

Pirelli & C. SapA: consolidated financial statements for the first quarter of 2001.

The Board of Managing Partners of Pirelli & C. met today to examine the consolidated results of the Pirelli & C. Group as at March 31st, 2001. They also considered the outlook up to the end of the year.

Sales totalled € 1,966 million with an increase of 7.7% compared to the same period the previous year. This growth stems mainly from increased volumes (+5.6%) and price variations (+1.5%).

Gross operating profit stood at € 237 million (12.1% of sales) an increase compared to the figure of € 215 million (11.8% of sales) for the corresponding period of the previous year. This improvement was positively due to operational growth factors and the supply agreement with Cisco Systems (worth € 26 million), this being offset by the effect of the deconsolidation of Unim (€ -14 million).

The **operating result**, with an increase of approximately 30%, grew from € 104 million (5.7% of sales) in the first quarter of 2000 to € 135 million (6.9% of sales).

Financial income/charges recorded a positive result of € 9 million as against the negative figure of € 32 million over the same period in 2000. The improvement mainly reflects the average net financial position, which moved from a negative balance to a positive position following the well-known extraordinary operations carried out last year.

The **result before extraordinary operations and taxation** doubled to € 144 million, as compared with € 72 million for the first quarter of 2000.

The **net result** was € 137 million and cannot be compared with the figures for the previous year, which was significantly influenced by the capital gains arising from extraordinary operations.

The **net result for the period of Pirelli & C. SapA** was € 41 million.

As regards the **outlook for the year as a whole** for the Pirelli & C. Group, on the basis of the results achieved to date, albeit against the backdrop of a deteriorating economic-financial situation, we foresee the achievement of operating and net results (not taking into account the extraordinary items of the previous year) at least in line with those of the year 2000.

In details, the overall performance of the operational activities of the main subsidiaries of the company over the first 3 months of the year may be summed up as follows:

Pirelli SpA Group:

Please refer to the press release issued by the Company on May 8th, 2001.

Pirelli & C. Real Estate SpA:

As regards real estate activities - which fall under the aegis of the subsidiary Pirelli & C. Real Estate S.p.A. - the first quarter was marked by the launch of activities arising from the new post-Unim organisational company framework and also by the constitution in London of Pirelli & C. Real Estate Ltd., the international property holding of the Group, wholly owned by Pirelli & C.

Consolidated **revenues** on March 31st, 2001 stood at € 74.0 million, as compared with € 80.2 million in the first quarter of 2000. All things being equal, the 2001 figures compare favourably with the figure of € 47.1 million for the same period the previous year (+57%), being the consolidation of Unim € 33.1 million in the first quarter of 2000. Within the current organisational company framework the Unim portfolio has been split into "dedicated" operational companies and has been marked by the acquisition by Pirelli & C. Real Estate SpA.

of significant minority stakes in said companies, while maintaining control of their management.

The **operating result** was € 10.7 million as compared with € 15.5 million in 2000. In real terms the result for 2001 may be compared with € 10.9 million in the first quarter of 2000, with the impact of the Unim operation amounting to € 4.6 million.

The **net result** in the first quarter of 2001 was € 2.5 million, as compared with a loss of € 19.3 million the previous year, the latter arising from the extraordinary effects of the "Unim" operation.

The **net financial position**, net of financing related to a previously placed operation for which a contract attributable to project financing was stipulated, was € 424.4 million, as compared with € 364.4 million on December 31st, 2000 and with € 2,444 million on March 31st, 2000. The decrease in net indebtedness carried out last year stems from the split of the Unim portfolio into "dedicated" operational companies, as above mentioned.

As regards **key events following the end of the first quarter**, there has been the execution of a resolution for an increase in the Share Capital of Pirelli & C. Real Estate SpA. of € 1.3 million, as well € 28.9 million for share premiums. The shares, underwritten and paid up by the subsidiary Pirelli & C. SapA have been offered with an option to sell to employees.

As regards the **outlook for the year as a whole** of Pirelli & C. Real Estate SpA, we foresee, not least because of the gradual accrual of benefits arising from the completion of the reorganisation of the company's portfolios, the achievement of better operating and net results (not taking into account extraordinary items in 2000) than those achieved in the previous year.

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The consolidated results of the Pirelli & C. Group as at March 31st, 2001 may be summed up [as follows \(PDF\)](#)

The consolidated results of the Pirelli & C. Group as at March 31st, 2001 may be summed up as follows:

(in millions of Euro)

	31/03/2001	31/03/2000	31/12/2000
Sales	1,966	1,826	7,697
Gross operating margin	237	215	850
<i>% on sales</i>	12.1%	11.8%	11.0%
Operating result	135	104	432
<i>% on sales</i>	6.9%	5.7%	5.6%
Financial income/charges	9	(32)	(120)
Result before extraordinary operations and taxation	144	72	312
<i>% on sales</i>	7.3%	3.9%	4.1%
Extraordinary income/charges	69	1,193	4,521
Result before taxation	213	1,265	4,833
<i>% on sales</i>	10.8%	<i>n.s.</i>	<i>n.s.</i>
Fiscal charges	(76)	(338)	(1,074)
Net result	137	927	3,759
<i>% on sales</i>	7.0%	<i>n.s.</i>	<i>n.s.</i>
Net result attributable to Pirelli & C.	41	290	1,405
Net result attributable to Pirelli & C. per share (Euro)	0.07	0.48	2.28
Net financial position (profit)/loss	(2,425)	2,532	(2,635)
Number of employees (at end of period)	41,918	40,958	42,509