

Pirelli SpA Consolidated Results at September 30, 2000

Milan, 7 November 2000 - The Board of Directors of Pirelli SpA has today examined the Group's consolidated financial statements at September 30, 2000.

The first nine months of the year have been characterised by an essentially unchanged competitive scenario if compared with 1999, with tensions on raw materials prices. The good volumes trend, together with on-going actions to reduce costs and improve production activity, allowed a significant increase in results in comparison with the previous year. If compared with the first half of this year, the third quarter shows a considerably high acceleration of the growth in profitability.

The results for the first nine months can be summarised as follows:

Consolidated sales revenues, equal to Euro 5,430 million, show an increase of 14.9% compared to the same period of the previous year. In the first quarter only, sales amounted to Euro 1,832 million with an increase of 19.4% compared to the same period of 1999.

The gross operating profit, with an increase of approx. 28%, rises from Euro 489 million (10.4% of sales) to Euro 626 million (11.5% of sales). In addition to the growth and efficiency operative factors, to this improvement of Euro 137 million in the first nine months has also contributed to an extent of Euro 56 million (of which Euro 28 million in the third quarter) the contract with Cisco for the supply of optical components. According to the strategic alliance signed at the end of 1999, the supply to Cisco will continue until its biennial expiration.

The operating profit, before financial costs and provisions for taxes, shows an even bigger increase, equal to 46.7%, rising from Euro 231 million (4.9% of sales) in the nine months of 1999 to Euro 339 million (6.2% of sales). This improvement is even more noteworthy if we consider that it has been influenced by a depreciation of Euro 29 million (of which Euro 13 million due to the acquired companies). In particular, the operating profit of the third quarter has risen from Euro 54 million in 1999 to Euro 126 million.

In further details:

- the Cables and Systems Sector shows progressive sales equal to Euro 3,276 million with an increase of 16.8% compared to the first nine months of 1999; a progressive operating profit of Euro 217 million, with an increase of approx. 84% and a return on sales of 6.6% (compared to 4.2% in the same period of 1999). The "supply agreement" with Cisco has also contributed with Euro 56 million to this improvement; but even without this effect, the profitability on sales (4.9%) shows a progress if compared with the previous periods.

In the third quarter of 2000 only, sales amount to Euro 1,105 million with an increase of 21.2% compared to the same period of 1999. The operating

profit, rising from Euro 19 million to Euro 93 million, shows a return on sales of 8.4% (5.9% without considering the Cisco effect) compared to 2.1% in the third quarter of 1999.

- In the first nine months of the year, the sales of the Tyre Sector - compared to the same period of 1999 - reached Euro 2,155 million with an increase of 12.4%, showing an improvement of 3.5% of the operating profit in terms of absolute value, with a return on sales of 6.8% (7.4% in 1999).

In the third quarter of 2000 only, sales amount to Euro 730 million, with an increase of 17.6% compared to same period of 1999, with an operating profit of Euro 39 million (5.3% on sales) compared to Euro 42 million (6.8% on sales) in the same period of 1999; this results have been influenced by the erosion of selling prices and the increase of raw material costs.

The Net financial position is positive to an extent of Euro 111 million compared to Euro 296 million at June 30, 2000 and to a net debt of Euro 1,017 at December 31, 1999. The variation in the last quarter is largely due to the effect of the BICC acquisition.

With regard to the forecast for the full year, the operating profit is expected to continue keep up with the positive trend to date. In addition to this, extraordinary items are expected from the CISCO operation and from the ongoing production restructuring and rationalisation measures as well as from the Corning operation, the closing of which is expected before the end of the year as already announced.

Finally the Board of Directors of Pirelli S.p.A., availing themselves of the powers conferred on them by the Shareholders at the Annual General Meeting at the time, resolved to increase the share capital up to a maximum of Euro 1,051,618,718.28 through the issue of a maximum of n. 32,106,200 shares having a par value of Euro 0,52 each which will go to serve three stock option plans restricted to around 750 Group executives and cadres.