,193	6,168	6,287	

In the first quarter of 2007 the consolidated revenues of the Sogefi group came in at €267.1 million, with a rise of 1% from €264.3 million in the same period of 2006, in spite of an unfavourable trend in exchange rates.

The sales revenues of the *filter* division rose by 3.9%, reaching €136.7 million compared to €131.6 million in the same period of 2006, while sales of the *suspension components* division came in at €130.5 million compared to €132.8 million in the first quarter of 2006, with a decline of 1.7%, due to the trend of demand for industrial vehicles.

The increased profitability reported by Sogefi in the first quarter of the year was achieved in the presence of a spate of negative factors: the major world vehicle markets remained stable, demand by French car manufacturers, who are the main clients of the group, remained lacklustre, prices of steel for suspension and aluminium for filter systems both rose and energy costs had a higher impact.

Consolidated EBITDA was €34.6 million euro (13% of sales), up by 3.7% from €33.4 million (12.6% of sales) in the first quarter of 2006.

The result of the *filter* division was €18.4 million (13.5% of sales) with a rise of 17% from €15.8 million (12% of sales) in first quarter 2006, while the *suspension components* division posted earnings of €17.3 million (13.2% of sales) down from €18.6 million (14% of sales) in the same period of 2006.

In the first quarter of 2007 consolidated EBIT rose by 8.6% to €22.9 million (8.6% of sales) compared to €21.1 million (8% of sales) in the same period of 2006.

The *filter* division reported EBIT of €13.8 million (10.1% of sales) compared to €11.2 million (8.5% of sales) while the *suspension components* division posted EBIT of €10.4 million (8% of sales) compared to €11.2 million (8.4% of sales).

Consolidated net income came in at €12.7 million, up by 8.9% from €11.6 million in first quarter 2006.

The net financial debt of the group amounted to €124.5 million at March 31 2007 compared to €126.3 million at December 31 2006.

The group had 6,193 employees on its payrolls at March 31 2007 compared to 6,168 at December 31 2006.

Rising steel prices together with the expected stagnation of volumes of demand at least until the end of the first half of 2007 make it difficult for the moment to predict any significant improvement in operating profitability compared with last year.

HEALTHCARE SECTOR

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

<i>(in millions of euro)</i>	<i>Ist Quarter 2007</i>	<i>Ist Quarter 2006</i>	<i>Change absolute</i>	<i>%</i>
Revenues	35.0	15.4	19.6	127.3
Net result	(0.6)	0.0	(0.6)	n.a.

	<i>31/03/2007</i>	<i>31/12/2006</i>	<i>31/03/2005</i>
Net financial position	(108.1)	(110.7)	(4.1)
No. of employees	1,329	1,302	254

In the first three months of 2007 the HSS group continued to develop and manage the new initiatives that it has undertaken in the healthcare sector.

In the first three months of 2007 the HSS group reported revenues of €35 million, up by €19.6 million from €15.4 million in the same period of 2006, mainly due to the contribution of the companies acquired after March 31 of last year, and EBIT of €2.3 million compared to €0.4 million in the first three months of 2006.

The net result was a negative €0.6 million compared with breakeven in the same period of 2006 and was impacted by the sharp rise in net financial expense (from €0.2 million to €2.2 million) due to the higher level of debt after the acquisitions made in 2006.

At March 31 2007 the HSS group had a net debt position of €108.1 million compared to €110.7 million at December 31 2006.

In February 2007 a preliminary contract was signed for the sale of the buildings used for business purposes owned by Anni Azzurri for the sum of €50 million.

The business of the HSS group is currently directed at managing four kinds of services:

- 1) *Residences and nursing homes (RSAs)*, through the companies Villa Margherita, which manages three residences, Casaverde (eight residences), Meia (five residences) and Anni Azzurri (eleven residences);
- 2) *Psychiatric services*, with the company Redancia which manages seven psychiatric care communities;
- 3) *Rehabilitation services*, with the company Rehab specializing in functional recovery and rehabilitation;
- 4) *Hospital services*, with the company Ospedale di Suzzara (controlled by HSS) which in 2004 was awarded management of the Presidio Ospedaliero F.lli Montecchi di Suzzara (Mantua) and with the company Medipass, which manages diagnostic imaging units in public and private hospitals.

Currently the HSS group manages a total of 3,500 beds.

The employees of the group totalled 1,329 at March 31 2007.

On April 19 2007 two funds managed by Morgan Stanley, the leading financial institution, subscribed a capital increase in the parent company of the HSS group for an amount of €16.3 million, acquiring in this way a total stake of 10% in the capital of the company. This deal is prestigious recognition of the results achieved to date and confirms the value created in HSS in only four years of business.

3. OTHER ACTIVITIES

JUPITER FINANCE – This company was set up in September 2005 with the aim of acquiring portfolios of non-performing loans from financial institutions and managing them.

The company aims to become an independent industrial partner of Italian banks and businesses in the management of non-performing loans, both for bloc sales on a non-recourse basis and for programs of optimization of a credit portfolio over a period of time.

Target segments in this area include: distressed bank loans (loan agreements), problem securitized loans, consumer credit in arrears (credit cards and personal loans), irrecoverable receivables of industrial companies and public administrations, overdue leasing (with purchase of asset) and mortgage receivables.

At March 31 2007 the company had acquired portfolios of non-performing loans for an overall sum of approximately €55 million and a gross book value of around €480 million.

In the first quarter of 2007 portfolios were acquired for a total of €15 million and a nominal value of approximately €140 million.

OAKWOOD - In January 2007, through its subsidiary CIR International, CIR finalized the acquisition of a 47.4% shareholding, in joint control with Merrill Lynch, in Oakwood Financial Investments, with a disbursement of approximately €100 million and a further commitment of €50 million. This investment was made almost entirely through the subscription of Preferred Equity Certificates (PECS) which are classified in non-current assets under the item “Other Receivables” and on which interest income accrues.

The Oakwood Group specializes in the creation, acquisition and management of retail finance companies and concentrates on the non-conforming or non-prime client sector, i.e. those clients who do not meet the traditional criteria for obtaining credit, especially mortgages, consumer credit, vehicle loans and leasing solutions.

Oakwood currently operates in the Australian, British and Italian markets through five companies: three of these were set up between 2001 and 2006 by management (Pepper Homeloans in Australia, One World Leasing and Edeus in Britain), while controlling stakes were acquired in the other two, which already existed (Ktesios in Italy and Blue Motor Finance in Britain).

The result of the first quarter, net of interest income accrued on the Preferred Equity Certificates (PECS) issued by Oakwood and subscribed by the shareholders, was a negative €3 million because Oakwood is still discounting the effects of the start-up stage of some of its subsidiaries.

Pepper, the company operating in Australia, specializes in sub-prime mortgage lending; its business model involves total management of the product until securitization. The product is distributed through independent brokers. In the first quarter of 2007 Pepper originated mortgages for a total value of 231 million Australian dollars compared with a figure of 642 million Australian dollars for the whole of the year 2006 and completed its sixth securitization, which was easily placed in the market.

edeus, specializing in the origination of near-prime mortgages, was set up in October 2006 and has therefore been operating for only seven months. It offers an extremely innovative product on the British market through a network of external operators. In the first quarter *edeus* originated loans for a value of GBP 530 million (350 million pounds in fourth quarter 2006).

Blue Motor Finance, a British company, gives loans to private individuals in the near-prime segment for the purchase of motor vehicles. The company was acquired by the Oakwood Group in December 2005. In the first quarter of 2007 it made loans for GBP 13 million (17 million pounds in its eight months of business in 2006).

One World Leasing (OWL) is a company that operates on the British market and provides leasing solutions (not for motor vehicles) for small businesses, distributing its product through a network of external operators. In the first quarter of 2007 the company provided leasing solutions for GBP 17 million (13 million pounds in the fourth quarter of 2006).

Ktesios is an Italian company that specializes in lending to private individuals, securing the loans on one fifth of their salaries or pensions. *Ktesios* is a leader in Italy in its segment where it has a market share of 14.7%. A stake of approximately 90% in the company was acquired by the Oakwood group in April 2006.

In the first quarter of 2007 *Ktesios* originated loans for €165 million (€155 million in the fourth quarter of 2006).

CIR VENTURES – At March 31 2007 the portfolio of CIR Ventures, the venture capital fund of the Group, contained investments in six companies of which five in the United States and one in Israel. These companies all operate in the sector of information and communications technology.

The total fair value of these investments at March 31 2007 amounted to 15 million dollars.

In first quarter 2007 the sale to Hewlett-Packard of the holding in Bitfone was completed, generating a capital gain of 1.2 million dollars.

The management activity of the fund is still mainly directed towards supporting the companies in the portfolio and identifying opportunities for taking profit. The prospects for the evolution of the business of these companies remain cautiously optimistic within a scenario of a general improvement in the technology sector.

INVESTMENTS IN PRIVATE EQUITY FUNDS - Through its subsidiary CIR International the CIR Group holds a diversified portfolio of funds and minority private equity holdings, the fair value of which, determined on the basis of the NAV provided by the various funds, was approximately €85 million at March 31 2007. Remaining commitments outstanding as of the same date amounted to €32 million.

4. SIGNIFICANT EVENTS WHICH OCCURRED AFTER MARCH 31 2007 AND OUTLOOK FOR THE YEAR

Information has already been given in this report about the principal events which have taken place since March 31.

As far as the outlook for the year for the CIR Group is concerned, the non-recurring factors that can influence a company that, like CIR, is structured as a holding company, do not make it feasible as yet to make a forecast for the whole year.

OTHER INFORMATION

Other

The company CIR S.p.A. – Compagnie Industriali Riunite has its registered office in Strada Volpiano 53, Leinì (To), Italy and its operating headquarters in Via Ciovassino 1, Milan, Italy.

CIR shares, which have been quoted on the Milan Stock Exchange since 1973, since 2004 have been traded on the Blue-chip segment (Reuter code: CIRX.MI, Bloomberg code CIR IM).

This Quarterly Interim Report for the period January 1 – March 31 2007 was approved by the Board of Directors on April 27 2007.

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

NET FINANCIAL POSITION

1. CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS	<i>31.03.2007</i>	<i>31.12.2006</i>	<i>31.03.2006</i>
NON-CURRENT ASSETS	2,900,856	2,742,536	2,429,827
INTANGIBLE ASSETS	959,101	951,009	865,308
TANGIBLE ASSETS	1,124,264	1,091,030	906,659
REAL-ESTATE INVESTMENTS	17,864	17,604	6,898
INVESTMENTS IN COMPANIES VALUED AT EQUITY	230,812	214,163	229,543
OTHER EQUITY INVESTMENTS	9,090	8,530	9,943
OTHER RECEIVABLES	355,700	250,991	262,602
SECURITIES	97,525	98,583	66,312
DEFERRED INCOME TAX ASSETS	106,500	110,626	82,562
CURRENT ASSETS	2,749,918	2,984,189	2,881,346
INVENTORIES	205,510	217,082	148,742
CONTRACTED WORK IN PROGRESS	1,962	1,685	1,888
TRADE RECEIVABLES	906,691	996,477	855,188
OTHER RECEIVABLES	241,043	273,992	210,455
FINANCIAL RECEIVABLES	1,591	21,354	4,427
SECURITIES	633,638	654,248	624,116
AVAILABLE-FOR-SALE FINANCIAL ASSETS	375,257	372,867	384,346
CASH AND CASH EQUIVALENTS	384,226	446,484	652,184
ASSETS HELD FOR SALE	48,976	47,589	..
TOTAL ASSETS	5,699,750	5,774,314	5,311,173
LIABILITIES AND SHAREHOLDERS' EQUITY	<i>31.03.2007</i>	<i>31.12.2006</i>	<i>31.03.2006</i>
SHAREHOLDERS' EQUITY	2,024,439	1,979,912	1,894,299
SHARE CAPITAL	391,689	390,240	390,021
RESERVES	381,361	367,779	408,254
RETAINED EARNINGS (LOSSES)	491,083	401,016	393,620
NET INCOME FOR THE YEAR	28,323	101,120	10,862
TOTAL EQUITY - GROUP	1,292,456	1,260,155	1,202,757
MINORITY INTERESTS	731,983	719,757	691,542
NON-CURRENT LIABILITIES	2,368,359	2,288,420	2,161,733
BONDS	1,169,860	1,187,750	1,177,375
OTHER BORROWINGS	853,598	758,514	655,222
OTHER PAYABLES	12	1,178	3
DEFERRED INCOME TAX LIABILITIES	142,487	137,743	126,980
PERSONNEL OBLIGATIONS	165,554	166,554	161,767
PROVISIONS FOR RISKS AND LOSSES	36,848	36,681	40,386
CURRENT LIABILITIES	1,271,194	1,469,640	1,255,141
BANK OVERDRAFT FACILITIES	112,725	265,180	119,811
OTHER BORROWINGS	147,004	134,134	169,611
TRADE PAYABLES	690,802	748,901	682,656
OTHER PAYABLES	273,488	273,962	242,375
PROVISIONS FOR RISKS AND LOSSES	47,175	47,463	40,688
LIABILITIES HELD FOR SALE	35,758	36,342	..
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,699,750	5,774,314	5,311,173

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	<i>01/01-31/03 2007</i>	<i>01/01-31/03 2006</i>
SALES REVENUES	1,080,547	1,037,549
CHANGE IN INVENTORIES	1,881	--
COSTS FOR PURCHASE OF GOODS	(630,822)	(623,089)
COSTS FOR SERVICES	(182,333)	(187,700)
PERSONNEL COSTS	(156,443)	(143,470)
OTHER OPERATING INCOME	15,823	11,292
OTHER OPERATING COSTS	(18,216)	(12,054)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS VALUED AT EQUITY	4,144	8,596
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(29,700)	(23,705)
INCOME BEFORE INTEREST AND TAXES (E B I T)	84,881	67,419
FINANCIAL INCOME	16,101	16,017
FINANCIAL EXPENSES	(35,957)	(38,106)
DIVIDENDS	108	--
GAINS FROM TRADING SECURITIES	18,115	20,924
LOSSES FROM TRADING SECURITIES	(3,239)	(15,628)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	3,355	2,542
INCOME/LOSS BEFORE TAXES	83,364	53,168
INCOME TAXES	(30,539)	(21,873)
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	52,825	31,295
- NET INCOME - MINORITY INTERESTS	24,502	20,433
- NET INCOME - GROUP	28,323	10,862

3. NET FINANCIAL POSITION

(in thousands of euro)

	<i>31.03.2007</i>	<i>31.12.2006</i>	<i>31.03.2006</i>
A. Cash and bank deposits	384,226	446,484	652,184
B. Other free cash flow	375,257	372,867	384,346
C. Securities held for trading	633,638	654,248	624,116
D. Cash and cash equivalents (A) + (B) + (C)	1,393,121	1,473,599	1,660,646
E. Current financial receivables	1,591	21,354	4,427
F. Current bank borrowings	(164,937)	(338,730)	(234,016)
G. Current part of non-current debt	(94,791)	(60,353)	(55,168)
H. Other current borrowings	(1)	(231)	(238)
I. Current financial debt (F) + (G) + (H)	(259,729)	(399,314)	(289,422)
J. Net current financial position (I) + (E) + (D)	1,134,983	1,095,639	1,375,651
K. Non-current bank borrowings	(806,402)	(728,444)	(632,662)
L. Bonds issued	(1,169,860)	(1,187,750)	(1,177,375)
M. Other non-current borrowings	(47,196)	(30,070)	(22,560)
N. Non-current financial debt (K) + (L) + (M)	(2,023,458)	(1,946,264)	(1,832,597)
O. Net financial position (J) + (N)	(888,475)	(850,625)	(456,946)

EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. FOREWORD

The consolidated interim financial statements for the period ended March 31 2007, which have not been subjected to an audit, were prepared in accordance with IAS/IFRS international accounting standards, which since 2005 have been mandatory for the preparation of the consolidated financial statements of companies listed on European regulated markets.

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

This quarterly interim report was prepared in accordance with the provisions of Article 82 of Rules for Issuers no. 11971/1999 (as amended by Consob resolution no. 14990 of April 14 2005) and by Annex 3D of the same Rules. Therefore, the instructions of the international accounting standard regarding interim financial statements were not adopted (IAS 34 “Interim Financial Statements”).

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 December 31 2006.

The consolidated interim financial statements of the Group as of March 31 2007, like those as of December 31 2006, 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 or affiliates with the exception of companies in liquidation. The assets and liabilities of companies scheduled for disposal are stated in the items of assets and liabilities that show this specific eventuality.

3. ACCOUNTING PRINCIPLES APPLIED

The Accounting Principles adopted for the preparation of the interim financial statements as of March 31 2007 are the same as those adopted for the financial statements for the year ended December 31 2006.

4. SHARE CAPITAL

Share capital rose from €390,239,533.50 at December 31 2006 (comprising 780,479,067 shares each with a nominal value of €0.50) to €391,688,733.50 (783,377,467 shares) at March 31 2007 as a result of the issuance of 2,898,400 shares in execution of the exercise of stock options by those holding option rights, the beneficiaries of existing stock option plans.

At March 31 2007 the Company was holding 37,944,000 of its own shares as treasury stock, compared to 34,094,000 of such shares at December 31 2006.

In application of IAS 32, as from January 1 2005 own shares held by the Parent Company of the Group are being deducted from share capital.

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 the Board of Directors has been authorized for a period of five years as from April 27 2005 to increase the share capital either once or more than once up to a maximum of €500 million (nominal value) and for a further maximum of €20 million (nominal value) in favour of employees of the Company and its subsidiaries and parent companies.

Regarding stock option plans, at March 31 2007 there were 38,812,200 options in circulation, corresponding to the same number of shares.

The total notional cost of stock options awarded to employees, which has been posted to a special equity reserve, totalled €586 thousand at March 31 2007.