



## PRESS RELEASE

**BOARD OF DIRECTORS OF PIRELLI & C. SPA APPROVES FINANCIAL STATEMENTS FOR FIRST HALF ENDED 30 JUNE 2004**

**GROUP NET INCOME AT 131 MILLION EUROS, STRONGLY GROWING WHEN COMPARED TO -21 MILLION EUROS IN FIRST SIX MONTHS 2003**

- **IMPROVEMENT OF INDUSTRIAL ACTIVITIES EBIT: +43%**
- **REAL ESTATE ACTIVITIES FURTHER GREW: +24% IN OPERATING INCOME INCLUDING INCOME FROM EQUITY PARTICIPATIONS**
- **OLIMPIA RESULT POSITIVE THANKS TO TELECOM ITALIA DIVIDENDS CASHED IN SECOND QUARTER**

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**FOR 2004, GROUP EXPECTS A SIGNIFICANT IMPROVEMENT OF RESULTS IN ALL ACTIVITY SECTORS, BOTH AT OPERATING AND NET LEVEL, WITH NET FINANCIAL POSITION IN LINE WITH 2004-2006 TARGETS**

### CONSOLIDATED RESULTS

- **REVENUES: 3,573 MILLION EUROS, COMPARED TO 3,298 MILLION EUROS, UP 8.3% (+5.1% AT COMPARABLE CONDITIONS)**
- **OPERATING INCOME (EBIT): 190 MILLION EUROS, GROWING 34% WHEN COMPARED TO 142 MILLION EUROS AT 30 JUNE 2003**
- **NET FINANCIAL POSITION: NEGATIVE BY 2,047 MILLION EUROS, IN LINE WITH TARGETS TAKING INTO ACCOUNT INDUSTRIAL BUSINESS SEASONALITY, DIVIDEND PAYMENTS AND THE EXERCISE OF THE CALL OPTION ON TELECOM ITALIA SHARES**

### INDUSTRIAL ACTIVITIES

- **REVENUES: 3,299 MILLION EUROS COMPARED TO 3,049 MILLION EUROS, UP 8% (+4.7% AT COMPARABLE CONDITIONS)**
- **OPERATING INCOME: 193 MILLION EUROS, UP 43%, WITH ROS RISING TO 5.9% FROM 4.4%**

- **TYRES: EBIT 154 MLN EUROS (+19%), ROS AT 9.4%**
- **ENERGY CABLES AND SYSTEMS: EBIT DOUBLED AT 54 MILLION EUROS WITH ROS GROWING TO 3.7% FROM 2.1%**
- **TELECOM CABLES AND SYSTEMS: EBIT IMPROVED: -15 MILLION EUROS (OF WHICH -7 FROM SUBMARINE ACTIVITIES) AGAINST -21 MILLION EUROS IN FIRST HALF 2003. STRONG GROWTH OF NEW TELECOM SYSTEMS ACTIVITIES: REVENUES OF FIRST HALF 2004 STOOD AT SAME LEVEL OF FULL YEAR 2003 FIGURE**

#### REAL ESTATE OPERATIONS

- **OPERATING INCOME INCLUDING INCOME FROM EQUITY PARTICIPATIONS: 66 MLN EUROS, +24% YEAR OVER YEAR**
- **NET INCOME: 50 MILLION EUROS, +25% YEAR OVER YEAR**

*Milan, 9 September 2004* – The Board of Directors of Pirelli & C. SpA today met and examined the company's consolidated financial statements for the first half ended 30 June 2004.

#### **The Group Pirelli & C. SpA**

First half of 2004 showed a strong improvement of all economic indicators, consistently with forecasts described in *Outlook 2004-2006*. Consolidated **revenues** of Pirelli & C. SpA Group in first half amounted to **3,573 million Euros, up 8.3%** against the same period last year, posting growth in all activity sectors. On the same perimeter base - net of the effects of exchange rates and metal prices - revenues grew by 5.1%.

**EBITDA** stood at **364 million Euros** (10.2% of sales), growing when compared to 322 million Euros in first half 2003 (9.8% of sales).

**Operating income (EBIT)** amounted to **190 million Euros, up 34%** when compared to 142 million Euros in first half 2003. Consolidated **ROS** – Return on Sales was **5.3%**, further growing when compared to the 4.3% figure of 2003. It must be remembered that 2003 figure included 10 million euros from Ciena settlement.

The **result from equity participations**, which includes the valuation by the net asset method of investments, is **positive by 77 million Euros**, against -22 million Euros in first half 2003. In particular, the Olimpia SpA effect in first half 2004 was **positive by 52 million Euros** (-45 million Euros in same period last year), thanks to Telecom Italia dividends, which were accounted for cash when received in second quarter, against financial charges of the period. The amount

also includes **results of real estate activities, positive by 40 million euros** (24 million in first half 2003) and the write-down of participation in FC Internazionale Milano SpA for 10 million euros.

**Financial charges** at 30 June 2004 were **negative by 55 million Euros**, better than first half 2003 figure of -74 million Euros, thanks to both dividends and lower average net debt.

**Free cash flow** is **positive by 101 million Euros**, up when compared to 77 million at 30 June 2003.

**Net profit** at 30 June 2004 stood at **131 million Euros** (3.7% of sales), against a net loss of 21 million Euros in first half 2003.

The Pirelli & C. SpA attributable **net result** was **positive by 112 million Euros**, compared to a net loss of 36 million Euros at 30 June 2003.

**Shareholders' equity** was **3,685 million euros**, compared with 3,678 million euros at year-end 2003. The Pirelli & C. SpA share of the Shareholders' equity was 3,443 million Euros against 3,429 million Euros at end 2003.

The **net financial position** at 30 June 2004 is negative by **2,047 million Euros**, against 1,745 million euros at year end 2003, but in line with 2004-2006 targets when taking into account industrial businesses seasonality, dividend payments (132 million Euros), the call option on 47 million Telecom Italia shares exercised on 6 April 2004 (110 million Euros), and the subscription of Eurostazioni SpA capital increase (33 million Euros). The variation from first quarter 2004 figure (1,959 million Euros) is attributable mainly to the above mentioned operation on Telecom Italia shares, while cash flow of ordinary activities in second quarter balanced dividend payments and Eurostazioni operation. Net financial position at 30 June 2003 was 1,598 million Euros.

Groups' **employees** at 30 June 2004 were **37,120** (including 3,405 temporary workers), compared to 36,337 at year-end 2003 (including 2,417 temporary workers) and to 36,412 in first half 2003 (including 2,603 temporary workers).

### **The industrial operations of the Group**

Industrial operations posted a strong growth of operating income, thanks to performance of Tyres Sector, which recorded its best quarter in the last ten years and to Energy Cables and Systems Sector, which doubled its operating income benefiting of focus on higher value market segments. In Telecom Cables and Systems Sector a pressure on prices of fiber optic cables impacted on results, while new Telecom Systems activities grew in terms both of volumes and margins: revenues in first half 2004 stood at the same level as the full year 2003 figure (approx. 28 million Euros).

In first half 2004 the Industrial Activities **sales revenues** reached **3,299 million Euros**, up **8.2%** when compared to H1 2003. On the same perimeter base (net of the effects of exchange rates and metal prices) revenues actually grew by **4.7%**.

**EBITDA** in first six months of 2004 was **338 million Euros** (10.2% of sales), growing when compared to 287 million Euros at 30 June 2004 (9.4% of sales)

**Operating income** (EBIT) was **193 million Euros**, growing by 43% when compared to H1 2003. **Return On Sale** rose to 5.9% against 4.4% in H1 2003.

**Net profit** at 30 June 2004 stood at **85 million Euros**, against 55 million Euros in first half of 2003.

Pirelli's commitment to **R&D** was confirmed also in first half of 2004, even in a difficult macroeconomic scenario: investments were **106 million Euros**, **3.2% of revenues** of Industrial Activities.

Group **Headcount in the industrial operations** of the Group at 30 June 2004 was **34,126**, against 33,401 at the end of 2003 and 33,959 at 30 June 2003.

#### Tyres Sector

Sales amounted to **1,646 million Euros**, compared to 1,509 million Euros in H1 2003 (+11.1% net of the effects of exchange rates and metal prices).

**EBITDA** stood at **244 million Euros** (14.8% of sales), up 11% when compared to 219 million Euros in first half 2003 (14.5% of sales).

**Operating income** was **154 million Euros**, with a **ROS** of **9.4%**, an improvement of **19%** compared to 129 million Euros in H1 2003.

**Net financial position** was **negative** by **375 million Euros**, against -317 million at year-end 2003: the negative variation is mainly attributable to dividend payments for 85 million Euros. Net financial position at 30 June 2003 was negative by 570 million Euros.

**Employee** numbers at 30 June 2004 stood at **21,150**, including 2,347 temporary workers (at 31 December 2003 employees were 20,437, including 1,705 temporary workers).

In first half 2004 *Consumer* (Car and Moto) businesses posted a positive growth in volumes and revenues, thanks to increased sales in North and South America and to new high performance products: PZero Corsa System, Scorpion Zero Asimetrico and Euforia runflat, both produced with MIRS technology and, in Moto, Dragon SuperCorsa and Roadtec Z6. *Industrial* business posted a strong growth both in Latin America and rest of the World; during the period, FH85

“Amaranto” was presented, first Truck tyre whose production is based on application of MIRS technology.

#### Energy Cables and Systems Sector

**Sales** totaled **1,448 million Euros, up 10.4%** when compared to H1 2003 figure of 1,312 million Euros. On an equal basis figure is in line with last year's.

**EBITDA** stood at **94 million Euros (6.5% of sales)**, up 34% when compared to 70 million Euros in first half 2003 (5.3% of sales).

**Operating income** was **54 million Euros**, doubling the figure of 27 million Euros posted in the same period last year, with ROS growing to **3.7%** with respect to 2.1% recorded in H1 2003.

**Net financial position** was **negative by 400 million Euros**, when compared to 354 million euros at year-end 2003 (393 million Euros at 30 June 2003).

**Employee** numbers at 30 June 2004 stood at 10,882, including 795 temporary workers (at 31 December 2003 employees were 10,746, including 502 temporary workers).

In first half of 2004 the mix of products bettered, business unit *Industrial Market* grew and volumes in business unit *General Market* improved: revenues of this business unit – net of metal prices effects – grew by approx. 6% when compared to first half 2003. Submarine Systems produced second tranche (100km) of extruded and paper insulated cables for Basslink project (longest submarine power link ever realized which will interconnect grids of Australian States of Victoria and Tasmania), and installed first tranche (100km).

#### Telecom Cables and Systems Sector

**Sales** revenues in first half 2004 were **205 million Euros**, down 10.1% when compared to 228 million Euros at 30 June 2003 (-8.5% on an equal basis). It should be mentioned that first half 2003 benefited from the invoicing of two submarine projects for approx. 40 million Euros.

**EBITDA** broke-even (-2 million Euros in first half 2003).

**Operating income** was negative for **15 million Euros** (of which -7 million related to submarine activities), posting an improvement when compared to -21 million Euros in H1 2003.

**Net financial position** was **negative by 305 million Euros**, in line with year-end 2003 figure of 302 million Euros (436 million Euros at 30 June 2003).

**Employee** numbers at 30 June 2004 stood at 2,094, including 99 temporary workers, down 124 units against 31 December 2003 figure.

First six months of 2004 showed already mentioned pressure on optical cables and fiber prices; thanks to broadband connections growth, mainly based on copper, Pirelli access solutions achieved important sales volumes to main Italian telecommunication operators like Telecom Italia and Fastweb. In particular, sales revenues of ADSL gateways to Telecom Italia grew, along with those of gateways with VoIP module to Fasweb, both for fiber and ADSL.

### **The Group's Real Estate operations**

It is worth recalling that Pirelli RE is a management company which manages special purpose vehicles and funds owner of real estate and non performing loans portfolios, investing through minority stakes (asset management and fund management activity) and providing these and other clients with a range of real estate specialist services (service provider activity). Consequently, the **aggregate production value net of acquisitions** and **EBIT including income from equity participations** (pro-quota) are the most significant indicators of the business volume managed by the Group and results at operational level, respectively.

**EBIT including pro-quota income from equity participations** totalled **66 million** Euros, as compared with 53 million Euro in H1 2003, representing **growth** of **24%**.

The consolidated **net profit** was **50 million** Euros, as compared with 40 million Euros attributable to real estate activities in H1 2003, with growth of 25%.

For further information of Real Estate activities, please refer to the press release issued by Pirelli & C. Real Estate today.

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### **Forecasts for the 2004 fiscal year**

Results of first half allow Pirelli to confirm forecasts for a **further increase in results** in all the activity sectors, both at operating and net level, unless extraordinary events currently not forecastable happen. Net financial position will be in line with 2004-2006 targets.

In particular in Industrial Activities, *Energy Cables and Systems* sector should confirm in second half its growth in terms of profitability shown in first half. In *Tyres* sector, the positive trend should keep on, according to seasonality. In Telecom Cables and Systems the pressure on prices of optical cables and fiber should remain, while growth of broadband services on fiber and ADSL should allow for a further increase in sales of access solutions.

As regards the Real Estate sector, on the basis of data currently available it is reasonable to expect a **growth in EBIT including pro-quota income from equity participations**, in line with the targets of the 3-years business plan.

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#### **Events of significance occurred after 30 June 2004**

On 28 July Deutsche Bank AG, London successfully completed the placement to Italian and foreign institutional investors of n. 3,400,000 Pirelli & C. Real Estate SpA ordinary shares – equal to 8.37% of share capital. Demand of Pirelli & C. Real Estate SpA ordinary shares coming from investors largely exceeded offer and that final price of placement was 27.25 Euros per share. Pirelli & C. SpA gross capital gain in consolidated financial statements is more than 56 million Euros. Operation settlement was 3 August 2004.

On 26 August, the transaction regarding Alcatel and Pirelli submarine telecommunication businesses was completed, after having received approval of Italian Antitrust Authorities. As outlined in the agreement, Alcatel has acquired certain Pirelli related assets and obtain intellectual property rights, while Pirelli has taken a 5% shareholding in Alcatel's submarine business, with associated mutual put and call options.

On 9 July, Pirelli & C. bought n. 7,413,341 RCSMediaGroup SpA shares – equal to 1.01% of ordinary share capital - sold by Gemina SpA for a global amount of approximately 33 million Euros. Following this operation, Pirelli & C. has a 2.92% shareholding in RCSMediaGroup SpA, fully syndicated; average book value is now 2.74 Euros per share.

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The Board of Directors approved a plan aimed at both strengthening Group presence in environmental sector and capitalizing on potential synergies deriving from joint activities and management capabilities with Camfin Group in this field.

The plan foresees the integration in one company - named Pirelli & C. Ambiente Holding SpA and controlled by Pirelli & C. - of Pirelli & C. Ambiente SpA (100% controlled by Pirelli & C.) activities in the field of the recovery of energy and of soil remediation, with those of Cam Technologie SpA (controlled by Camfin), which produces Gecam<sup>TM</sup> - Il Gasolio Bianco, a low environment impacting fuel.

The operation is subject to regulatory approval and will be realized conferring above mentioned activities, which were evaluated 6 million Euros for Pirelli & C. Ambiente and 17 million Euros for Cam Technologie net of reserves for approximately 10 million Euros to be distributed to Cam Technologie shareholders before conferring date. These values must be confirmed by a report of an expert appointed by President of Milan Court.

Once completed the operation, Pirelli & C. will buy from other shareholders of Pirelli & C. Ambiente Holding SpA – at a price in line with conferring values – a number of shares in order to control the company. Pirelli & C. was assisted by Merrill Lynch – independent advisor – in studying the operation and for related evaluations.

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### **Conference call**

Financial statements for first half 2004 will be presented on 13 September 2004 at 10:00am (9:00 GMT), during a conference call chaired by Marco Tronchetti Provera, Chairman of Pirelli & C. SpA.

Journalists could hear the conference call - without the opportunity of asking questions – dialing +39 06 33485042.

Presentation will be also available in audio streaming - in real time - on [www.pirelli.com](http://www.pirelli.com), in the Investor Relations section, where slides will be downloadable.

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*Summaries of the financial statements for the period ending 30 June 2004; pro-forma consolidated representation of Pirelli & C. S.p.A.'s balance sheet and income statement at 30/06/2004 assuming full consolidation of Olimpia S.p.A. and the shareholders' equity method valuation of the Telecom Italia S.p.A. equity stake.*

## THE GROUP - PIRELLI &amp; C. Spa

(in millions of euro)

	30/06/2004	30/06/2003	31/12/2003
. Sales	<b>3,573</b>	3,298	6,671
. EBITDA	<b>364</b>	322	628
<i>ratio to sales</i>	<i>10.2%</i>	<i>9.8%</i>	<i>9.4%</i>
. Operating income	<b>190</b>	142	268
<i>ratio to sales</i>	<i>5.3%</i>	<i>4.3%</i>	<i>1.8%</i>
. Income from equity participations	<b>77</b>	(22)	(51)
. Operating income including income from equity participations	<b>267</b>	120	217
. Financial charges/income	<b>(55)</b>	(74)	(134)
. Extraordinary charges/ income	<b>(7)</b>	(2)	(9)
. Tax charges	<b>(74)</b>	(65)	(70)
. Net income	<b>131</b>	(21)	4
<i>ratio to sales</i>	<i>3.7%</i>	<i>n.s.</i>	<i>n.s.</i>
. Net income attributable to Pirelli & C. S.p.A.	<b>112</b>	(36)	(39)
. Net income per common share (in euro)	<b>0.03</b>	(0.01)	(0.01)
. Shareholders' equity	<b>3,685</b>	3,799	3,678
. Shareholders' equity attributable to Pirelli & C. S.p.A..	<b>3,443</b>	3,499	3,429
. Shareholders' equity per share (in euro)	<b>0.99</b>	1.01	0.99
. Net financial position (assets)/liabilities	<b>2,047</b>	1,598	1,745
. Investments in fixed assets	<b>113</b>	119	273
. R&D Spending	<b>106</b>	104	204
. Employees (at end of period)	<b>37,120</b>	36,412	36,337
. N°. of Plants	<b>77</b>	77	77
. Pirelli & C.. S.p.A. ordinary shares (in millions)	<b>3,326.7</b>	3,325.6	3,325.6
. Pirelli & C. S.p.A. savings shares (in. millions)	<b>134.8</b>	134.8	134.8
. Total shares in circulation	<b>3,461.5</b>	3,460.4	3,460.4

**PIRELLI & C. SPA - Parent  
company  
Summary balance sheet**

(in millions of euro)

<b>BALANCE SHEET</b>	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>30.06.2003</b>
Intangible assets	11.3	12.3	14.4
Tangible fixed assets	56.0	56.4	57.0
Financial assets	4,683.9	4,657.7	4,247.1
Net working capital	60.2	196.6	18.4
	<b>4,811.4</b>	<b>4,923.0</b>	<b>4,336.9</b>
Shareholders' equity	3,192.4	3,355.1	3,173.4
Provisions	353.4	354.2	419.7
Net financial position	1,265.6	1,213.7	743.8
	<b>4,811.4</b>	<b>4,923.0</b>	<b>4,336.9</b>

**PIRELLI & C. SPA - Parent company**  
**Summary income statement**

(in millions of euro)

<b>INCOME STATEMENT</b>	<b>First six months 2004</b>	<b>First six months 2003</b>	<b>31.12.2003</b>
Financial charges and income	(25.6)	(27.2)	(46.5)
Dividends and tax credits	1.2	4.4	261.4
Adjustments to carrying amount of financial assets	(19.8)	-	(56.5)
Other income/(costs) for the period	(11.6)	(3.3)	(19.1)
<b>Results of ordinary operations</b>	<b>(55.8)</b>	<b>(26.1)</b>	<b>139.3</b>
Extraordinary income and charges	1.1	(18.3)	(20.6)
Income tax		0.5	19.1
<b>Net income (loss) for the period</b>	<b>(54.7)</b>	<b>(43.9)</b>	<b>137.8</b>

	Pirelli & C. S.p.A. half-year 2004 consolidated financial statements (1)	Pro-forma adjustments				Total pro-forma adjustments	Pirelli & C. S.p.A. half-year 2004 consolidated financial statements pro-forma (2)
		Reversal of Olimpia S.p.A. result owing to Pirelli & C. S.p.A. (50.4%)	Olimpia S.p.A. full	Adjustments in Olimpia balance sheet to take into account evaluation made by Pirelli when attributing surplus	Consolidation adjustments and valuation of the Telecom Italia S.p.A. equity stake using the shareholders' equity method		
<i>(million Euros)</i>							
<b>Statement of Income summary</b>							
Sales	3.573	-	-	-	-	-	3.573
Operating Income	190	-	0	-	-	-	190
Charges/Income Investments / Adj. value of long-term investments	(55)	(53)	106	-	(53)	-	(55)
Extraordinary (Charges)/Income	(7)	-	0	-	-	-	(7)
Taxes	(74)	-	-	-	-	-	(74)
Net income	131	(53)	106	-	(53)	-	131
Net income after minorities	112	(53)	53	-	(27)	(27)	85
Effect of write-downs for goodwill	1			-	169	169	170
Net income excluding write-downs for goodwill	132	(53)	106	-	116	169	301
Net income after minorities excluding write-downs for goodwill	113	(53)	53	-	58	58	171
<b>Reclassified balance sheet</b>							
Fixed assets	6.059	(53)	9.561	(1.245)	(5.479)	2.784	8.843
Working capital	688	-	39	-	-	39	727
Total net invested capital	6.747	(53)	9.600	(1.245)	(5.479)	2.823	9.570
Funded by:							
Shareholders' equity	3.685	(53)	6.430	(1.245)	(5.479)	(347)	3.338
- of which shareholders' equity after minorities	3.443	(53)	3.241	(627)	(4.024)	(1.463)	1.980
Reserves	1.015	-	-	-	-	-	1.015
Net financial position (assets)/liabilities	2.047	-	3.170	-	-	3.170	5.217

(1) Pirelli & C. S.p.A. consolidated accounts (equity investment in Olimpia S.p.A. valued using shareholders' equity method)

(2) Pro-forma data (full consolidation of Olimpia S.p.A. and shareholders' equity method valuation of Telecom Italia equity stake)

<i>(million Euros)</i>	<b>Shareholders' equity</b>		<b>Net Debt</b>		<b>Net debt/shareholders' equity</b>		<b>Company shareholders' equity</b>	
	<b>30/06/2004</b>	<b>31/12/2003</b>	<b>30/06/2004</b>	<b>31/12/2003</b>	<b>30/06/2004</b>	<b>31/12/2003</b>	<b>30/06/2004</b>	<b>31/12/2003</b>
Pirelli & C. SpA Group: consolidated data	3,685	3,678	2,047	1,745	0.56	0.47	3,443	3,429
Pirelli & C. SpA Group: pro-forma consolidated data incl. Olimpia S.p.A. wholly consolidated and valued using the shareholders' equity method for the equity investment in Telecom Italia S.p.A.	3,338	3,524	5,217	5,023	1.56	1.43	1,980	2,089
Pirelli & C. SpA Group: pro-forma consolidated data incl. Olimpia S.p.A. and the Telecom Italia group wholly consolidated	20,319	22,362	38,434	38,369	1.89	1.72	1,980	2,089

(in millions of euro)

	Aggregate industrial results		Pirelli & C. Real Estate		Other		TOTAL	
	30/06/2004	30/06/2003	30/06/2004	30/06/2003	30/06/2004	30/06/2003	30/06/2004	30/06/2003
. Sales	<b>3,299</b>	3,049	<b>291</b>	281	<b>(17)</b>	(32)	<b>3,573</b>	3,298
. EBITDA	<b>338</b>	287	<b>37</b>	37	<b>(11)</b>	(2)	<b>364</b>	322
<i>ratio to sales</i>	<i>10.2%</i>	<i>9.4%</i>		<i>13.2%</i>			<i>10.2%</i>	<i>9.8%</i>
. Operating income	<b>193</b>	135	<b>26</b>	29	<b>(29)</b> *	(22)	<b>190</b>	142
<i>ratio to sales</i>	<i>5.9%</i>	<i>4.4%</i>		<i>10.3%</i>			<i>5.3%</i>	<i>4.3%</i>
. Income from equity holdings	-	(1)	<b>40</b>	24	<b>37</b> **	(45)	<b>77</b>	(22)
. Operating income including equity income	<b>193</b>	134	<b>66</b>	53	<b>8</b>	(67)	<b>267</b>	120
. Financial charges/ income	<b>(40)</b>	(49)	<b>2</b>	0	<b>(17)</b>	(25)	<b>(55)</b>	(74)
. Extraordinary charges/ income	<b>(2)</b>	18	<b>(5)</b>	0		(20)	<b>(7)</b>	(2)
. Tax charges	<b>(66)</b>	(48)	<b>(13)</b>	(13)	<b>5</b>	(4)	<b>(74)</b>	(65)
. Net income	<b>85</b>	55	<b>50</b>	40	<b>(4)</b>	(116)	<b>131</b>	(21)
<i>ratio to sales</i>	<i>2.6%</i>	<i>1.8%</i>		<i>14.2%</i>			<i>3.7%</i>	<i>n.s.</i>
. Net financial position (assets)/liabilities	<b>1,080</b>	1,399	<b>44</b>	71	<b>923</b>	128	<b>2,047</b>	1,598

\* of which goodwill amortization on acquisition of Pirelli Spa shares euros 13 million (euros 13 million in first half-year 2003)

\*\* equity valuation of Olimpia S.p.A. euros 52 million (euros -45 million in first half-year 2003)

(in millions of euro)

	Energy Cables and Systems		Telecom Cables and Systems		Tyres		INDUSTR. AGGR.	
	30/06/2004	30/06/2003	30/06/2004	30/06/2003	30/06/2004	30/06/2003	30/06/2004	30/06/2003
. Sales	<b>1,448</b>	1,312	<b>205</b>	228	<b>1,646</b>	1,509	<b>3,299</b>	3,049
. EBITDA	<b>94</b>	70		(2)	<b>244</b>	219	<b>338</b>	287
<i>ratio to sales</i>	<i>6.5%</i>	<i>5.3%</i>		<i>n.m.</i>	<i>14.8%</i>	<i>14.5%</i>	<i>10.2%</i>	<i>9.4%</i>
. Operating income	<b>54</b>	27	<b>(15)</b>	(21)	<b>154</b>	129	<b>193</b>	135
<i>ratio to sales</i>	<i>3.7%</i>	<i>2.1%</i>		<i>n.m.</i>	<i>9.4%</i>	<i>8.5%</i>	<i>5.9%</i>	<i>4.4%</i>
. Income from equity holdings		(1)		-				(1)
. Operating income including equity income	<b>54</b>	26	<b>(15)</b>	(21)	<b>154</b>	129	<b>193</b>	134
. Financial charges/ income	<b>(15)</b>	(15)	<b>(6)</b>	(9)	<b>(19)</b>	(25)	<b>(40)</b>	(49)
. Extraordinary charges/ income	<b>(1)</b>	7	<b>(1)</b>	1		10	<b>(2)</b>	18
. Tax charges	<b>(14)</b>	(9)	<b>(1)</b>	0	<b>(51)</b>	(39)	<b>(66)</b>	(48)
. Net income	<b>24</b>	9	<b>(23)</b>	(29)	<b>84</b>	75	<b>85</b>	55
<i>ratio to sales</i>	<i>1.7%</i>	<i>0.7%</i>		<i>n.m.</i>	<i>5.1%</i>	<i>5.0%</i>	<i>2.6%</i>	<i>1.8%</i>
. Net financial position (assets)/liabilities	<b>400</b>	393	<b>305</b>	436	<b>375</b>	570	<b>1,080</b>	1,399