

Pirelli & C. ApA: consolidated financial statements for the first half of 2001

Milan, September 11th, 2001 - The Board of Managing Directors of Pirelli & C. met today and approved the financial statements for the six months ended June 30th, 2001, of the Pirelli & C. Group and of the Parent Company.

The balance sheet recorded a consolidated net result before extraordinary income, charges and taxation up by more than 73% and equal to €272 million, as compared with €157 million on June 30th, 2000.

Extraordinary income and charges as at June 30th of the previous year essentially reflected capital gains arising from the sale to Cisco Systems of activities related to Terrestrial Optical Systems and the greater part of the non-recurring effects associated with the acquisition of Unim by Pirelli & C. Real Estate, and equalled €1,367 million as against €55 million for the current half.

This extraordinary activity had a marked effect on the comparison between the respective net consolidated results: €188 million as at June 30th, 2001 (after extraordinary net revenues of €55 million and tax charges of €139 million as against €1,091 million on June 30th, 2000 (after extraordinary net revenues of €1,367 million and tax charges of €433 million). The share of consolidated profit for the period of Pirelli & C. totalled €57 million (€447 million on June 30th, 2000), including €69 million attributable to the Industrial Group (Pirelli SpA) and €12 million attributable to the real estate group (21%).

Sales grew by 9% compared to the figure for the first half of the previous year, rising from €3,718 million to €4,051 million, thanks to increases in volumes (+6.3%), in prices (+1.9%) and in mix and other miscellaneous (+1,7%), this being offset by an exchange rate effect of -0.9%.

Gross operating profit stood at €456 million (equal to 11.3 % on sales) as compared with €428 million for the first half of 2000 (11.5% on sales). The improvement stemmed not only from an ongoing efficiency drive, but also from the supply agreement with Cisco Systems, worth €59 million (€26 million in the first half of 2000).

The operating result totalled €250 million, equal to 6.2% on sales, as opposed to €221 million (5.9% on sales) for the first half of 2000. The result of €250 million reflected the performance of the industrial sector (Pirelli S.p.A. Group) for a value of €243 million and the real estate sector (Pirelli & C. Real Estate Group) for a value of €28 million (11%).

The net financial position was positive at €1,397 million, as against the figure of €2,635 million on December 31st, 2000. The variation reflects the distribution of profits in 2000 for a value of €319 million, and €634 million paid in taxes, which had been forecast and allocated last year; the remaining part is mainly due to the seasonal deterioration of working capital (€134 million) and the payment of €101 million for manufacturing optimisation programmes, already allocated in the 2000 balance sheet.

Net assets fell by €74 million from €5,844 million on December 31st, 2000 to €5,770 million. Net attributable assets for the period fell from €2,171 million on December 31st, 2000 to €2,094 million and Net attributable assets for the period per share from €3.52 on December 31st, 2000 to €3.35.

Investments in assets totalled €312 million as compared with €242 million in the first half of 2000. The ratio investments/depreciation was 1.89 (1.42 in the first half of 2000).

The financial performance of the Group compared with the previous year is bound to feel the impact of a series of factors: the major downturn in the US economy; the failure of the European economy to take off and - above all - the intensification of the crisis afflicting the telecommunications cables sector.

Nonetheless, and despite a foreseeable downturn in the operating result, the result before extraordinary items, taxation and the effects of the Olivetti operation (estimated at a value of approximately 60 million Euro) may well be in line with the figures for the year 2000.

The Board of Managing Partners nominated Carlo Alessandro Puri Negri as General Manager.

The performance of the main controlled or affiliated companies may be summed up as follows:

Pirelli SpA Group

Please refer to the communication issued by the Company on September 10th, 2001.

Pirelli & C. Real Estate SpA

.This company of the Pirelli & C. Group operates both in Property Asset Management (Residential and Commercial), providing strategic management services and participating with significant minority stakes in the risk capital of the projects undertaken, in both Specialist Services (Residential and Commercial Estate Agents, Project Management, Urban Development Promotion and Property and Facility Management) for these projects and directly on behalf of third-party customers.

The half year period was marked by the completion of the corporate and organisational restructuring of the company that followed on from the acquisitions made between 1999 and 2000 (Unim; real estate assets of Compart, Parnasi, RCS and Risanamento Napoli; acquisition of the services operations of Unim and Risanamento Napoli; Regus Italia and Agied). These acquisitions led to a considerable increase in volumes over the period in the areas of both Asset Management and Specialist Services.

As regards the general economic-financial performance for the first half, when drawing comparisons with the same period of 2000 it is important to bear in mind that the first half of the previous year was marked by the wholesale integration of Unim (up to May 15th). In the current corporate and organisational structure, the Unim portfolio has been broken down into "dedicated" companies, in which Pirelli & C. Real Estate has maintained significant minority stakes, along with the management and service activities which have been channelled into the affiliated Specialist Services companies of the Group.

Consolidated sales revenues on 30/6/2001 stood at approximately €184 million, as compared with €153 million in the first half of 2000. In like for like terms, the 2001 figure compares to €103 million (+78%) for the same period the previous year, taking into account the effect of the consolidation of Unim in the first half of 2000, for a value of € 50 million.

The operating result was equal to approximately €28 million, as compared with €25 million last year. In like for like terms the 2001 figure compares with €20 million in the first half of 2000, the "Unim" effect having been equal to €5 million.

The net result for the first half of 2001 was equal to €13 million, as compared with a profit of €135 million in the first six months of 2000, and marked by the extraordinary effects of the Unim operation. Excluding the latter, the 2001 figure compares with a net profit in 2000 of €10 million, representing growth of roughly 30%.

The net financial position, net of financing related to a previously placed operation for which a contract attributable to project financing was stipulated, totalled approximately €228 million, as compared to €364 million on 31/12/2000 and €301 million on 30/6/2000. The above-mentioned net financial position includes the debt guaranteed by the securities portfolio (which was the object of an equity swap), equal to approximately €329 million.

Net assets for the period totalled approximately €117 million, as compared with €74 million on 31/12/2000 and €157 million on 30/06/2000. The fall compared to 30/06/2000 stems

essentially from the payment of dividends worth approximately €100 million, compensated by an increase in share capital of approximately €30 million and by the result for the period, equal to approximately €30 million.

The total number of employees was 554, as compared with 465 on 30/06/2000 and 496 on 31/12/2000.

On June 30th, 2001 Pirelli & C. Real Estate closed its civilistic balance sheet for 1/07/2000-30/06/2001 with a net profit of €241 million, as against €106 million for the corresponding period from 1.1.2000-30.6.2000.

The result of €241 million reflected the completion of the process of corporate reorganisation of the group, which was concluded with the attribution to the Real Estate Participations affiliate of the company's "Financial Participations Management" branch of activity, which has the scope of developing the management of investments in activities and initiatives that do not belong to the core business. The operation generated net capital gains of €211 million.

In August, the Fininvest group accepted the offer made by Aedes and Pirelli & C. Real Estate SpA to take over the real estate assets and the Services companies of the Edilnord 2000 group. This agreement features the acquisition of a complex of buildable land areas, of the property portfolio earmarked for residential development and of the three services companies, Servizi Edilnord Progetti, Edilnord Gestioni and Servizi Immobili Edilnord; in the latter three companies Pirelli & C. Real Estate will have a 70% stake and Aedes will hold 30%, whereas in the companies owning the real estate assets and the land areas Aedes will have an initial stake of 70% and Pirelli & C. Real Estate will detain a significant minority share of 30%. While Pirelli & C. Real Estate's share will remain stable, the buyers intend to invite other investors to join the initiative. The closing is planned by the end of March 2002.

The Pirelli & C. Real Estate Group have signed an agreement to take up a significant minority share in a vehicle that has bought non-performing credits on real estate worth approximately €17 million; this vehicle will be supplied with asset management and credit servicing services.

As regards the outlook for the year as a whole, improved operating and net results are forecast compared to the previous year, this also reflecting the gradual increase in the benefits accruing from the completion of the portfolio restructuring (without accounting for extraordinary items in 2000).

Pirelli & C. Ambiente SpA

The net result of the company for the first half as at June 30th, 2001 was positive, standing at €0.2 million, against a profit of € 0.1 million in the first half of 2000. The first six months of 2001 witnessed the completion of the sale of the co-generation business, with the disposal of the stake in Pirelli Energie Deutschland A.G. for €1.6 million and with pre-tax capital gains of €0.5 million. The company therefore focused its activities on projects in the field of energy generation from waste.

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On July 31st, 2001, as part of the agreements signed on March 24th, 1998 between Pirelli & C. and the BZ Group Holding Limited (subsequently renewed on March 23rd, 2001), BZ exercises its first sale option related to the 2.5% of ordinary shares in Pirelli S.p.A. . As a result, Pirelli & C. acquired 47,933,279 ordinary shares at a price of €3.53218 per share, equal to the average of the stock market quotations for the share over the ninety sessions preceding the date of exercise. In addition, Pirelli & C. bought on the market 10,000,000 ordinary shares in Pirelli S.p.A. at a cost of €30 million. Further to these operations Pirelli & C. possesses, directly or indirectly through Pirelli & C. Luxembourg S.A., 36.48% of the voting capital (35.30% of the entire capital) of Pirelli S.p.A.

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Pirelli & C., the Parent Company, closed the first half with a net result of €29 million, as compared to €42 million for the first six months of 2000 and €260 million for the whole period of 2000. These variations are exclusively due to changes in the criteria for accounting for dividends, which - as was highlighted in the annual balance sheet report for 2000 - changed from the cash principle to the accrual basis; this change meant the entry of higher dividends in the 2000 balance sheet, for a value of € 213million, whereas the first half of 2000 included dividends recorded as cash on hand for a value of €27 million.
Before extraordinary items of income the operating result of the company improved.

The consolidated balance sheet of the Group as at June30th, 2001 may be summarised as follows: (file .pdf):

The consolidated balance sheet of Pirelli & C. Real Estate as at June 30th, 2001 may be summarised as follows: (file .pdf):

(in milioni di euro)

	30/06/2001	30/06/2000	31/12/2000
Vendite	4.051	3.718	7.697
Margine operativo lordo	456	428	850
<i>% su vendite</i>	11,3%	11,5%	11,0%
Risultato operativo	250	221	432
<i>% su vendite</i>	6,2%	5,9%	5,6%
Oneri/proventi finanziari	22	(64)	(120)
Risultato prima delle operazioni straordinarie e delle imposte	272	157	312
<i>% su vendite</i>	6,7%	4,2%	4,1%
Oneri/proventi straordinari	55	1.367	4.521
Risultato prima delle imposte	327	1.524	4.833
<i>% su vendite</i>	8,1%	n.s.	n.s.
Oneri fiscali	(139)	(433)	(1.074)
Risultato netto	188	1.091	3.759
<i>% su vendite</i>	4,6%	n.s.	n.s.
Risultato netto di pertinenza di Pirelli & C.	57	447	1.405
Risultato netto di pertinenza di Pirelli & C. per azione (euro)	0,09	0,75	2,28
Patrimonio netto	5.770	3.230	5.844
Patrimonio netto di pertinenza di Pirelli & C.	2.094	1.209	2.171
Patrimonio netto di pertinenza di Pirelli & C. per azione (euro)	3,35	2,02	3,52
Posizione finanziaria netta (attiva)/passiva	(1.397)	587	(2.635)

LA SOCIETA' CAPOGRUPPO PIRELLI & C.

DATI DI SINTESI

(in migliaia di euro)

DATI PATRIMONIALI	30 giu. 2001	31 dic. 2000	30 giu. 2000
Immobilizzazioni materiali e immateriali	2.730	3.506	4.339
Immobilizzazioni finanziarie			
Partecipazioni	573.083	482.571	420.015
Altri titoli	19.109	19.109	19.109
Azioni proprie	4.678	4.678	4.678
Crediti finanziari	756.883	777.318	881.675
Altre attività finanziarie che non costituiscono immobilizzazioni	8.279	8.396	8.364
Altre attività	64.874	176.224	44.199
	1.429.636	1.471.802	1.382.379
Patrimonio netto	1.073.948	1.155.147	893.114
Fondi	13.064	7.372	5.574
Debiti finanziari	314.865	265.334	448.634
Altre passività	27.759	43.949	35.057
	1.429.636	1.471.802	1.382.379

DATI ECONOMICI

	1° sem. 2001	1° sem. 2000	Anno 2000
Proventi e oneri finanziari	14.171	10.440	23.575
Dividendi e crediti d'imposta	36.080	2.075	284.802
Plusvalenze da cessione titoli	163	44	54
Rettifiche di valore delle attività finanziarie	-	-	(4.656)
Ammortamenti	(865)	(850)	(1.701)
Altri proventi/oneri della gestione	(4.082)	(3.105)	(5.979)
Risultato delle attività ordinarie prima delle imposte	45.467	8.604	296.095
Proventi ed oneri straordinari	152	51.827	56.784
Imposte sul reddito	(16.869)	(18.632)	(93.204)
Risultato del periodo	28.750	41.799	259.675

Dati Economici

(valori in milioni di Euro)	1°Sem. 2001	1° sem 2000
Valore della produzione	184	153
Risultato operativo	28	25
Oneri/proventi finanziari e da partecipazioni	(10)	(33)
Risultato prima di partite straord.e imposte	18	(8)
Oneri/proventi straordinari	2	177
Risultato prima delle imposte	20	169
Oneri fiscali	(7)	(34)
Risultato netto	13	135
Risultato netto di competenza	13	135

Dati Patrimoniali

(valori in milioni di Euro)	30/06/2001	30/06/2000	31/12/2000
Immobilizzazioni	154	238	168
Capitale circolante netto	250	269	324
-di cui rimanenze	360	309	308
<i>% da collocare</i>	38%	54%	49%
Capitale netto investito	404	507	492
Posizione finanziaria netta	228	301	364
Flusso di cassa netto	136	(223)	(286)
Patrimonio netto di competenza	117	157	74

Altri Dati

N° dipendenti (escluso personale ausiliario)	554	465	496
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