CIR GROUP

QUARTERLY INTERIM REPORT
AS OF MARCH 31 2006

Turin, April 27 2006

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MANAGEMENT REPORT FOR THE QUARTER ENDED MARCH 31 2006

In the first three months of 2006 the CIR Group recorded consolidated net income of € 10.9 million compared to € 0.7 million in the same period of last year.
In the first three months of 2006 consolidated revenues amounted to € 1,037.5 million, up from € 829.6 million in the same period of 2005 (+25.1%).

The Balance Sheet as of March 31 2006 showed the shareholders' equity of the Group standing at € 1,202.8 million compared to € 1,185 million at December 31 2005 and total equity of € 1,894.3 million, up from € 1,856.4 million at December 31 2005.

Consolidated net financial debt at March 31 2006 stood at € 456.9 million (€ 465.2 million at December 31 2005) with a net financial surplus of € 368.8 million (€ 359.8 million at December 31 2005) for CIR and CIR International and total debt of € 825.7 million (€ 825 million at December 31 2005) for the operating groups.

The industrial businesses of the Group recorded positive growth rates in the first three months of 2006. The media, automotive components and healthcare sectors saw improvements in their earnings while the utilities sector was negatively affected by seasonal factors and by the unfavourable way that gas sourcing costs are indexed.

The performance of the CIR Group in the first quarter of 2006 can be illustrated more effectively through an analysis of the income contributions and balance sheets of the operating groups and of the holding companies (CIR e CIR International).

The operating groups contributed € 18 million to consolidated net income, a figure substantially in line with the € 18.7 million of the same period of 2005, since the higher contribution of the Espresso, Sogefi and HSS groups was offset by the decline in the contribution of the Energia group for the reasons given above.

The contribution of the holding companies was a negative € 8.1 million, compared with € 21.6 million in first quarter 2005.
This result mainly reflects the following:

- structure costs that in first quarter 2006 totalled € 2.9 million, down from € 5.3 million in the first three months of 2005, which included charges of € 2.8 million from the valuation of extraordinary stock option plans;
- net financial expenses which totalled € 12.5 million in first quarter 2006, substantially in line with the corresponding period of the previous year;
- net gains from trading and from valuating securities in first quarter 2006 of € 5.3 million (net losses of € 4.7 million in first quarter 2005), consisting of € 2.7 million from measuring equities at fair value and € 2.4 million of gains on the redemption of investments in private equity funds.

The charts on the following pages give a breakdown of the financial, equity and earnings results of the Group by business sector as well as an analysis of the contributions of the main subsidiaries and the aggregate results of the holding companies (CIR and Cir International).

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

(in millions of euros)

CONSOLIDATED / AGGREGATE	*1st Quarter 2006*										*1st Quarter 2005*
	Revenues	*Cost 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 securities*	*Income taxes*	*Minority interests*	*Net income (loss) for the Group*	*Net income (loss) for the Group*
Espresso Group	303.2	(241.0)	(0.2)	0.3	(10.4)	(5.2)	(0.2)	(19.9)	(13.1)	13.5	11.4
Energia Group	454.5	(467.3)	3.3	8.2	(0.6)	(1.7)	--	2.9	(1.6)	(2.3)	2.2
Sogefi Group	264.3	(227.9)	(3.0)	0.1	(12.3)	(2.4)	--	(6.7)	(5.3)	6.8	5.8
HSS Group	15.4	(14.1)	(0.6)	--	(0.3)	(0.1)	--	(0.3)	--	0.0	(0.7)
Total operating subsidiaries	**1,037.4**	**(950.3)**	**(0.5)**	**8.6**	**(23.6)**	**(9.4)**	**(0.2)**	**(24.0)**	**(20.0)**	**18.0**	**18.7**
Other subsidiaries	**0.1**	**(1.3)**	**--**	**--**	**--**	**(0.1)**	**2.7**	**--**	**(0.4)**	**1.0**	**3.6**
Total subsidiaries	**1,037.5**	**(951.6)**	**(0.5)**	**8.6**	**(23.6)**	**(9.5)**	**2.5**	**(24.0)**	**(20.4)**	**19.0**	**22.3**
<u>Holding companies (CIR and CIR International)</u>											
Revenues	--									--	--
Costs of production		(3.9)								(3.9)	(5.9)
Other operating income and costs			1.0							1.0	0.6
Adjustments to the value of investments valued at equity				--						--	--
Amortization, depreciation and write-downs					(0.1)					(0.1)	--
Net financial income and expenses						(12.5)				(12.5)	(13.0)
Dividends, gains and losses from trading and valuation of securities							5.3			5.3	(4.7)
Income taxes								2.1		2.1	1.4
Total holding companies (CIR and CIR International)	**--**	**(3.9)**	**1.0**	**--**	**(0.1)**	**(12.5)**	**5.3**	**2.1**		**(8.1)**	**(21.6)**
Consolidated total for the Group	**1,037.5**	**(955.5)**	**0.5**	**8.6**	**(23.7)**	**(22.0)**	**7.8**	**(21.9)**	**(20.4)**	**10.9**	**0.7**

CONSOLIDATED BALANCE SHEET FIGURES BY BUSINESS SECTOR

(in millions of euros)

CONSOLIDATED / AGGREGATE	*31.03.2006* Fixed assets	*Other net non-current assets and liabilities*	*Net working capital*	*Net financial position*	*Minority shareholders' equity*	*Shareholders' equity - Group*	*31.12.2005* Shareholders' equity - Group
Espresso Group	911.8	(171.4)	22.5	(174.2)	(295.2)	293.5	279.5
Energia Group	617.5	254.9	99.8	(486.5)	(266.8)	218.9	220.9
Sogefi Group	374.3	(75.1)	136.1	(160.4)	(121.9)	153.0	145.6
HSS Group	32.0	(0.2)	--	(4.1)	(6.5)	21.2	21.2
Total operating subsidiaries	**1,935.6**	**8.2**	**258.4**	**(825.2)**	**(690.4)**	**686.6**	**667.2**
Other subsidiaries	0.1	10.1	6.4	(0.5)	(1.1)	15.0	27.6
Total subsidiaries	**1,935.7**	**18.3**	**264.8**	**(825.7)**	**(691.5)**	**701.6**	**694.8**
International)							
Fixed assets	82.6					82.6	81.4
Other net non-current assets and liabilities		64.1				64.1	58.3
Net working capital			(14.3)			(14.3)	(9.3)
Net financial position				368.8		368.8	359.8
Consolidated total of the Group	**2,018.3**	**82.4**	**250.5**	**(456.9)**	**(691.5)**	**1,202.8**	**1,185.0**

1. PERFORMANCE OF THE GROUP

Consolidated revenues of the first quarter of 2006 were € 1,037.5 million, up from € 829.6 million in the same period of 2005, an increase of € 207.9 million (+25.1%).

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

(in millions of euros)	*1st Quarter*					
	2006	*%*	*2005*	*%*	*Change*	*%*
Media						
Espresso Group	303.2	29.2	276.5	33.3	26.7	9.7
Utilities						
Energia Group	454.5	43.8	286.8	34.6	167.7	58.5
Automotive components						
Sogefi Group	264.3	25.5	253.2	30.5	11.1	4.4
Healthcare						
HSS Group	15.4	1.5	10.8	1.3	4.6	42.6
Other business sectors	0.1	--	2.3	0.3	(2.2)	n.a.
Total consolidated revenues	1,037.5	100.0	829.6	100.0	207.9	25.1

The consolidated key figures of the CIR Group income statement, prepared using a "free" format in accordance with IAS 1 and appropriate for the structure of the Group, compared with the same figures for the first three months of 2005, can be broken down as follows:

(in millions of euros)	*1st Quarter*	
	2006	*2005*
Revenues	1,037.5	829.6
Consolidated gross operating margin (EBITDA)	**91.1**	**95.4**
Consolidated operating income (EBIT)	**67.4**	**72.0**
Financial management result	(14.2)	(21.7)
Income taxes	(21.9)	(28.9)
Net income including minority interests	**31.3**	**21.4**
Minority interests	(20.4)	(20.7)
Net income for the Group	**10.9**	**0.7**

In the first three months of 2006 the **consolidated gross operating margin (EBITDA)** was € 91.1 million (8.8% of revenues) compared with € 95.4 million in the first three months of 2005 (11.5% of revenues), a decline of € 4.3 million (- 4.5%) mainly due to the reduction of the margin of the Energia group.

Of this consolidated EBITDA for the first three months of 2006 the operating groups and other subsidiaries contributed approximately € 94 million, offset by net operating costs of approximately € 2.9 million of the Parent Company CIR and CIR International.

The **consolidated operating margin (EBIT)** in the first three months of 2006 was a positive € 67.4 million, down from € 72 million in the corresponding period of 2005 (- 6.4%). The decline was due to the same explanation given above for EBITDA.

The operating result was the combination of net financial expense of € 22 million (€ 20.8 million in first quarter 2005) and of dividends and net gains from trading securities of € 7.8 million (€ 0.9 million of net losses in first quarter 2005).

The **consolidated balance sheet highlights of the CIR Group** at March 31 2006, prepared according to a "managerial" format, compared with the same situation at December 31 2005 and at March 31 2005, can be broken down as follows:

(in millions of euros)	*31.03.2006*	*31.12.2005*	*31.03.2005*
Fixed assets	2,018.4	1,997.9	1,667.7
Other net non-current assets and liabilities	82.3	74.9	(15.3)
Net working capital	250.5	248.8	243.1
Net invested capital	**2,351.2**	**2,321.6**	**1,895.5**
Net financial position	**(456.9)**	**(465.2)**	**(160.2)**
Total shareholders' equity	**1,894.3**	**1,856.4**	**1,735.3**
Shareholders' equity - Group	1,202.8	1,185.0	1,125.5
Shareholders' equity – Minority interests	691.5	671.4	609.8

Consolidated net invested capital at March 31 2006 stood at € 2,351.2 million compared to € 2,321.6 million at December 31 2005, with a rise of € 29.6 million.

The **consolidated net financial position** at March 31 2006, as has already been indicated, showed net debt of € 456.9 million (up from € 465.2 million at December 31 2005) which was the result of a financial surplus of € 368.8 million (compared to € 359.8 million at December 31 2005) for CIR and CIR International and of total debt of € 825.7 million for the operating groups (compared to € 825 million at December 31 2005).

For the Espresso group in particular, consolidated net financial debt dropped from € 252.6 million at December 31 2005 to € 173.4 million at March 31 2006 due both to the good performance of operations and to seasonal factors affecting the sale of advertising space.

The consolidated financial position of the Energia group at March 31 2006 showed net debt of € 491.7 million, up from € 429.9 million at December 31 2005. This rise was mainly due to investment made in the first three months of the year in the Termoli power plant (€ 18 million) and to the absorption of resources by working capital (€ 38 million).

The net debt of the Sogefi group fell from € 167.3 million at December 31 2005 to € 160.4 million at March 31 2006 – a further decline due to the generation of positive cash flow in the first quarter of the year.

Total shareholders' equity at March 31 2006 stood at € 1,894.3 million compared to € 1,856.4 million at December 31 2005, with a rise of € 37.9 million, mainly due to the earnings for the first quarter of the year.

The **shareholders' equity of the Group** at March 31 2006 amounted to € 1,202.8 million, up from € 1,185 million at December 31 2005, a rise of € 17.8 million.

At March 31 2006 **minority interests** totalled € 691.5 million, up from € 671.4 million at December 31 2005, with a rise of € 45,6 million.

The net financial position and the equity figure at March 31 2006 include capital gains accrued but not yet realized for a total of € 130.8 million at March 31 2006 (€ 118.8 million at December 31 2005) on the investment in Medinvest, the company that collects the permanent free cash flow of the Group and invests it in hedge funds.
Since its inception (April 1994), performance has been extremely satisfactory up to and including 2005, giving the portfolio a weighted average annual return in dollar terms of 9.6%. In the first three months of 2006 too performance was a positive 5.2%.

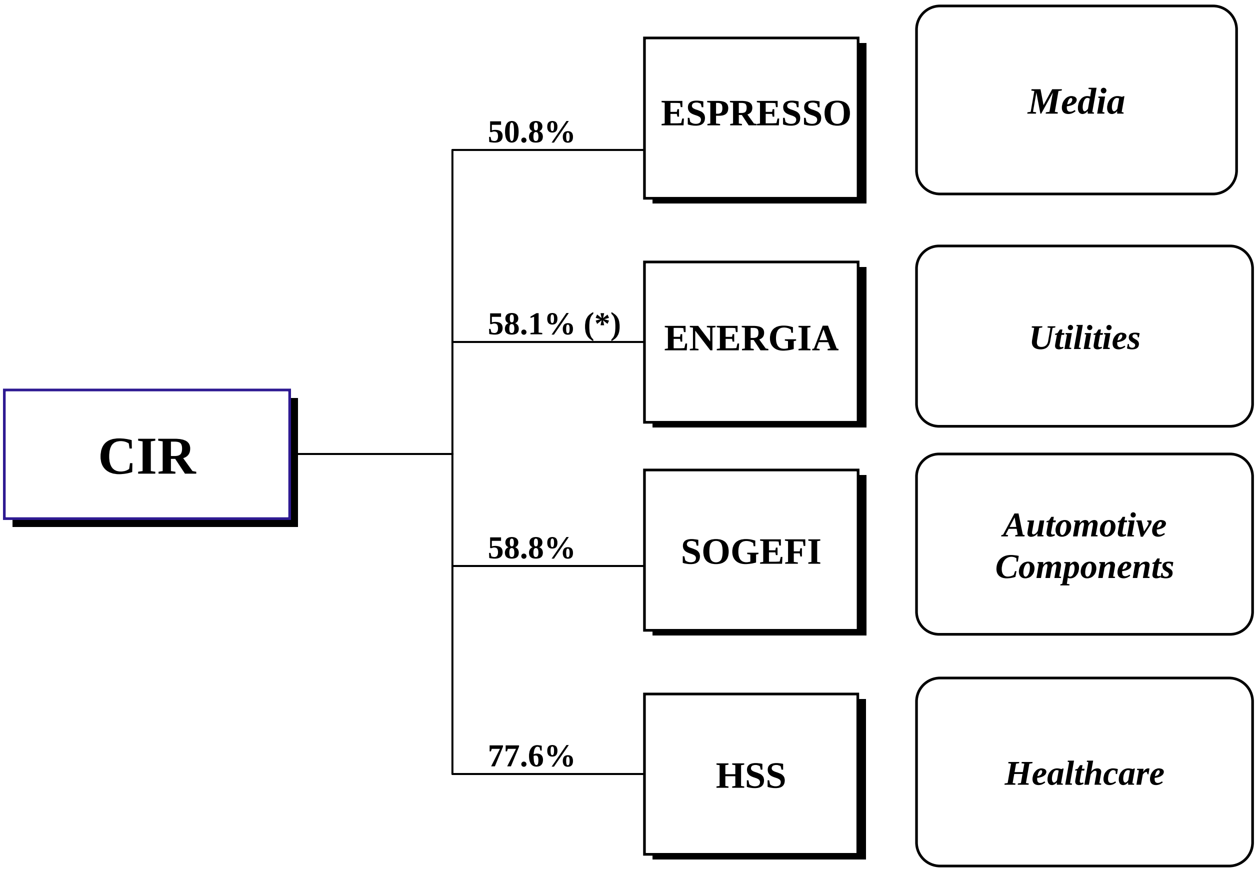
The change in the consolidated net financial position can be broken down as follows:

(in millions of euros)	*1st Quarter 2006*	*1st Quarter 2005*
SOURCES OF FUNDS		
Net income for the period including minority interests	31,295	21,408
Amortization, depreciation and write-downs and other non-monetary changes	5,666	27,070
Self-financing	**36,961**	**48,478**
Change in net working capital	**1,544**	**(61,265)**
CASH FLOW GENERATED BY CURRENT OPERATIONS	**38,505**	**(12,787)**
Capital increases	400	259
TOTAL SOURCES OF FUNDS	**38,905**	**(12,528)**
APPLICATIONS OF FUNDS		
Net investment in fixed assets	(38,759)	(76,824)
Other changes	8,096	4,641
TOTAL APPLICATIONS OF FUNDS	**(30,663)**	**(72.183)**
FINANCIAL SURPLUS (DEFICIT)	**8,242**	**(84,711)**
NET FINANCIAL POSITION AT THE BEGINNING OF THE PERIOD	**(465,188)**	**(75,486)**
NET FINANCIAL POSITION AT THE END OF THE PERIOD	**(456,946)**	**(160,197)**

The cash flow generated by current operations in the first quarter of 2006 was mainly due to self-financing and was absorbed by the investments made during the period in particular by the Energia group, which is engaged in an important program of investments.

MAIN EQUITY INVESTMENTS OF THE GROUP

AS OF MARCH 31 2006



(*) percentage of indirect control through Energia Holding

2. PERFORMANCE OF THE BUSINESS SECTORS

MEDIA SECTOR

The chart below shows the main performance indicators of the Espresso group for this current year and a comparison with the figures for the corresponding period of the previous year:

(in millions of euros)	***1st Quarter 2006***	***1st Quarter 2005***		***Change %***
Revenues	303.2	276.5	26.7	9.7
Net income	26.6	22.3	4.3	19.4

	31/03/2006	***31/12/2005***	***31/03/2005***
Net financial position	(173.4)	(252.6)	(83.9)
No. of employees	3,392	3,397	3,281

In first quarter 2006 the Espresso group reported consolidated sales revenues of € 303.2 million, up from € 276.5 million (+9.7%) in the corresponding period of the previous year.

Revenues from advertising in first quarter 2006 totalled € 137.5 million, with a rise of 8.7% (5.5% on the same basis of comparison and 6.1% considering only the advertising sold through group channels) compared with the same period of 2005. This rise was mainly due to the further growth in radio (+14.3%) and the internet (+72.2%).

Circulation of *la Repubblica*, which confirmed its ranking as the number one newspaper with approximately 3 million readers, improved by 2.4%, reaching 641 thousand average copies. *L'espresso* recorded an average of 485 thousand copies per week with a rise of 6% while circulation of the local papers was 459 thousand average copies per issue compared to 468 thousand in first quarter 2005.
Revenues from add-ons rose by 21% from first quarter 2005 thanks to the sale of over 10 million books and audio and video products.

In the radio sector, Audiradio figures for the moving average first six months of 2006 confirmed the leadership of *Radio Deejay* with 5.6 million listeners on an average day and over 13.1 million over the week. Moreover thanks to the positive performance of *Radio Capital* (2 million listeners on an average day and 6.2 million over the week) and *m2o* (with a daily audience of almost 1 million people and 2.7 million over the week), the group radio broadcasters reached a total audience of 8.6 million on an average day and 22 million over the week, reaching over 11 and 27 million respectively also taking into account *All Music*, the product and target audience of which are consistent with those of the three radio stations.

The new *All Music* channel, acquired in the second quarter of 2005, has already been well received by viewers, reaching 2.7 million viewers of between 15 and 34 years old, a third of whom were new to the channel, and overtaking several important competitors in the segment.
On March 31 All Music obtained a license from the Ministry of Communication to operate a digital terrestrial broadcasting network at national level.

In the internet sector, the *Repubblica.it* website hit a new record in March with 6.1 million unique visitors and 330 million page views. The network of the Espresso group websites reached 437 million page views and 9.4 million unique visitors (figures from Nielsen Site Census).

Consolidated operating income for first quarter 2006 was € 51.9 million, up from € 50.4 million in the same period of last year, despite the negative impact on earnings of the end of public funding (which was around € 6 million in first quarter 2005) for the purchase of paper, which was not confirmed for 2006 and despite the price rises of raw materials.

Consolidated net income for first quarter 2006 was € 26.6 million compared with € 22.3 million in the same period of 2005.

The consolidated net financial position at March 31 2006 showed net debt of € 173.4 million, an improvement from € 252.6 million at December 31 2005. This was due to the good performance of operations and to a typical seasonal factor in advertising sales.

The circulation figures reported in the first three months of 2006 would appear to be confirmed in the second quarter of the year. Sales of add-on products are holding up even for the new initiatives and the advertising market, after a pause in April, seems to have become more vibrant in May.

UTILITIES SECTOR

The chart below shows the main performance indicators of the Energia group for this current year and a comparison with the figures for the corresponding period of the previous year:

(in millions of euros)	***1st Quarter 2006***	***1st Quarter 2005***		***Change %***
Revenues	454.5	286.8	167.7	58.5
Net income	(3.9)	3.8	(7.7)	n.a.

	31/03/2006	***31/12/2005***	***31/03/2005***
Net financial position	(491.7)	(429.9)	(305.6)
No. of employees	157	148	109

In the first quarter of 2006 the Energia group reported consolidated revenues of € 454.5 million, up by 58.5% from € 286.8 million in the same period of 2005, thanks to a rise in sales of both gas (+63.6%) and electricity (+55.4%).

As far as electricity is concerned, in the first quarter of this year both sourcing costs and selling prices rose significantly and both of these were also affected by the usual seasonal factors. The increase in volumes sold, however, was due to substantial growth in the number of clients serviced.

In the gas sector, despite higher volumes sold, margins contracted considerably due to an unfavourable indexing of prices to a benchmark fuel and to the seasonal use of strategic stocks, which are particularly expensive, due to exceptionally cold winter temperatures.

The combination of these factors created a negative spread between costs and revenues, which was already evident in the fourth quarter of last year and which worsened in the first quarter of 2006 because of particularly high sourcing costs.

Consolidated EBITDA was therefore a negative € 1.2 million and compares with a positive result of € 7.5 million in the first three months of last year.

Consolidated EBIT in first quarter 2006 was a negative € 1.9 million compared with a positive result of € 6.9 million in the same period of 2005.

In the first three months of 2006 the Energia group recorded a net loss of € 3.9 million compared with a net profit of € 3.8 million in the same period of 2005.

In the coming quarters the absence of seasonal factors, the scheduled start of operations of the Termoli power plant together with action being taken by the management of the company should have a positive effect on the income statement.
The consolidated net financial position at March 31 2006 showed net debt of € 491.7 million, up from € 429.9 million at December 31 2005. This increase was due to investments made in the first three months of the year in the Termoli power plant (€ 18 million) and to the absorption of resources by working capital (€ 38 million).

Regarding the progress of the industrial plan of the Energia group, the 770 MW Termoli power plant is scheduled to start operating during 2006 and in the next few months work should begin on the construction of the Modugno power plant (Bari), which will also have a capacity of 770 MW.
At the end of March Tirreno Power issued the Notice to Proceed for the construction of the new combined cycle for Napoli Levante (380 MW), thus beginning the last project of the repowering plan.

In the first three months of the year Tirreno Power reported revenues of € 278.5 million (€ 154.3 million in the same period of last year), for a net production volume of approximately 3.3 TWh (against 2.2 TWh in the same period of 2005). This rise was due to the contribution of the new combined cycles in Torrevaldaliga which started operating during 2005. The gross operating margin was € 73.2 million, up from € 29 million in the first three months of 2005.
During the early months of 2006 the investment plan continued to be rolled out with the reconversion to combined cycle of certain production units of the Vado Ligure and Napoli Levante plants giving installed capacity of 2,900 MW on completion of the repowering process.

AUTOMOTIVE COMPONENTS SECTOR

The chart below shows the main performance indicators of the Sogefi group for this current year and a comparison with the figures for the corresponding period of the previous year:

(in millions of euros)	*1st Quarter 2006*	*1st Quarter 2005*		*Change %*
Revenues	264.3	253.2	11.1	4.4
Net income	11.6	9.8	1.8	18.8

	31/03/2006	*31/12/2005*	*31/03/2005*
Net financial position	(160.4)	(167.3)	(207.4)
No. of employees	6,287	6,171	6,337

With the original market recovering in Europe, improving further in South America and declining in the United States, consolidated sales in first quarter 2006 rose by 4.4%, reaching € 264.3 million compared with € 253.2 million in the same period of 2005.
Revenues grew in both business sectors: the *automotive components* division, which benefited from higher volumes in the industrial vehicle sector, reported a rise of 5.% (€ 132.8 million up from € 125.9 million in first quarter 2005), while the business of the *filter* division rose by 3.4%, with a more buoyant after-market in Europe (€ 131.6 million compared to € 127.3 million in first quarter 2005).
As far as sourcing costs are concerned, electricity and oil products rose during the quarter while steel remained stable at the levels seen in the last few months of 2005.

Consolidated EBITDA, which benefited from higher selling prices than those of the same period of 2005 and from the consolidation of production sites carried out last year, came in at € 33.4 million (12.6% of sales), up from € 31.1 million (12.3% of sales) in the first three months of 2005.
The *suspension components* division improved its result by 13.6% from € 16.4 million (13% of sales) to € 18.6 million (14% of sales). The *filter* division reported earnings of € 15.8 million (12% of sales), up from € 15.3 million in the first three months of 2005 (12.1% of sales).

Consolidated EBIT rose by 10.4% to € 21.1 million (8% of sales) compared with € 19.1 million (7.6% of sales) in the first three months of 2005.
The *suspension components* division achieved EBIT of € 11.2 million (8.4% of sales), a rise of 21.4% from € 9.2 million (7.3% of sales) in first quarter 2005.
The EBIT of the filter division rose from € 10.7 million (8.4% of sales) to € 11.2 million (8.5% of sales).

Consolidated net income was € 11.6 million, an improvement of 18.8% from € 9.8 million in the first quarter of 2005, thanks to the positive effects of the reduction of financial expense and a lower tax burden due to the corporate reorganization that took place during 2005.

Consolidated net financial debt at March 31 2006 amounted to € 160.4 million, showing a further reduction from € 167.3 million at December 31 2005 thanks to the generation of positive cash flow in the early part of the year.

Further improvements in operating profitability, which are likely in view of the continuing positive trend of demand, could be limited by the persistence of inflationary trends in the prices of oil products and derivatives and of certain types of steel.

HEALTHCARE SECTOR

The chart below shows the main performance indicators of the HSS group for this current year and a comparison with the figures for the corresponding period of the previous year:

(in millions of euros)	*1st Quarter 2006*	*1st Quarter 2005*		*Change %*
Revenues	15.4	10.8	4.6	42.6
Net income	0.0	(0.9)	0.9	n.a.

	31/03/2006	*31/12/2005*	*31/03/2005*
Net financial position	(4.1)	4.2	5.1
No. of employees	254	243	197

In the first quarter of 2006 the HSS group continued with the development of the new initiatives undertaken in this sector.

In the first three months of 2006 the group reported revenues of € 15.4 million, up from € 10.8 million in the corresponding period of 2005 and, confirming the trend already evident in the last few months of 2005, achieved a positive EBIT of € 0.4 million compared with a negative result of € 1 million in the first quarter of 2005, which was still affected by start-up considerations.
In the first three months of 2006 the group broke even in terms of earnings after a net loss of € 0.9 million in the corresponding period of 2005.
At March 31 2006 the HSS group had a net financial debt of € 4.1 million compared with a net surplus of € 4.2 million at December 31 2005. This change was mainly due to the payment of the € 5 million deposit for the acquisition of Anni Azzurri, described below, and to the increase in working capital.

At March 31 2006 consolidated shareholders' equity totalled € 27.3 million.

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 company Casaverde, which manages eight residences, and Villa Margherita (three residences);
2) *Psychiatric services*, through the company Redancia which manages six psychiatric care residences and Cima (one residence);
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*, through the company Ospedale di Suzzara, set up to run the Presidio Ospedaliero F.lli Montecchi di Suzzara (Mantua) after taking over management in November 2004. During 2005 the Hospital was completely reorganized, the range of services offered was extended and the executive plan for the restructuring action stipulated in the terms of the concession contract was drawn up.

The HSS group currently manages a total of around 1,440 beds, including 170 that are currently under construction.

On March 9 2006 the company signed a preliminary contract for the acquisition of 100% of Anni Azzurri, a company specializing in the construction and management of residences for the elderly. In 2005 Anni Azzurri achieved consolidated revenues of approximately € 50 million and is present in Lombardy, Piedmont, Veneto and Marche with 1,600 beds.
The transaction, subject to due diligence and to the required approval of the antitrust authorities, will be completed by June 30 2006 and will enable the HSS group in just three years of business to reach total revenues of approximately € 110 million with over 3,000 beds under management.
In particular, HSS's business of managing residences for the elderly would increase its annual revenues to over € 70 million, with approximately 2,600 beds, enabling the group to become the leading operator in the sector in the Italian market.
The total enterprise value of the deal is approximately € 160 million, € 60 of which can be attributed to the management part of the business and approximately € 100 to the value of the properties (around € 50 million refer to properties owned and the rest to properties where there is a commitment to buy). The disbursement for the purchase of the shares amounts to approximately € 60 million, half of which will be self-financed. In line with the strategy being followed by HSS, the property component could be sold off subsequently.
This acquisition is an important step forward for HSS in its strategy of growth in the Italian market of managing residences for the elderly.

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 phases 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 growth forecasts, at the close of first quarter 2006 portfolios of non-performing bank and finance-company loans were acquired for a total of approximately € 6 million and a nominal value of € 120 million.

CIR VENTURES – At March 31 2006 the portfolio of CIR Ventures, the venture capital fund of the Group, contained investments in six companies of which four in the United States, one in Italy and one in Israel. These companies all operate in the sector of information and communications technology.
In first quarter 2006 there were no significant transactions.
The management activity of the fund is still mainly directed towards supporting the companies in the portfolio and identifying further opportunities for taking profit. The prospects for the evolution of the business of these companies remain cautiously optimistic within a scenario of an improvement in the technology sector and in the US economy in general.

RICCIARELLI – On March 29 2006 the sale of the investment in Ricciarelli was completed at a price of € 3.6 million, which was in line with its carrying value. This was the last company of the Dry Products group still operating in the food machinery and with this transaction the CIR group has completed its program of gradual disinvestment from this sector, which is no longer considered strategic.

4. OTHER INVESTMENTS

Among other investments it should be pointed out that CIR, through its subsidiary CIR International, has various minority interests in private equity funds, for a total amount of € 56.3 million at March 31 2006.

5. SIGNIFICANT EVENTS WHICH OCCURRED AFTER MARCH 31 2006 AND OUTLOOK FOR THE YEAR

With regard to the principal events which have taken place since March 31 information has already been given in the main part of this report.

Regarding the operations of the Group, for the remaining months of 2006 the positive trend of the first quarter is expected to be confirmed with the disappearance of certain factors that were having a negative impact. The significant investment made previously should also start producing positive effects on the earnings of the Group.

5. OTHER INFORMATION

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

CIR shares, which have been listed 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 interim report for the period January 1 – March 31 2006 was approved by the Board of Directors on April 27 2006.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

INCOME STATEMENT

NET FINANCIAL POSITION

1. CONSOLIDATED BALANCE SHEET

(in thousands of euros)

ASSETS	*31.03.2006*	*31.12.2005*	*31.03.2005*
NON-CURRENT ASSETS	**2,429,827**	**2,401,558**	**1,921,182**
INTANGIBLE ASSETS	865,308	864,436	668,413
TANGIBLE ASSETS	906,659	897,972	788,414
REAL-ESTATE INVESTMENTS	6,898	6,944	--
INVESTMENTS IN COMPANIES VALUED AT EQUITY	229,543	221,042	193,644
OTHER EQUITY INVESTMENTS	9,943	7,529	17,222
OTHER RECEIVABLES	262,602	261,403	162,698
SECURITIES	66,312	59,841	39,811
DEFERRED INCOME TAX ASSETS	82,562	82,391	50,980
CURRENT ASSETS	**2,881,346**	**2,775,594**	**3,149,446**
INVENTORIES	148,742	162,864	146,040
CONTRACTED WORK IN PROGRESS	1,888	933	566
TRADE RECEIVABLES	855,188	790,744	773,239
OTHER RECEIVABLES	210,455	201,362	295,255
FINANCIAL RECEIVABLES	4,427	26,513	25,468
SECURITIES	624,116	467,959	414,439
AVAILABLE FOR SALE FINANCIAL ASSETS	384,346	362,930	291,185
CASH AND CASH EQUIVALENTS	652,184	762,289	1,203,254
ASSETS HELD FOR SALE	--	17,143	--
TOTAL ASSETS	**5,311,173**	**5,194,295**	**5,070,628**

LIABILITIES AND SHAREHOLDERS' EQUITY	*31.03.2006*	*31.12.2005*	*31.03.2005*
SHAREHOLDERS' EQUITY	**1,894,299**	**1,856,383**	**1,735,282**
SHARE CAPITAL	390,021	389,621	388,538
RESERVES	408,254	401,794	379,773
RETAINED EARNINGS (LOSSES)	393,620	305,945	356,521
NET INCOME FOR THE PERIOD	10,862	87,675	678
TOTAL EQUITY - GROUP	**1,202,757**	**1,185,035**	**1,125,510**
MINORITY INTERESTS	691,542	671,348	609,772
NON-CURRENT LIABILITIES	**2,161,733**	**2,186,453**	**1,989,012**
BONDS	1,177,375	1,199,251	1,230,246
OTHER BORROWINGS	655,222	654,785	489,982
OTHER PAYABLES	3	21	260
DEFERRED INCOME TAX LIABILITIES	126,980	126,260	63,927
PERSONNEL OBLIGATIONS	161,767	163,671	160,306
PROVISIONS FOR RISKS AND LOSSES	40,386	42,465	44,291
CURRENT LIABILITIES	**1,255,141**	**1,137,983**	**1,346,334**
BANK OVERDRAFT FACILITIES	119,811	54,962	58,804
BONDS	--	--	241,317
OTHER BORROWINGS	169,611	175,881	74,194
TRADE PAYABLES	682,656	649,766	668,232
OTHER PAYABLES	242,375	213,768	249,259
PROVISIONS FOR RISKS AND LOSSES	40,688	43,606	54,528
LIABILITIES HELD FOR SALE	--	13,476	--
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,311,173**	**5,194,295**	**5,070,628**

2. CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	01/01-31/03 2006	*01/01-31/03 2005*
SALES REVENUES	1,037,549	829,648
CHANGE IN INVENTORIES	--	(1,357)
COSTS FOR PURCHASE OF GOODS	(623,089)	(443,061)
COSTS FOR SERVICES	(187,700)	(161,340)
PERSONNEL COSTS	(143,470)	(137,832)
OTHER OPERATING INCOME	11,292	16,767
OTHER OPERATING COSTS	(12,054)	(10,197)
ADJUSTMENTS TO THE VALUE OF INVESTMENTS VALUED AT EQUITY	8,596	2,726
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(23,705)	(23,357)
INCOME BEFORE INTEREST AND TAXES (E B I T)	**67,419**	**71,997**
FINANCIAL INCOME	16,017	18,715
FINANCIAL EXPENSES	(38,106)	(39,501)
DIVIDENDS	--	264
GAINS FROM TRADING SECURITIES	20,924	29,452
LOSSES FROM TRADING SECURITIES	(15,628)	(30,194)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	2,542	(437)
INCOME/LOSS BEFORE TAXES	**53,168**	**50,296**
INCOME TAXES	(21,873)	(28,888)
NET INCOME FOR THE PERIOD INCLUDING MINORITY INTERESTS	**31,295**	**21,408**
- NET INCOME - MINORITY INTERESTS	20,433	20,730
- **NET INCOME - GROUP**	**10,862**	**678**

3. NET FINANCIAL POSITION

(in thousands of euros)

	31.03.2006	31.12.2005	31.03.2005
CASH AND CASH EQUIVALENTS	652,184	762,289	1,203,254
AVAILABLE FOR SALE ASSETS	384,346	362,930	291,185
SECURITIES	624,116	467,959	414,439
FINANCIAL RECEIVABLES	4,427	26,513	25,468
BANK OVERDRAFT FACILITIES	(119,811)	(54,962)	(58,804)
BONDS (current part)	--	--	(241,317)
OTHER BORROWINGS (current)	(169,611)	(175,881)	(74,194)
NET SHORT TERM FINANCIAL SURPLUS	**1,375,651**	**1,388,848**	**1,560,031**
BONDS	(1,177,375)	(1,199,251)	(1,230,246)
OTHER BORROWINGS (non-current)	(655,222)	(654,785)	(489,982)
MEDIUM/LONG TERM NET DEBT	**(1,832,597)**	**(1,854,036)**	**(1,720,228)**
TOTAL NET FINANCIAL DEBT	**(456,946)**	**(465,188)**	**(160,197)**

EXPLANATORY NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. FOREWORD

The consolidated interim financial statements for the quarter ended March 31 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. Note 5 gives a reconciliation of the balance sheet and income statements for the first quarter of 2005 and as of March 31 2005 of Italian accounting principles and IAS/IFRS standards.

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

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 March 31 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, jointly controlled or affiliated with the exception of companies in liquidation. The assets and liabilities of companies scheduled for disposal are reclassified 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 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 € 390,021,333.50 (780,042,667 shares) at March 31 2006 as a result of the issuance of 801,000 shares in execution of the exercise of stock options by those holding option rights, the beneficiaries of existing stock option plans.
At March 31 2006 the Company was holding 29,644,000 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 2005 to increase the share capital 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. Of this latter amount € 18,605,000 was still outstanding at March 31 2006.

Regarding stock option plans, at March 31 2006 there were 36,617,000 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 € 8,108 thousand at March 31 2006.

5. TRANSITION TO IAS/IFRS – RECONCILIATION OF THE BALANCE SHEET AND INCOME STATEMENT FOR THE FIRST QUARTER OF 2005 AND AT MARCH 31 2005

The chart below shows the reconciliation of consolidated net income and shareholders' equity at March 31 2005. For a fuller and more detailed explanation of the reconciliation movements we would refer readers to the transition to IFRS document attached to the Financial Statements for the year ended December 31 2006.

(in millions of euros)	*Shareholders' equity March 31 2005*	*Net income 1st Quarter 2005*
Italian GAAP accounting principles	1,014.6	14.2
Intangible assets	78.7	2.8
Tangible assets	(3.6)	(0.2)
Leased goods	3.9	0.1
Personnel provisions	(10.1)	(3.5)
Financial instruments	(2.3)	(13.5)
Investments in companies valued at equity	6.7	--
Own shares	(23.6)	--
Medinvest	68.8	--
Provisions for risks and losses	2.1	--
Other adjustments	6.0	1.8
Deferred taxes	(15.7)	(1.0)
TOTAL CHANGES	110.9	(13.5)
IAS / IFRS accounting principles	1,125.5	0.7