CIR GROUP

QUARTERLY INTERIM REPORT
AS OF SEPTEMBER 30 2006

Milan, October 31 2006

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C O N T E N T S

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REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS FOR THE PERIOD ENDED SEPTEMBER 30 2006

In the **first nine months of 2006** the CIR Group reported consolidated net income of € 77.5 million up from € 54.5 million in the same period of last year (+42.2%).
Consolidated revenues came in at € 2,971.8 million in the first nine months of 2006 compared with € 2,460 million in the same period of 2005 (+20.8%).

The contribution of the operating groups to consolidated earnings for the first nine months of 2006 rose by € 12.2 million (+17.3%) from € 70.5 million in the first nine months of 2005 to € 82.7 million in the corresponding period of 2006, thanks to the increased profitability of the Sorgenia group following the start of industrial production at the Termoli power generating plant.

The contribution of the financial subsidiaries rose by approximately € 9 million due to realized capital gains on the sale of shares in hedge funds by Medinvest.

The result of the holding (CIR and CIR International) in the first nine months of 2006, a negative € 19.7 million (€ 21.4 million in the same period of 2005), was mainly determined by structure costs for € 10.5 million, net financial expense for € 14.2 million due to the higher average cost of servicing its debt compared with the average return on its cash flow, and net positive taxes for € 5.6 million.

Consolidated net financial debt at September 30 2006 stood at € 802.5 million (€ 465.2 million at December 31 2005) and consisted of a net surplus for CIR and CIR International of € 269.2 million (€ 359.8 million at December 31 2005) and net debt for the operating groups of € 1,071.7 million (€ 825 million at December 31 2005).

The rise of € 246.7 million in the debt of the operating groups was mainly due to the investments made by the Sorgenia group for its new power generating plants and to the investment in the acquisition of Anni Azzurri made by the HSS group, which included a real estate component of € 80 million which, in line with the strategy followed so far, is likely to be sold off in the future.

The equity structure at September 30 2006 showed net shareholders' equity of the Group of € 1,207.9 million, up from € 1,185 million at December 31 2005 and total equity of € 1,897 million compared with € 1,856.4 million at December 31 2005.

In the **third quarter of 2006** the consolidated net income of the CIR Group came in at € 14.8 million compared with € 16.9 million in the corresponding period of last year and consolidated revenues totalled € 950.4 million up from € 755.6 million for the same period of 2005 (+ 25.8%).

As well as a breakdown by business sector of the economic and equity results of the Group, the charts on the following pages also give a breakdown of the contribution of the main subsidiaries and the aggregate results of the holding (CIR and CIR International).

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

(in millions of euro)	1/1-30/9 2006										1/1-30/9 2005
CONSOLIDATD / **AGGREGATE**	*Revenues*	*Costs of production*	*Other operating income and costs*	*Adjustments to the value of investments valued at equity*	*Amortization, depreciation and 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*
Espresso Group	814.1	(668.4)	(1.5)	1.0	(30.3)	(14.5)	(0.6)	(33.9)	(31.7)	34.2	33.4
Sorgenia Group	1,327.4	(1,294.6)	43.3	20.3	(5.9)	(8.3)	0.5	(26.1)	(28.4)	28.2	14.5
Sogefi Group	765.5	(652.6)	(9.5)	(0.1)	(34.8)	(8.2)	1.9	(20.9)	(18.3)	23.0	19.7
HSS Group	64.6	(58.3)	(3.5)	--	(2.4)	(1.9)	--	(1.0)	0.5	(2.0)	(0.4)
Other subsidiaries	0.2	(1.8)	0.6	--	--	0.4	--	--	(0.1)	(0.7)	3.3
Total operating subsidiaries	**2,971.8**	**(2,675.7)**	**29.4**	**21.2**	**(73.4)**	**(32.5)**	**1.8**	**(81.9)**	**(78.0)**	**82.7**	**70.5**
Financial subsidiaries		**(1.4)**		**--**	**--**	**(0.5)**	**19.0**	**--**	**(2.6)**	**14.5**	**5.4**
Total subsidiaries	**2,971.8**	**(2,677.1)**	**29.4**	**21.2**	**(73.4)**	**(33.0)**	**20.8**	**(81.9)**	**(80.6)**	**97.2**	**75.9**
<u>Holding companies (CIR and CIR International)</u>											
Revenues	--									--	--
Costs of production		(12.3)								(12.3)	(15.4)
Other operating income and costs			1.8							1.8	1.6
Adjustments to the value of investments valued at equity				--						--	--
Amortization, depreciation & write-downs					(0.4)					(0.4)	(0.1)
Net financial income and expenses						(14.2)				(14.2)	(11.4)
Dividends, gains & losses from trading & valuation of securities							(0.2)			(0.2)	(0.6)
Income taxes								5.6		5.6	4.5
Total holding companies (CIR and CIR International)	**--**	**(12.3)**	**1.8**	**--**	**(0.4)**	**(14.2)**	**(0.2)**	**5.6**		**(19.7)**	**(21.4)**
Consolidated total for the Group	**2,971.8**	**(2,689.4)**	**31.2**	**21.2**	**(73.8)**	**(47.2)**	**20.6**	**(76.3)**	**(80.6)**	**77.5**	**54.5**

CONSOLIDATED BALANCE SHEET FIGURES BY BUSINESS SECTOR

(in millions of euro)	*30.09.2006*								*31.12.2005*
CONSOLIDATED / **AGGREGATE**	*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*
Espresso Group	904.9	(166.3)	37.9	(240.9)	535.6		255.5	280.1	279.5
Sorgenia Group	695.3	238.6	150.7	(545.0)	539.6		293.0	246.6	220.9
Sogefi Group	370.0	(65.8)	123.9	(144.1)	284.0		126.9	157.1	145.6
HSS Group	207.3	(4.9)	5.8	(142.6)	65.6		10.1	55.5	21.2
Other subsidiaries	0.3	10.3	16.2	0.9	27.7		3.6	24.1	27.6
Total subsidiaries	**2,177.8**	**11.9**	**334.5**	**(1,071.7)**	**1,452.5**		**689.1**	**763.4**	**694.8**
<u>Holding companies (CIR and CIR International)</u>									
Fixed assets	102.3				102.3			102.3	81.4
Other net non-current and liabilities		80.7			80.7			80.7	58.3
Net working capital			(7.7)		(7.7)			(7.7)	(9.3)
Net financial position				269.2	269.2			269.2	359.8
Consolidated total - Group	**2,280.1**	**92.6**	**326.8**	**(802.5)**	**1,897.0**		**689.1**	**1,207.9**	**1,185.0**

1. PERFORMANCE OF THE GROUP

Consolidated revenues in the first nine months of 2006 were € 2,971.8 million compared to € 2,460 million in the same period of 2005, with a rise of € 511.8 million (+20.8%).

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

(in millions of euro)	*1/1-30/09*						*3rd Quarter*					
	2006	*%*	*2005*	*%*	*Change absolute*	*%*	*2006*	*%*	*2005*	*%*	*Change absolute*	*%*
Media												
Espresso group	814.1	27.4	787.7	32.0	26.4	3.3	212.6	22.4	220.2	29.2	(7.6)	(3.5)
Utilities												
Sorgenia group	1,327.4	44.7	851.5	34.6	475.9	55.9	471.6	49.6	275.6	36.5	196.0	71.1
Automotive components												
Sogefi group	765.5	25.7	774.5	31.5	(9.0)	(1.2)	232.5	24.5	239.1	31.6	(6.6)	(2.7)
Healthcare												
HSS group	64.6	2.2	38.3	1.6	26.3	68.7	33.6	3.5	15.1	2.0	18.5	122.5
Other sectors	0.2	--	8.0	0.3	(7.8)	n.a.	0.1	---	5.6	0.7	(5.5)	n.a.
Total consolidated revenues	2,971.8	100.0	2,460.0	100.0	511.8	20.8	950.4	100.0	755.6	100.0	193.6	25.8

The key figures of the consolidated income statement of the Cir Group for the first nine months and for the third quarter with a comparison are as follows:

(in millions of euro)	*1/1-30/09*		*3rd Quarter*	
	2006	*2005*	*2006*	*2005*
Revenues	2,971.8	2,460.0	950.4	755.6
Consolidated gross operating margin (EBITDA)	**334.8**	**293.9**	**78.6**	**76.9**
Consolidated operating income (EBIT)	**261.0**	**223.5**	**52.6**	**54.2**
Financial management result	(26.6)	(23.3)	(13.8)	0.7
Income taxes	(76.3)	(76.9)	(8.3)	(19.9)
Net income including minority interests	**158.1**	**123.3**	**30.5**	**35.0**
Net income – minority interests	(80.6)	(68.8)	(15.7)	(18.1)
Net income - Group	**77.5**	**54.5**	**14.8**	**16.9**

In the first nine months of 2006 the **consolidated gross operating margin (EBITDA)** was € 334.8 million (11.3% of revenues), up from € 293.9 million in the first nine months of 2005 (11.9% of revenues), with a rise of € 40.9 million (+13.9%). This result was determined by the following:

- the significant improvement in the Sorgenia group, of approximately € 52 million, recorded following the development of the generating business, and the receipt of penalties for the late delivery of the Termoli power plant according to the terms of the contract.
- the continuing profitability of the Sogefi group;
- the decline in the profitability of the Espresso group in the third quarter, mainly due to the absence of around € 14 million of subsidies for the purchase of paper, which were not renewed for this current year.

The consolidated operating margin (EBIT) was a positive € 261 million (8.8% of revenues) in the first nine months of 2006 compared with € 223.5 million (9.1% of revenues) in the corresponding period of 2005, with a rise of 16.8%.

The financial management result was a negative € 26.6 million and was the sum of net financial expense for € 45.7 million (€ 26.1 million in the first nine months of 2005) and dividends and net gains from trading and valuing securities for € 19.1 million (€ 2.8 million of net gains in the first nine months of 2005).

In third quarter 2006 the **consolidated gross operating margin (EBITDA)** was € 78.6 million (8.3% of revenues) compared to € 76.9 million in the same period of 2005 (10.2% of revenues), with a rise of € 1.7 million (+2.2%).

The **consolidated operating margin (EBIT)** in the third quarter of 2006 was a positive € 52.6 million (5.5% of revenues) compared to € 54.2 million (7.2% of revenues) in the same period of 2005 (-3%).

The financial management result for the third quarter was a negative € 13.8 million and consisted of net financial expense for € 18.5 million and dividends and net gains from trading and valuing securities for € 4.7 million.

The **key figures of the consolidated balance sheet** of the CIR Group at September 30 2006, with a comparison with the figures at June 30 2005, are as follows:

(in millions of euro)	*30.09.2006*	*30.06.2006*	*31.12.2005*
Fixed assets	2,280.1	2,230.0	1,997.9
Other net non-current assets and liabilities	92.6	74.5	74.9
Net working capital	326.8	333.9	248.8
Net invested capital	**2,699.5**	**2,638.4**	**2,321.6**
Net financial position	**(802.5)**	**(786.4)**	**(465.2)**
Total shareholders' equity	**1,897.0**	**1,852.0**	**1,856.4**
Shareholders' equity - Group	1,207.9	1,187.6	1,185.0
Minority interests	689.1	664.4	671.4

Net invested capital at September 30 2006 totalled € 2,699.5 million, up from € 2,321.6 million at December 31 2005 (€ 2,638.4 million at June 30 2006), with a rise of € 377.9 million mainly due to the significant investment made during the period particularly by the Sorgenia and HSS groups.

The **net financial position** at September 30 2006, as already mentioned, showed debt of € 802.5 million (compared with € 465.2 million at December 31 2005 and € 786.4 million at June 30 2006) resulting from:

- a financial surplus of € 269.2 million for CIR and CIR International, down from € 359.8 million at December 31 2005. The net change of € 90.6 million that took place over the first nine months of 2006 was due to disbursements for investment in own shares, private equity funds and shareholdings for approximately € 88 million, the write-down of securities for € 13 million and other transactions for € 3 million, only partly offset by the positive balance of € 13 million between dividends received and those paid out;

- total debt for the operating groups of € 1,071.7 million, up from € 825 million at December 31 2005. The rise of € 246.7 million was mainly the result of investment made by the Sorgenia group in its new power stations and of the acquisition of Anni Azzurri by the HSS group.

Total shareholders' equity at September 30 2006 stood at € 1,897 million compared with € 1,856.4 million at December 31 2005 (€ 1,852 million at June 30 2006), with a rise of € 40.6 million.

The **shareholders' equity of the Group** at September 30 2006 totalled € 1,207.9 million compared with € 1,185 million at December 31 2005 (€ 1,187.6 million at June 30 2006), with a net rise of € 22.9 million.

At September 30 2006 **minority interests** amounted to € 689.1 million compared to € 671.4 million at December 31 2005 (€ 664.4 million at June 30 2006), with a rise of € 17.7 million.

The net financial position and shareholders' equity at September 31 2006 include € 112.6 million recognized from the adjustment to fair value of securities available for sale, which are mainly held by the company Medinvest. The accounting treatment of Medinvest involves recognizing directly to shareholders' equity any changes in the fair value of the funds and for the first nine months of 2006 the overall net increase in value totalled € 5.4 million compared with € 16.8 in the same period of 2005.
The performance of Medinvest since it started in April 1994 until the end of 2005 was particularly satisfactory, recording a weighted average annual return on the portfolio in dollar terms of 9.6%. In the first nine months of 2006 too performance was positive with a return net of commissions of 5%.

The **consolidated cash flow statement** for the first half of 2006, prepared according to a managerial format which shows the changes in net financial position, can be broken down as follows:

(in millions of euro)	*1/1-30/09 2006*	*1/1-30/09 2005*
SOURCES OF FUNDS		
Net income for the period including minority interests	158.1	123.3
Amortization, depreciation and write-downs and other non-monetary changes	69.5	51.5
Self-financing	**227.6**	**174.8**
Change in working capital	**(90.6)**	**(136.5)**
CASH FLOW GENERATED BY OPERATIONS	**137.0**	**38.3**
Capital increases	0.4	(4.0)
TOTAL SOURCES OF FUNDS	**137.4**	**34.3**
APPLICATIONS		
Net investments in fixed assets	(370.3)	(399.5)
Buy-back of own shares	(15.5)	(22.3)
Payment of dividends	(81.2)	(73.9)
Other changes	(7.7)	64.8
TOTAL APPLICATIONS	**(474.7)**	**(430.9)**
FINANCIAL SURPLUS (DEFICIT)	**(337.3)**	**(396.6)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(465.2)**	**(75.5)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(802.5)**	**(472.1)**

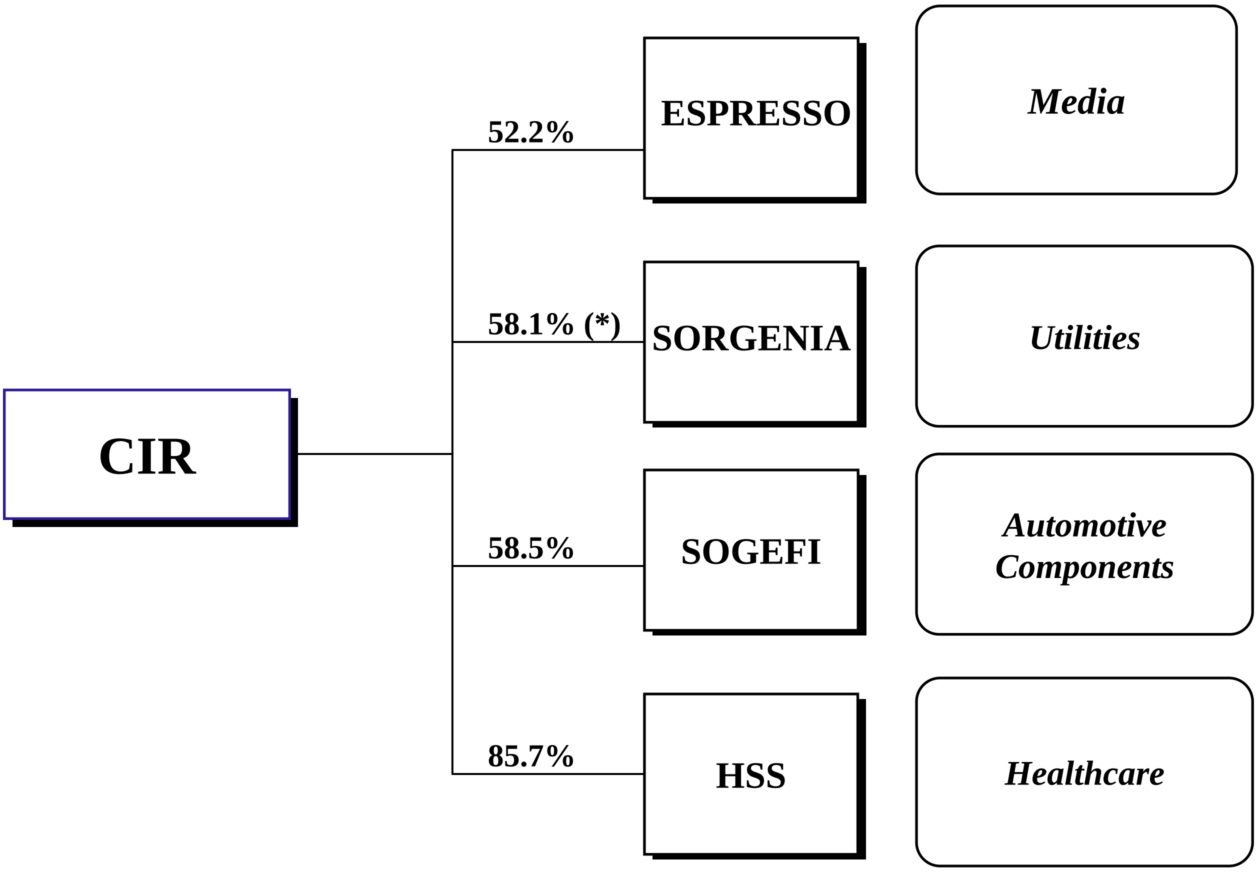
The cash flow generated by operations shows a considerable improvement compared with the same period of last year and this is mainly due to the higher level of self-financing (+ € 52.8 million) following the reduction in working capital of the operating companies.

The applications refer in particular to investments made by the Sorgenia group for the continued roll-out of its industrial development plan and to the investment made by the HSS group in Anni Azzurri.

For a fuller examination of the net financial position reference should be made to the appropriate section of the financial statements where a complete breakdown is given.

MAIN EQUITY INVESTMENTS OT THE GROUP

AS OF SEPTEMBER 30 2006



(*) percentage of indirect control through Energia Holding

2. PERFORMANCE OF THE BUSINESS SECTORS

MEDIA SECTOR

The charts below show the main performance indicators of the Espresso group for this current year and a comparison with the figures for the corresponding periods of the previous year:

Results for the period January 1 – September 30 2006

(in millions of euro)	***1/1-30/9 2006***	***1/1-30/9 2005***	***Change absolute***	***%***
Revenues	814.1	787.7	26.4	3.3
Net income	65.6	65.4	0.2	0.2

Results of 3rd Quarter 2006

(in millions of euro)	***3rd Quarter 2006***	***3rd Quarter 2005***	***Change absolute***	***%***
Revenues	212.6	220.2	(7.6)	(3.5)
Net income	10.8	10.6	0.2	1.6

Situation at September 30 2006

	30/9/2006	***30/06/2006***	***31/12/2005***
Net financial position	(240.9)	(258.9)	(252.6)
No. of employees	3,412	3,403	3,397

In the first nine months of 2006 the Espresso group reported consolidated revenues of € 814.1 million, up by 3.3% from € 787.7 million in the same period of the previous year. The main driver of growth was advertising revenues (+5.3%) and in particular that of print (an overall +5%) and internet (+60%) advertising.
The group reported a better advertising performance than that of the competition in a fairly lack-lustre market, thanks to the development of a multimedia portfolio (press, radio, TV, internet) which only the Espresso group has and which enabled the group to acquire new clients in search of alternatives to general television audiences which are declining, at least in terms of quality.

The market positioning of the publications of the group was also positive in terms of circulation, traffic and audience.
In September the internet websites of the Espresso group reached an overall 9.4 million unique users and 408 million page views. The new graphics and content restyling of the sites were a determining factor in reaching these record levels as were the new sections devoted to podcasting and interactive forums or blogs where users can make their own audio and video contributions directly.
Repubblica has confirmed its ranking for the fourth consecutive time as the most widely read newspaper in Italy with over 3 million readers and an average of 627 copies sold per issue and these figures are on an upward trend. *L'espresso*, with over 2.3 million readers, has clocked up

more than 405 thousand copies per week, while the circulation of the local dailies, which reached 3.2 million readers, totalled 478 thousand copies for each issue.
The radio stations of the group considered overall confirmed their position of leadership among Italian private broadcasters with an audience of almost 9 million people on an average day (a rise of over 3% from the last survey) and of 23 million listeners over the week (a rise of 4%). *Radio Deejay* rose to 13.7 million listeners in the week and 5.8 million on an average day, *Radio Capital* has taken its daily audience to over 2 million and its weekly audience to 6.5 million, and *m2o* has maintained its share of 1 million listeners on an average day and 2.8 million in the week.
Listening figures were also positive for *All Music* which according to a survey carried out by IPSOS has reached 2.7 million viewers in the 15-34 age group, a third of whom are new clients acquired only in the last year.

Consolidated operating income in the first nine months of 2006 totalled € 114.9 million (14.1% of revenues), down from € 134.6 million (17.1% of revenues) in the same period of 2005 due to the shortfall of approximately € 14 million as grants for the purchase of paper were not renewed for this year. Net of all contributions, operating income went down from € 117 million in 2005 to € 111.3 million in 2006.
The good performance of advertising and circulation revenues, however, only partly compensated for the decline in revenues from add-ons, which was due also to a different calendar of issue, the rise in the price of raw materials and in labour costs, and the start-up costs for launching *All Music*, *Repubblica Tv* and *Metropoli*.

Consolidated net income in the first nine months of 2006 was € 65.6 million compared with € 65.4 million in the same period of 2005 and benefited from the recognition of deferred tax assets on the prior losses of the Elemedia.

The consolidated net financial position at September 30 2006 showed debt of € 240.9 million with an improvement from € 252.6 million at December 31 2005, thanks to a high level of cash flow from operations that more than compensated for the payment of dividends, disbursements for investments and the buy-back of own shares.

There were a total of 3,412 employees on the payrolls of the group at September 30 2006, a rise of 15 people from the 3,397 at December 31 2005.

In the third quarter of 2006 the Espresso group reported consolidated revenues of € 212.6 million up from € 220.2 million in third quarter 2005.
Consolidated operating income came in at € 9.2 million compared with € 26.1 million in the third quarter of 2005 (which included all the paper grants for 2005 that were absent in 2006).
The third quarter was negatively impacted, as has already been mentioned, by a different calendar of issue for the add-on products sold together with the publications of the group. This was only partly offset by higher advertising revenues (+2.7%).
Consolidated net income for the quarter was € 10.8 million, in line with € 10.6 million in the third quarter of 2005, because it included the above-mentioned recognition of deferred tax assets relating to the prior losses of the subsidiary Elemedia.

On November 9 the monthly magazine *Velvet* will be on the news-stands as a supplement of *la Repubblica*. This magazine deals with fashion, beauty and luxuries.

The last quarter of the year is showing positive trends both in advertising and in the performance of add-ons.
The initiatives currently on the market are being received favourably by the public and results are better than those recorded in the fourth quarter of 2005, even though year-on-year the margins of add-on products will be slightly lower than they were last year due to greater competition.

In relation to the above and in light of the rise in the selling price of some of the local newspapers of the group which took effect in August, it is to be expected that revenues and margins of the fourth quarter will be higher than those of last year.
For the whole year the consolidated operating result, net of the effect of the grants, should therefore be substantially in line with that of last year.

UTILITIES SECTOR

The charts below show the main performance indicators of the Sorgenia group for this current year and a comparison with the figures for the corresponding periods of the previous year:

Results for the period January 1 – September 30 2006

(in millions of euro)	*1/1-30/9 2006*	*1/1-30/9 2005*	*Change absolute*	*%*
Revenues	1,327.4	851.5	475.9	55.9
Net income	47.9	25.1	22.8	90.8

Results of 3rd Quarter 2006

(in millions of euro)	*3rd Quarter 2006*	*3rd Quarter 2005*	*Change absolute*	*%*
Revenues	471.6	275.6	196.0	71.1
Net income	10.9	5.2	5.7	109.6

Situation at September 30 2006

	30/9/2006	*30/6/2006*	*31/12/2005*
Net financial position	(546.7)	(529)	(429.9)
No. of employees	178	172	148

In the first nine months of 2006 the Sorgenia group reported consolidated revenues of € 1,327.4 million, with a rise of 55.9% from € 851.5 million in the same period of 2005, thanks to the rise in sales of electricity (+65.5%) and natural gas (+40.9%).

Consolidated EBIT for the first nine months of 2006 came in at € 90.6 million (6.8% of revenues), up by 113.2% from € 42.5 million (5% of revenues) in the corresponding period of 2005. This result was positively influenced by the sale of electricity produced by the Termoli power generating plant, which although not yet in full commercial operation, started operating during the third quarter of the year, and also by the receipt of the penalties for the late delivery of the same Termoli plant, in accordance with the terms of the contract.

In the first nine months of 2006 the Sorgenia group reported consolidated net income of € 47.9 million, up from € 25.1 million in the same period of 2005.

The consolidated net financial position at September 30 2006 showed net debt of € 546.7 million compared to € 429.9 million at December 31 2005. This increase was mainly due to the investments made for the completion of the Termoli power plant (€ 22.2 million), to those made for the construction of the Modugno plant, work on which began in the third quarter of the year (€ 46.7 million) and to the absorption of resources by current assets and liabilities (€ 67.9 million), due to the higher quantities of gas stored, and the payment of dividends for € 8 million. Self-financing made a positive contribution of approximately € 67.7 million.

In the third quarter of 2006 the Sorgenia group reported consolidated revenues of € 471.6 million up from € 275.6 million in third quarter 2005 (+71.1%).
Consolidated EBIT in third quarter 2006 was € 24.6 million compared to € 9.7 million in the same period of 2005.
Consolidated net income was € 10.9 million, up from € 5.2 million in third quarter 2005.

The Sorgenia group is engaged in the roll-out of its industrial plan which involves the construction of a program of greenfield combined cycle power generating plants fired by natural gas, each of 770 MW. In the third quarter the testing of the Termoli plant (Molise) was completed and the plant should be fully up and running by the end of this year; work continued on the construction of the Modugno plant (Puglia); in September the authorization process was completed for the Aprilia plant (Lazio), with the favourable opinion given by the Conference of Services and with the issue of the final Authorization Decree on October 2 2006 by the Ministry of Economic Development. This authorization follows the one already obtained by the Bertonico-Turano Lodigiano plant (Lombardy).

Regarding the repowering program for Tirreno Power, the conversion is proceeding according to plan of a section of the Vado Ligure plant to a combined cycle plant of 760 MW, which should start commercial operation during 2007.
In the first nine months of the year Tirreno Power reported revenues of € 712.3 million (€ 538.4 million in the same period of last year), resulting from a net production volume of approximately 8.5 TWh (up from 7.8 TWh in the same period of 2005). The gross operating margin was € 151 million compared to € 130.4 million in the first nine months of 2005.
Work on the Napoli Levante plant is also continuing, with the construction of a new combined cycle module of 380 MW, which is expected to start commercial operation in 2008.

Lastly Sorgenia is also developing generating projects from renewable sources, with particular attention being devoted to the construction of wind farms and solar photovoltaic plants. Soluxia, the company set up to design and build photovoltaic plants, has already obtained from the GRTN (the administrator of the national electricity grid), the admission to the feed-in tariff scheme for 15 new photovoltaic plants each of 1 MW, situated in various regions of the south of Italy, with a total installed capacity of approximately 15 MW. Regarding wind energy, Sorgenia has completed the authorization procedures for a total of 62 MW.

AUTOMOTIVE COMPONENTS SECTOR

The charts below show the main performance indicators of the Sogefi group for this current year and a comparison with the figures for the corresponding periods of the previous year:

Results for the period January 1 – September 30 2006

(in millions of euro)	***1/1-30/9 2006***	***1/1-30/9 2005***	***Change absolute***	***%***
Revenues	765.5	774.5	(9.0)	(1.2)
Net income	39.3	33.4	5.9	17.7

Results of 3rd Quarter 2006

(in millions of euro)	***3rd Quarter 2006***	***3rd Quarter 2005***	***Change absolute***	***%***
Revenues	232.5	239.1	(6.6)	(2.7)
Net income	11.9	11.4	0.5	4.4

Situation at September 30 2006

	30/9/2006	***30/6/2006***	***31/12/2005***
Net financial position	(144.1)	(156.4)	(167.3)
No. of employees	6,148	6,321	6,171

Despite a weakening in demand by French producers and Ford in the US market, the Sogefi group reported a significant rise in its operating profitability and its earnings in the first nine months of 2006, thanks to its confirmed ability to continue to improve efficiency and to the favourable trend of certain commodities.

Consolidated revenues in the first nine months of 2006 were € 765.5 million, down slightly (- 1.2%) from € 774.5 million in the same period of 2005.
The *filter* division reported revenues of € 392.4 million, substantially unchanged from the € 393.3 million of the first nine months of 2005 while the *suspension components* division reported revenues of € 373.1 million, down slightly from € 381.2 million in the first nine months of 2005.

Consolidated EBITDA was € 102.8 million (13.4% of revenues), up by 5.5% from € 97.4 million (12.6% of revenues) in the first nine months of 2005.
Both divisions improved their results: the *suspension components* division recorded EBITDA of € 51.8 million (13.9% of revenues), up by 5.5% on the same period of 2005, while EBITDA of the *filter* division was € 52.8 million (13.5% of revenues) with a rise of 3.3%.

The rise in consolidated EBIT was more significant, from € 62.2 million (8% of revenues) to € 68 million (8.9% of revenues), a rise of 9.2% in the first nine months of 2006 on the same period of 2005.
The *suspension components* division reported EBIT of € 31.3 million (8.4% of revenues), up by 10.6% while the filter division reached a consolidated EBIT figure of € 39.1 million (10% of revenues) with a rise of 5.1%.

Consolidated net income came in at € 39.3 million, up by 17.7% from € 33.4 million in the first nine months of 2005.

The net financial debt of the group narrowed to € 144.1 million at September 30 2006 from € 167.3 million at December 31 2005, due partly to effective action taken to reduce working capital.

There were 6,148 employees on the payrolls at September 30 2006 compared to 6,171 at December 31 2005.

In the third quarter of 2006 the Sogefi group recorded revenues of € 232.5 million compared with € 239.1 million in third quarter 2005, with a decline of 2.7% due to lower sales to important clients of the group. In spite of this trend, the group achieved consolidated EBITDA of € 32.6 million (14% of sales revenues) in line with the figure of € 33.2 million (13.9% of sales) in third quarter 2005.
Consolidated net income came in at € 11.9 million, up by 4.4% from € 11.4 million in the same period of 2005.

Although the difficulties being experienced by French manufacturers and by Ford in North America are likely to continue, in an environment where the main cost factors are not likely to undergo much change it is expected that the whole year 2006 will close with higher earnings than those of the previous year.

HEALTHCARE SECTOR

The charts below show the main performance indicators of the HSS group for this current year and a comparison with the figures for the corresponding periods of the previous year:

Results for the period January 1 – September 30 2006

in millions of euro)	***1/1-30/9 2006***	***1/1-30/9 2005***	***Change absolute***	***%***
Revenues	64.6	38.3	26.3	68.7
Net income	(2.3)	(0.5)	(1.8)	n.s.

Results of 3rd Quarter 2006

(in millions of euro)	***3rd Quarter 2006***	***3rd Quarter 2005***	***Change absolute***	***%***
Revenues	33.6	15.1	18.5	122.5
Net income	(1.2)	0.5	(1.7)	n.s.

Situation at September 30 2006

	30/9/2006	***30/06/2006***	***31/12/2005***
Net financial position	(142.6)	(121.7)	4.2
No. of employees	1,294	1,267	243

In the first nine months of 2006 the HSS group continued its action of developing and managing the new initiatives it has undertaken in the sector. In particular in June a 100% stake was acquired in Anni Azzurri, the company specializing in the construction and management of residences for the elderly.
In 2005 Anni Azzurri reported consolidated revenues of approximately € 50 million and is present in five regions with 11 residential homes and a total of 1,600 beds. Finally, in the third quarter of 2006 the acquisitions took place of the companies Meia (which manages four residences for the elderly in Piedmont) and of 80% of the company Medipass, which buys and manages advanced technologies for public hospitals.

In the first nine months of 2006 the HSS group reported revenues of € 64.6 million, up from € 38.3 million in the corresponding period of 2005 (+68.7%). Confirming the trend already manifest in the final months of last year, in spite of higher non-recurring costs for the acquisitions mainly of Anni Azzurri (€ 1.3 million), in the first nine months of 2006 the group achieved a positive EBIT of € 0.5 million compared with a negative figure of € 0.4 million in the first nine months of 2005.
The net result was a negative € 2.3 million compared with a net loss of € 0.5 million in the same period of 2005.
At September 30 2006 the HSS group had net debt of € 142.6 million compared with a surplus of € 4.2 million at December 31 2005. The change was mainly due to the investment made for the acquisition of Anni Azzurri plus real estate for € 80 million which, continuing the strategy followed until now, will be sold off at some time in the future.

The activity of the HSS group is currently focused on the management of four different kinds of services:

1) *Residential nursing homes (RSAs)*, through the companies Villa Margherita, which manages three residences, Casaverde (eight residences), Meia (four residences) and Anni Azzurri (eleven residences);
2) *Psychiatric services*, through the companies Redancia and Cima which manage seven psychiatric care communities;
3) *Rehabilitation* through the company Rehab for functional recovery and rehabilitation and Physioclinic that deals with the development of professional and amateur sport rehabilitation services;
4) *Hospitals*, where HSS controls the company Ospedale di Suzzara, set up to manage the Presidio Ospedaliero F.lli Montecchi di Suzzara (Mantua), having taken over management of the hospital in November 2004.

Currently the HSS group manages a total of around 3,400 beds.

3. OTHER ACTIVITIES

JUPITER FINANCE – This company was set up on September 2 2005 with the aim of acquiring portfolios of non-performing loans from financial institutions and managing them.
The current phase of regulatory discontinuity, following the Basel2 agreements and the introduction of the new international accounting standards, offers an interesting opportunity to enter a business sector with the potential for high growth, as examples of the development of this business in advanced markets demonstrate (US, Japan, UK and Germany).
In line with the scheduled growth plan, in the first nine months of 2006 ten portfolios of non-performing loans were acquired from banks and consumer credit companies for a total of over € 10 million and a GBV (gross book value) of approximately € 200 million.
The third quarter proved to be a period with low volumes of sales due to the summer break and the fact that many deals are concentrated in the final months of the year.

CIR VENTURES – At September 30 2006 the portfolio of CIR Ventures, the venture capital fund of the Group, included 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. In the first half of 2006 no significant transactions took place. In the third quarter of 2006 the investment in the Italian company Iriscube was sold to the company Replay and a new investment was made in Active Optical Mems, an American company that operates in the sector of components for fibre optic communication.

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 an general improvement in the technology sector.

DRY PRODUCTS – The first nine months of 2006 saw the completion of the sale of the investment in Ricciarelli, the only company of the Dry Products group still operating in the sector of machinery for the food industry, at a price of € 3.6 million, which was in line with its carrying value. With this transaction the CIR group has now finished its program of gradual disinvestment from this sector, which is no longer considered strategic.

INVESTMENTS IN PRIVATE EQUITY FUNDS – Through its subsidiary CIR International the CIR group holds a diversified portfolio of private equity funds that amounted to € 67.3 million at September 30 2006, of which the fair value determined on the basis of the NAV provided by the various funds was € 73.4 million. The remaining commitments outstanding as of the same date totalled € 34 million.

4. SIGNIFICANT EVENTS WHICH OCCURRED AFTER SEPTEMBER 30 2006 AND OUTLOOK FOR THE REST OF THE YEAR

With regard to the principal events which have taken place since September 30 2006, detailed information has already been given in the section of the report on the performance of the business sectors.

Regarding the outlook for the whole of the year, taking into account the good performance of the operating businesses, operations for the year 2006 are expected to close with better results than those of 2005.

5. 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 Management Report for the period January 1 – September 30 2006 was approved by the Board of Directors on October 31 2006.

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

NET FINANCIAL POSITION

1. BALANCE SHEET

(in thousands of euro)

ASSETS	*30.09.2006*	*30.06.2006*	*31.12.2005*
NON-CURRENT ASSETS	**2,719,871**	**2,648,329**	**2,401,558**
INTANGIBLE ASSETS	944,856	932,197	864,436
TANGIBLE ASSETS	1,066,543	1,032,333	897,972
REAL-ESTATE INVESTMENTS	17,679	17,361	6,944
INVESTMENTS IN COMPANIES VALUED AT EQUITY	241,011	240,489	221,042
OTHER EQUITY INVESTMENTS	10,056	7,657	7,529
OTHER RECEIVABLES	257,999	251,330	261,403
SECURITIES	85,155	82,291	59,841
DEFERRED TAX ASSETS	96,572	84,671	82,391
CURRENT ASSETS	**2,892,852**	**2,833,649**	**2,775,594**
INVENTORIES	209,959	174,087	162,864
CONTRACTED WORK IN PROGRESS	744	2,098	933
TRADE RECEIVABLES	845,983	862,396	790,744
OTHER RECEIVABLES	268,801	265,798	201,362
FINANCIAL RECEIVABLES	15,405	9,729	26,513
SECURITIES	617,736	571,819	467,959
AVAILABLE FOR SALE FINANCIAL ASSETS	359,983	354,734	362,930
CASH AND CASH EQUIVALENTS	574,241	592,988	762,289
ASSETS HELD FOR DISPOSAL	2,638	2,601	17,143
TOTAL ASSETS	**5,615,361**	**5,484,579**	**5,194,295**

LIABILITIES AND SHAREHOLDERS' EQUITY	*30.09.2005*	*30.06.2005*	*01.01.2005*
SHAREHOLDERS' EQUITY	**1,897,065**	**1,852,027**	**1,856,383**
SHARE CAPITAL	390,040	390,040	389,621
RESERVES	339,410	333,387	401,794
RETAINED EARNINGS (LOSSES)	401,016	401,550	305,945
NET INCOME FOR THE PERIOD	77,465	62,658	87,675
TOTAL EQUITY - GROUP	**1,207,931**	**1,187,635**	**1,185,035**
MINORITY INTERESTS	689,134	664,392	671,348
NON-CURRENT LIABILITIES	**2,265,125**	**2,229,816**	**2,186,453**
BONDS	1,205,559	1,189,071	1,199,251
OTHER BORROWINGS	709,797	694,307	654,785
OTHER PAYABLES	1,117	1,064	21
DEFERRED TAX LIABILITIES	135,459	132,440	126,260
PERSONNEL PROVISIONS	170,224	168,466	163,671
PROVISIONS FOR RISKS AND LOSSES	42,969	44,468	42,465
CURRENT LIABILITIES	**1,453,171**	**1,402,736**	**1,137,983**
BANK OVERDRAFT FACILITIES	161,529	136,855	54,962
OTHER BORROWINGS	292,973	295,398	175,881
TRADE PAYABLES	673,308	630,630	649,766
OTHER PAYABLES	288,642	303,429	213,768
PROVISIONS FOR RISKS AND LOSSES	36,719	36,424	43,606
LIABILITIES HELD FOR DISPOSAL	--	--	13,476
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,615,361**	**5,484,579**	**5,194,295**

2. INCOME STATEMENT

(in thousands of euro)

	1/1-30/9 2006	*1/1-30/9 2005*	*3rd Quarter 2006*	*3rd Quarter 2005*
SALES REVENUES	2,971,807	2,460,046	950,358	755,551
CHANGE IN INVENTORIES	2,034	22,442	2,073	25,361
COSTS FOR PURCHASE OF GOODS	(1,726,062)	(1,324,155)	(577,224)	(442,163)
COSTS FOR SERVICES	(538,217)	(489,203)	(155,801)	(152,651)
PERSONNEL COSTS	(423,421)	(410,367)	(134,450)	(126,090)
OTHER OPERATING INCOME	81,928	58,492	6,190	15,707
OTHER OPERATING COSTS	(54,437)	(43,106)	(12,810)	(10,011)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS VALUED AT EQUITY	21,206	19,715	228	11,158
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(73,828)	(70,421)	(25,995)	(22,670)
INCOME BEFORE INTEREST AND TAXES (E B I T)	**261,010**	**223,443**	**52,569**	**54,192**
FINANCIAL INCOME	48,863	58,441	16,794	14,264
FINANCIAL EXPENSES	(96,051)	(84,931)	(35,294)	(21,566)
DIVIDENDS	1,441	368	24	25
GAINS FROM TRADING SECURITIES	71,375	64,375	18,104	18,502
LOSSES FROM TRADING SECURITIES	(36,534)	(61,486)	(10,784)	(9,792)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(15,698)	(16)	(2,643)	(692)
INCOME BEFORE TAXES	**234,406**	**200,194**	**38,770**	**54,933**
INCOME TAXES	(76,269)	(76,910)	(8,288)	(19,931)
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	**158,137**	**123,284**	**30,482**	**35,002**
- NET INCOME - MINORITY INTERESTS	(80,672)	(68,794)	(15,675)	(18,053)
- NET INCOME - GROUP	**77,465**	**54,490**	**14,807**	**16,949**

3. NET FINANCIAL POSITION

(in thousands of euro)

		30.09.2006	30.06.2006	31.12.2005
A.	Cash and bank deposits	574,241	592,988	762,289
B.	Other free cash flow	359,983	354,734	362,930
C.	Securities held for trading	617,736	571,819	467,959
D.	**Cash and cash equivalents (A) + (B) + (C)**	1,551,960	1,519,541	1,593,178
E.	**Current financial receivables**	15,405	9,729	26,513
F.	Current bank borrowings	(393,701)	(358,571)	(176,796)
G.	Current part of non-current debt	(60,563)	(73,435)	(53,797)
H.	Other current borrowings	(238)	(247)	(250)
I.	**Current financial debt (F) + (G) + (H)**	(454,502)	(432,253)	(230,843)
J.	**Net current financial position (I) + (E) + (D)**	1,112,863	1,097,017	1,388,848
K.	Non-current bank borrowings	(676,912)	(664,887)	(631,131)
L.	Bonds issued	(1,205,559)	(1,189,071)	(1,199,251)
M.	Other non-current borrowings	(32,885)	(29,420)	(23,654)
N.	**Non-current financial debt (K) + (L) + (M)**	(1,915,356)	(1,883,378)	(1,854,036)
O.	**Net financial position (J) + (N)**	(802,493)	(786,361)	(465,188)

EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. FOREWORD

The consolidated interim financial statements for the period ended September 2006, 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.

The quarterly interim report was prepared in accordance with the provisions of Article 82 of Regulation 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 line-by-line method. The criteria adopted for the application of this method are the same as those used at December 31 2005.

The consolidated interim financial statements of the Group as of September 30 2006, like those as of December 31 2005, 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 September 2006 are the same as those adopted for the financial statements for the year ended December 31 2005.

4. SHARE CAPITAL

Share capital rose from € 389,620,833.50 at December 31 2005 (comprising 779,241,667 shares each with a nominal value of € 0.50) to € 390,040,133.50 (780,080,267 shares) at September 30 2006 as a result of the issuance of 838,600 shares in execution of the exercise of stock options by those holding option rights, the beneficiaries of existing stock option plans.
At September 30 2006 the Company was holding 34,094,000 of its own shares as treasury stock compared with 27,216,642 of such shares at December 31 2005.
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 2006 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 September 2006 there were 39,344,400 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 € 9,223 thousand at September 30 2006.