

## **Group's consolidates financial statements at March 31, 2000**

*Milan, May 8, 2000* - The Board of Directors of Pirelli SpA, which met today before the Annual Shareholder's Meeting, examined and approved the Group's consolidated financial statements at March 31, 2000

**Sales revenues**, equal to Euro 1,762 million, show an increase of 17.8% compared to Euro 1,496 million in the same period of the previous year. This increase is mainly attributable to higher sales volumes (+11.3%), to a positive exchange rate (+6.9%), to the consolidation of the units acquired during the last year (+2%) and to the opposed effect of the deconsolidation of Terrestrial Optical Systems (-4.8%), sold to Cisco Systems according to the terms of the strategic alliance previously announced.

In the Cables and Systems Sector, sales show an increase of 22.1%, from Euro 863 million to Euro 1,054 million. Noteworthy the particularly positive trend of the telecom business in North America, and the growth in the energy business.

The Tyre Sector shows a sales increase of 22.1%, from Euro 632 million to Euro 707 million, with a volume growth of 5% in the Car segment, of 31% in Light Truck, of 19% in Truck and of 15% in Motorcycle.

The **gross operating profit**, increased to Euro 191 million (10.8% of sales), from Euro 159 million (10.6% of sales) in the first quarter of 1999.

The **operating profit** including financial costs and provisions for taxes, improves from Euro 77 million in the first quarter of 1999 (5.2% of sales) to Euro 97 million (5.5% of sales), mainly due to volume increase.

**Net financial position** is positive for Euro 417 million compared to a net debt of Euro 1,017 at december 31, 1999, due to the net effect of extraordinary operations (the above mentioned sale of Terrestrial Optical Systems to Cisco Systems, and the acquisition of Draka's cable activities in Finland and Netherland).

With regard to the **forecast for the full year**, the net income is expected to show an improvement from the previous year, to which positive extraordinary items will be added deriving from the Cisco operation (Euro 1,131 million, considering the related costs) and ongoing restructuring and productive rationalisation measures, as announced last March (direct and indirect restructuring costs of approx. Euro 250 million).