

# **Pirelli & C. - Milan**

**SIX MONTHS INTERIM REPORT**

**AT JUNE 30, 2001**

**PIRELLI & C. Accomandita per Azioni**

Head office in Milan, Via G. Negri 10

Share capital - Euros 325,363,010.96 fully paid-in

Milan Companies Register No. 00860340157

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## COMMENTS ON OPERATIONS

### Financial review

The **consolidated income before extraordinary items and income taxes** for the six months ended June 30, 2001 is Euros 272 million, compared to Euros 157 million for the six months ended June 30, 2000 (+73.2 percent).

**Extraordinary items** for the first six months of the prior year mainly comprised the gain on the sale of the activities related to the Terrestrial Optical Systems business to Cisco Systems and the major part of the non-recurring effects connected with the acquisition of Unim by Pirelli & C. Real Estate and were equal to Euros 1,367 million, compared to Euros 55 million for this six-month period.

These extraordinary items had a predominating impact on the comparison of **consolidated net income**: Euros 1,091 million for the six months ended June 30, 2000 compared to Euros 188 million for the six months ended June 30, 2001.

The **consolidated net income attributable to Pirelli & C.** amounts to Euros 57 million (Euros 447 million at June 30, 2000).

**Sales revenues**, equal to Euros 4,051 million, displayed an increase of 9 percent compared to the first half of the prior year, which amounted to Euros 3,718 million.

**Gross operating profit** is Euros 456 million (11.3 percent of sales revenues) compared to Euros 428 million for the first six months of 2000 (11.5 percent of sales revenues).

Besides the continuous actions to raise efficiency, the supply agreement with Cisco Systems also made a contribution to this improvement of Euros 59 million (Euros 26 million for the first half of 2000).

**Operating profit** is Euros 250 million (6.2 percent of sales revenues), compared to Euros 221 million (5.9 percent of sales revenues) for the first half of 2000.

**Net financial position** shows a liquidity position of Euros 1,397 million compared to Euros 2,635 million at December 31, 2000. The change is due to the pay-out of dividends on 2000 earnings of Euros 319 million, the payment of income taxes accrued the previous year of Euros 634 million; the remaining amount can mainly be ascribed to the deterioration of working capital by Euros 134 million, a seasonal factor, and the payment of Lire 101 million made in respect of the production optimization programs accrued in the 2000 financial statements.

Net income of Pirelli & C., the parent company, is Euros 29 million compared to Euros 42 million for the six months ended June 30, 2000 and Euros 260 million for the year 2000.

Such variations are entirely due to the change in the accounting principle for recording dividends which, as described in the 2000 annual report, was changed from the cash to the accrual basis of accounting.

Such change led to higher dividends being recorded in the 2000 financial statements for Euros 213 million whereas the first six months of 2000 included dividends recorded on the cash basis for Euros 27 million.

The operating profit before extraordinary items shows an improvement.

### **The Group**

A strong acceleration in investments marked the first six months of 2001 in a market scenario influenced by an economic situation that shows signs of a slowdown in addition to continuous pressure over sales prices and raw material costs. Nevertheless, there is an improvement in all operating components.

The real estate activities, which report to the subsidiary Pirelli & C. Real Estate S.p.A., were characterized, in the first six months, by the completion of the corporate and organizational restructuring following the acquisitions made during 1999 and 2000.

Such acquisitions contributed to the significant increase in volumes in the both the asset management and specialist services areas. In the specialist services area, important agreements were concluded during the six months in the sectors of project management and facility management,

During the course of the first six months, Pirelli S.p.A. sold No. 32,023,550 treasury shares on the market for net proceeds of Euros 124 million, realizing a gain, before income taxes, of Euros 30 million.

In April 2001, Pirelli Cavi e Sistemi S.p.A. and e.Biscom S.p.A. negotiated a cooperation agreement which also calls for the joint development of new solutions for Internet access and Internet Video using fiber optics (“fiber to the home”).

In this context, Pirelli Cavi e Sistemi also purchased No. 484,500 e.Biscom S.p.A. shares (equal to 1 percent of share capital) for an outlay of Euros 49 million.

In June 2001, Pirelli Cavi e Sistemi S.p.A. and Alloptic Inc., the market start-up leader providing IP, Gigabit Ethernet fiber optic solutions for access networks, signed an agreement – in which, among other things, Pirelli Cavi e Sistemi S.p.A. purchased a 13.8 percent stake in the company for U.S. \$12 million in July – for the development of new optical solutions for access networks.

During the six months, Pirelli & C. purchased No. 5,950,000 Pirelli S.p.A. ordinary shares and No. 8,500,000 Pirelli S.p.A. savings shares on the market for a total investment of Euros 46 million.

At June 30, 2001, Pirelli & C. holds, directly or indirectly, through Pirelli & C. Luxembourg S.A., 33.47 percent of the voting share capital (32.42 percent of total share capital) of Pirelli S.p.A..

The consolidated financial statements of the Group at June 30, 2001 can be summarized as follows:

	(in millions of euros)		
	<b>6 months 6/30/2001</b>	<b>6 months 6/30/2000</b>	<b>Year 2000</b>
Sales revenues	<b>4,051</b>	3,718	7,697
Gross operating profit	<b>456</b>	428	850
<i>% of sales</i>	<b>11.3%</b>	11.5%	11.0%
Operating profit	<b>250</b>	221	432
<i>% of sales</i>	<b>6.2%</b>	5.9%	5.6%
Financial income and expenses	<b>22</b>	(64)	(120)
Income before extraordinary items and income taxes	<b>272</b>	157	312
<i>% of sales</i>	<b>6.7%</b>	4.2%	4.1%
Extraordinary items	<b>55</b>	1,367	4,521
Income before income taxes	<b>327</b>	1,524	4,833
<i>% of sales</i>	<b>8.1%</b>	<i>n.s.</i>	<i>n.s.</i>
Income taxes	<b>(139)</b>	(433)	(1,074)
Net income	<b>188</b>	1,091	3,759
<i>% of sales</i>	<b>4.6%</b>	<i>n.s.</i>	<i>n.s.</i>
Net income attributable to Pirelli & C.	<b>57</b>	447	1,405
Earnings per share (in euros)	<b>0.09</b>	0.75	2.28
Shareholders' equity	<b>5,770</b>	3,230	5,844
Shareholders' equity attributable to Pirelli & C.	<b>2,094</b>	1,209	2,171
Equity per share (in euros)	<b>3.35</b>	2.02	3.52
Net financial (liquidity) debt position	<b>(1,397)</b>	587	(2,635)

## **Sales revenues**

Sales revenues total Euros 4,051 million, with an increase of 9 percent compared to the first half of 2000.

Such increase can be ascribed to the following:

- Currency exchange	- 0.9%
- Volumes	+ 6.3%
- Prices	+ 1.9%
- Mix and other	<u>+ 1.7%</u>
	+ 9.0%
	=====

The breakdown of sales revenues by sector is as follows:

Sector	<b>1<sup>st</sup> half 2001</b>	<b>1<sup>st</sup> half 2000</b>
Pirelli S.p.A. Group		
- Cables and Systems	61.0%	58.4%
- Tyres	36.2%	38.4%
Total Pirelli S.p.A. group	97.2%	96.8%
Pirelli & C Real Estate Group	2.8%	3.1%
Other	-	0.1%
	100.0%	100.0%

### **Operating profit**

Operating profit went from Euros 221 million for the six months ended June 30, 2000 to Euros 250 million for the first six months of 2001: operating profit as a percentage of sales revenues is 6.2 percent (5.9 percent for the first six months of 2000). Of the total operating profit of Lire 250 million, the industrial sector (Pirelli S.p.A. Group) contributed Euros 243 million and the real estate sector (Pirelli & C. Real Estate Group) Euros 28 million (11 percent).

### **Income before extraordinary items and income taxes**

This result is equal to Euros 272 million, compared to Euros 157 million for the same period of 2000, with an increase of 73.2 percent.

### **Extraordinary items**

Extraordinary items show an income balance of Euros 55 million compared to Euros 1,367 million for the first six months of 2000 and mainly include the gain, before income taxes, of Euros 30 million on the sale of Pirelli S.p.A. treasury shares on the market and Euros 36 million obtained from Cisco Systems as part of the sale of the Terrestrial Optical Systems last year.

### **Net income**

Net income totals Euros 188 million (after extraordinary income, net of Euros 55 million and income taxes of Euros 139 million), compared to Euros 1,091 million for the first six months of 2000 (after extraordinary income, net of Euros 1,367 million and income taxes of 433 million).

### **Net income attributable to Pirelli & C.**

The parent company's interest in the consolidated net income is Euros 57 million, of which Euros 69 million is the interest in the industrial group (Pirelli S.p.A.) and Euros 12 million in the real estate group (21 percent).

### **Shareholders' equity**

Shareholders' equity went from Euros 5,844 million at December 31, 2000 to Euros 5,770 million, with a decrease of Euros 74 million.

Such decrease can be analyzed as follows:

. Translation adjustment	(16)
. Net income for the period	188
. Dividends to third parties paid by:	(319)
- Pirelli & C.	(129)
- Pirelli S.p.A.	(188)
- Other Group companies	(2)
. Sale of treasury shares (Pirelli S.p.A.)	94
. Purchase of treasury shares Pirelli S.p.A. (Pirelli & C.)	(46)
. Conversion of Pirelli & C 1998/2003 bonds	19
. Goodwill paid on the above purchases	7
. Other changes	(1)
	<u>(74)</u>

The attributable shareholders' equity went from Euros 2,171 million at December 31, 2000 to Euros 2,094 million and attributable net equity per share from Euros 3.52 at December 31, 2000 to Euros 3.35.

### **Net financial position**

The net financial position shows a liquidity position of Euros 1,397 million at June 30, 2001 compared to Euros 2,635 million at December 31, 2000, with a decrease of Euros 1,238 million.

Details of the main changes are as follows:

	(in millions of euros)	
. Translation adjustment		(15)
. Operating profit	250	
. Depreciation and amortization	206	
. Net investment balance	(358)	
- Pirelli S.p.A. Group	(348)	
- Other	(10)	
. Change in working capital	(134)	
. Change in reserves and other	(4)	
. <b>Free cash flow</b>		<b>(40)</b>
. Effect of acquisitions		(53)
. Purchase of Pirelli S.p.A. shares		(46)
. Financial income (expenses), net		23
. Extraordinary items		55
. Tax income and expenses, net		(139)
. Dividends paid out		(319)
. Other changes		(759)
. <b>Net cash flow</b>		<b>(1.278)</b>
. Other changes in shareholders' equity		55
Change in net financial position		<b>(1.238)</b>

“Other changes” include the payment of income taxes accrued last year of Euros 634 million and the payment of Euros 101 million for the production optimization program accrued in the 2000 financial statements.

### **Capital expenditures**

Capital expenditures total Euros 312 million compared to Euros 242 million for the first six months of 2000.

The ratio of capital expenditures to depreciation is equal to 1.89 (1.42 in the first half of 2000).

### **R&D expenditures**

R&D expenditures amount to Euros 109 million, compared to Euros 105 million for the first six months of 2000.

R&D expenditures are entirely charged to the statement of income and represent 2.7 percent of sales.

### **Employees**

Employees number 41,314 at June 30, 2001, compared to 42,509 at December 31, 2000.

In the first six months of the year, 5,257 persons left and 4,062 persons were added, with a net reduction of 1,195 units.

### **Related party disclosures**

According to Consob Communication No. 97001574 of February 20, 1997 and No. 98015375 of February 27, 1998 regarding transactions by Group companies with related parties, a statement is made to the effect that all the transactions, including those between Pirelli & C. and its subsidiaries, and those among subsidiaries, fall under the ordinary operations of the Group, are governed by market terms, and there are no transactions of an unusual and exceptional nature or in potential conflict of interest.

The effects deriving from the transactions between Pirelli & C. and its subsidiaries are disclosed in the financial statements and in the notes of the same parent company and, like those among subsidiaries, are eliminated upon the preparation of the consolidated financial statements.

## **Significant subsequent events and future outlook**

On July 28, the board of directors of Pirelli S.p.A. voted to authorize the chairman to proceed to formalize agreements with Bell S.A. for the purchase by Pirelli S.p.A., acting in agreement with Edizione Holding S.p.A., of an approximate 23 percent equity stake in Olivetti S.p.A. from Bell S.A.. The estimated price of the deal is about Euros 7 billion (Euros 4.175 per share).

Bell's shareholders unanimously passed a resolution to accept Pirelli S.p.A.'s offer, acting in agreement with Edizione Holding S.p.A..

The agreement of understanding between Pirelli and Edizione Holding states that this investment will be held by the company Olimpia S.p.A., in which, indicatively, Pirelli has a 60 percent stake and Edizione Holding a 20 percent stake, whereas IntesaBCI and Unicredito displayed interest in acquiring about a 10 percent stake each. Olimpia has also purchased the Olivetti shares already held by the two groups and equal to 1.80 percent by Pirelli and 1.84 percent by Edizione Holding. After these transactions, Olimpia will thus hold an approximate 27 percent stake in Olivetti.

The agreement will be perfected after the necessary authorizations have been received from the competent authorities.

As to financing, Olimpia is scheduled to have equity available of up to Euros 6 billion and a five-year loan contract from a syndicate of leading bankers for an amount of up to a maximum of Euros 3 billion.

Pirelli Group's new strategy calls for the new Telecommunications activities to be joined by a selected number of highly profitable businesses, with segmentation at the top end of the range. In effect, these refer to the vehicle and motorcycle businesses of the Tyres Sector, where future developments are closely linked to the new MIRS technology, the manufacture of fiber optics and telecom cables and the real estate business reporting to Pirelli & C..

As to the remaining traditional businesses of the Group, although providing high cash flows and holding important positions on the market, the plan calls for their gradual

abandonment and sale in order to direct the maximum amount of resources to the Telecommunications activities.

The Truck Tyres B.U. and the Energy Cables and Systems Business will therefore be sold, indicatively, over the next 18 months; such sales are expected to bring in proceeds of at least Euros 2 billion.

On July 31, 2001, within the framework of the agreements signed on March 24, 1998 between Pirelli & C. and BZ Group Holding Limited and renewed on March 23, 2001, BZ exercised the first sales option relative to 2.5 percent of Pirelli S.p.A. ordinary shares. Accordingly, Pirelli & C. purchased No. 47,933,279 ordinary shares at a price of Euros 3.53218 per share, equal to the average price on the stock market in the ninety sessions prior to the date the option was exercised.

Pirelli & C. also purchased No. 10,000,000 Pirelli S.p.A. ordinary shares on the market for Euros 30 million.

After these transactions, Pirelli & C. owns, directly or indirectly, through Pirelli & C. Luxembourg S.A., 36.48 percent of the voting share capital (35.30 percent of the entire share capital) of Pirelli S.p.A..

In August, the Fininvest group accepted the offer made by Pirelli & C. Real Estate and Aedes to purchase the real estate properties and the services companies of the Edilnord 2000 group.

The agreement calls for the purchase of a group of land parcels zoned for building, a portfolio of mainly industrial buildings and three service companies, Edilnord Progetti, Edilnord Gestioni and Servizi Immobiliari Edilnord.

The companies owning the land and the building portfolio will be purchased by Aedes with an initial 70 percent stake and Pirelli & C. Real Estate will take a minority holding of 30 percent. The plan is to attract other investors, however, Pirelli & C. Real Estate's stake will remain unchanged.

The service companies will be owned 70 percent by Pirelli & C. Real Estate and 30 percent by Aedes.

The closing is scheduled to be held by March 2002.

The serious slowdown of the United States economy, the crisis in Japan, a flat European economy and especially the heightening of the crisis in the reference market for telecommunications cables, cannot but influence the economic performance of the Group as compared to the prior year.

Nevertheless, despite an expected reduction in operating profit, the profit before extraordinary items, income taxes and the effects of the Olivetti deal, (estimated at about Euros 60 million) will be in line with that of the year 2000.

## PERFORMANCE OF THE MAJOR GROUP COMPANIES

### PIRELLI S.p.A. GROUP

Key consolidated data for the six months ending June 30, 2001, are as follow:

- Sales revenues amount to Euros 3,946 million, with an increase of 9.7 percent compared to June 30, 2000; the increase is due mainly to volume increases.
- Operating profit is equal to Euros 243 million (6.2 percent of sales revenues) compared to Euros 213 million (5.9 percent of sales revenues) for the first six months of 2000, with an increase of 14.1 percent.
- The income before extraordinary items and income taxes for the six months ended June 30, 2001 is Euros 276 million, compared to Euros 181 million for the first six months of 2000, with an increase of 52.5 percent.
- Net income totals Euros 200 million (after extraordinary income, net of Euros 52 million and income taxes of Euros 128 million) compared to Euros 961 million for the first six months of 2000 (after extraordinary income, net of Euros 1,166 million and income taxes of Euros 386 million).

The net income attributable to Pirelli S.p.A. is Euros 197 million (Euros 958 million for the first six months of 2000).

- Shareholders' equity went from Euros 5,958 million at December 31, 2000 to Euros 5,870 million as a result of the net profit for the period and the payment of dividends.

The shareholders' equity attributable to Pirelli S.p.A. is equal to Euros 5,672 million (Euros 5,756 million at December 31, 2000).

- Net financial position shows a liquidity position of Euros 2,225 million compared to Euros 3,495 million at December 31, 2000. The change is due to the payment of dividends from 2000 earnings of Euros 286 million, the payment of income taxes accrued the previous year of Euros 614 million; the remaining amount can mainly be ascribed to the deterioration of working capital by Euros 233 million, a seasonal factor, and the payment of Lire 101 million made in respect of the production optimization programs accrued in the 2000 financial statements.
- Capital expenditures total Euros 310 million compared to Euros 235 million for the first six months of 2000.
- R&D expenditures amount to Euros 109 million and represent 2.8 percent of sales revenues.
- Employees number 40,674 at June 30, 2001 compared to 41,914 at December 31, 2000.

The serious slowdown of the United States economy, the crisis in Japan, a flat European economy and especially the heightening of the crisis in the reference market for telecommunications cables, cannot but influence the economic performance of the Group as compared to the prior year.

Nevertheless, despite an expected reduction in operating profit, the profit before extraordinary items, income taxes and the effects of the Olivetti deal, (estimated at about Euros 60 million) will be in line with that of the year 2000.

## **Cable and Systems Sector**

Sales revenues amount to Euros 2,478 million (+14.1 percent more than in the first six months of 2000).

The increase is chiefly due to volumes (+10.1 percent) and prices (+3.8 percent).

Operating profit went from Euros 124 million for the six months ending June 30, 2000, to Euros 161 million for the six months ending June 30, 2001.

Net income is equal to Euros 117 million compared to Euros 1,080 million for the first six months of 2000.

The first six months of 2000 showed extraordinary income of Euros 1,305 million, being the balance between the pre-tax gain on the sale of the Terrestrial Optical Systems business to Cisco Systems, and extraordinary expenses connected with restructuring and reorganization plans.

Net financial position presents a debt position of Euros 729 million compared to a liquidity position of Euros 1,644 million at December 31, 2000. In the six-month period, dividends of Euros 1,495 million were distributed and income taxes of Euros 583 million were paid largely as a result of the extraordinary transactions entered into the previous year.

Capital expenditures amount to Euros 192 million (Euros 141 million for the first six months of 2000).

Activities have continued in the first half to separate the corporate activities of the Energy business from the Telecommunications business, which should be concluded by the end of the year.

In the second half of the year, the Energy Cables and Systems Sector is expected to show a recovery thanks partly to the improvements in productive efficiency achieved by the Group; in the light of the most recent trends, the Telecommunications Cables and Systems Sector will be heavily penalized by the marked slowdown affecting its reference market.

## **Tyres Sector**

Sales revenues for the first six months of 2001 amount to Euros 1,477 million, with an increase of 3.6 percent compared to the corresponding period of 2000; the good trend in volumes (+3.1 percent) and the favorable mix (+2.8 percent) were partly eroded by the decline in sales prices (- 0.7 percent).

Operating profit, equal to Euros 111 million (7.5 percent of sales revenues) show an increase of Euros 4 million, compared to the first half of the prior year.

Net income is Euros 51 million compared to a loss of Lire 125 million in the first half of the prior year.

The net result last year included a net extraordinary expense balance of Euros 168 million due mainly to industrial restructuring costs.

Net financial position shows a debt position of Euros 709 million, compared to Euros 748 million at December 31, 2000

The outlook for the second half of the year suggests a highly competitive market, also accentuated by the economic crisis in Turkey and South America, particularly in Argentina and Brazil. Performance will therefore be affected by the evolution of the macroeconomic situations of these two important geographical areas, yet remain in line with that of the prior year.

### **Pirelli S.p.A.**

Net income for the first six months of 2001 is Euros 12 million compared to Euros 226 million for the six months ended June 30, 2000 and Euros 1,733 million for the year 2000.

Such variations are entirely due to the change in the accounting principle for recording dividends which, as described in the 2000 annual report, was changed from the cash to the accrual basis of accounting.

Such change led to higher dividends being recorded in the 2000 financial statements for Lire 1,500 million whereas the first six months of 2000 included dividends recorded on the cash basis for Euros 228 million.

### **PIRELLI & C. LUXEMBOURG S.A.**

The company shows a loss of Swiss francs 26 million for the six months ended June 30, 2001, compared to a net income of Swiss francs 52 million for the first six months of 2000.

Such variations are largely due to the change in the accounting principle for recording dividends which, as described in the 2000 annual report, was changed from the cash to the accrual basis of accounting.

The result for the six months to June 30, 2001 also includes financial expenses of Swiss francs 25 million (Swiss francs 17 million for the first six months of 2000).

The increase in financial expenses is connected with the increase in interest rates and higher average net debt.

At June 30, 2001, the company holds No. 527,813,101 Pirelli S.p.A. ordinary shares, equal to 27.53 percent of the voting share capital and 26.32 percent of the entire share capital.

Net debt is equal to Swiss francs 1,487 million (Swiss francs 1,426 million at December 31, 2000).

## **PIRELLI & C. REAL ESTATE S.p.A.**

Pirelli & C. Real Estate S.p.A. is the company in the Pirelli & C. Group which operates in both Real Estate Asset Management (Residential and Commercial), ensuring strategic management services and participating in qualified venture capital operations with minority stakes, and in Specialist Services (Residence Agency, Commercial Agency, Project Management, Urban Promotion and Property & Facility Management) for the same initiatives and directly on behalf of third party clients.

The first half was characterized by the completion of the corporate and organizational restructuring following the acquisitions made in 1999 and 2000 (Unim; real estate properties of Compart, Parnasi, RCS and Risanamento Napoli; acquisition of the service businesses of Unim and Risanamento Napoli; Regus Italia and Agied). Such acquisitions made it possible to significantly increase volumes during the period in both the area of Asset Management and Specialist Services.

### **Review of financial position and results of operations**

A comparative summary of the key data taken from the consolidated financial statements for the six months ended June 30, 2001 and June 30, 2000 is shown below.

In the first half of 2000, the activities reporting to the company Unim were consolidated line-by-line (up to May 15). The current organizational and corporate structure reflects the contribution of Unim's portfolio to "dedicated" companies in which Pirelli & C. Real Estate kept qualified minority stakes in addition to the management and supply of Specialist Services to these same companies necessary for their operations. For purposes of comparison and a more meaningful interpretation of the data, account should be taken of the foregoing comments.

**Selected income statement data**

(in millions of euros)	Six months 6/30/2001	Six months June 30, 2000
Value of production	184	153
Operating profit	28	25
Financial income and expenses and investment income, net	(10)	(33)
Income (loss) before extraordinary items and income taxes	18	(8)
Extraordinary items	2	177
Income before income taxes	20	169
Income taxes	(7)	(34)
Net income	13	135
Net income attributable	13	135

**Selected balance sheet data**

(in millions of euros)	6/30/2001	6/30/2000	12/31/2000
Fixed assets	154	238	168
Net working capital	250	269	324
- of which inventories	360	309	308
- % to be sold	38%	54%	49%
Net invested capital	404	507	492
Net financial position	228	301	364
Net cash flows	136	(223)	(286)
Shareholders' equity attributable	117	157	74

**Other data**

No. of employees (excluding auxiliary staff)	554	465	496
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Consolidated value of production for the six months to June 30, 2001 is approximately Euros 184 million, compared to Euros 153 million for the first six months of 2000. On a comparable consolidation basis, the six-months 2001 data can be compared to Euros 103 million (+78 percent) in the corresponding period of the prior year, since the effect of the consolidation of Unim was Euros 50 million.

The operating income is equal to about Euros 28 million, compared to Euros 25 million in the first half of 2000. On a comparable consolidation basis, the six-months 2001 data can be compared to Euros 20 million (+40 percent) in the first six months of 2000, with the “Unim” effect being equal to Euros 5 million.

Net income for the first six months of 2001 is equal to about Euros 13 million compared to a net income of Euros 135 million for the first six months of 2000, which included the extraordinary effects of the Unim transaction.

Excluding such effects, the six-months 2001 data can be compared to a net income of Euros 10 million for the first half of 2000, with an increase of some 30 percent.

Net financial position, always net of a loan relating to a deal which has already been concluded for which a type of project finance contract was used, amounts to approximately Euros 228 million, compared to Euros 364 million at December 31, 2000 and Euros 301 million at June 30, 2000.

The net financial position includes debt guaranteed by the securities portfolio hedged by an equity swap, equal to about Euros 329 million.

Attributable shareholders' equity amounts to about Euros 117 million, compared to Euros 74 million at December 31, 2000 and Euros 157 million at June 30, 2000. The reduction from June 30, 2000 is mainly due to the payment of dividends of approximately Euros 100 million, which was partly neutralized by the increase in share capital of some Euros 30 million and the net income for the period of approximately Euros 30 million.

Employees number 554 compared to 465 at June 30, 2000 and 496 at December 31, 2000; during the first months of 2001, 72 persons left the company and 130 were added.

At June 30, 2001, Pirelli & C. Real Estate also closed its statutory financial statements for the year July 1, 2000 to June 30, 2001 with a net income of Euros 241 million, compared to Euros 106 million in the prior year (January 1, 2000 to June 30, 2000).

The net income of Euros 241 million includes the effect of the completion of the corporate reorganization of the group, which was concluded by the contribution of the “Financial Investments Management”, business segment to the subsidiary Partecipazioni Real Estate for the purpose of developing investment management in activities/initiatives which are unrelated to the core business. A gain of Euros 211 million was realized on the transaction.

### **Subsequent events**

In August, the Fininvest group accepted the offer made by Pirelli & C. Real Estate S.p.A. and Aedes to purchase the real estate properties and the services companies of the Edilnord 2000 group.

The agreement calls for the purchase of a group of land parcels zoned for building, a portfolio of mainly industrial buildings and three service companies, Edilnord Progetti, Edilnord Gestioni and Servizi Immobiliari Edilnord.

The companies owning the land and the building portfolio will be purchased by Aedes with an initial 70 percent stake and Pirelli & C. Real Estate will take a minority holding of 30 percent. The plan is to attract other investors, however, Pirelli & C. Real Estate’s stake will remain unchanged.

The service companies will be owned 70 percent by Pirelli & C. Real Estate and 30 percent by Aedes.

The closing is scheduled to be held by March 2002.

Pirelli & C. Real Estate Group subscribed to the agreement to take on a qualified minority stake in a vehicle which purchased non-performing credits for an amount of approximately Euros 17 million; asset management and credit servicing will be supplied to this vehicle.

## **Future outlook**

As far as the outlook for the entire current year is concerned, also in relation to the gradual increase in benefits as a result of completing the reorganization of the portfolios, the forecast is for a higher result at both the level of operating profit and net income (without taking into account the extraordinary items in the year 2000) compared to the prior year.

## **PIRELLI & C. AMBIENTE S.p.A.**

The net income for the six months ended June 30, 2001 is Euros 0.2 million, compared to Euros 0.1 million for the first six months of 2000.

In the first half of 2001, the divestiture of the co-generation activities was completed with the sale of the investment in Pirelli Energie Deutschland A.G. at a price of Euros 1.6 million, realizing a gain before income taxes equal to Euros 0.5 million.

The company then focused its activities on projects in the field of energy from waste. In particular, such activity led (in the first six months) to the conclusion of a cooperation agreement with Enel Produzione for the development of CDR technology (Fuel from Waste) and an Agreement of Understanding reached with the Province of Cuneo, the Azienda Cuneese Smaltimento Rifiuti and the cement plant Buzzi-Unicem to build a CDR-Pirelli production plant to be used to supply fuel to the Buzzi cement plant located in the town of Robilante in the province of Cuneo.

**THE PARENT COMPANY - PIRELLI & C.**

(in thousands of euros)

<b>Balance sheet</b>	<b>6/30/2001</b>	<b>12/31/2000</b>	<b>6/30/2000</b>
Property, plant and equipment and intangible assets	2,730	3,506	4,339
Financial assets			
Investments	573,083	482,571	420,015
Other securities	19,109	19,109	19,109
Treasury shares	4,678	4,678	4,678
Financial receivables	756,883	777,318	881,675
Current financial assets	8,279	8,396	8,364
Other assets	64,874	176,224	44,199
	<b>1,429,636</b>	<b>1,471,802</b>	<b>1,382,379</b>
Shareholders' equity	1,073,948	1,155,147	893,114
Reserves	13,064	7,372	5,574
Financial payables	314,865	265,334	448,634
Other liabilities	27,759	43,949	35,057
	<b>1,429,636</b>	<b>1,471,802</b>	<b>1,382,379</b>

(in thousands of euros)

<b>Statement of income</b>	<b>Six months June 30, 2001</b>	<b>Six months June 30 2000</b>	<b>Year 2000</b>
Financial income and expenses	14,171	10,440	23,575
Dividends and tax credits	36,080	2,075	284,802
Gains on sales of securities	163	44	54
Value adjustments to financial assets	-	-	(4,656)
Depreciation and amortization	(865)	(850)	(1,701)
Other operating income and expenses	(4,082)	(3,105)	(5,979)
<b>Income from ordinary operations before income taxes</b>	<b>45,467</b>	<b>8,604</b>	<b>296,095</b>
Extraordinary items	152	51,827	56,784
Income taxes	(16,869)	(18,632)	(93,204)
<b>Net income</b>	<b>28,750</b>	<b>41,799</b>	<b>259,675</b>

## **Review of financial position and results of operations**

### **Results of operation**

The net income for the six months is Euros 28,750 thousand compared to Euros 41,799 thousand for the first six months of 2000 and Euros 259,675 thousand for the year 2000.

As previously described, beginning from the 2000 financial statements, the criteria used to record the dividends of the subsidiaries has changed from the cash to the accrual basis of accounting. As a result, the dividends and the relative tax credits of the subsidiaries for the six months ended June 30, 2000 that were recorded on the cash basis (Lire 36,472 million) have been reclassified to extraordinary income.

“Dividends and tax credits” shown in the financial statements at June 30, 2001 mainly consist of dividends and the relative tax credit of Pirelli & C. Real Estate for the year ending June 30, 2001 (Euros 35,158 thousand).

Furthermore, the first six months of the prior year included extraordinary income on the sale of COFIDE S.p.A. shares and Acquedotto de Ferrari Galliera S.p.A. shares (Euros 14,676 thousand).

### **Financial condition**

Investments show an increase of Euros 90,512 thousand as a result of the purchase of Pirelli S.p.A. shares (No. 5,950,000 ordinary shares for Euros 20,420 thousand and No. 8,500,000 savings shares for Euros 25,951 thousand), the increase in share capital of the subsidiary Pirelli & C. Real Estate S.p.A., destined for the stock option plan for employees and contributors of the Pirelli & C. Real Estate group (Euros 30,264 thousand) and the purchase and later subscription to capital in the company Tredicimarzo S.r.l. (Euros 14,001 thousand).

The net financial position shows a liquidity position of Euros 450,297 thousand at June 30, 2001 compared to Euros 520,380 thousand at December 31, 2000.

The net financial position is composed as follows:

(in thousands of euros)			
	<b>6/30/2001</b>	<b>12/31/2000</b>	<b>Change</b>
Financial receivables	756,883	777,318	(20,435)
Other financial assets	8,279	8,396	(117)
Financial payables	(314,865)	(265,334)	(49,531)
	<b>450,297</b>	<b>520,380</b>	<b>(70,083)</b>

Additional details are provided in the comments on the balance sheet and in the supplementary information.

The Board of Managing Partners  
Milan, September 11, 2001



**PIRELLI & C. GROUP**  
**Consolidated six months**  
**financial statements and comments**

(in thousands of euros)			
CONSOLIDATED BALANCE SHEETS	6.30.2001	12.31.2000	6.30.2000
<b>ASSETS</b>			
<b>A) CAPITAL SUBSCRIPTION RIGHTS</b>			
Portion uncalled	-	-	-
<b>B) FIXED ASSETS</b>			
<b>I) - INTANGIBLE ASSETS</b>			
Formation costs	7.632	8.302	10.010
Patents and design patent rights	4.653	5.365	5.846
Concessions, licenses, trademarks and similar rights	8.590	6.469	4.744
Goodwill	15.462	8.066	9.604
Differences on consolidation	532.620	558.865	511.556
Intangible assets in progress and payments on account	11.394	5.327	6.069
Other intangible assets	79.960	78.563	67.480
<b>TOTAL INTANGIBLE ASSETS</b>	<b>660.311</b>	<b>670.957</b>	<b>615.309</b>
<b>II) - PROPERTY, PLANT AND EQUIPMENT</b>			
Land and buildings	713.709	729.737	748.814
Plant and machinery	1.282.125	1.363.544	1.354.579
Industrial and commercial equipment	124.975	130.240	134.340
Other property, plant and equipment	187.473	161.402	155.685
Assets under construction and payments on account	426.536	233.077	194.077
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>2.734.818</b>	<b>2.618.000</b>	<b>2.587.495</b>
<b>III) - FINANCIAL ASSETS</b>			
Investments in:			
a) Subsidiaries	5.885	5.895	42.097
b) Associated companies	74.811	86.491	32.535
c) Other companies	398.768	321.274	291.396
Financial receivables:			
a.1) Subsidiaries due within 12 months	-	4.093	206.609
a.2) Subsidiaries companies due beyond 12 months	14.662	14.662	14.662
b.1) Associated companies due within 12 months	220.919	203.251	46.945
b.2) Associated companies due beyond 12 months	-	-	13.760
c.1) Other companies due within 12 months	37.238	21.477	17.775
c.2) Other companies due beyond 12 months	84.399	83.340	96.041
Other securities	28.229	27.681	41.707
Treasury shares	4.678	4.678	4.678
<b>TOTAL FINANCIAL ASSETS</b>	<b>869.589</b>	<b>772.842</b>	<b>808.205</b>
<b>TOTAL FIXED ASSETS</b>	<b>4.264.718</b>	<b>4.061.799</b>	<b>4.011.009</b>

<b>CONSOLIDATED BALANCE SHEETS</b>	<b>6.30.2001</b>	<b>12.31.2000</b>	<b>6.30.2000</b>
<b>C) CURRENT ASSETS</b>			
<b>I) - INVENTORIES</b>			
Raw materials, auxiliaries and consumables	394.168	355.940	289.069
Work in process and semifinished products	321.478	307.523	385.838
Work in progress against orders	287.876	210.865	152.217
Finished products and goods for resale	617.424	633.252	588.778
Advances	9.324	15.105	12.664
<b>TOTAL INVENTORIES</b>	<b>1.630.270</b>	<b>1.522.685</b>	<b>1.428.566</b>
<b>II) - RECEIVABLES</b>			
Trade	2.071.289	1.868.776	1.882.015
Subsidiaries	2.141	5.819	2.220
Associated companies	85.094	28.358	102.657
Other receivables	968.467	1.154.621	1.743.878
<b>TOTAL RECEIVABLES</b>	<b>3.126.991</b>	<b>3.057.574</b>	<b>3.730.770</b>
<b>III) - CURRENT FINANCIAL ASSETS</b>			
Other investments	-	250	183
Other securities	1.465.050	1.246.487	199.697
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>1.465.050</b>	<b>1.246.737</b>	<b>199.880</b>
<b>IV) - CASH AND BANKS</b>			
Bank and postal deposits	2.404.920	3.713.089	1.735.307
Checks	6.579	10.188	3.035
Cash on hand	7.708	8.873	2.891
<b>TOTAL CASH AND BANKS</b>	<b>2.419.207</b>	<b>3.732.150</b>	<b>1.741.233</b>
<b>TOTAL CURRENT ASSETS</b>	<b>8.641.518</b>	<b>9.559.146</b>	<b>7.100.449</b>

<b>CONSOLIDATED BALANCE SHEETS</b>	<b>6.30.2001</b>	<b>12.31.2000</b>	<b>6.30.2000</b>
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>			
Accrued income	39.368	121.878	104.806
Prepaid expenses	39.876	32.810	34.659
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>79.244</b>	<b>154.688</b>	<b>139.465</b>
<b>TOTAL ASSETS</b>	<b>12.985.480</b>	<b>13.775.633</b>	<b>11.250.923</b>

<b>CONSOLIDATED BALANCE SHEETS</b>	<b>6.30.2001</b>	<b>12.31.2000</b>	<b>6.30.2000</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>A) SHAREHOLDERS' EQUITY</b>			
- Of Pirelli & C.	2.094.004	2.171.261	1.209.228
I) - SHARE CAPITAL	325.201	320.959	311.079
II) - SHARE PREMIUM RESERVE	500.333	485.617	451.341
III) - REVALUATION RESERVE	707	707	707
IV) - LEGAL RESERVE	65.014	62.212	62.212
V) - RESERVE FOR TREASURY SHARES IN PORTFOLIO	4.678	4.678	4.678
VII) - OTHER RESERVES: (including amortized portion of consolidation reserve)	991.346	(128.870)	(88.782)
VIII) - RETAINED EARNINGS	149.265	21.298	21.298
IX) - NET INCOME FOR THE PERIOD	57.460	1.404.660	446.695
- Minority interest	3.675.772	3.672.662	2.020.927
a) Capital and reserves	3.544.838	1.318.038	1.376.429
b) Net income for the period	130.934	2.354.624	644.498
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5.769.776</b>	<b>5.843.923</b>	<b>3.230.155</b>
<b>B) RESERVES FOR LIABILITIES AND EXPENSES</b>			
Pension and similar obligations	269.313	215.686	224.773
Income taxes	227.997	201.919	175.263
Other reserves	410.837	582.185	527.212
<b>TOTAL RESERVES FOR LIABILITIES AND EXPENSES</b>	<b>908.147</b>	<b>999.790</b>	<b>927.248</b>
<b>C) RESERVE FOR EMPLOYEES' LEAVING INDEMNITY</b>	<b>162.857</b>	<b>178.309</b>	<b>174.789</b>

<b>CONSOLIDATED BALANCE SHEETS</b>	<b>6.30.2001</b>	<b>12.31.2000</b>	<b>6.30.2000</b>
<b>D) PAYABLES</b>			
Bonds	657.178	655.027	651.602
Convertible bonds	85.004	106.561	148.117
Bank borrowings	1.704.643	1.473.710	1.600.372
Other financial companies	416.276	450.773	1.120.481
Advances from customers	308.114	291.907	307.087
Trade	1.429.959	1.448.664	1.301.843
Subsidiaries	-	232	18.303
Associated companies	8.593	13.814	20.406
Taxes	699.774	1.242.716	819.903
Social security agencies	46.814	56.662	42.412
Other payables	517.591	633.208	544.467
<b>TOTAL PAYABLES</b>	<b>5.873.946</b>	<b>6.373.274</b>	<b>6.574.993</b>
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>			
Accrued liabilities	235.360	343.580	307.080
Deferred income	35.394	36.757	36.658
<b>TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME</b>	<b>270.754</b>	<b>380.337</b>	<b>343.738</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12.985.480</b>	<b>13.775.633</b>	<b>11.250.923</b>

<b>MEMORANDUM ACCOUNTS</b>	<b>6.30.2001</b>	<b>12.31.2000</b>	<b>6.30.2000</b>
<b>Personal guarantees</b>			
- Sureties on behalf of other companies	183.277	152.176	238.629
- Credit guarantees to other companies	20.586	25.279	15.521
	<u>203.863</u>	<u>177.455</u>	<u>254.150</u>
<b>Third party assets held in deposit</b>			
- Securities held in deposit	142.697	142.175	143.465
- Goods in process	3.415	1.997	1.905
	<u>146.112</u>	<u>144.172</u>	<u>145.370</u>
<b>Assets held by third parties</b>			
- Securities held as guarantees and guarantee deposits	117.740	114.542	118.771
- Shares held in deposit	747.340	310.948	241.299
- Goods in process	10.930	7.752	8.506
	<u>876.010</u>	<u>433.242</u>	<u>368.576</u>
<b>Commitments</b>			
- Capital expenditures	128.731	124.701	100.979
- Commitments for the sale of investments	-	-	9.544
- Commitments for the purchase of investments	2.326	-	-
- Securities to be delivered	328.685	335.237	370.652
	<u>459.742</u>	<u>459.938</u>	<u>481.175</u>
<b>Other memorandum accounts</b>			
- Potential losses for risk of default on discounted bills	240	241	240
	<u>240</u>	<u>241</u>	<u>240</u>
	<u><b>1.685.967</b></u>	<u><b>1.215.048</b></u>	<u><b>1.249.511</b></u>

(in thousands of euros)

<b>CONSOLIDATED STATEMENTS OF INCOME</b>	<b>1<sup>st</sup> half 2001</b>	<b>1<sup>st</sup> half 2000</b>	<b>Year 2000</b>
<b>A) PRODUCTION VALUE</b>			
Revenues from sales and services	4.051.430	3.717.934	7.696.567
Changes in inventories of work in process, semifinished and finished products	17.040	33.888	66.279
Changes in work in progress against orders	55.682	(5.389)	(40.278)
Increase in property, plant and equipment	6.490	4.542	13.501
Other revenues and income:			
a) Miscellaneous	125.297	94.916	214.105
b) Government grants	3.897	3.699	11.525
<b>TOTAL PRODUCTION VALUE</b>	<b>4.259.836</b>	<b>3.849.590</b>	<b>7.961.699</b>
<b>B) PRODUCTION COSTS</b>			
Raw materials, auxiliaries, consumables and goods for resale	(2.153.256)	(1.881.839)	(3.982.920)
Service expenses	(672.658)	(579.783)	(1.229.467)
Lease and rent expenses	(42.441)	(50.172)	(96.347)
Personnel costs	(806.703)	(788.657)	(1.623.539)
Amortization, depreciation and write-downs:			
a) Amortization of intangible assets	(40.959)	(37.363)	(76.268)
b) Depreciation of property, plant and equipment	(165.047)	(169.901)	(341.825)
c) Other write-downs of fixed assets			
d) Write-downs of receivables included in current assets and cash and banks	(31.936)	(7.348)	(19.675)
Changes in inventories of raw materials, auxiliaries, consumables and goods for resale	43.473	13.294	88.932
Provisions for liabilities	(45)	-	(155)
Other provisions	(12.995)	(6.480)	(17.234)
Other operating expenses	(127.134)	(120.197)	(231.680)
<b>TOTAL PRODUCTION COSTS</b>	<b>(4.009.701)</b>	<b>(3.628.446)</b>	<b>(7.530.178)</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS</b>	<b>250.135</b>	<b>221.144</b>	<b>431.521</b>
<b>C) FINANCIAL INCOME AND EXPENSES</b>			
Investment income	5.043	6.686	14.348
Other financial income:			
a) from receivables included in fixed assets	-	463	-
- associated companies	-	-	37
- other companies	160	263	556
b) from securities included in fixed assets	312	327	2.048
c) from securities included in current assets	5.317	7.832	13.989
d) Income other than the above	386.056	115.361	306.265
Interest and other financial expenses	(352.392)	(203.797)	(450.998)
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>44.496</b>	<b>(72.865)</b>	<b>(113.755)</b>

CONSOLIDATED STATEMENTS OF INCOME	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000	Year 2000
<b>D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS</b>			
Revaluations	3.945	10.196	17.342
Write-downs	(25.952)	(1.141)	(23.027)
<b>TOTAL ADJUSTMENTS</b>	<b>(22.007)</b>	<b>9.055</b>	<b>(5.685)</b>
<b>E) EXTRAORDINARY ITEMS</b>			
Extraordinary income	74.351	1.980.174	5.633.530
Extraordinary expenses	(19.434)	(613.668)	(1.112.168)
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>54.917</b>	<b>1.366.506</b>	<b>4.521.362</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>327.541</b>	<b>1.523.840</b>	<b>4.833.443</b>
Income taxes	(139.147)	(432.647)	(1.074.159)
<b>NET INCOME FOR THE PERIOD</b>	<b>188.394</b>	<b>1.091.193</b>	<b>3.759.284</b>
<b>Group</b>	<b>57.460</b>	<b>446.695</b>	<b>1.404.660</b>
<b>Minority interest</b>	<b>130.934</b>	<b>644.498</b>	<b>2.354.624</b>

## **COMMENTS ON SIX MONTHS CONSOLIDATED FINANCIAL STATEMENTS**

**AT JUNE 30, 2001**

### **FORM AND CONTENT**

The consolidated six months financial statements at June 30, 2001 have been prepared in the same format using the same accounting principles and principles of consolidation as those adopted in the financial statements at December 31, 2000 and described in the previous annual report.

The list of subsidiaries and associated companies included in consolidation is provided at the end of this report.

The reconciliation of the six months net result of the period and the shareholders' equity reported by Pirelli & C. at June 30, 2001 and the corresponding consolidated figures are presented in the supplementary information.

## COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

### ASSETS

#### B) FIXED ASSETS

#### I) INTANGIBLE ASSETS

Intangible assets may be analyzed as follows:

	(in thousands of euros)					
	12/31/2000	Translation adjustment	Increase	Decrease	Amortization	6/30/2001
. Formation costs	8,302	1	1,492	(6)	(2,157)	7,632
. Patents and design patent rights	5,365	-	367	(5)	(1,074)	4,653
. Concessions, licenses, trademarks and similar rights	6,469	13	3,446	-	(1,338)	8,590
. Goodwill	8,066	58	9,676	-	(2,338)	15,462
. Differences on consolidation	558,865	-	7,379	(17,652)	(15,972)	532,620
. Other	83,890	407	25,486	(317)	(18,112)	91,354
	<b>670,957</b>	<b>479</b>	<b>47,846</b>	<b>(17,980)</b>	<b>(40,991)</b>	<b>660,311</b>

The decrease in “Difference on consolidation” of Euros 17,652 thousand is due to the sale of the treasury shares held by Pirelli S.p.A.. The amount represents the higher price paid in the prior year compared to the underlying net equity of Pirelli S.p.A..

“Differences on consolidation” at June 30, 2001 includes Euros 466,179 thousand representing the difference between the price paid and the underlying net equity of the consolidated company Pirelli S.p.A. which arose following the purchases of shares by Pirelli & C. and by Pirelli & C. Luxembourg S.A., net of amortization (calculated over a period of 20 years).

## II) PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period are as follows:

	(in thousands of euros)	
	6/30/2001	12/31/2000
<b>Gross value</b>		
. Opening balances	6,263,534	5,876,459
. Translation adjustment	(130,134)	79,183
. Change in scope of consolidation	(14,531)	(14,628)
. Additions	312,060	569,566
. Disposals	(90,259)	(247,046)
	<b>6,340,670</b>	<b>6,263,534</b>
<b>Accumulated depreciation</b>		
. Opening balances	3,645,534	3,408,171
. Translation adjustment	(118,071)	63,233
. Change in scope of consolidation	(4,456)	(12,782)
. Depreciation charge for the period	165,047	341,825
. Disposals	(82,202)	(154,913)
	<b>3,605,852</b>	<b>3,645,534</b>
<b>Net values</b>	<b>2,734,818</b>	<b>2,618,000</b>

The net increase in comparison with the prior year is due to the combination of the following:

- translation adjustments, in reference to property, plant and equipment included in the financial statements of foreign companies, and due to the weakness of the euro against the currencies of the countries in which the Group companies operate;
- the ratio of additions during the period to depreciation equal to 1.89;
- the change in the scope of consolidation representing the deconsolidation of the company Pirelli Energie Deutschland GmbH sold by Pirelli Ambiente S.p.A. during the six-month period.

### III) FINANCIAL ASSETS

#### Investments

Investments went from Euros 413.7 million at December 31, 2000 to Euros 479.5 million at June 30, 2001 and can be analyzed as follows:

	12/31/2000	Translation adjustment	Increase	Decrease	6/30/2001
Investments in subsidiaries	5,895	-	145	(155)	5,885
Investments in associated companies	86,491	15	5,479	(17,174)	74,811
Investments in other companies	321,274	(16)	80,895	(3,385)	398,768
	<b>413,660</b>	<b>(1)</b>	<b>86,519</b>	<b>(20,714)</b>	<b>479,464</b>

The increase in investments in associated companies mainly refers to the acquisition of the company EpicLink S.p.A. (Euros 3.8 million).

The decrease in investments in associated companies chiefly reflects the restitution of the share capital of Orione S.r.l. (Euros 8 million) and the sale of the investments in Sicrem S.p.A. (Euros 3.6 million) and in Trelleborg S.p.A. (Euros 0.4 million).

The increase in investments in other companies mostly regards the acquisition of a 1 percent stake in e.Biscom S.p.A. (Euros 48.8 million), the subscription to the capital increase of F.C. Internazionale Milano S.p.A. (Euros 12.4 million) and the acquisition of a stake in the company Tredicimarzo S.r.l. (Euros 14 million).

#### **C) CURRENT ASSETS**

#### **D) INVENTORIES**

Inventories amount to Euros 1,630.3 million, compared to Euros 1,522.7 million at December 31, 2000, and can be analyzed as follows:

(in thousands of euros)

	<b>6/30/2001</b>	<b>12/31/2000</b>
Pirelli S.p.A. Group		
. Cables and Systems Sector	786,059	778,346
. Tyres sector	499,998	453,620
. Other	2	2
<b>Total Pirelli S.p.A. Group</b>	<b>1,286,059</b>	<b>1,231,968</b>
Pirelli & C. Real Estate Group	360,162	308,261
Other and eliminations	(15,951)	(17,544)
	<b>1,630,270</b>	<b>1,522,685</b>

## II) RECEIVABLES

Receivables amount to Euros 3,127 million, compared to Euros 3,057.6 million at December 31, 2000, and can be analyzed as follows:

(in thousands of euros)

	<b>6/30/2001</b>		<b>12/31/2000</b>	
	<b>Financial</b>	<b>Trade and other</b>	<b>Financial</b>	<b>Trade and other</b>
. Trade	-	2,071,289	-	1,868,776
. Subsidiaries	-	2,141	82	5,737
. Associated companies	2,445	82,649	2,205	26,153
. Other receivables	33,898	934,569	19,737	1,134,884
	<b>36,343</b>	<b>3,090,648</b>	<b>22,024</b>	<b>3,035,550</b>

## Trade receivables from customers

These may be analyzed by due date as follows:

	(in thousands of euros)	
	6/30/2001	12/31/2000
. Due within 12 months	2,187,569	1,957,970
. Due beyond 12 months	3,865	3,971
. Less: allowance for doubtful receivables	(120,145)	(93,165)
	<b>2,071,289</b>	<b>1,868,776</b>

No receivables are due beyond five years.

The carrying value of receivables, adjusted for probable future losses, approximates estimated fair value at the end of the period.

### III CURRENT FINANCIAL ASSETS

Current financial assets consist of securities, mainly bonds, issued and guaranteed by governments and banking institutions. The securities are held in safe-keeping at leading banking institutions.

## **LIABILITIES AND SHAREHOLDERS' EQUITY**

### **A) SHAREHOLDERS' EQUITY**

#### **Of Pirelli & C.**

Share capital at June 30, 2001 totals Euros 325,200,770.96 and consists of No. 590,967,841 ordinary shares and No. 34,418,257 savings shares, all with a par value of Euro 0.52 per share and normal dividend rights.

During the first six months, No. 8,156,848 ordinary shares were issued against the conversion of the same number of 2.5 percent 1998-2003 bonds.

After June 30, 2001, another No. 312,000 ordinary shares were issued against the conversion of the same number of 2.5 percent 1998-2003 bonds.

The share premium reserve went from Euros 485,618 thousand at December 31, 2000 to Euros 500,333 thousand following the aforementioned conversion of 2.5 percent 1998-2003 bonds.

The revaluation reserve ex Law No. 413/1991 and the reserve for treasury shares in portfolio have remained unchanged compared to December 31, 2000.

The legal reserve rose from Euros 62,212 thousand to Euros 65,014 thousand as a result of resolutions passed by the shareholders' meeting of May 10, 2001.

The changes in shareholders' equity are presented in the supplementary information.

## **MINORITY INTEREST**

The minority interest in shareholders' equity of Euros 3,676 million is almost the same as that of Euros 3,673 million at December 31, 2000.

The percentage ownership of investments held by the minority interest is as follows:

	<b>6/30/2001</b>	<b>12/31/2000</b>
Pirelli S.p.A.	64.94%	64.94%

## **B) RESERVES FOR LIABILITIES AND EXPENSES**

### **RESERVES FOR INCOME TAXES**

The reserves for income taxes include provisions relating to income taxes likely to be incurred but uncertain as to the amount or as to the date on which they will arise, as well as deferred taxation, as follows:

(in thousands of euros)		
	<b>6/30/2001</b>	<b>12/31/2000</b>
. Reserve for current taxes	37,338	30,033
. Reserve for deferred taxes	190,659	171,886
	<b>227,997</b>	<b>201,919</b>

The tax charge for the period is composed of the following:

(in thousands of euros)		
	<b>1<sup>st</sup> half 2001</b>	<b>1<sup>st</sup> half 2000</b>
. Current taxes	145,725	438,625
. Deferred taxes	(6,578)	(5,978)
	<b>139,147</b>	<b>432,647</b>

The tax charge has been determined on the basis of the taxable income for the six months, taking into account the utilization of any tax loss carryforwards and by applying the nominal tax rates in each individual country.

The tax charge is lower compared to the six months ended June 30, 2000 mainly due to the gain that was recorded in the first half of the previous year.

## OTHER RESERVES

The movements during the period in other reserves are as follows:

	(in thousands of euros)		
	<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
<b>Balance at December 31, 2000</b>	<b>285,446</b>	<b>296,739</b>	<b>582,185</b>
. Translation adjustment	8,926	2,068	10,994
. Utilization	(137,629)	(63,065)	(200,694)
. Increase	530	17,822	18,352
<b>Balance at June 30, 2001</b>	<b>157,273</b>	<b>253,564</b>	<b>410,837</b>

Utilizations of the reserve for restructuring costs were in respect of Pirelli S.p.A. Group's Cables and Systems Sector for Euros 78.5 million and the Tyres Sector for Euros 59.1 million.

The balance of the reserve relates to the Cables and Systems Sector for Euros 146.3 million and the Tyres Sector for Euros 11 million.

Other reserves consists of provisions for litigation, industrial and commercial risks and product warranties.

## D) PAYABLES

Payables show a decrease from Euros 6,373.3 million to Euros 5,874.9, and can be analyzed as follows:

(in thousands of euros)

	6/30/2001		12/31/2000	
	Financial	Trade and other	Financial	Trade and other
. Bonds	657,178	-	655,027	-
. Convertible bonds	85,004	-	106,561	-
. Bank borrowings	1,704,643	-	1,473,710	-
. Other financial companies	416,276	-	450,773	-
. Advances from customers	-	308,114	-	291,907
. Trade	-	1,429,959	-	1,448,664
. Subsidiaries	-	-	-	232
. Associated companies	1,043	7,550	1,072	12,742
. Taxes	-	699,774	-	1,242,716
. Social security agencies	-	46,814	-	56,662
. Other payables	3,679	513,912	3,828	629,380
	<b>2,867,823</b>	<b>3,006,123</b>	<b>2,690,971</b>	<b>3,682,303</b>

An analysis by due date, according to the type of payable, is as follows:

### Financial payables

(in thousands of euros)

	6/30/2001		12/31/2000	
	within 12 months	beyond 12 months	within 12 months	beyond 12 months
. Bonds	4	657,174	4	655,023
. Convertible bonds	-	85,004	2,600	103,961
. Bank borrowings	616,866	1,087,777	435,670	1,038,040
. Other financial companies	362,558	53,718	395,441	55,332
. Associated companies	1,043	-	1,072	-
. Other	3,679	-	3,828	-
	<b>984,150</b>	<b>1,883,673</b>	<b>838,615</b>	<b>1,852,356</b>

Financial payables are secured by liens and mortgages of Euros 149 million.

Financial payables due within the 12 months amount to Euros 985.1 million and also include the current portion of long-term debt of Euros 40.3 million.

Additional disclosure is provided as follows:

## Bonds

(in thousands of euros)					
	Non-convertible		Convertible		Pirelli & C. shares to be issued in the event of conversion
	within 12 months	beyond 12 months	within 12 months	beyond 12 months	Number
Pirelli & C. (Italy) Lire 287.9 billion 1998-2003 2.5% convertible into Pirelli & C. shares	-	-	-	85,004	36,575,576
Pirelli S.p.A. (Italy) Euros 500 million 1998-2008 4.875% Unredeemed bonds	4	500,000	-	-	-
Pirelli & C. Luxembourg S.A. Euros 150 million 1999-2009 5.125%	-	157,174	-	-	-
	<b>4</b>	<b>657,174</b>	<b>-</b>	<b>85,004</b>	<b>36,575,576</b>

Convertible bonds total Euros 85 million and relate to the residual amount of the 2.5 percent 1998-2003 bonds originally issued for Lire 287.9 billion (Euros 148.7 million), authorized by a resolution passed at the extraordinary shareholders' meeting of Pirelli & C. on May 22, 1998.

## Bank borrowings

Bank borrowings due beyond 12 months, amounting to Euros 1,087.8 million, include borrowings due beyond five years of Euros 110 million.

## Payables to other financial companies

The amount due beyond 12 months, amounting to Euros 53.7 million, includes Euros 41 million due beyond five years.

## Trade and other payables

(in thousands of euros)

	6/30/2001		12/31/2000	
	within 12 months	beyond 12 months	within 12 months	beyond 12 months
. Advances from customers	308,114	-	291,907	-
. Trade	1,412,419	17,540	1,417,909	30,755
. Subsidiaries	-	-	232	-
. Associated companies	2,900	4,650	12,375	367
. Taxes	616,976	82,798	1,159,307	83,409
. Social security agencies	46,814	-	56,662	-
. Other payables	448,220	65,692	556,597	72,783
	<b>2,835,443</b>	<b>170,680</b>	<b>3,494,989</b>	<b>187,314</b>

## COMMENTS ON THE CONSOLIDATED STATEMENTS OF INCOME

### A) PRODUCTION VALUE

#### Revenues from sales and services

The distribution of sales by geographical area of destination and industry sector are reported in the following table.

	(in thousands of euros)			
	1 <sup>st</sup> half 2001		1 <sup>st</sup> half 2000	
<b>Geographical area</b>				
Italy	684,617	16.90%	526,858	14.17%
Other European countries	1,660,295	40.97%	1,587,770	42.71%
North America	631,150	15.58%	564,212	15.18%
Central and South America	610,822	15.08%	576,417	15.50%
Oceania, Africa and Asia	464,546	11.47%	462,677	12.44%
	<b>4,051,430</b>	<b>100.00%</b>	<b>3,717,934</b>	<b>100.00%</b>
<b>Sector</b>				
Pirelli S.p.A. Group				
. Cables and Systems	2,478,418	61.17%	2,171,348	58.40%
. Tyres	1,477,476	36.47%	1,424,956	38.33%
- Other and eliminations	(10,016)	-0.25%	1,565	0.04%
Total Pirelli S.p.A. Group	3,945,878	97.39%	3,597,869	96.77%
Pirelli & C. Real Estate Group	115,679	2.86%	116,230	3.13%
Other and eliminations	(10,127)	-0.25%	3,835	0.10%
	<b>4,051,430</b>	<b>100.00%</b>	<b>3,717,934</b>	<b>100.00%</b>

## B) PRODUCTION COSTS

### Personnel costs

Personnel costs consist of the following:

	(in thousands of euros)	
	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000
. Salaries and wages	627,363	616,590
. Social security costs	132,724	130,883
. Leaving indemnity	23,440	16,580
. Pension and similar costs	10,593	10,782
. Other costs	12,583	13,822
	<b>806,703</b>	<b>788,657</b>

### Amortization, depreciation and writedowns

The depreciation charge for property, plant and equipment may be analyzed as follows:

	(in thousands of euros)	
	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000
. Buildings	15,796	20,249
. Plant and machinery	109,798	110,807
. Commercial and industrial equipment	20,565	21,929
. Other assets	18,888	16,916
	<b>165,047</b>	<b>169,901</b>

## C) FINANCIAL INCOME AND EXPENSES

### Investment income

Investments income includes:

	(in thousands of euros)	
	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000
. Dividends from subsidiaries	343	-
. Dividends from associated companies	-	1,603
. Dividends from other companies	4,537	5,039
. Other income	163	44
	<b>5,043</b>	<b>6,686</b>

Other investment income refers to gains on the sales of securities.

### Other financial income

“Income other than the above” consists of the following:

	(in thousands of euros)	
	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000
. Interest from subsidiaries	-	151
. Interest from associated companies	6,860	991
. Bank interest	123,407	40,849
. Other interest	1,588	1,855
. Miscellaneous financial income	25,136	35,555
. Gains on exchange	229,065	35,960
	<b>386,056</b>	<b>115,361</b>

**Miscellaneous financial income** includes revenues on forward exchange contracts, gains on the sale of fixed rate securities, interest on receivables to be collected from the tax authorities and other minor items.

### **Interest and other financial expenses**

These expenses include:

	(in thousands of euros)	
	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000
. Interest to associated companies	23	1,000
. Bond interest	16,771	17,758
. Bank interest	71,630	78,307
. Miscellaneous financial expenses	36,433	55,411
. Losses on exchange	227,535	51,321
	<b>352,392</b>	<b>203,797</b>

**Miscellaneous financial expenses** include costs on forward exchange contracts, losses on the sale of fixed rate securities, bank commissions, etc..

## **E) EXTRAORDINARY ITEMS**

### **Extraordinary income**

Extraordinary income totals Euros 74.4 million, compared to Euros 1,980.2 million in the first six months of 2000, and can be analyzed as follows:

(in thousands of euros)		
	<b>1<sup>st</sup> half 2001</b>	<b>1<sup>st</sup> half 2000</b>
. Gains on disposal	34,726	67,260
. Miscellaneous	39,625	1,912,914
	<b>74,351</b>	<b>1,980,174</b>

“Gains on disposal” mainly include a gain of Euros 30.3 million on the sale of Pirelli S.p.A. treasury shares on the market.

“Miscellaneous” principally comprises Euros 36.3 million recognized by Cisco Systems on the sale of the Terrestrial Optical Systems business which took place in the first six months of 2000.

### **Extraordinary expenses**

Extraordinary expenses total Euros 19.4 million, compared to Euros 613.7 million in the first half of 2000, and consist of the following:

(in thousands of euros)		
	<b>1<sup>st</sup> half 2001</b>	<b>1<sup>st</sup> half 2000</b>
. Losses on disposals	271	10,560
. Miscellaneous	19,163	603,108
	<b>19,434</b>	<b>613,668</b>

**OTHER INFORMATION**

**Employees**

The average number of employees in the companies included in the scope of consolidation at June 30, 2001, by category, is as follows:

. management	718
. staff	11,370
. operatives	26,162
. temporary	3,102
	<hr/>
	41,352
	<hr/> <hr/>

## Exchange rates

The main exchange rates used in consolidation are as follows:

	(local currency against euros)					
	Period-end		Change in	Average		Change in
	06/30/2001	12/31/2000	%	1° half 2001	1° half 2000	%
<b>Europe</b>						
Italian lira	1,936.27	1,936.27	0.00%	1,936.27	1,936.27	0.00%
German mark	1.95583	1.95583	0.00%	1.95583	1.95583	0.00%
Dutch guilder	2.20371	2.20371	0.00%	2.20371	2.20371	0.00%
French franc	6.55957	6.55957	0.00%	6.55957	6.55957	0.00%
Spanish peseta	166.386	166.386	0.00%	166.386	166.386	0.00%
Belgian franc	40.3399	40.3399	0.00%	40.3399	40.3399	0.00%
British pound	0.6031	0.6241	(3.36%)	0.62355	0.61214	1.86%
Swiss franc	1.5228	1.5232	(0.03%)	1.5308	1.5853	(3.44%)
Hungarian forint	243.6300	263.8400	(7.66%)	261.6231	257.5605	1.58%
Slovakian koruna	42.2007	43.4897	(2.96%)	43.4427	42.1588	3.05%
Greek drachma	340.750	340.750	0.00%	340.7500	334.4552	1.88%
<b>North America</b>						
American dollar	0.8480	0.9305	(8.87%)	0.8981	0.9601	(6.46%)
Canadian dollar	1.2927	1.3965	(7.43%)	1.3779	1.4078	(2.12%)
<b>South America</b>						
Brazilian real	1.9546	1.8195	7.42%	1.9331	1.7163	12.63%
Argentine peso	0.8480	0.9305	(8.87%)	0.8981	0.9601	(6.46%)
<b>Oceania</b>						
Australian dollar	1.6735	1.6770	(0.21%)	1.7216	1.5740	9.38%
<b>Asia</b>						
Chinese RMB	7.0186	7.7021	(8.87%)	7.4338	7.9452	(6.44%)
Singapore dollar	1.5451	1.6130	(4.21%)	1.6011	1.6413	(2.45%)
Indonesian rupiah	9,650.0000	8,956.0000	7.75%	9,426.0000	7,493.0000	25.80%
<b>Africa</b>						
Egyptian pound	3.305	3.610	(8.45%)	3.4752	3.2956	5.45%
Ivory Coast franc	655.957	655.957	0.00%	655.9570	655.9570	0.00%

## Net financial position

The composition of the net financial position, which shows a change compared to December 31, 2000 which was commented in the introduction to the report, is as follows:

	(in thousands of euros)		
	6/30/2001	12/31/2000	6/30/2000
. Short-term financial payables	984,150	838,615	1,663,096
. Accrued interest expenses	35,852	25,333	25,426
. Cash and banks	(2,419,207)	(3,732,150)	(1,741,233)
. Other securities and short-term equity investments	(1,465,050)	(1,246,737)	(199,880)
. Short-term financial receivables	(294,500)	(245,886)	(584,320)
. Accrued interest income	(15,451)	(16,373)	(22,939)
<b>Net short-term liquidity position</b>	<b>(3,174,206)</b>	<b>(4,377,198)</b>	<b>(859,850)</b>
. Medium/long-term financial payables	1,883,673	1,852,356	1,863,856
. Medium/long-term financial receivables	(97,675)	(101,518)	(394,696)
. Other securities	(9,120)	(8,572)	(22,598)
<b>Net medium/long-term debt position</b>	<b>1,776,878</b>	<b>1,742,266</b>	<b>1,446,562</b>
<b>Net financial (liquidity) debt position</b>	<b>(1,397,328)</b>	<b>(2,634,932)</b>	<b>586,712</b>



## **Supplementary information**

**Consolidated financial statements at June 30, 2001**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands of euros)

	<b>Six months 6.30.2001</b>	<b>Year 2000</b>
<b>Net cash flow</b>		
Operating profit	250.135	431.521
Depreciation and amortization	206.006	418.093
Increase in intangible assets	(31.546)	(93.077)
Increase in property, plant and equipment	(312.060)	(569.566)
Increase in financial assets	(138.323)	(683.231)
Disposal of intangible assets	-	5.269
Disposal of property, plant and equipment	8.057	27.570
Disposal of financial assets	16.976	132.176
Changes in inventories	(93.714)	(76.603)
Changes in trade and other accounts receivable/payable	(40.222)	63.060
Changes in reserves	(6.095)	(57.668)
Other changes	2.600	(26.544)
<b>Free cash flow</b>	<b>(138.186)</b>	<b>(429.000)</b>
Financial income/expenses, net	22.489	(119.440)
Income taxes, net	(139.147)	(1.074.159)
Extraordinary items, net	54.917	4.521.362
Other changes	(758.648)	1.373.558
<b>Cash flow before dividends</b>	<b>(958.575)</b>	<b>4.272.321</b>
Dividends paid	(319.217)	(154.650)
<b>Net cash flow</b>	<b>(1.277.792)</b>	<b>4.117.671</b>
Share capital increase Pirelli & C.	18.958	44.559
Share capital increase Pirelli S.p.A.	-	5.138
Share capital increase (minority interests)	35.966	82.543
<b>Changes in share capital</b>	<b>54.924</b>	<b>132.240</b>
Translation differences	(14.736)	(17.976)
<b>Net increase (decrease) in cash</b>	<b>(1.237.604)</b>	<b>4.231.935</b>
<b>Net liquidity (debt) at beginning of the year</b>	<b>2.634.932</b>	<b>(1.597.003)</b>
<b>Net liquidity at end of the period</b>	<b>1.397.328</b>	<b>2.634.932</b>

Consolidated statements of changes in shareholders' equity for the years ended December 31, 2000 and the six months ended June 30, 2001						
(in thousands of euros)						
	Share capital	Share premium reserve	Legal reserve	Cumulative translation adjustment	Other reserves*, retained earnings net income	Total
<b>Balance at December 31, 1999</b>	<b>310.989</b>	<b>451.028</b>	<b>61.773</b>	<b>28.281</b>	<b>(43.546)</b>	<b>808.525</b>
Appropriation of net income (shareholders' resolution of May 11, 2000)						
- Dividends	-	-	-	-	(37.284)	(37.284)
- Legal reserve	-	-	439	-	(439)	-
Conversion of bonds 1998/2003	9.970	34.589	-	-	-	44.559
Adjustment to bring carrying values in line with net equities	-	-	-	-	(20.278)	(20.278)
Translation adjustment and other changes	-	-	-	(28.921)	-	(28.921)
Net income	-	-	-	-	1.404.660	1.404.660
<b>Balance at December 31, 2000</b>	<b>320.959</b>	<b>485.617</b>	<b>62.212</b>	<b>(640)</b>	<b>1.303.113</b>	<b>2.171.261</b>
Appropriation of net income (shareholders' resolution of May 10, 2001)						
- Dividends	-	-	-	-	(128.907)	(128.907)
- Legal reserve	-	-	2.802	-	(2.802)	-
Conversion of bonds 1998/2003	4.242	14.716	-	-	-	18.958
Adjustment to bring carrying values in line with net equities	-	-	-	-	(21.532)	(21.532)
Translation adjustment and other changes	-	-	-	(3.236)	-	(3.236)
Net income	-	-	-	-	57.460	57.460
<b>Balance at June 30, 2001</b>	<b>325.201</b>	<b>500.333</b>	<b>65.014</b>	<b>(3.876)</b>	<b>1.207.332</b>	<b>2.094.004</b>

\* Other reserves include the revaluation reserve, the reserve for treasury shares and the amortized portion of the consolidation reserve.

(in thousands of euros)

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**Reconciliation of the six months net income and shareholders' equity of Pirelli & C.  
and the consolidated financial statements**

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	Net income	Shareholders' equity
<b>Balance at June 30, 2001, as reported in the Pirelli &amp; C. financial statements</b>	<b>28.750</b>	<b>1.073.948</b>
Share of earnings of: - consolidated subsidiaries	64.965	64.965
Elimination of dividends received from subsidiaries	(22.501)	(22.501)
Amortization of goodwill	(13.754)	(13.754)
Difference between the share of net equity of consolidated companies and their carrying value: - consolidated subsidiaries	-	991.346
<b>Balance at June 30, 2001, as reported in the consolidated financial statements</b>	<b>57.460</b>	<b>2.094.004</b>

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**COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>EUROPE</b>						
<b>AUSTRIA</b>						
Pirelli Gesellschaft mbH	Tyres	Vienna	Sh.A./000	10.000	100,00%	Lunares S.A.
Pirelli-Oekw GmbH	Cables and Systems	Vienna	Euro	2.071.176	100,00%	Pirelli Cable Holding N.V.
<b>BELGIUM</b>						
Pirelli Tyres Belux S.A.	Tyres	Brussels	Euro	700.000	100,00%	Lunares S.A.
<b>FINLAND</b>						
Pirelli Cables and Systems OY	Cables and Systems	Helsinki	Euro	10.000.000	100,00%	Pirelli Cable Holding N.V.
<b>FRANCE</b>						
Eurelectric S.A.	Cables and Systems	La Bresse	Euro	4.036.500	100,00%	Pirelli Câbles et Systèmes S.A.
Pirelli Câbles et Systèmes S.A. (formerly Cables Pirelli S.A.)	Cables and Systems	Paron	Euro	136.800.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Telecom Cable et Systemes France S.A.	Telecom Cables and Systems	Bagnolet	Euro	40.000	100,00%	Pirelli Câbles et Systèmes S.A.
Pneus Pirelli S.A.	Tyres	Puteaux	Euro	3.062.400	100,00%	Lunares S.A.
SMI S.A.S.	Tyres	Gonesse	Euro	77.000	100,00%	Metzeler Reifen GMBH
Supernet S.A.	Telecom Cables and Systems	Paris	Euro	40.000	100,00%	Pirelli Câbles et Systèmes S.A.
<b>GERMANY</b>						
Bergmann Kabel und Leitungen GmbH	Cables and Systems	Schwerin	Euro	1.022.600	100,00%	Pirelli Kabel und Systeme Holding GmbH
Deutsche Pirelli Reifen Holding GmbH	Financial	Breuberg/Odenwald	Euro	7.694.943	100,00%	Pirelli Tyre Holding N.V.
ISO Industrie Spedition Odenwald GmbH	Tyres	Breuberg/Odenwald	Euro	25.565	100,00%	Pirelli Reifenwerke GmbH & Co. K.G.
Materialverwertungsgesellschaft Breuberg GmbH	Tyres	Breuberg/Odenwald	Euro	25.565	100,00%	Deutsche Pirelli Reifen Hold. GmbH
Metzeler Reifen GmbH	Tyres	Breuberg/Odenwald	Euro	16.361.340	100,00%	Pirelli Deutschland A.G.
Pirelli Deutschland A.G.	Tyres	Breuberg/Odenwald	Euro	26.075.886	98,94%	Deutsche Pirelli Reifen Hold. GmbH
Pirelli Kabel und Systeme Holding GmbH	Cables and Systems	Berlin	Euro	26.000	99,00%	Pirelli Cable Holding N.V.
Pirelli Kabel Grundstücksverwaltungs GmbH	Cables and Systems	Berlin	Euro	25.600	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Kabel und Systeme Beteiligungs GmbH	Cables and Systems	Berlin	Euro	25.600	100,00%	Pirelli Kabel und Systeme Holding GmbH
Pirelli Kabel und Systeme GmbH & Co. KG	Cables and Systems	Berlin	Euro	5.113.000	100,00%	Pirelli Kabel und Systeme Beteiligungs GmbH
Pirelli Kabel und Systeme Verwaltungs GmbH	Cables and Systems	Berlin	Euro	25.600	100,00%	Pirelli Kabel und Systeme Beteiligungs GmbH
Pirelli Reifenwerke GmbH & Co. K.G.	Tyres	Breuberg/Odenwald	Euro	35.790.943	100,00%	Pirelli Deutschland A.G.
Pirelli Reifenwerke Geschaeftsfuehrungs GmbH	Service	Breuberg/Odenwald	Euro	25.565	100,00%	Deutsche Pirelli Reifen Hold. GmbH
Pirelli Telekom Kabel und Systeme Deutschland GmbH	Telecom Cables and Systems	Berlin	Euro	25.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pneumobil GmbH	Tyres	Breuberg/Odenwald	Euro	259.225	99,62%	Pirelli Reifenwerke GmbH & Co. K.G.
Veith Wohnungsbau GmbH	Real estate	Breuberg/Odenwald	Euro	127.823	100,00%	Pirelli Deutschland A.G.
<b>GREECE</b>						
Antem Representations & Trading Co. Ltd. (in liquidation)	Tyres	Athens	Drs./000	1.000	100,00%	Pirelli Hellas S.A.
Diafimis Roda Ltd. (in liquidation)	Advertising	Athens	Drs./000	3.000	99,33%	Elastika Pirelli S.A.
Elastika Pirelli S.A.	Tyres	Athens	Drs./000	557.000	99,90%	Antem Repr. & Trading Co Ltd
Pirelli Hellas S.A. (in liquidation)	Tyres	Athens	US\$/000	22.050	79,86%	Lunares S.A.
<b>HUNGARY</b>						
MKM Magyar Kabel Muvek RT.	Cables and Systems	Budapest	HUF/000	6.981.070	100,00%	Pirelli Cable Holding N.V.
Kabel Keszleterekeesito BT.	Cables and Systems	Budapest	HUF/000	1.239.841	100,00%	MKM Magyar Kabel Muvek Rt.
Pirelli Construction Hungary Limited	Cables and Systems	Budapest	HUF/000	3.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Hungary Tyre Trading and Services Limited	Tyres	Budaors	HUF/000	3.000	100,00%	Lunares S.A.

COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>ITALY</b>						
Acquario S.r.l. (in liquidation)	Real estate	Genoa	Lit./mil.	500	100,00%	Pirelli & C. Real Estate S.p.A.
Alfa S.r.l.	Real estate	Milan	Euro	2.600.000	100,00%	Pirelli & C. Real Estate S.p.A.
Alfa Due S.p.A..	Real estate	Milan	Euro	1.300.000	100,00%	Pirelli & C. Real Estate S.p.A.
Altofim S.r.l.	Financial	Milan	Euro	78.000	100,00%	Pirelli & C. A.p.A.
Beta S.r.l.	Real estate	Milan	Euro	26.000	100,00%	Pirelli & C. Real Estate S.p.A.
Cagisa S.p.A.	Real estate	Milan	Euro	624.000	100,00%	Pirelli & C. Property Management S.p.A.
Centrale Immobiliare S.p.A.	Real estate	Milan	Euro	5.200.000	100,00%	Pirelli & C. Real Estate S.p.A.
Centro Servizi Amministrativi Pirelli S.r.l.	Service	Milan	Euro	51.000	100,00%	Pirelli S.p.A.
Delta S.p.A.	Real estate	Milan	Euro	153.000	100,00%	Pirelli & C. Real Estate S.p.A.
Fibre Ottiche Sud - F.O.S. S.p.A.	Optical fibers	Battipaglia (SA)	Euro	5.200.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Fintheta S.p.A.	Real estate	Milan	Euro	255.000	100,00%	Pirelli S.p.A.
Holdim S.r.l.	Real estate	Milan	Euro	14.404	100,00%	Pirelli & C. Real Estate S.p.A.
Kallithea S.p.A. (formerly Kallithea Immobiliare S.r.l.)	Real estate	Milan	Euro	10.400	100,00%	Pirelli S.p.A.
Kappa S.r.l.	Real estate	Milan	Euro	10.400	100,00%	Pirelli & C. Real Estate S.p.A.
Iota S.r.l.	Real estate	Milan	Euro	93.600	100,00%	Pirelli & C. Real Estate S.p.A.
Istituto Piero Pirelli S.p.A. (in liquidation)	Training	Milan	Euro	135.000	80,00%	Pirelli S.p.A.
					10,00%	Pirelli Pneumatici Holding S.p.A.
					10,00%	Pirelli Cavi e Sistemi S.p.A.
Lambda S.r.l.	Real estate	Milan	Euro	624.000	100,00%	Pirelli & C. Real Estate S.p.A.
Localto S.p.A.	Financial	Milan	Euro	510.000	100,00%	Pirelli & C. A.p.A.
Maristel S.p.A.	Cables and Systems	Milan	Euro	1.020.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Milano Centrale Altofim S.p.A.	Financial	Milan	Euro	5.200.000	100,00%	Pirelli & C. A.p.A.
Neri Gomme & C. S.r.l. (in liquidation)	Tyres	Milan	Lit./mil.	20	100,00%	Sistema Puntogomme S.p.A.
Partecipazioni Real Estate S.p.A.	Real estate	Milan	Euro	1.360.280	100,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Ambiente S.p.A.	Environment	Milan	Euro	3.060.000	100,00%	Pirelli & C. A.p.A.
Pirelli Cavi e Sistemi S.p.A.	Cable Holding Company	Milan	Euro	182.694.200	98,75%	Pirelli S.p.A.
					1,25%	Pirelli Finance (Luxembourg) S.A.
Pirelli Cavi e Sistemi Energia Italia S.p.A. (formerly CEAT Cavi S.r.l.)	Cables and Systems	Milan	Euro	110.000.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Cavi e Sistemi Telecom Italia S.p.A.	Cables and Systems	Milan	Euro	41.000.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Informatica S.p.A.	Information system	Milan	Euro	520.000	100,00%	Pirelli S.p.A.
Pirelli Labs S.p.A.	Research and Development	Milan	Euro	10.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Metzeler Motovelo S.r.l.	Tyres	Milan	Euro	4.590.000	100,00%	Metzeler Reifen GmbH
Pirelli Nastri Tecnici S.p.A. (in liquidation)	Sundry	Milan	Euro	384.642	100,00%	Pirelli S.p.A.
Pirelli Pneumatici Europa S.r.l.	Service	Milan	Euro	20.000.000	100,00%	Pirelli Pneumatici Holding S.p.A.
Pirelli Pneumatici Holding S.p.A.	Financial	Milan	Euro	121.800.000	100,00%	Pirelli Tyre Holding N.V.
Pirelli Pneumatici S.p.A.	Tyres	Milan	Euro	252.320.000	100,00%	Pirelli Pneumatici Holding S.p.A.
Pirelli S.p.A.	Holding	Milan	Euro	1.042.775.333	5,68%	5,94% Pirelli & C. A.p.A.
					26,32%	27,53% Pirelli & C. Luxembourg S.A.
					8,14%	0,00% Pirelli S.p.A.
Pirelli Servizi Finanziari S.p.A.	Financial	Milan	Euro	1.976.000	100,00%	Pirelli S.p.A.
Pirelli Submarine Telecom Systems Italia S.p.A.	Cables and Systems	Milan	Euro	50.000.000	100,00%	Pirelli Submarine Telecom Systems Holding B.V.
Pirelli & C. Agency S.p.A.	Real estate	Milan	Euro	520.000	100,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Agency 2 S.p.A. (formerly Milano Centrale Servizi S.p.A.)	Real estate	Milan	Euro	832.000	100,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Casa S.p.A.	Real estate	Milan	Euro	520.000	100,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Opere Generali S.p.A. (formerly Milano Centrale Opere Generali S.p.A.)	Real estate	Milan	Euro	104.000	100,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Project Management S.p.A.	Real estate	Milan	Euro	520.000	100,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Property Management S.p.A.	Real estate	Milan	Euro	114.400	92,00%	Pirelli & C. Real Estate S.p.A.
Pirelli & C. Real Estate S.p.A.	Real estate	Milan	Lit./mil.	33.283	97,27%	Pirelli & C. A.p.A.
Polo Viaggi S.r.l.	Travel Agency	Milan	Euro	46.800	100,00%	Pirelli S.p.A.
Progetto Ambiente Alfa S.r.l.	Environment	Milan	Euro	25.500	100,00%	Pirelli & C. Ambiente S.p.A.
Progetto Ambiente Beta S.r.l.	Environment	Milan	Euro	25.500	100,00%	Pirelli & C. Ambiente S.p.A.
Progetto Ambiente Gamma S.r.l.	Environment	Milan	Euro	25.500	100,00%	Pirelli & C. Ambiente S.p.A.
Progetto Bicocca Centro Tecnologico S.r.l.	Real estate	Milan	Euro	93.600	100,00%	Pirelli & C. Real Estate S.p.A.
Progetto Bicocca Esplanade S.p.A.	Real estate	Milan	Euro	2.500.000	100,00%	Pirelli & C. Real Estate S.p.A.
Progetto Bicocca Il Centro S.r.l.	Real estate	Milan	Euro	93.000	100,00%	Pirelli & C. Real Estate S.p.A.
Progetto Grande Bicocca S.r.l.	Real estate	Milan	Euro	93.600	100,00%	Pirelli & C. Real Estate S.p.A.
Progetto Navigli S.r.l.	Real estate	Milan	Euro	52.000	60,50%	Pirelli & C. Real Estate S.p.A.
Promedil '84 S.r.l.	Real estate	Milan	Euro	10.400	100,00%	Pirelli & C. Real Estate S.p.A.
Servizi Amministrativi Real Estate S.p.A.	Real estate	Milan	Euro	520.000	100,00%	Pirelli & C. Real Estate S.p.A.
Servizi Aziendali Pirelli S.C.p.A.	Service	Milan	Euro	104.000	93,00%	Pirelli S.p.A.
					1,00%	Pirelli Cavi e Sistemi S.p.A.
					1,00%	Pirelli & C. A.p.A.
					1,00%	Pirelli & C. Agency 2 S.p.A.
					1,00%	Alfa Due S.p.A.
					1,00%	Pirelli Pneumatici S.p.A.
					1,00%	Polo Viaggi S.r.l.
					1,00%	Pirelli Pneumatici Holding S.p.A.
Sistema Puntogomme S.p.A.	Tyres	Milan	Euro	3.060.000	100,00%	Pirelli Pneumatici Holding S.p.A.
Stella Polare S.r.l. (in liquidation)	Real estate	Milan	Lit./mil.	560	100,00%	Pirelli & C. Real Estate S.p.A.
Tau S.r.l.	Real estate	Milan	Euro	93.600	100,00%	Pirelli & C. Real Estate S.p.A.
Trefin S.r.l.	Financial	Milan	Euro	4.242.476	100,00%	Pirelli S.p.A.

**COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>LUXEMBOURG</b>						
Gamirco Holding S.A.	Financial	Luxembourg	Frs./000	2.100	100,00%	Pirelli Finance (Luxembourg) S.A.
Pirelli Finance (Luxembourg) S.A.	Financial	Luxembourg	Euro	270.228.168	100,00%	Pirelli S.p.A.
Pirelli & C. Luxembourg S.A.	Financial	Luxembourg	Sv.Fr./000	270.000	100,00%	Pirelli & C. A.p.A.
<b>NORWAY</b>						
Pirelli Kabler og Systemer AS	Cables and Systems	Ski	Nok	100.000	100,00%	Pirelli Cables and Systems OY
<b>POLAND</b>						
Pirelli Polska Sp.zo.o.	Tyres	Warsaw	Zloty	6.257.708.500	100,00%	Lunares S.A.
<b>PORTUGAL</b>						
Descos Fabrica Portuguesa de Material Electrico e Electronico S.A.	Cables and Systems	Arcozelo Vngaia	Euro	1.545.000	70,93% 29,07%	Pirelli Câbles et Systèmes S.A. Eurelectric S.A.
<b>ROMANIA</b>						
S.C. Pirelli Romania Cabluri si Sisteme S.A.	Cables and Systems	Slatina	Leu Rumeni/000	208.927.700	100,00%	Pirelli Cable Holding N.V.
<b>SLOVAKIAN REPUBLIC</b>						
Kablo Bratislava Spol. S.R.O.	Cables and Systems	Bratislava	SK	523.334.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Slovakia S.R.O.	Tyres	Bratislava	SK	200.000	100,00%	Lunares S.A.
<b>SPAIN</b>						
Fercable S.A.	Cables and Systems	Barcelona	Euro	3.606.073	100,00%	Pirelli Cables y Sistemas S.A.
Omnia Motor S.A.	Tyres	Barcelona	Euro	1.502.530	100,00%	Pirelli Neumaticos S.A.
Pirelli Cables y Sistemas S.A.	Cables and Systems	Barcelona	Euro	34.257.690	100,00%	Pirelli Cable Holding N.V.
Pirelli Neumaticos S.A.	Tyres	Barcelona	Euro	45.075.908	100,00%	Pirelli Tyre Holding N.V.
Pirelli Esmar S.A.	Cables and Systems	Torredembarra	Euro	8.714.675	100,00%	Pirelli Cables y Sistemas S.A.
<b>SWEDEN</b>						
Pirelli Kablar och System AB	Cables and Systems	Hoganas	Sw.Kr./000	100	100,00%	Pirelli Cables and Systems OY
Pirelli Tyre Nordic AB	Tyres	Stockholm	Sw.Kr./000	950	100,00%	Lunares S.A.
<b>SWITZERLAND</b>						
Agom S.A.	Tyres	Conthey	Frs.	50.000	75,00%	Lunares S.A.
Agom S.A. Bioggio	Tyres	Bioggio	Frs.	250.000	75,00%	Lunares S.A.
Agom S.A. Locarno	Tyres	Locarno	Frs.	50.000	75,00%	Lunares S.A.
Agom S.A. Lugano	Tyres	Lugano	Frs.	102.000	75,00%	Lunares S.A.
Biasi S.A.	Tyres	Lugano	Frs.	250.000	75,00%	Lunares S.A.
Lunares S.A.	Tyre Holding Company	Basel	Frs./000	10.000	100,00%	Pirelli Tyre Holding N.V.
Pirelli Cables and Systems S.A.	Cables and Systems	Basel	Frs./000	500	100,00%	Pirelli Cable Holding N.V.
Pirelli Produkte Holding A.G.	Cables and Systems	Basel	Frs./000	9.500	100,00%	Pirelli Cable Holding N.V.
Pirelli Société de Services S.a.r.l.	Financial	Basel	Frs./000	50	100,00%	Pirelli Société Générale S.A.
Pirelli Société Générale S.A.	Financial	Basel	Frs./000	140.000	100,00%	Pirelli S.p.A.
Pirelli Submarine Telecom Systems S.A.	Cables and Systems	Basel	Frs./000	1.230	100,00%	Pirelli Submarine Telecom Systems Holding B.V.
Pirelli Tyre (Europe) S.A.	Tyres	Basel	Frs./000	1.000	100,00%	Lunares S.A.

**COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>THE NETHERLANDS</b>						
Optical Technologies The Netherlands B.V.	Cables and Systems	Delft	Euro 183.235.100	100,00%		Pirelli S.p.A.
Pirelli Cable Holding N.V.	Cables and Systems Holding Company	Delft	Euro 272.515.065	100,00%		Pirelli Cavi e Sistemi S.p.A.
Pirelli Cables and Systems N.V.	Cables and Systems	Delft	Euro 5.000.000	100,00%		Pirelli Cable Holding N.V.
Pirelli Cable Overseas N.V.	Cables and Systems	Delft	Euro 10.000.000	100,00%		Pirelli Cavi e Sistemi S.p.A.
Pirelli Submarine Telecom Systems Holding B.V.	Cables and Systems	Delft	Euro 4.500.000	90,00%		Pirelli Cavi e Sistemi S.p.A.
Pirelli Telecom Cables and Systems the Netherlands N.V. (formerly Pirelli Technology and Intellectual Property Licensing N.V.)	Cables and Systems	Delft	Euro 50.000	100,00%		Pirelli Cavi e Sistemi S.p.A.
Pirelli Tyre Holding N.V.	Tyres Holding Company	Breukelen	Euro 798.396.003	100,00%		Pirelli S.p.A.
Pirelli Tyres Nederland B.V.	Tyres	Breukelen	Euro 18.152	100,00%		Lunares S.A.
Sipir Finance N.V.	Financial	Rotterdam	Euro 41.146.522	100,00%		Pirelli Tyre Holding N.V.
<b>TURKEY</b>						
Celikord A.S.	Tyres	Istanbul	TL/mil. 12.100.000	49,75%	0,71%	Pirelli Tyre Holding N.V.
					0,27%	Sipir Finance N.V.
					0,27%	Pirelli Pneumatici Holding S.p.A.
					0,27%	Pirelli Deutschland A.G.
Turk-Pirelli Lastikleri A.S.	Tyres	Istanbul	TL/mil. 44.000.000	60,01%	1,57%	Pirelli Tyre Holding N.V.
					0,08%	Sipir Finance N.V.
					0,08%	Pirelli Deutschland A.G.
					0,08%	Pirelli UK Tyres Ltd
					0,08%	Pirelli Pneumatici S.p.A.
					0,08%	Lunares S.A.
					0,08%	Pirelli Pneumatici Holding S.p.A.
					0,08%	Metzeler Reifen GmbH
					0,08%	Pirelli Reifenwerke GmbH & Co. K.G.
					0,08%	Pirelli Neumaticos S.A.
Türk Pirelli Kablo ve Sistemleri A.S.	Cables and Systems	Mudania / Bursa	TL/mil. 3.780.000	83,746%		Pirelli Cable Holding N.V.
Zalsan Zirai Arac Lastikleri A.S.	Tyres	Istanbul	TL/mil. 1.400.000	70,00%		Turk-Pirelli Lastikleri A.S.
<b>UNITED KINGDOM</b>						
Aberdare Cables Ltd	Cables and Systems	London	Lst./000 610	100,00%		Pirelli General plc
Central Tyre Ltd	Tyres	London	Lst./000 100	100,00%		Pirelli UK Tyres Ltd
Comergy Ltd	Cables and Systems	London	Lst./000 1.000	100,00%		Pirelli & C. Luxembourg
Courier Tyre Company Ltd	Tyres	London	Lst./000 10	100,00%		Pirelli UK Tyres Ltd
CPK Auto Products Ltd	Tyres	London	Lst./000 10	100,00%		Pirelli UK Tyres Ltd
CTC 1994 Limited	Tyres	London	Lst. 984	100,00%		Central Tyre Ltd
Pirelli & C Real Estate Limited	Real estate	London	Euro 100	100,00%		Pirelli & C. A.p. A.
Pirelli Cables (2000) Limited	Cables and Systems	London	Lst. 118.653.473	100,00%		Pirelli General plc
Pirelli Cables (Industrial) Limited	Cables and Systems	London	Lst. 9.010.935	100,00%		Pirelli General plc
Pirelli Cables (Supertention) Ltd	Power Cables and Systems	London	Lst. 5.000.000	100,00%		Pirelli General plc
Pirelli Cables and Systems International Ltd	Cables and Systems	London	Euro 100.000	100,00%		Pirelli Cable Holding N.V.
Pirelli Cables Ltd	Cables and Systems	London	Lst./000 100	100,00%		Pirelli General plc
Pirelli Construction Company Ltd	Cables and Systems	London	Lst. 8.000.000	100,00%		Pirelli General plc
Pirelli Focom Limited	Cables and Systems	London	Lst. 6.447.000	100,00%		Pirelli General plc
Pirelli General plc	Cables and Systems	London	Lst. 102.100.000	100,00%		Pirelli UK plc "B"
Pirelli International Limited	Financial	London	Euro 250.000.000	100,00%		Pirelli Finance (Luxembourg) S.A.
Pirelli Metals Ltd (formerly Pirelli Cables (Rod Rollers) Limited)	Cables and Systems	London	Lst. 100.000	100,00%		Pirelli General plc
Pirelli Tyres Ltd	Tyres	London	Lst./000 16.000	100,00%		Pirelli UK Tyres Ltd
Pirelli UK Employee Share Trustee Limited	Financial	London	Lst. 2	100,00%		Pirelli UK plc "C"
Pirelli UK Finance Ltd	Financial	London	Lst./000 6.969	100,00%		Pirelli UK plc "C"
Pirelli UK plc "A"	Tyre Holding Company	London	Lst./000 57.354	100,00%		Pirelli Tyre Holding N.V.
Pirelli UK plc "B"	Cable Holding Company	London	Lst. 54.299.058	100,00%		Pirelli Cable Holding N.V.
Pirelli UK plc "C"	Finance Holding Company	London	Lst./000 11.626	100,00%		Pirelli S.p.A.
Pirelli UK Tyres Ltd	Tyres	London	Lst./000 56.819	100,00%		Pirelli UK plc "A"
<b>NORTH AMERICA</b>						
<b>CANADA</b>						
Pirelli Cables and Systems Inc.	Cables and Systems	St. Jean sur Richelieu	Can.\$ 40.000.000	100,00%		Pirelli Cable Holding N.V.
Pirelli Tire Inc.	Tyres	Ottawa	Can.\$ 6.000.000	100,00%		Lunares S.A.

**COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>U.S.A.</b>						
Metzeler Motorcycle Tire North America Corp.	Tyres	Seattle (Washington)	US\$/000	150	100,00%	Metzeler Reifen GmbH
Pirelli Communications Cables and Systems USA LLC (formerly Pirelli Cables and Systems LLC)	Telecom Cables and Systems	Wilmington (Delaware)	US\$	10	100,00%	Pirelli North America Inc. "B1"
Pirelli Power Cables and Systems USA LLC	Power Cables and Systems	Wilmington (Delaware)	US\$	10	100,00%	Pirelli North America Inc. "B2"
Pirelli Construction Services Inc.	Cables and Systems	Dover (Delaware)	US\$	1.000	100,00%	Pirelli Communication Cables and Systems USA LLC
Pirelli Jacobson Inc.	Cables and Systems	Dover (Delaware)	US\$	2.000	100,00%	Pirelli Communication Cables and Systems USA LLC
Pirelli North America Inc. "A"	Tyres	Wilmington (Delaware)	US\$	3	100,00%	Pirelli Tyre Holding N.V.
Pirelli North America Inc. "B1" (formerly Pirelli North America Inc. B)	Power Cables and Systems	Wilmington (Delaware)	US\$	6	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli North America Inc. "B2" (formerly Pirelli North America Inc. B)	Power Cables and Systems	Wilmington (Delaware)	US\$	1	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Tire LLC	Tyres	Wilmington (Delaware)	US\$	1	100,00%	Pirelli North America Inc. "A"
<b>CENTRAL/SOUTH AMERICA</b>						
<b>ARGENTINA</b>						
Fipla S.A.	Cables and Systems	Buenos Aires	Peso	130	66,97%	Pirelli Cons. Cond.Inst. SAIC
Pirelli Consultora Conductores e Instalaciones S.A.I.C.	Cables and Systems	Buenos Aires	Peso	2.227	100,00%	Pirelli Cable Holding N.V.
Pirelli Consultora de Telecomunicaciones S.A.	Telecom Cables and Systems	Buenos Aires	Peso	12.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Argentina de Mandatos S.A.	Service	Buenos Aires	Peso	500.000	100,00%	Pirelli Soci�t� G�n�rale S.A.
Pirelli Cables S.A.I.C.	Cables and Systems	Buenos Aires	Peso	44.509.458	74,73%	Pirelli Cons. Cond.Inst. SAIC
Pirelli Neumaticos S.A.I.C.	Tyres	Buenos Aires	Peso	19.016.500	24,69%	Pirelli Cable Holding N.V.
Pirelli Neumaticos S.A.I.C.	Tyres	Buenos Aires	Peso	19.016.500	99,02%	Pirelli Tyre Holding N.V.
Pirelli Neumaticos S.A.I.C.	Tyres	Buenos Aires	Peso	19.016.500	0,98%	Pirelli Pneumatici.Holding S.p.A.
Pirelli Telecomunicaciones Cables y Sistemas de Argentina S.A.	Telecom Cables and Systems	Buenos Aires	Peso	12.000	75,00%	Pirelli Consultora Conductores e Instalaciones S.A.I.C.
Tel 3 S.A.	Cables and Systems	Buenos Aires	Peso	11.075.000	25,00%	Pirelli Cable Holding N.V.
Tel 3 S.A.	Cables and Systems	Buenos Aires	Peso	11.075.000	51,00%	Pirelli Cables S.A.I.C.
<b>BRAZIL</b>						
Pirelli & C. Real Estate Ltda (formerly MCM Empreendimentos Imobiliarios - Empresa Pirelli & C. Ltda)	Real estate	Santo Andr�	Real	2.000.000	60,00%	Pirelli & C. Real Estate S.p.A.
Muria� Ltda	Financial	Santo Andr�	Real	80.000.000	30,00%	Pirelli S.A.
Pirelli Energia Cabos e Sistemas do Brasil S.A. (formerly Pirelli Cabos S/A)	Power Cables and Systems	Santo Andr�	Real	98.566.717	100,00%	Pirelli Pneus S/A
Pirelli Pneu Nordeste Ltda	Tyres	Feira de Santana	Real	29.991.402	87,20%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Pneu Nordeste Ltda	Tyres	Feira de Santana	Real	29.991.402	12,06%	10,15% Pirelli S.A.
Pirelli Produtos Especiais Ltda	Cables and Systems	Cerquilha	Real	43.143.421	100,00%	Pirelli Pneu S/A
Pirelli S.A.	Financial	Santo Andr�	Real	45.848.684	100,00%	Pirelli Energia Cabos e Sistemas do Brasil S.A.
Pirelli Pneu S/A	Tyres	Santo Andr�	Real	264.618.982	54,66%	Pirelli S.p.A.
Pirelli Pneu S/A	Tyres	Santo Andr�	Real	264.618.982	41,32%	18,93% Pirelli Pneumatici S.p.A.
Pirelli Pneu S/A	Tyres	Santo Andr�	Real	264.618.982	3,20%	79,78% Pirelli Tyre Holding N.V.
Pirelli Pneu S/A	Tyres	Santo Andr�	Real	264.618.982	0,27%	Pirelli S.A.
Pirelli Telecomunika��es Cabos e Sistemas do Brasil S.A.	Telecom Cables and Systems	Sorocaba	Real	64.240.293	87,20%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Telecomunika��es Cabos e Sistemas do Brasil S.A.	Telecom Cables and Systems	Sorocaba	Real	64.240.293	12,06%	10,15% Pirelli S.A.
Pneuc Comercial e Importadora Ltda	Tyres	San Paolo	Real	12.913.526	100,00%	Pirelli Pneu S/A
Same da Amazonia Ltda	Cables and Systems	Manaus	Real	48.291.480	99,99%	Pirelli Energia Cabos e Sistemas do Brasil S.A.
Same da Amazonia Ltda	Cables and Systems	Manaus	Real	48.291.480	0,01%	Pneuc Com. e Import. Ltda
Solac-Laminadora de Cobre Ltda	Cables and Systems	Jacarei	Real	8.485.100	89,00%	Pirelli Energia Cabos e Sistemas do Brasil S.A.
<b>CHILE</b>						
Pirelli E y T S.A.	Cables and Systems	Santiago	Peso Cil./000	3.072.471	99,82%	Pirelli Instalaciones Chile S.A.
Pirelli Instalaciones Chile S.A.	Cables and Systems	Santiago	Peso Cil./000	918.707	90,00%	Pirelli Cons. Cond. Inst. SAIC
Pirelli Instalaciones Chile S.A.	Cables and Systems	Santiago	Peso Cil./000	918.707	10,00%	Cite S.A.
Pirelli Neumaticos Chile Limitada	Tyres	Santiago	US\$/000	20	95,00%	Pirelli Pneu S/A
Pirelli Neumaticos Chile Limitada	Tyres	Santiago	US\$/000	20	5,00%	Pneuc Com. e Import. Ltda

**COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>COLOMBIA</b>						
Pirelli de Colombia S.A.	Tyres	Santa Fe De Bogota	Peso Col./000	10.977.466	94,94% 4,98% 0,03% 0,03% 0,02%	Pirelli Pneus S/A Pirelli de Venezuela C.A. Muriaé Ltda Pirelli Pneus Nordeste Ltda Pneuc Com. e Import. Ltda
<b>DUTCH ANTILLES</b>						
Pirelli Financial Services Company N.V.	Financial	Curaçao	US\$/000	11.000	100,00%	Pirelli Finance (Luxembourg) S.A.
Pirelli Insurance & Reinsurance Company N.V.	Insurance	Curaçao	US\$/000	10.000	100,00%	Pirelli Financ. Services Co NV
<b>MEXICO</b>						
Pirelmex S.A. de C.V.	Tyres	Mexico City	Peso Mess.	35.098.400	99,95% 0,05%	Pirelli Pneus S.A. Pneuc Comercial e Importadora Ltda
<b>URUGUAY</b>						
Cite S.A.	Cables and Systems	Montevideo	Peso Ur./000	4.900	100,00%	Pirelli Cables S.A.I.C.
<b>VENEZUELA</b>						
Comercializadora de Neumaticos 2050 C.A.	Tyres	Valencia	Bol.	100.000	96,00%	Pirelli de Venezuela C.A.
Pirelli de Venezuela C.A.	Tyres	Valencia	Bol./000	13.062.679	96,22%	Pirelli Tyre Holding N.V.
<b>AFRICA</b>						
<b>EGYPT</b>						
Alexandria Tire Company S.A.E.	Tyres	Alexandria	EGP	300.000.000	74,54% 8,19%	Pirelli Pneumatici Holding S.p.A. Pirelli Pneumatici S.p.A.
International Tire Company Ltd	Tyres	Alexandria	EGP	50.000	96,00%	Alexandria Tire Company S.A.E.
<b>IVORY COST</b>						
SICABLE - Soci�t� Ivoirienne de Cables S.A.	Cables and Systems	Abidjan	Fr.CFA/mil.	740	51,00%	Pirelli C�bles et Syst�mes S.A.
<b>SOUTH AFRICA</b>						
Pirelli Tyre (Pty) Ltd (formerly Italian Tyre (Proprietary) Limited)	Tyres	Sandton	Rand Sudafricani	1	100,00%	Lunares S.A.
<b>OCEANIA</b>						
<b>AUSTRALIA</b>						
Pirelli Telecom Cables & Systems Australia PTY Limited (formerly Pirelli Cables Australia Ltd)	Telecom Cables and Systems	Liverpool - N.S.W.	Austr.\$	38.500.000	100,00%	Pirelli Cavi e Sistemi S.p.A.
Pirelli Power Cables & Systems Australia PTY Limited	Power Cables and Systems	Liverpool - N.S.W.	Austr.\$	15.000.100	99,999% 0,001%	Pirelli Cavi e Sistemi S.p.A. Pirelli Telecom Cables & Systems Australia PTY Limited
Pirelli Tyres Australia Pty Ltd	Tyres	Pymble - N.S.W.	Austr.\$	150.000	100,00%	Lunares S.A.

**COMPANIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>NEW ZEALAND</b>						
Pirelli Telecom Cables & Systems New Zealand Limited (formerly Pirelli Cables NZ Ltd)	Cables and Systems	Auckland	\$ nz	10.000	100,00%	Pirelli Telecom Cables & Systems Australia PTY Limited
Pirelli Power Cables & Systems New Zealand Limited	Power Cables and Systems	Auckland	\$ nz	10.000	100,00%	Pirelli Power Cables & Systems Australia PTY Limited
Pirelli Tyres (NZ) Ltd	Tyres	Wellington	\$ nz	100	100,00%	Pirelli Tyres Australia Pty Ltd
<b>ASIA</b>						
<b>CHINA</b>						
BICC Cables China Ltd	Cables and Systems	Hong Kong	\$ Hong Kong	2.000	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
BICCGeneral Baosheng Cable Co. Ltd	Cables and Systems	Jiangsu	US\$	19.500.000	67,00%	Pirelli Cables Asia-Pacific Pte Ltd
Pirelli Cables (Shanghai) Trading Co. Ltd	Cables and Systems	Shanghai	US\$	200.000	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
Pirelli Telecom Cables Co. Ltd Wuxi	Cables and Systems	Xuelang Town	US\$	27.275.750	69,092%	Pirelli Cable Overseas N.V.
<b>JAPAN</b>						
P & A K.K.	Tyres	Tokyo	Yen/000	1.700.000	51,00%	Pirelli Tyre Holding N.V.
Pirelli K.K.	Tyres	Tokyo	Yen/000	40.000	100,00%	Lunares S.A.
<b>INDIA</b>						
Pirelli Cables (India) Private Limited	Cables and Systems	New Delhi	Rupiah Ind.	10.000.000	100,00%	Pirelli Cable Holding N.V.
<b>INDONESIA</b>						
PT Pirelli Cables Indonesia	Cables and Systems	Jakarta	US\$/000	50.000	99,30% 0,70%	Pirelli Cable Holding N.V. Pirelli Cable Overseas N.V.
<b>MALAYSIA</b>						
BICC (Malaysia) Sdn Bhd	Cables and Systems	Jalan Sultan Ismail	Ringgit/000	100	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
Submarine Cable Installation Sdn Bhd	Cables and Systems	Kuala Lumpur	Ringgit/000	10	99,00% 1,00%	Pirelli Cavi e Sistemi S.p.A. Pirelli Cable Systems Pte Ltd
<b>MAURITIUS</b>						
BICCGeneral Asia Pacific Holdings	Cables and Systems	Port Louis	US\$	2	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
<b>SINGAPORE</b>						
BICC Cables Malaysia Pte Ltd	Cables and Systems	Singapore	\$ Sing.	2	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
BICC Energy Cables Pte Ltd	Cables and Systems	Singapore	\$ Sing.	3.000.000.000	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
Pirelli Cables Asia-Pacific Pte Ltd (formerly BICCGeneral Asia-Pacific Cables Pte Ltd)	Cables and Systems	Singapore	\$ Sing.	213.324.290	100,00%	Pirelli Cable Overseas N.V.
Pirelli Asia Pte Ltd	Tyres	Singapore	\$ Sing.	2	100,00%	Lunares S.A.
Pirelli Cable Systems Pte Ltd	Cables and Systems	Singapore	\$ Sing.	25.000	50,00% 50,00%	Pirelli General plc Pirelli Cable Holding N.V.
Trans-Power Cables Pte Ltd	Cables and Systems	Singapore	\$ Sing/000	1.500	100,00%	Pirelli & C. Luxembourg S.A.
<b>COMPANIES CONSOLIDATED USING THE PROPORTIONAL METHOD</b>						
<b>EUROPE</b>						
<b>ITALY</b>						
Progetto Bicocca Università S.r.l.	Real estate	Milan	Lit/mil.	1.680	34,00%	Pirelli & C. Real Estate S.p.A.

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**INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**


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Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
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**ASSOCIATED COMPANIES**


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**EUROPE**


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**GERMANY**


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Drahtcord Saar Geschaeftsfuehrungs GmbH	Tyres	Merzig	DM/000	60	50,00%	Pirelli Deutschland A.G.
Drahtcord Saar GmbH & Co. K.G.	Tyres	Merzig	DM/000	30.000	50,00%	Pirelli Deutschland A.G.
Kabeltrommel Gesellschaft mbH & Co K.G.	Cables and Systems	Cologne	DM/000	20.000	27,48%	Pirelli Kabel und Systeme GmbH & Co. KG

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**ITALY**


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Agied S.r.l.	Real estate	Rome	Lit./mil.	200	30,00%	Cagisa S.p.A.
Auriga Immobiliare S.r.l.	Real estate	Rome	Lit./mil.	51.204	36,02%	Pirelli & C. Real Estate S.p.A.
Axxium Italia S.r.l.	Tyres	Acqui Terme (AL)	Lit./mil.	90	49,00%	Sistema Puntogomme S.p.A.
Casaclick S.p.A. (formerly Domusclick.com S.p.A.)	Real estate	Milan	Euro	9.409.723	36,57%	Partecipazioni Real Estate S.p.A.
Epiclink S.p.A.	Information system	Milan	Euro	12.500.000	30,30%	Pirelli S.p.A.
Eurostazioni S.p.A.	Real estate	Rome	Euro	60.000.000	31,67%	Partecipazioni Real Estate S.p.A.
Hermes S.p.A. (in liquidation)	Financial	Treviso	Lit./mil.	900.000	14,17%	Pirelli S.p.A.
					14,17%	Pirelli & C. A.p.A.
Iniziative Immobiliari S.r.l.	Real estate	Milan	Euro	4.312.591	32,47%	Pirelli & C. Real Estate S.p.A.
Orione Immobiliare Prima S.p.A.	Real estate	Milan	Euro	104.000	25,00%	Pirelli & C. Real Estate S.p.A.
Progetto Bicocca la Piazza S.r.l.	Real estate	Milan	Euro	3.151.800	26,00%	Pirelli & C. Real Estate S.p.A.
Progetti Creativi S.r.l.	Real estate	Milan	Euro	51.000	100,00%	Pirelli & C. Agency S.p.A.
Progetto Fontana S.r.l.	Real estate	Milan	Euro	500.000	23,00%	Pirelli & C. Real Estate S.p.A.
Progetto Grande Bicocca Multisala S.r.l.	Real estate	Milan	Euro	1.530.000	33,00%	Pirelli & C. Real Estate S.p.A.
Progetto Lainate S.r.l.	Real estate	Milan	Euro	25.500	25,00%	Pirelli & C. Real Estate S.p.A.
Regus Business Centres Italia S.p.A. (formerly Servizi 34 S.r.l.)	Real estate	Milan	Euro	2.500.000	35,00%	Partecipazioni Real Estate S.p.A.
SMP Melfi S.r.l.	Tyres	Melito (NA)	Lit./mil.	6.800	50,00%	Pirelli Pneumatici Holding S.p.A.

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**LUXEMBOURG**


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Inimm Due S.a.r.l.	Real estate	Luxembourg	Euro	240.950	25,00%	Pirelli & C. Real Estate S.p.A.
IN HOLDINGS I S.a.r.l.	Real estate	Luxembourg	Euro	50.000	25,00%	Pirelli & C. Real Estate S.p.A.
M.S.M.C. Solferino S.a.r.l.	Real estate	Luxembourg	Euro	136.700	31,25%	Pirelli & C. Real Estate S.p.A.

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**SPAIN**


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Optiwire S.L.	Cables and Systems	Barcelona	Euro	6.010	50,00%	Pirelli Cables y Sistemas SA
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**THE NETHERLANDS**


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M.S.M.C. Italy Holding B.V.	Real estate	Amsterdam	Fol/000	40	25,00%	Pirelli & C. Real Estate S.p.A.
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**UNITED KINGDOM**


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Rodco Ltd	Cables and Systems	Gravesend	Lst./000	5.000	40,00%	Pirelli General plc
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**CENTRAL/SOUTH AMERICA**


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**ARGENTINA**


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Lineas de Transmision de Buenos Aires S.A.	Cables and Systems	Buenos Aires	Peso/000	12	20,00%	Pirelli Argentina de Mandatos S.A.
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**BRAZIL**


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K.M.P. Cabos Especiais e Sistemas Ltda	Cables and Systems	San Paolo	Real	6.600.916	40,00%	Pirelli Cabos S.A.
Pirelli & C. Real Estate Ltda (formerly MCM Empreendimentos Imobiliarios - Empresa Pirelli & C. Ltda	Real estate	Santo Andrè	Real	2.000.000	30,00%	Pirelli S.A.

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**ASIA**


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**SAUDI ARABIA**


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Sicew-Saudi Italian Co. for Electrical Works Ltd	Cables and Systems	Jeddah	Saudi Rials/000	1.000	34,00%	Pirelli Cable Holding N.V.
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**OTHER INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES**

Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>EUROPE</b>						
<b>AUSTRIA</b>						
Pirelli Kabelwerke und Systeme GmbH	Cables and Systems	Vienna	Sh.A./000	500	100,00%	Pirelli Cavi e Sistemi S.p.A.
<b>FRANCE</b>						
L.D.S. France - Soc.de Transport et Distribution S.A.	Distribution	Bagnolet	Euro	98.625	100,00%	Pirelli S.p.A.
<b>GERMANY</b>						
Industriekraftwerk Breuberg GmbH (formerly Pirelli Energie Deutschland GmbH)	Cogeneration	Breuberg/Odenwald	Euro	1.533.876	26,00%	Pirelli Deutschland AG
Movimento Fabbrica, Haus Des Graphischen Gewerbes G.m.b.H.	Real estate	Berlin	DM/000	50	25,00%	Pirelli & C. Real Estate S.p.A.
<b>HUNGARY</b>						
Ipoly Kabeldob KFT.	Cables and Systems	Szecsény	HUF/000	36.330	25,16%	MKM Magyar Kabel Muvek Rt.
<b>ITALY</b>						
Fin Zeta S.r.l.	Real estate	Milan	Euro	93.600	100,00%	Pirelli & C. Real Estate S.p.A.
Parcheggi Bicocca S.r.l.	Real estate	Milan	Euro	25.500	75,00%	Pirelli & C. Real Estate S.p.A.
Progetto Bicocca Le Torri S.r.l.	Real estate	Milan	Euro	10.400	100,00%	Pirelli & C. Real Estate S.p.A.
<b>THE NETHERLANDS</b>						
Popoy Holding B.V.	Real estate	Rotterdam	F.OI.	53.100	100,00%	Pirelli & C. Real Estate S.p.A.
Robino Holding Amsterdam B.V.	Real estate	Amsterdam	F.OI.	40.420	100,00%	Pirelli & C. Real Estate S.p.A.
<b>AFRICA</b>						
<b>SOUTH AFRICA</b>						
AFCAB Holdings (Proprietary) Ltd	Cables and Systems	Sandton	Rands	4.000	50,00%	Pirelli Cable Holding N.V.
African Cables Ltd	Cables and Systems	Vereeniging	Rands	9.886.098	100,00%	AFCAB Holdings (Proprietary) Ltd
ATC (Proprietary) Ltd	Cables and Systems	Brits	Rands	632.912	21,00%	African Cables Ltd
<b>ZIMBABWE</b>						
BICC CAFCA Limited	Cables and Systems	Harare	\$Zimbabwe	15.706.000	73,46%	African Cable Ltd
BICC (CENTRAL AFRICA) (Private) Limited	Cables and Systems	Harare	\$Zimbabwe	200.000	100,00%	BICC CAFCA Limited
Zimbabwe Cables (Pte) Limited	Cables and Systems	Harare	\$Zimbabwe	2	100,00%	BICC CAFCA Limited
<b>ASIA</b>						
<b>CHINA</b>						
Tianjin Top Power Cables Co. Ltd	Cables and Systems	Tianjin Municipality	US\$	13.100.000	51,15%	Pirelli Cable Holding N.V.
<b>MALAYSIA</b>						
Power Cables Malaysia Sdn Bhd (formerly BICCGeneral Cables (Malaysia) Sdn Bhd)	Cables and Systems	Selangor Darul Ehsan	Malaysian Ringgit	8.000.000	40,00%	Pirelli Cables Asia-Pacific Pte Ltd
<b>OCEANIA</b>						
<b>AUSTRALIA</b>						
MM Cables Energy Products Superannuation Pty Ltd	Cables and Systems	Sidney	Austr.\$	2	100,00%	Pirelli Telecom Cables & Systems Australia PTY Limited

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**OTHER INVESTMENTS CONSIDERED SIGNIFICANT AS PER CONSOB RESOLUTION N. 11971 OF MAY 14, 1999**


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Company	Business	Headquarters	Share capital	% ownership	% of vote	Held by
<b>AUSTRALIA</b>						
Optix Australia Ltd	Cables and Systems	Tottenham (Victoria)	\$Austr. 4.000.000	15,00%		Pirelli Telecom Cables & Systems Australia PTY Limited
<b>BELGIUM</b>						
Euroqube S.A.	Service	Brussels	Euro 39.450.500	17,86%		Pirelli & C. Luxembourg S.A.
<b>FRANCE</b>						
Pneu Holding S.A.	Tyres Holding	Grenoble	Fr.Fr. 110.779.200	14,21%		Sipir Finance N.V.
<b>ITALY</b>						
Eurofly Service S.p.A.	Service	Caselle Torinese	Lit./mil. 2.375	16,33%		Pirelli S.p.A.
F.C. Internazionale Milano S.p.A.	Sport	Milan	Lit./mil. 70.272	14,01%		Pirelli S.p.A.
Fin. Priv. S.r.l.	Financial	Milan	Lit./mil. 20	7,14%		Pirelli & C.
				7,14%		Pirelli S.p.A.
Servizio Titoli S.r.l.	Service	Turin	Euro 105.000	12,38%		Pirelli S.p.A.
Superga S.p.A.	Manufacturing	Rivoli	Lit./mil. 28.000	19,00%		Pirelli & C.
Tecnocittà S.r.l. (in liquidation)	Real estate	Milan	Lit./mil. 1.073	12,00%		Pirelli & C. Real Estate S.p.A.
<b>SWITZERLAND</b>						
Voltimum S.A.	Cables and Systems	Meyrin	Frs. 2.850.120	14,286%		Pirelli Cavi e Sistemi S.p.A.
<b>THE NETHERLANDS</b>						
MB Venture Capital Fund I Participating Company G N.V.	Finance	Amsterdam	Euro 50.000	14,00%		Pirelli Finance (Luxembourg) S.A.
<b>TUNISIA</b>						
Société Tunisienne des Industries de Pneumatiques S.A.	Tyres	Tunis	Tunisian dinars 34.775.400	15,83%		Pirelli Pneumatici S.p.A.
<b>TURKEY</b>						
Türk Sondel Enerji A.S.	Cogeneration	Istanbul	TL/mil 900.000	13,98%	4,99%	Türk-Pirelli Lastikleri A.S. Celikord A.S.

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**AUDITORS REPORT ON THE LIMITED REVIEW OF THE INTERIM  
FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED 30 JUNE  
2001**

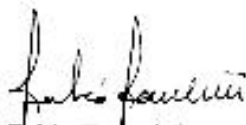
To the Shareholders  
of Pirelli & C. Accomandita per azioni

- 1 We have performed a limited review of the interim financial reporting of Pirelli & C. Accomandita per azioni for the six months period ended 30 June 2001, consisting of balance sheet, income statement and related comments notes (both for the holding company and consolidated). We have also ensured that the management discussion and analysis is consistent with other information in the interim financial reporting.
- 2 Our work was carried out in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (Consob) with Deliberation n° 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end as well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual statutory and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.
- 3 Regarding the comparative data of the company financial statements and the consolidated financial statements of the prior year-end and prior interim financial reporting, reference should be made to our reports dated respectively 11 April 2001 and 8 September 2000.

- 4 Based on our review no significant changes or adjustments came to our attention that should be made to the interim financial reporting identified in the first paragraph of this report, in order to make them consistent with the criteria established by Consob with its Regulation n° 11971, article 81 "Relazione semestrale" of 14 May 1999 and subsequent modifications.

Milan, 12 September 2001

PricewaterhouseCoopers SpA



**Fabio Facchini**  
(Partner)

**This report has been translated from the original which was issued in accordance with Italian legislation.**