

## **Pirelli SpA: Consolidated Financial Statements at March 31, 2001**

*Milan, May 8, 2001* - 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, 2001.

The **Group's performance** in the first quarter 2001 shows an improvement in all aspects of ordinary operating activities, despite the warning signs of an economic slow down.

The **operating profit** shows an increase of 38% reaching € 134 million compared to € 97 million in the same period of the previous year, and profit before **extraordinary items and taxes** shows an increase of 79%, reaching € 154 million compared to € 86 million in the first quarter 2000.

**Consolidated sales revenues** at € 1.933 million have risen 9.7% compared to the same period previous year. This variation is due to volumes and mix (+ 8%) as well as prices (+1.5%). In particular, the sales revenues of the **Cables and Systems Sector** have increased 14.7%, rising from € 1,054 million to € 1,209 million, thanks to the contribution of the former BICC and NKF energy activities acquired in 2000 which were not present in the accounts same period last year, as well as to the bigger sales volumes of optical cables. The rise is in fact attributable to the change in the area of consolidation (+ 0.9%), as well as to the favourable trend in volumes (+6.8%), prices (+3%), mix and others (+4.0%). The previously announced project to hive-off Energy and Telecom activities from the Cables and Systems Sector is therefore proceeding as planned. **Tyre Sector sales revenues** have increased 3% (rising from € 707 million to € 729 million) mainly due to the favourable trend of volumes (+3.7%) and mix (+1.2%), as well as to a slight fall in prices (- 0.6%) and the exchange rate effect (-1.3%).

The Group's **gross operating profit**, equal to € 228 million (11.8% of sales), has increased compared to the € 191 million (10.8% of sales) recorded in the first quarter of 2000. In addition to operating growth factors, the supply agreement with Cisco Systems also contributed to this improvement to an extent of € 26 million.

The **operating profit**, as mentioned above, amounts to € 134 million with a return on sales of 6.9% compared to the € 97 million (5.5% of sales) for the same period in 2000. In particular, the operating profit of the **Cables and Systems Sector** amounts to € 90 million (7.4% of sales), € 26 million of which related to the Cisco Systems supply agreement, compared to € 52 million for the

first quarter of 2000 (4.9% of sales); **Tyre Sector's** operating profit amounts to € 57 million (7.8% of sales), compared to the € 54 million (7.6% of sales) recorded in the same period previous year.

**Depreciation** at € 94 million has remained stable.

**Financial income/charges** show a positive balance of € 20 million compared to the negative balance of € 11 million previous year same period. The increase is mainly due to the Group's better average net financial position.

As already said **profit before extraordinary items and taxes** amounts to € 154 million (8% of sales) compared to € 86 million for the first quarter of 2000 (4.9% of sales).

**Extraordinary income and charges**, equal to € 65 million, primarily comprise a gain before tax of € 30 million as a result of the disposal by Pirelli S.p.A. on the market of n°. 32.023.550 treasury shares for net proceeds of € 124 million, as well as € 36 million received from Cisco Systems within the framework of the sale to Cisco of the Terrestrial Optical Systems activities. The first quarter of 2000 showed extraordinary income of € 1,198 million which comprised the gain, before tax, resulting from the sale of Terrestrial Optical Systems to Cisco Systems, as well as restructuring charges.

The **net financial position** at 31 March 2001 is positive to an extent of € 3,318 million compared to € 3,495 million at 31 December 2000. The variation is mainly due to seasonal factors which have caused the working capital to rise.

The Group's **employees** were 41,330 in number at 31 March 2001 compared to 41,914 at 31 December 2000. The reduction by 584 is the result of the difference between the 1,778 who have joined and the 2,362 people who have left the Group.

As regards the **prospects for the current year**, given performance to date and despite a worsening economic scenario, the Group expects to achieve a profit, at operating and net level (last year's extraordinary items excluded), at least in line with the year 2000.

€Million

	<b>31/03/2001</b>	<b>31/03/2000</b>	<b>31/12/2000</b>
. Sales	<b>1.933</b>	1.762	7.477
. Gross operating profit (E.B.I.T.D.A.)	<b>228</b>	191	820
% on sales	<b>11,8%</b>	10,8 %	11,0 %
. Operating profit	<b>134</b>	97	437

(E.B.I.T.)			
% on sales	<b>6,9%</b>	5,5 %	5,9 %
. financial income / (expenses)	<b>20</b>	(11)	(75)
. Earnings before taxes and extraordinaries	<b>154</b>	86	362
% on sales	<b>8,0 %</b>	4,9%	4,8 %
. Extraordinary items	<b>65</b>	1.198	4.277
. Earnings before taxes(E.B.T.)	<b>219</b>	1.284	4.639
% on sales	<b>11,3 %</b>	n.s.	n.s.
. Taxes	<b>(71)</b>	(338)	(1.013)
. Net result	<b>148</b>	946	3.626
% on sales	<b>7,7 %</b>	n.s.	n.s.
. (Net cash)/ debt	<b>(3.318)</b>	(417)	(3.495)
. Employee at 31/3/2001	<b>41.330</b>	40.472	41.914
. N° of Factories	<b>87</b>	87	87