

Pirelli & C. - Milan

SIX-MONTHS INTERIM REPORT

AT JUNE 30, 2002

PIRELLI & C. Accomandita per Azioni

Head office in Milan, Via G. Negri 10

Share capital - Euros 339,408,223.96 fully paid-in

Milan Companies Register No. 00860340157

TABLE OF CONTENTS

	Page
COMMENTS ON OPERATIONS	
- The Group	5
- Performance of the main subsidiaries	19
- The company Pirelli & C.	35
- Proforma data	38
PIRELLI & C. GROUP	
- Consolidated six-months financial statements and comments	
. Consolidated balance sheets	42
. Consolidated statements of income	46
. Comments on the consolidated balance sheets	50
. Comments on the consolidated statements of income	65
. Other information	71
- Supplementary information	
. Consolidated statements of cash flows	76
. Consolidated statements of changes in shareholders' equity	77
. Reconciliation of the six-months net results and shareholders' equity of Pirelli & C. and corresponding consolidated figures	78
. List of consolidated companies	79
INDEPENDENT AUDITORS' REPORT	89

PIRELLI & C. Accomandita per Azioni

Leopoldo Pirelli

Honorary Chairman

BOARD OF MANAGING PARTNERS

Marco Tronchetti Provera

Chairman

Alberto Pirelli

Deputy Chairman

Carlo Buora

Luigi Orlando

Carlo Alessandro Puri Negri

Sergio Lamacchia

Secretary to the Board

BOARD OF STATUTORY AUDITORS

Roberto Bracchetti

Chairman

Paolo Lazzati

Standing member

Salvatore Spiniello

Standing member

Paolo Colombo

Alternate member

Marco Reboa

Alternate member

GENERAL MANAGER

Carlo Alessandro Puri Negri

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

COMMENTS ON OPERATIONS

The Group

Despite the extremely negative market conditions brought about by the world economic crisis and its particularly strong impact on the Telecommunications Cables and Systems Sector, although it has experienced a slowdown, the Group as a whole has in general outperformed its principal competitors

The Energy Cables and Systems Sector, which, in turn, is feeling the effects of the negative international economic situation, registered an improvement in profitability, whereas the Tyres Sector confirms the positive trend, with further growth in the high-performance segments.

The improved performances by the Energy Cables and Systems and Tyres Sectors combined with the cost restraints were, however, insufficient to fully offset the negative performance recorded by the Telecommunications Cables and Systems Sector. The Group will accentuate the actions already implemented to improve profitability, even though, at present, the market offers little expectation of an upturn in the short term.

To complete the picture, simultaneously with its listing on the stock exchange, the subsidiary Pirelli & C. Real Estate has continued to leverage the value of its properties and assets under management, thus confirming the strong growth trend in results.

Major events during the six-month period

In February, Pirelli Finance (Luxembourg) S.A. signed a derivative equity swap agreement with J.P. Morgan on 100,000,000 Olivetti S.p.A. shares, expiring December 2006.

Settlement can either be made through the physical delivery of the shares or through the payment of the differentials compared to the market prices.

The initial price is equal to Euros 1.4213 per share plus quarterly interest at the 3-month Euribor plus a spread of 143 bps.

In March, the placement was completed for bonds of Euros 500,000,000 issued by Pirelli Finance (Luxembourg) S.A., maturing April 4, 2007, with a fixed interest rate of 6.5 percent.

The bond issue serves to satisfy the objective of refinancing short-term debt by optimizing the financial structure of the Group from the standpoint of both interest rates and maturity dates. The proceeds from the issue were received at the beginning of April.

On April 22, 2002, an agreement was signed for the sale of the 25.3 percent interest in the company Epiclink S.p.A., a company specialized in provided outsourcing services in the area of Information and Communication Technology, to Telecom Italia S.p.A..

The sale took place on August 1, 2002, once authorization was received from the antitrust authorities.

On April 2, 2002 at the Shareholders' Meeting of Pirelli & C. Real Estate S.p.A., a resolution to request the listing of Pirelli & C. Real Estate S.p.A.'s ordinary shares on the Mercato Telematico Azionario (automated screen market) of the stock exchange was passed.

On May 9, the Board of Managing Partners of Pirelli & C examined the structure of the Global Offer for Pirelli & C. Real Estate's shares listing. The transaction consisted of an offer of a maximum of 14,150,000 ordinary shares that partly (4,050,000 shares) came from a share capital increase excluding option rights and partly (10,100,000 shares) from ordinary shares put on sale by Pirelli & C.. The Board of Managing Partners also passed a resolution to grant a greenshoe option for a maximum of 2,100,000 shares.

Furthermore, having taken note of the decision made by the Pirelli & C. Real Estate Board of Directors to adopt a program that constantly involves the employees and management in the creation of economic value through a stock option plan for the three-years 2002 – 2004, the Board of Managing Partners of Pirelli & C. decided to close and settle the existing stock option plan for directors, executives and employees of Pirelli & C. Real Estate and its subsidiaries and associated companies.

Borsa Italiana S.p.A., under measure No. 2358 dated May 29, arranged for trading of the shares, after verifying that there would be a sufficient broad distribution of Pirelli & C. Real Estate S.p.A. ordinary shares floated under the Global Offer.

On June 5, Consob authorized the publication of the Offering Memorandum for the Public Offer of Subscription and Sale and the official listing of Pirelli & C. Real Estate S.p.A. ordinary shares.

On June 20, the offer price was set at Euros 26 per share.

On June 24, when the offer period had ended, 10,100,000 shares had been sold by Pirelli & C. (with realization of a pre-tax gain of Euros 143 million) and the entire share capital increase of 4,050,000 shares by Pirelli & C. Real Estate S.p.A. had been subscribed.

Subsequently, on July 25, the greenshoe option was partly exercised for 265,442 Pirelli & C. Real Estate S.p.A. shares; Pirelli & C. realized a pre-tax gain on this transaction of Euros 6.7 million.

After the greenshoe option was exercised, 14,415,442 Pirelli & C. Real Estate S.p.A. ordinary shares that had been floated on the market, equal to 35.50 percent of the outstanding share capital of the company.

In May, M.S.M.C. (a company controlled by Morgan Stanley funds and in which Pirelli & C. Real Estate has a 25 percent stake), signed a binding framework agreement with Pirelli S.p.A., Olivetti, Telecom Italia and Seat Pagine Gialle, called the Tiglio Project. The objective of the agreement is to leverage the value of real estate properties and areas valued at Euros 4.0 billion and transferred to designated vehicle companies at Euros 3.3 billion, with an average discount of 17 percent. The service operations regarding the properties of the partners participating in the project

that are not yet under Pirelli & C. Real Estate's management, will be acquired by the latter company under the terms of the agreement for an amount of Euros 18 million.

During the first half, Pirelli & C. purchased 5,000,000 Pirelli S.p.A. ordinary shares on the open market for an average price per share of Euros 1.27.

After these transactions, at June 30, 2002, Pirelli & C. holds, directly or indirectly through Pirelli & C. Luxembourg S.A., 38.61 percent of the voting capital (37.34 percent of the entire share capital) of Pirelli S.p.A.. The average carrying value is equal to Euros 2.30 per share.

The highlights of the Group taken from the consolidated financial statements for the six months ended June 30, 2002 can be summarized as follows:

	(in millions of euros)			
	6/30/2002 excluding Olimpia	6/30/2002	6/30/2001	12/31/2001
Net sales	3,494	3,494	4,051	7,762
Gross operating profit	305	305	456	704
<i>% of net sales</i>	8,7%	8,7%	11,3%	9,1%
Operating profit	101	101	250	297
<i>% of net sales</i>	2,9%	2,9%	6,2%	3,8%
Share of earnings (losses) of equity investments	11	(43)	(22)	(32)
Operating profit after share of earnings (losses) of equity investments	112	58	228	265
Financial income (expenses)	(87)	(87)	44	(38)
Extraordinary items	199	199	55	156
Income before income taxes	224	170	327	383
<i>% of net sales</i>	6,4%	4,9%	8,1%	4,9%
Income taxes	(77)	(77)	(139)	(189)
Net income	147	93	188	194
<i>% of net sales</i>	4,2%	2,7%	4,6%	2,5%
Net income attributable to Pirelli & C.		130	57	125
Earnings per share (in euros)		0,20	0,09	0,20
Shareholders' equity		5,233	5,770	5,407
Shareholders' equity attributable to Pirelli & C.		2,150	2,094	2,119
Equity per share (in euros)		3,29	3,35	3,39
Net financial (liquidity)/debt position		2,314	(1.397)	2.029
Capital expenditures		153	312	646
R&D expenditures		115	109	237
Employees (at period-end)		39,135	41,314	39,771
Pirelli & C. ordinary shares (no. in millions)		618,3	591,0	591,4
Pirelli & C. savings shares (no. in millions)		34,4	34,4	34,4
Total shares outstanding		652,7	625,4	625,8
Treasury shares (no. in millions)		2,6	2,6	2,6

Net sales

Net sales amount to Euros 3,494 million and decreased by 13.7 percent (10.6 percent net of the exchange effect) compared to the first half of the prior year (Euros 4,051 million). The reduction is essentially due to a contraction in the net sales of the Telecom Cables and Systems Sector (-65 percent), partly offset by the net sales of Pirelli & C. Real Estate.

This change can be summarized as follows:

. Currency exchange	-3,1%
. Volumes	-7,9%
. Prices/mix	-2,7%
	<hr/>
	-13,7%
	<hr/>

The distribution of net sales by sector is as follows:

	1 st half 2002	1 st half 2001
Pirelli S.p.A. Group		
- Energy Cables and Systems Sector	46,2%	40,8%
- Telecom Cables and Systems Sector	8,1%	20,4%
- Tyres Sector	42,6%	36,2%
- Intereliminations	(1,0%)	(0,2%)
Total Pirelli S.p.A. group	<hr/> 95,9%	<hr/> 97,2%
Real Estate Sector (Pirelli & C. Real Estate S.p.A. group)	4,1%	2,8%
	<hr/> 100,0%	<hr/> 100,0%
	<hr/>	<hr/>

As far as the real estate sector is concerned, it should be borne in mind that net sales are not a significant indicator of the group's operations since its activities are primarily developed through the acquisition of qualified minority stakes in companies which own real estate properties that are managed by the sector.

A better expression of the real estate sector's management business, therefore, is aggregate production value (the sum of revenues and the change in inventories), which also includes the component generated by the minority-owned investments. Such aggregate production value for the six months to June 30, 2002 is equal to Euros 3,340 million (compared to Euros 358 million in the first half of 2001).

Gross operating profit

Gross operating profit is Euros 305 million (8.7 percent of net sales) compared to Euros 456 million in the first six months of 2001 (11.3 percent of net sales). The 33 percent reduction can be ascribed to the performance of the industrial sector and the Telecom Cables and Systems Sector in particular.

It should be highlighted that the first half of 2001 benefited from Euros 59 million of profit on the supply contract with Cisco Systems.

Operating profit

Operating profit is Euros 101 million (2.9 percent of net sales) which, on a comparable basis (excluding the revenues from the supply contract with Cisco Systems of Euro 59 million for the first half of 2001), versus Euros 191 million for the six months ended June 30, 2001.

Contributing to the operating profit of Euros 101 million are the industrial sector (Pirelli S.p.A. group) for Euros 93 million (Euros 243 million in the first half of 2001) and the real estate sector (Pirelli & C. Real Estate group) for Euros 29 million (Euros 28 million in first half of 2001).

Share of earnings (losses) of equity investments

The share of the earnings (losses) of equity investments shows a loss of Euros 43 million, compared to Euros 22 million in the first half of 2001, and includes the effect of the share of the result of the companies accounted for using the equity method.

The caption particularly includes the effect of Pirelli S.p.A.'s share of Olimpia S.p.A.'s losses of Euros 54 million and the share of the earnings of the companies in the real estate sector (Pirelli & C. Real Estate group) of Euros 13 million (compared to a loss of Euros 7 million in the first half of 2001).

Operating profit after share of earnings (losses) of equity investments

The operating profit after the share of earnings (losses) of equity investments totals Euros 58 million compared to Euros 228 million in the first half of 2001.

Contributing to this result are the Pirelli S.p.A. group for Euros 38 million (Euros 229 million in the first half of 2001) and the real estate sector (Pirelli & C. Real Estate group) for Euros 42 million (Euros 21 million for the six months ended June 30, 2001).

Bearing in mind the business model adopted by the company, this is the most significant indicator of the real estate sector's operating performance.

Financial income (expenses)

The net financial expense balance is Euros 87 million compared to a net financial income balance of Euros 44 million for the same period of 2001.

The change is chiefly attributable to the higher average debt of the Pirelli S.p.A. group.

Extraordinary items

Extraordinary items show an income balance of Euros 199 million and principally include the aforementioned gain realized on the offering of Pirelli & C. Real Estate S.p.A. shares on the stock market (Euros 143 million) and the gain realized by Pirelli & C. Real Estate S.p.A. on the sale of the last tranche of ex-Unim securities in portfolio (Euros 54 million).

Net income

Net income is Euros 93 million compared to Euros 188 million in the first half of 2001.

For purposes of a more meaningful comparison with 2001, Olimpia's result should not be taken into account; excluding this result, the net income for the first six months to June 30, 2002 would be Euros 147 million against Euros 188 million.

Contributing to the net income of Euros 93 million are the industrial sector (Pirelli S.p.A. group) with a loss of Euros 52 million (a net income of Euros 200 million in the first half of 2001) and the real estate sector (Pirelli & C. Real Estate group) with a net income of Euros 71 million (Euros 13 million in the first half of 2001).

The net income attributable to Pirelli & C. for the first six months to June 30, 2002 is Euros 130 million compared to Euros 57 million in the first six months of 2001.

Shareholders' equity

Shareholders' equity went from Euros 5,407 million at December 31, 2001 to Euros 5,233 million at June 30, 2002. The decrease of Euros 174 million is principally due

to the translation adjustments recorded by the Pirelli S.p.A. group owing to the depreciation of the South American currencies against the euro.

This change can be summarized as follows:

	(in millions of euros)
. Translation adjustments	(245)
. Net income for the period	93
. Dividends to third parties distributed by:	(142)
- Pirelli & C.	(52)
- Pirelli S.p.A.	(89)
- Other Group companies	(1)
. Purchase of Pirelli S.p.A. shares (Pirelli & C.)	(7)
. Purchase of Pirelli & C. Real Estate treasury shares	(42)
. Conversion of Pirelli & C. 1998/2003 bonds	63
. Pirelli & C. Real Estate capital increase reserved for third parties	105
. Other changes	1
	<u><u>(174)</u></u>

The net equity attributable to Pirelli & C. went from Euros 2,119 million at December 31, 2001 to Euros 2,150 million at June 30, 2002, with an increase of Euros 31 million.

The increase stems from the fact that the decline in Pirelli & C.'s share of the Pirelli S.p.A.'s shareholders' equity was more than compensated by the positive change in the shareholders' equity of Pirelli & C. Real Estate.

Net equity per share went from Euros 3.39 at December 31, 2001 to Euros 3.29 following the conversion of Pirelli & C. 1998/2003 bonds.

Net financial position

The net financial position shows a debt position of Euros 2,314 million compared to Euros 2,029 million at December 31, 2001.

The variation can mainly be explained by the change in the net financial position of the Pirelli S.p.A. group for Euros 529 million and the payment of dividends for Euros 52 million, which was partly counterbalanced by the gain on the offering of Pirelli & C. Real Estate shares on the market (equal to Euros 282 million, of which Euros 105 million refer to the Pirelli & C. Real Estate capital increase and Euros 177 million to the sale of shares in the portfolio of Pirelli & C.).

The variation in the net financial position can be explained by the analysis of the following cash flows:

	(in millions of euros)	
. Exchange differences		(7)
. Operating profit	101	
. Depreciation and amortization	204	
. Net investments:		
- Pirelli S.p.A. Group	(188)	
- Pirelli & C. Real Estate S.p.A. Group	(63)	
- Other	(4)	
	(255)	
. Change in working capital	35	
. Change in provisions and other	(18)	
. Free cash flows		67
. Purchase of Pirelli S.p.A. shares		(7)
. Purchase of Pirelli & C. Real Estate treasury shares		(42)
. Reclassification of derivatives referring to Olivetti securities		(77)
. Financial income (expenses)		(130)
. Extraordinary items		199
. Income taxes		(77)
. Dividends paid		(142)
. Other changes		(237)
. Net cash flows		(446)
. Other changes in shareholders' equity		168
Change in net financial position		(285)

“Reclassification of derivatives referring to Olivetti securities” refers to the reclassification to financial assets of Convertible Bond Asset Swaps on Olivetti S.p.A. 2010 convertible bonds and Share Swap Transactions on Olivetti S.p.A. shares / Olivetti S.p.A. 2010 convertible bonds held by the subsidiary Pirelli Finance

Luxembourg (Pirelli S.p.A. group) that were previously classified as current financial assets.

“Other changes” principally include the payment of the final taxes due on the sale of Optical Technologies to Corning for Euros 263 million and the payment of Euros 72 million that had been set aside in prior years for the production optimization program, all of which was partly counterbalanced by the sale of tax receivables by the Pirelli S.p.A. group in 2002 to Unicredit Factoring S.p.A. and Mediofactoring S.p.A. totaling Euros 113 million.

“Other changes in shareholders’ equity” consist of the capital increase effected by Pirelli & C. Real Estate, reserved for third parties, as part of the offering of shares on the stock market (Euros 105 million), and the conversions of the Pirelli & C. 1.5% 1998-2003 bonds (Euros 63 million).

The net debt to equity ratio is equal to 0.44 compared to 0.38 at December 31, 2001.

Capital expenditures

Capital expenditures total Euros 153 million compared to Euros 312 million in the first half of 2001.

The ratio of capital expenditures to depreciation is 0.95 (1.89 in the first half of 2001).

R & D expenditures

The Group’s priority commitment to research and technological innovation was again confirmed in the first half of 2002, with an increase in the costs incurred by the

Group for this purpose. R&D costs are entirely charged to the statement of income and increased from Euros 109 million in the first half of 2001 (representing 2.7 percent of net sales) to Euros 115 million (representing 3.3 percent of net sales) in the first half of 2002.

Employees

Employees numbered 39,135 compared to 39,771 at December 31, 2001.

Related party disclosures

With reference to the disclosure required by 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 of the parent company and in the notes and, as for those among subsidiaries, are eliminated upon the preparation of the consolidated financial statements.

Furthermore, in order to provide more complete disclosure, the transactions in the first half of 2002 between the Pirelli & C. Group and the Olivetti Telecom Group are described below. These transactions fall within the ordinary operations of the Group, are carried out at arm's length and there are no transactions of an unusual and

exceptional nature or constituting a potential conflict of interests. Such transactions refer to:

- **revenues for goods and services**, relating mainly to the supply of telecommunications cables (Euros 30.2 million);
- **costs for goods and services**, relating mainly to telephone services received (Euros 4.8 million);
- **trade receivables**, relating to the supply of the goods and services described above (Euros 32.0 million);
- **trade payables**, relating to the telephone services described above (Euros 1.8 million).

Lastly, Pirelli S.p.A. sold Pirelli & C. A.p.A. the building used as the representative offices in Rome and the historical building of Bicocca degli Arcimboldi used by the entire Group and thus more suitably allocated to the parent company. The total price, which was the subject of a voluntary appraisal, was Euros 24.3 million.

Significant subsequent events and future outlook

Subsequent to the end of the first half, Pirelli & C. purchased 8,396,856 Pirelli S.p.A. ordinary shares at an average price of Euros 0.99.

After this transaction, Pirelli & C. holds, directly or indirectly through Pirelli & C. Luxembourg S.A., 39.05 percent of the voting capital (37.76 percent of the entire share capital) of Pirelli S.p.A.. The average carrying value is equal to Euros 2.28 per share.

As far as the prospects for the industrial sector for the second half of 2002 are concerned, in terms of the operating profit, given the steady performance of the Energy Cables and Systems and Tyres Sectors, it is expected that the trend registered by the Group in the first half of the year will essentially be confirmed, thanks to the measures already implemented to improve efficiency, although it will still be affected by the evolution of the reference market of the Telecom Cables and Systems Sector. Management of the Group will continue to carefully monitor the situation of strong instability prevailing in the macroeconomic scenario, with particular reference to the telecom and energy markets, ready to step up rationalizing measures if it should prove necessary.

As for the real estate sector, on the basis of available information, it is reasonable to expect that the entire year 2002 will show a significant improvement in operating profit after the share of the earnings (losses) of the equity investments valued at equity compared to the prior year.

Therefore, the full-year operating profit of Pirelli & C. Group is expected to be lower than that of 2001 in view of the reduction in 2002 operating profit forecasted by Pirelli S.p.A. that will only be partly offset by the improved result of Pirelli & C. Real Estate.

PERFORMANCE OF THE MAIN SUBSIDIARIES

PIRELLI S.p.A. GROUP

The key consolidated figures taken from the financial statements for the six months ended June 30, 2002 are as follows:

- Net sales amount to Euros 3,352 million and decreased by 15.1 percent (11.9 percent net of the exchange effect) compared to the first half of the prior year (Euros 3,946 million). The reduction is essentially due to a contraction in the net sales of the Telecom Cables and Systems Sector (-65 percent), even though the market share of the sector recorded an increase. The breakdown of net sales by sector is 48 percent for Energy Cables and Systems, 8 percent for Telecom Cables and Systems and 44 percent for Tyres.
- Gross operating profit is Euros 278 million (8.3 percent of net sales), compared to Euros 432 million in the first six months of 2001 (10.9 percent of net sales). The reduction of some 35 percent is principally in the Telecom Cables and Systems Sector, while the Tyres Sector remained stable and the Energy Cables and Systems Sector recorded an improvement.

It should be highlighted that the first half of 2001 benefited from Euros 59 million of profit on the supply contract with Cisco Systems.

Operating profit is Euros 93 million, down from Euros 243 million in the first half of 2001. Operating profit as a percentage of net sales is 2.8 percent (6.2 percent in 2001).

The net result is a loss of Euros 52 million (after financial expenses of Euros 136 million, extraordinary income of Euros 24 million and income tax expenses of Euros 33 million) compared to a net income of Euros 200 million in the first half of 2001 (after financial expenses of Euros 33 million, extraordinary income of Euros 52 million and income tax expenses of Euros 128 million).

Excluding the share of the net loss of Olimpia, the result would be a net income of Euros 2 million for the six months to June 30, 2002.

The net income (loss) attributable to Pirelli S.p.A. for the six months to June 30, 2002 is a loss of Euros 52 million (excluding the impact of the net loss of Olimpia, the net result attributable is a net income of Euros 2 million) compared to a net income of Euros 197 million for the first six months of 2001.

- Shareholders' equity went from Euros 5,660 million at December 31, 2001 to Euros 5,207 million at June 30, 2002 due to the loss for the six months (Euros 52 million), the payment of dividends (Euros 149 million) and most particularly to negative translation adjustments of Euros 236 million.

Shareholders' equity attributable to Pirelli S.p.A. at June 30, 2002 is Euros 5,023 million compared to Euros 5,462 million at December 31, 2001, which corresponds to Euros 2.50 per share (Euros 2.72 at December 31, 2001).

- The net financial position shows a debt position of Euros 1,618 million compared to Euros 1,089 million at December 31, 2001. The change can be explained by the final payment of taxes of Euros 263 million inherent to the sale of Optical Technologies to Corning, the payment of dividends of Euros 149 million and the payment of Euros 72 million for restructuring expenses accrued in previous years.
- Capital expenditures total Euros 150 million, compared to Euros 310 million for the first six months of 2001.

- R & D expenditures total Euros 115 million (Euros 109 million in the first half of 2001) and represent 3.4 percent of net sales.
- Employees numbered 38,043 at June 30, 2002 compared to 39,127 at December 31, 2001.

As far as the prospects for the second half of 2002 are concerned, in terms of the operating profit, given the steady performance of the Energy Cables and Systems and Tyres Sectors, it is expected that the trend registered by the Group in the first half of the year will be essentially confirmed, thanks to the measures already implemented to improve efficiency, although it will still be affected by the evolution of the reference market of the Telecom Cables and Systems Sector.

Management of the Group will continue to carefully monitor the situation of strong instability prevailing in the macroeconomic scenario, with particular reference to the telecom and energy markets, ready to step up rationalizing measures if it should prove necessary.

Energy Cables and Systems Sector

Net sales for the six months ended June 30, 2002 amount to Euros 1,614 million, compared to Euros 1,691 million for the corresponding period of the prior year. The 4.6 percent reduction is mainly due to lower prices and a drop in volumes.

Operating profit for the first six months of 2002 is Euros 26 million compared to Euros 20 million in the first half of 2001. As a percentage of net sales, operating profit is 1.6 percent of net sales (1.2 percent in 2001).

The net loss for the first half of 2002 is Euros 1 million after financial expenses of Euros 27 million, extraordinary income of Euros 10 million and income tax expenses of Euros 10 million.

The net financial position is a debt position of Euros 521 million, which is in line with that at December 31, 2001 (Euros 526 million).

At June 30, 2002, employees numbered 13,421 with a net reduction of 714 compared to December 31, 2001.

Despite the difficulties which continue to affect the macroeconomic scenario of the sector, in the second half of 2002 there are expected to be improvements resulting from the efficiency and rationalization programs currently underway.

Telecommunications Cables and Systems Sector

Net sales for the six months to June 30, 2002 amount to Euros 284 million, recording a sharp reduction from the same period of the prior year (-65 percent).

The operating loss for the first half of 2002 is Euros 20 million, compared to an operating profit of Euros 82 million for the first six months of the prior year. The operating result worsened on account of a reduction in volumes and a deterioration in the mix as a result of the market trend described earlier.

The net loss for the first half of 2002 is Euros 33 million after financial expenses of Euros 10 million, extraordinary expenses of Euros 1 million and income tax expenses of Euros 2 million.

The net financial position is a debt position of Euros 409 million compared to Euros 367 million at December 31, 2001.

The change is due principally to requirements to fund operations during the period.

No significant signs of a recovery of the market are expected in the second half of the year in the Telecommunications Cables and Systems Sector.

The actions geared to improving efficiency which continued during the first half of the year, the effects of which are expected to be felt as early as the second half of 2002, are intended to mitigate the negative effects of the current market situation.

Tyres Sector

Net sales in the first half of 2002 total Euros 1,488 million, with an increase of 0.7 percent compared to the corresponding period of the prior year.

Operating profit for the first half is in line with the previous year and amounts to Euros 111 million, or 7.5 percent of net sales.

Net income is Euros 55 million (after financial expenses of Euros 32 million, extraordinary expenses of Euros 1 million and income tax expenses of Euros 23 million) compared to Euros 51 million in the first half of 2001 (after financial expenses of Euros 33 million and income tax expenses of Euros 27 million).

The net financial position shows a debt position of Euros 607 million compared to Euros 684 million at December 31, 2001.

The positive change is due to the share capital increase of Euros 80 million, the payment of dividends of Euro 30 million and an improvement in working capital.

At June 30, 2002, employees numbered 20,533 (including 1,867 temporary employees) compared to 19,994 at December 31, 2001 (including 1,288 temporary employees).

A slight improvement in the performance of the Sector is forecasted for the second half of 2002 as compared to the first six months.

Pirelli S.p.A.

The net income of Pirelli S.p.A., the parent company, for the six months ended June 30, 2002 is Euros 255 million compared to Euros 12 million in the same period of 2001.

The change is due to dividends recorded during the period.

PIRELLI & C. LUXEMBOURG S.A.

The company reported a loss of Swiss francs 21 million for the six months ended June 30, 2002 compared to a loss of Swiss francs 26 million for the first half of 2001.

The result for the six months ending June 30, 2002 includes financial expenses of Swiss francs 19 million (Swiss francs 25 million in the first half of 2001) and the decrease is due mainly to the a reduction in average interest rates.

At June 30, 2002, the company holds 527,813,101 Pirelli S.p.A. ordinary shares equal to 27.51 percent of the voting capital and 26.30 percent of the entire capital stock.

Net debt is equal to Swiss francs 1,490 million (Swiss francs 1,518 million at December 31, 2001).

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

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

The project which led to the listing of Pirelli & C. Real Estate shares was begun in the first half and was aimed at seeking new resources to support the company's growth, step up its visibility in the Italian and international market and allow its full potential to emerge. The listing raised Euros 105 million of capital and the shares traded represent about 35 percent of total outstanding shares.

In order to provide a clearer picture of the performance of the Company, as in previous financial statements, the statement of income is divided into what management considers to be its "core" and "non-core" business activities, so that Pirelli & C. Real Estate group's results from continuing operations are shown separately.

The consolidated financial statements for the six months ended June 30, 2002 show a net income attributable to the parent company of Euros 71.4 million, compared to Euros 13.1 million in the first half of 2001. The net income from core business activities is equal to Euros 32.0 million, compared to Euros 14.6 million in the corresponding period of the prior year, with an increase of 119 percent. The net income from non-core business activities, mainly deriving from gains on the sale of securities in portfolio, is Euros 39.4 million, compared to a loss of Euros 1.5 million in the first half of 2001.

Major events during the six-month period

A new series of important transactions was carried out by the Pirelli & C. Real Estate Group during the first six months of the year which are listed below.

- In January 2002, the Company purchased, from the parent company Pirelli & C. A.p.A. (for Euros 5.3 million), the entire share capital of Pirelli & C. Credit Servicing, a company that manages non-performing loan portfolios, thus entering into a new sector of business and completing the range of services it offers.
- Again in January, the Company finalized the agreement signed in November 2001 for the acquisition, from the Edilnord 2000 group, of the share capital of three service companies (Edilnord Progetti S.p.A., Edilnord Gestioni S.p.A. and Servizi Immobiliari Edilnord S.p.A.) and the acquisition, in keeping with the Company's usual business model, of qualified minority interests in vehicle companies owning property zoned for building in the Milan area, which have been given in management to Pirelli & C. Real Estate S.p.A.. The transaction was valued at about Euros 220 million.
- In March, the minority stake in Eurostazioni S.p.A. was sold to the parent company Pirelli & C. A.p.A. so that the Company could focus more attention on its core business.
- At the end of March, the Group, together with the Morgan Stanley funds, purchased, from Investimenti e Gestioni S.p.A. (Fiat Group), the company Immobiliare San Babila S.p.A., which holds prestigious non-essential property mainly located in Milan and Rome. The transaction was valued at about Euros 240 million.
- In April, Pirelli & C. Real Estate S.p.A. finalized two acquisitions in the sector of Facility Management services: the first, for the company Cam Energia e Servizi S.r.l. – now Pirelli & C. Facility Management S.p.A. – purchased from Cam Finanziaria S.p.A., and the second, for the entire share capital of Altair Facilities Management S.p.A., purchased from companies owned by a group of private entrepreneurs, with the aim of strengthening the Group's presence in this sector of services.

- In April, the Group purchased a qualified minority interest in CFT Finanziaria S.p.A., a vehicle company which owns a portfolio of non-performing mortgage loans worth Euros 137 million.
- In May, together with the Morgan Stanley funds, the acquisition was concluded for the purchase of real estate property valued at Euros 553 million from Banca di Roma, which will retain a minority stake.
- Again in May, Pirelli & C. Real Estate S.p.A. concluded, together with the Morgan Stanley funds and other partners, the purchase of non-essential real estate properties of the RAS Group, consisting of 107 mostly prestigious buildings and over 50 percent of them located in the center of Milan for a value of over Euros 1,720 million. Pirelli & C. Real Estate S.p.A. also acquired the Property and Facility Management Service Division.
- In May, M.S.M.C. (a company controlled by Morgan Stanley funds and in which Pirelli & C. Real Estate has a 25 percent stake), signed a binding framework agreement with Pirelli S.p.A., Olivetti, Telecom Italia and Seat Pagine Gialle, called the Tiglio Project. The objective of the agreement is to leverage the value of real estate properties and areas valued at Euros 4.0 billion and transferred to designated vehicle companies at Euros 3.3 billion, with an average discount of 17 percent. The service operations regarding the properties of the partners in the project that are not yet under Pirelli & C. Real Estate's management, will be acquired by the latter company under the terms of the agreement for an amount of Euros 18 million.

Statement of income review

(in millions of euros)

CONSOLIDATED DATA

	<u>1st HALF 2002</u>			<u>1st HALF 2001</u>		
	Total	Core activities	Non-core activities (*)	Total	Core activities	Non-core activities (*)
Production value	216,9	216,3	0,6	184,3	176,5	7,8
<i>of which acquisitions</i>	27,9	27,9	0,0	56,2	56,2	0,0
Gross operating profit (loss)	33,0	35,1	(2,1)	30,4	33,0	(2,6)
<i>Depreciation and amortization</i>	(3,9)	(3,4)	(0,5)	(2,1)	(2,1)	0,0
Operating profit (loss)	29,1	31,7	(2,6)	28,3	30,9	(2,6)
Share of earnings (losses) of equity investments	12,9	12,9	0,0	(7,5)	(4,9)	(2,6)
Operating profit (loss) after share of earnings (losses) of equity investments	42,0	44,6	(2,6)	20,8	26,0	(5,2)
Financial income from investments	6,5	6,0	0,5	6,6	5,7	0,9
Other financial income (expenses)	(8,2)	(7,3)	(0,9)	(9,8)	(8,9)	(0,9)
Income (loss) before extraordinary items	40,3	43,3	(3,0)	17,6	22,8	(5,2)
Extraordinary items	51,3	0,1	51,2	2,2	(0,7)	2,9
Income (loss) before income taxes and minority interest	91,6	43,4	48,2	19,8	22,1	(2,3)
Income taxes	(20,2)	(11,4)	(8,8)	(6,9)	(7,7)	0,8
Net income (loss) before minority interest	71,4	32,0	39,4	12,9	14,4	(1,5)
Minority interest	0,0	0,0	0,0	0,2	0,2	0,0
Net income (loss)	71,4	32,0	39,4	13,1	14,6	(1,5)

The figures in the column "non-core activities" mainly include: the sale of the securities which came with Unim's investment portfolio; the Internet activities which are almost entirely aimed at the development and reconversion of the open portal Casalick for its use by the franchising network; the effects of the sale of the investment in Eurostazioni to the parent company Pirelli & C. A.p.A. in the first quarter 2002; the costs, for the portion in excess of the urbanization fees, to build the Teatro degli Arcimboldi.

In the description of the economic and financial highlights that follows, it is important to remember that Pirelli & C. Real Estate is a company that manages real estate assets through a network of roughly 40 companies consolidated line-by-line and some 40 companies consolidated by the equity method in which the Pirelli & C. Real Estate owns an average stake of 27 percent. This is fully reflected in the aggregate production value (which also includes the component generated by the minority-owned investments) and in the operating profit (loss) after the share of earnings (losses) of equity investments. These are the two most significant factors: the first expresses the volume of the Group's asset management business and the second expresses the performance of the Group's results.

Aggregate production value in the first half of 2002 is Euros 3,339.9 million (compared to Euros 357.9 million in the first half of 2001: this increase was strongly influenced by the important acquisitions that were made). Asset management business, in particular, generated a production value of Euros 3,244.2 million – of which Euros 110.5 million relate to companies consolidated line-by-line, Euros 3,120.7 million to companies in which minority interests are held and Euros 13.0 million to asset management fees; the service providers business, relating to companies consolidated line-by-line like the asset management fees, generated a production value of Euros 86.8 million.

The consolidated production value amounts to Euros 216.9 million, compared to Euros 184.3 million in the first half of 2001. Production value from core activities is Euros 216.3 million, compared to Euros 176.5 million in the first half of 2001, with an increase of 23 percent.

The production value of core activities, net of acquisitions during the period, went from Euros 120.3 million to Euros 188.4 million (+57 percent), most particularly on account of the contribution made by the Service Providers business.

The operating profit (loss) after the share of earnings (losses) of equity investments is a profit of Euros 42.0 million, compared to Euros 20.8 million in the first half of 2001. The companies consolidated line-by-line contributed Euros 29.1 million to this result (Euros 28.3 million in the first half of 2001) and the companies accounted for using the equity method contributed Euros 12.9 million after taxes (compared to an operating loss of Euros 7.5 million in the first half of 2001), as indicated in the following table. In terms of core activities, the operating profit (loss) after the share of earnings (losses) of equity investments is a profit of Euros 44.6 million, compared to Euros 26.0 million in the first half of 2001, with an increase of 72 percent.

(in millions of euros)	1st half 2002	1 st half 2001
<u>Companies consolidated by the equity method</u>		
Operating profit (Ebit)	166,8	81,3
Net income (loss)	38,8	(12,4)
Share of earnings (losses) by P&C RE	(A) 12,9	(7,5)
Operating profit (Ebit) <u>companies consolidated line-by-line</u>	(B) 29,1	28,3
Operating profit after the share of earnings (losses) by P&C RE	(A) + (B) 42,0	20,8

The income (loss) before income taxes and minority interests is an income of Euros 91.6 million, compared to Euros 19.8 million in the first half of 2001. In terms of core activities, the income is Euros 43.4 million, compared to Euros 22.1 million in the first half of 2001, with a growth of 96 percent.

The net income (loss) is a net income of Euros 71.4 million, compared to Euros 13.1 million in the first half of 2001. In terms of core activities, the net income is Euros 32.0 million, compared to Euros 14.6 million in the first half of 2001, with an increase of 119 percent. The most significant non-core activities which contributed to this result are the effect of the sale of the last portion of securities acquired with the investment portfolio from the ex-Unim acquisition (a positive impact of Euros 40.5 million), the completion of the construction of work on the Teatro degli Arcimboldi (sold without consideration to the City of Milan for the portion of costs in excess of the urbanization fees) and the reconversion of the open portal Casaclick for its use by the franchising network (a negative impact of Euros 2.2 million) and the positive impact of Euros 1.1 million from the gain realized on the sale of the financial investment in Eurostazioni.

Balance sheet review

(in millions of euros)	<u>June 30, 2002</u>	<u>December 31, 2001</u>
Fixed assets	182,2	74,2
including investments accounted for using the equity method	101,0	55,2
Net working capital	232,7	249,4
including inventories	396,8	346,0
Net invested capital	414,9	323,6
Shareholders' equity	315,3	132,1
including minority interest	1,4	1,1
Provisions and contributions	44,8	49,9
Net financial position	54,8	141,6
including cash/short-term financial assets	(71,3)	(41,4)
including financing from shareholders	(212,7)	(239,1)
including other medium/long-term assets	(0,2)	(0,2)
including short-term financial payables	322,4	401,9
including medium/long-term financial payables	16,6	20,4
Total net invested capital financed	414,9	323,6

N.B. The net financial position, as in prior periods, does not include a liability for project financing entered into with Deutsche Bank following the finalization of a preliminary contract for the sale of a building under construction, which in substance represents an advance payment against the work in progress.

Shareholders' equity attributable to the Group at June 30, 2002 is Euros 313.9 million. The growth from Euros 131.0 million at the end of 2001 is partly due to the capital increase connected with the listing of its shares on the stock market (Euros 105 million).

The net financial position is a debt position of Euros 54.8 million, compared to a debt position of Euros 141.6 million at the end of 2001. The improvement of Euros 86.8 million is attributable both to the effects of the sale of securities in portfolio and the liquidity raised by the listing of the Company's shares on the stock exchange which more than offset investments.

The net financial position expressed before financing made to minority-owned companies is a debt position of Euros 267.5 million compared to Euros 380.7 million at the end of 2001. The debt to equity ratio is 0.8 (compared to 2.9 at December 31, 2001).

Invested risk capital in qualified minority-owned companies is equal, in total, to Euros 313.7 million, of which Euros 101.0 million are in the form of investment holdings and about Euros 212.7 million in the form of financing from the shareholders, compared to a total of Euros 294.3 million at the end of 2001.

Fixed assets total Euros 182.2 million, compared to Euros 74.2 million at the end of 2001, with an increase of Euros 108.0 million.

The increase refers to Euros 45.8 million for qualified minority investments in companies, Euros 42.2 million for investments in treasury shares and the residual amount for higher property, plant and equipment and intangible assets due to changes in the scope of consolidation and expenses connected with the shares listing.

Net working capital is Euros 232.7 million, compared to Euros 249.4 million at the end of 2001. The reduction in working capital takes into account the sale of the remaining securities portfolio that was partly compensated by the increase in inventories connected with both new acquisitions and the stage of completion of the construction work on some important buildings.

Subsequent events

- With regards to the Tiglio Project that was mentioned earlier:
 - 1) in July, a resolution was passed to spin-off Im.Ser, which will become effective when the securitization transaction is finalized for refinancing a liability related to the buildings owned by Beni Stabili (60 percent of the total);
 - 2) last August 30, the European Community gave its approval to the project;
 - 3) the loans for this project are in the process of being finalized.

- In July and August, the company assumed and undertook commitments for the purchase of real estate properties for a total value of some Euros 110 million. The Group's average investment is expected to be around 36 percent.
- In July, Pirelli & C. Real Estate and Soros Real Estate Investors set up a joint venture for investments in light industries and logistics. Pirelli & C. Real Estate, in keeping with its typical business model, will acquire a minority interest of 25 percent and assume complete management of the initiatives. The joint venture expects to invest more than Euros 300 million in existing portfolios and in development initiatives over the three years 2002-2004.

Future outlook

On the basis of available information, the operating profit after earnings (losses) of equity investments accounted for using the equity method for the entire year 2002 is expected to show a significant improvement over that of the prior year.

Other information

Pirelli & C. Real Estate S.p.A. purchased treasury shares during the first half of 2001 for a total of Euros 42.2 million. Consequently, at June 30, 2002, there are 1,940,870 treasury shares in portfolio for a par value of Euros 0.50 at an average carrying value of Euros 21.77.

As set forth in article 5.2357-ter of the Italian Civil Code, as a result of these purchases, an undistributable reserve for the same amount has been set up in shareholders' equity.

PIRELLI & C. AMBIENTE S.p.A.

The result of the company for the six months ended June 30, 2002, which is still in the start-up phase after having sold the co-generation sector and concentrated its operations on the recovery of energy from waste, is a loss of Euros 0.6 million. The company reported a net income of Euros 0.2 million in the first half of 2001, which included the gain of Euros 0.5 million realized on the sale of the investment in *Pirelli Energie Deutschland A.G.*.

The company operates in the environmental sector in the recovery of energy from waste through its transformation into alternative CDR-P quality fuel that can be used in non-dedicated existing industrial plant. Through the 49 percent-owned company "*IDEA Granda S.Cons.R.L.*", with headquarters in the province of Cuneo, work started at the end of the first half on construction of the first plant for the production of CDR-P to be used as quality fuel in a cement factory owned by the Buzzi Unicem Group which is also located in the province of Cuneo.

THE PARENT COMPANY, PIRELLI & C.

SUMMARY DATA

(in thousands of euros)

BALANCE SHEET	6/30/2002	12/31/2001	6/30/2001
Property, plant and equipment and intangible assets	25.598	2.095	2.730
Financial assets			
Investments	865.075	859.263	573.083
Other securities	2.582	2.582	19.109
Treasury shares	4.678	4.678	4.678
Financial receivables	816.368	988.025	756.883
Current financial assets	8.391	8.335	8.279
Other assets	30.930	62.611	64.874
	1.753.622	1.927.589	1.429.636
Shareholders' equity	1.331.055	1.194.513	1.073.948
Provisions	16.400	13.334	13.064
Financial payables	361.604	696.248	314.865
Other liabilities	44.563	23.494	27.759
	1.753.622	1.927.589	1.429.636

(in thousands of euros)

STATEMENT OF INCOME	1st half 2002	1st half 2001	2001
Financial income and expenses	5.901	14.171	11.427
Dividends and tax credits	31.333	36.080	228.389
Gains on sales of securities	-	163	163
Value adjustments to financial assets	-	-	(998)
Depreciation and amortization	(848)	(865)	(1.711)
Other operating income and expenses	(4.489)	(4.082)	(7.319)
Income from ordinary	31.897	45.467	229.951
Extraordinary items	131.156	152	(3.455)
Income taxes	(36.678)	(16.869)	(78.110)
Net income	126.375	28.750	148.386

Statement of income data

The net income for the period is Euros 126,375 thousand compared to Euros 28,750 thousand in the first half of 2001 and Euros 148,386 thousand for the entire year 2001.

“Dividends and tax credits” for the six months ended June 30, 2002 mainly consist of dividends and the relative tax credit of the company Pirelli & C. Real Estate S.p.A. (Euros 29,728 thousand).

The offering of Pirelli & C. Real Estate S.p.A. shares on the stock market generated pre-tax extraordinary income of Euros 131,072 thousand.

Balance sheet data

Investments increased by Euros 5,812 thousand compared to December 31, 2001 due mainly to the purchases of Pirelli S.p.A. shares (5,000,000 ordinary shares for Euros 6,352 thousand) and the 31.67 percent investment in Eurostazioni from Pirelli & C. Real Estate S.p.A. (Euros 19,604 thousand) and to the sales of Pirelli & C. Real Estate S.p.A. shares in the offering on the stock market (Euros 11,315 thousand), the interests in Superga S.p.A. to third parties (Euros 4,390 thousand) and Pirelli & C. Credit Servicing S.p.A. to Pirelli & C. Real Estate S.p.A. (Euros 5,252 thousand).

The net financial position at June 30, 2002 shows a liquidity position of Euros 463,155 thousand compared to Euros 300,112 thousand at December 31, 2001.

The net financial position is composed of the following (in thousands of euros):

	6/30/2002	12/31/2001	Change
Financial receivables	816.368	988.025	(171.657)
Current financial assets	8.391	8.335	56
Financial payables	(361.604)	(696.248)	334.644
	<u>463.155</u>	<u>300.112</u>	<u>163.043</u>

PROFORMA DATA

Proforma consolidated financial data assuming the line-by-line consolidation of Olimpia S.p.A. and the use of the equity method to value its investment in Olivetti S.p.A.

Proforma consolidated financial data at June 30, 2002 of Pirelli & C. A.p.A. is presented below, assuming the consolidation line-by-line of Olimpia S.p.A. and the use of the equity method to value Olimpia's investment in Olivetti S.p.A..

PROFORMA DATA PIRELLI & C. A.p.A. AT JUNE 30, 2002

	Consolidated financial statements at 6/30/2002 Pirelli & C. A.p.A. (1)	Proforma adjustments			Total proforma adjustments	Proforma consolidated financial data at 6/30/2002 Pirelli & C. A.p.A. (2)
		Elimination of Olimpia S.p.A. net result attributable to Pirelli & C. A.p.A.	Olimpia S.p.A. line-by-line consolidation	Consolidation adjustments and valuation of investment in Olivetti S.p.A. using the equity method		
<i>(in millions of euros)</i>						
Condensed statement of income						
Net sales	3.494		0		0	3.494
Operating profit	101		0		0	101
Financial income (expenses) / Valuation adj. to financial assets	(130)	53	(87)	(257)	(291)	(421)
Extraordinary items	199		(1)		(1)	198
Income taxes	(77)		0		0	(77)
Net income (loss)	93	53	(88)	(257)	(292)	(199)
Net income - Pirelli & C. A.p.A.	130	21	(21)	(62)	(62)	68
Goodwill amortization effect	1			295	295	296
Net income (excluding goodwill amortization)	94	53	(88)	38	3	97
Net income - Pirelli & C. A.p.A. (excluding goodwill amortization)	131	21	(21)	9	9	140
Reclassified Balance sheet						
Fixed assets	6.940	72	8.610	(3.449)	5.233	12.173
Net working capital	1.439		66		66	1.505
Total net invested capital	8.379	72	8.676	(3.449)	5.299	13.678
Financed by:						
Shareholders' equity	5.233	72	5.081	(3.449)	1.704	6.937
- of which shareholders' equity - Pirelli & C. A.p.A.	2.150	29	1.222	(1.330)	(79)	2.071
Provisions	832		0		0	832
Net financial (liquidity)/debt position	2.314		3.595		3.595	5.909

(1) Pirelli & C. S.p.A. consolidated financial statements (investment in Olimpia S.p.A. accounted for using the equity method)

(2) proforma data (line-by-line consolidation of Olimpia S.p.A. and equity method valuation of Olivetti S.p.A.)

The proforma consolidated financial data has been prepared using the financial statements of Olimpia S.p.A. for the six months ended June 30, 2002 and the consolidated financial statements of the Olivetti S.p.A. Group at the same date.

The principal proforma adjustments included in the above table are as follows:

- in the column “Elimination of Olimpia S.p.A. net result attributable to Pirelli & C. A.p.A.”: elimination of the statement of income and balance sheet effects of valuing Olimpia S.p.A. with the equity method in the Pirelli & C. A.p.A. consolidated financial statements for the six months ended June 30, 2002;
- in the column “Olimpia S.p.A. line-by-line consolidation”: inclusion of the assets, liabilities, revenues and costs resulting from the financial statements for the six months ended June 30, 2002 of Olimpia S.p.A., attributing the share of net equity and results of operations to the minority interest;
- in the column “Consolidation adjustments and valuation of investment in Olivetti S.p.A. using the equity method”: inclusion of the effect of accounting for Olivetti S.p.A. using the equity method, giving rise to a negative valuation adjustment of Euros 257 million, of which Euros 110 million relate to the amortization of implicit goodwill for six months out of a total twenty-year period, and Euros 147 million to Olimpia S.p.A.’s share of the first half 2002 earnings of the Olivetti Group.

The “goodwill amortization effect” on the net result is detailed as follows:

- in the column “Consolidated financial statements at June 30, 2002 Pirelli & C. A.p.A.”, the amount of Euros 1 million refers to the amortization charge for six months on the goodwill booked by Pirelli S.p.A. in respect of Olimpia S.p.A.;
- in the column “Consolidation adjustments and valuation of investment in Olivetti S.p.A. using the equity method”, the amount of Euros 295 million includes Euros 110 million for the goodwill booked by Olimpia S.p.A. in respect of Olivetti S.p.A. and Euros 185 million for the goodwill booked by Olivetti S.p.A. in respect of Telecom Italia S.p.A..

A comparison of shareholders’ equity and net debt between the consolidated financial statements of Pirelli & C. A.p.A. and the proforma consolidated financial data of Pirelli & C. A.p.A. at June 30, 2002 and December 31, 2001 is presented below, assuming:

- the line-by-line consolidation of Olimpia S.p.A. and the valuation of the investment in Olivetti S.p.A. using the equity method;
- the line-by-line consolidation of both Olimpia S.p.A. and the Olivetti S.p.A. Group.

PROFORMA PIRELLI & C. EQUITY AND FINANCIAL SUMMARY DATA

<i>(in millions of euros)</i>	Shareholders' equity		Net debt		Net debt/Shareholders' equity		Shareholders' equity Pirelli S.p.A.	
	6/30/2002	12/31/2001	6/30/2002	12/31/2001	6/30/2002	12/31/2001	6/30/2002	12/31/2001
Pirelli & C. Group: consolidated financial statements	5.233	5.407	2.314	2.029	0,44	0,38	2.150	2.119
Pirelli & C. Group: proforma consolidated data with Olimpia S.p.A. consolidated line-by-line and Olivetti S.p.A. valued using the equity method	6.937	7.486	5.909	5.538	0,85	0,74	2.071	2.123
Pirelli & C. Group: proforma consolidated data with Olimpia S.p.A. and Olivetti Group consolidated line-by-line	26.810	30.182	43.003	43.900	1,60	1,45	2.071	2.123

The Board of Managing Partners

Milan, September 11, 2002

PIRELLI & C. GROUP

**SIX-MONTHS CONSOLIDATED
FINANCIAL STATEMENTS AND
COMMENTS**

CONSOLIDATED BALANCE SHEETS		(in thousands of euros)		
ASSETS	June 30, 2002	December 31, 2001	June 30, 2001	
A) CAPITAL SUBSCRIPTION RIGHTS				
Portion uncalled	-	-	-	
B) FIXED ASSETS				
I) Intangible assets				
Formation costs	6.759	6.042	7.632	
Patents and design patent rights	4.875	4.101	4.653	
Concession, licenses, trademarks and similar rights	8.268	8.076	8.590	
Goodwill	18.650	15.416	15.462	
Difference on consolidation	521.039	544.938	532.620	
Intangible assets in progress and payments on account	16.181	12.781	11.394	
Other intangible assets	85.093	83.393	79.960	
TOTAL INTANGIBLE ASSETS	660.865	674.747	660.311	
II) Property, plant and equipment				
Land and buildings	660.863	721.589	713.709	
Plant and machinery	1.184.271	1.329.564	1.282.125	
Industrial and commercial equipment	125.397	147.790	124.975	
Other property, plant and equipment	171.892	192.035	187.473	
Assets under construction and payments on account	438.574	434.922	426.536	
TOTAL PROPERTY, PLANT AND EQUIPMENT	2.580.997	2.825.900	2.734.818	
III) Financial assets				
Investments in:				
a) Subsidiaries	507	1.136	5.885	
b) Jointly controlled subsidiaries	3.096.598	3.150.840	74.811	
c) Associated companies	158.497	115.559	398.768	
d) Other companies	357.265	315.570	-	
Financial receivables:				
a.1) Subsidiaries due with 1 year	52.917	14.662	14.662	
a.2) Subsidiaries due beyond 1 year	-	215.858	220.919	
b.2) Associated companies due beyond 1 year	171.381	22	-	
c.1) Other companies due within 1 year	2.373	21.280	37.238	
c.2) Other companies due beyond 1 year	66.882	74.893	84.399	
Other securities	105.296	14.247	28.229	
Treasury shares	4.678	4.678	4.678	
TOTAL FINANCIAL ASSETS	4.016.394	3.928.745	869.589	
TOTAL FIXED ASSETS	7.258.256	7.429.392	4.264.718	

CONSOLIDATED BALANCE SHEETS		(in thousands of euros)		
ASSETS	June 30, 2002	December 31, 2001	June 30, 2001	
C) CURRENT ASSETS				
I) Inventories				
Raw materials, auxiliaries and consumables	277.158	295.545	394.168	
Work in process and semifinished products	355.949	325.373	321.478	
Contract work in progress	137.882	153.482	287.876	
Finished products and goods for resale	565.822	580.295	617.424	
Advances	14.327	8.758	9.324	
TOTAL INVENTORIES	1.351.138	1.363.453	1.630.270	
II) Receivables				
Trade	1.718.671	1.784.613	2.071.289	
Subsidiaries	1.037	292	2.141	
Associated companies	97.894	23.889	85.094	
Other receivables	772.949	920.769	968.467	
TOTAL RECEIVABLES	2.590.551	2.729.563	3.126.991	
III) Current financial assets				
Other investments	-	20.700	-	
Other securities	394.068	562.110	1.465.050	
TOTAL CURRENT FINANCIAL ASSETS	394.068	582.810	1.465.050	
IV) Cash and banks				
Bank and postal deposits	501.534	454.784	2.404.920	
Checks	4.453	8.751	6.579	
Cash on hand	2.377	7.851	7.708	
TOTAL CASH AND BANKS	508.364	471.386	2.419.207	
TOTAL CURRENT ASSETS	4.844.121	5.147.212	8.641.518	
D) ACCRUED INCOME AND PREPAID EXPENSES				
Accrued income	69.149	37.652	39.368	
Prepaid expenses	45.885	37.790	39.876	
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	115.034	75.442	79.244	
TOTAL ASSETS	12.217.411	12.652.046	12.985.480	

BALANCE SHEET		(in thousands of euros)		
LIABILITIES AND SHAREHOLDERS' EQUITY		June 30, 2002	December 31, 2001	June 30, 2001
A) SHAREHOLDERS' EQUITY				
- Parent company interest		2.149.969	2.118.705	2.094.004
I) Share capital		339.400	325.408	325.201
II) Share premium reserve		549.593	501.054	500.333
III) Revaluation reserve		707	707	707
IV) Legal reserve		67.880	65.014	65.014
V) Reserve for treasury shares in portfolio		4.678	4.678	4.678
VII) Other reserves (including amortized consolidation differences)		815.007	947.624	991.346
VIII) Retained earnings		242.422	149.265	149.265
IX) Net income		130.282	124.955	57.460
- Minority interest		3.083.449	3.288.687	3.675.772
a) Capital and reserves		3.121.190	3.219.430	3.544.838
b) Net income (loss)		(37.741)	69.257	130.934
TOTAL SHAREHOLDERS' EQUITY		5.233.418	5.407.392	5.769.776
B) PROVISIONS FOR LIABILITIES AND EXPENSES				
Pension and similar obligations		225.464	237.806	269.313
Income taxes		224.789	225.560	227.997
Other		278.440	401.264	410.837
TOTAL PROVISIONS FOR LIABILITIES AND EXPENSES		728.693	864.630	908.147
C) PROVISION FOR EMPLOYEES' LEAVING INDEMNITY		103.110	105.271	162.857
D) PAYABLES				
Bonds		1.162.591	661.407	657.178
Convertible bonds		21.545	86.177	85.004
Bank borrowings		2.372.089	2.513.307	1.704.643
Other financial companies		71.363	155.308	416.276
Advances from customers		188.878	188.249	308.114
Trade		1.232.265	1.328.243	1.429.959
Subsidiaries		1.470	-	-
Associated companies		12.254	4.529	8.593
Taxes		243.312	531.591	699.774
Social security agencies		50.389	49.817	46.814
Other payables		491.262	473.856	517.591
TOTAL PAYABLES		5.847.418	5.992.484	5.873.946

CONSOLIDATED BALANCE SHEETS		(in thousands of euros)		
LIABILITIES AND SHAREHOLDERS' EQUITY		June 30, 2002	December 31, 2001	June 30, 2001
E) ACCRUED LIABILITIES AND DEFERRED INCOME				
Accrued liabilities		266.561	238.314	235.360
Deferred income		38.211	43.955	35.394
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME		304.772	282.269	270.754
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12.217.411	12.652.046	12.985.480
MEMORANDUM ACCOUNTS		(in thousands of euros)		
		June 30, 2002	December 31, 2001	June 30, 2001
PERSONAL GUARANTEES				
- Sureties on behalf of other companies		144.767	159.722	183.277
- Endorsements on behalf of other companies		17.396	34.969	20.586
		162.163	194.691	203.863
THIRD PARTY ASSETS HELD IN DEPOSIT				
- Securities held in deposit		162.683	167.072	142.697
- Goods in process		4.413	2.799	3.415
		167.096	169.871	146.112
ASSETS HELD BY THIRD PARTIES				
- Securities held as guarantees and sureties		31.241	68.081	117.740
- Shares held in deposit		258.664	245.150	747.340
- Goods in process		10.263	10.757	10.930
		300.168	323.988	876.010
COMMITMENTS				
- Capital expenditures		20.595	57.635	128.731
- Nominal value of put options given to third parties		2.155.188	2.165.102	-
- Sales of receivables from the tax authorities		86.522	-	-
- Purchase of equity investments		-	38.786	2.326
- Securities to be delivered		-	75.946	328.685
		2.262.305	2.337.469	459.742
OTHER MEMORANDUM ACCOUNTS				
- Potential losses for risk of default on discounted bills		59.148	67.188	240
- Forward securities purchases		200.000	200.000	-
		259.148	267.188	240
TOTAL MEMORANDUM ACCOUNTS		3.150.880	3.293.207	1.685.967

CONSOLIDATED STATEMENTS OF INCOME		(in thousands of euros)		
	1st half 2002	1st half 2001	2001	
A) PRODUCTION VALUE				
Revenues from sales and services	3.493.901	4.051.430	7.761.985	
Changes in inventories of work in process, semifinished and finished products	35.818	17.040	(93.782)	
Changes in contract work in progress	(15.093)	55.682	(4.876)	
Increase in property, plant and equipment	4.711	6.490	16.512	
Other revenues and income:				
a) Miscellaneous	77.756	125.297	210.815	
b) Government grants	2.375	3.897	7.516	
TOTAL PRODUCTION VALUE	3.599.468	4.259.836	7.898.170	
B) PRODUCTION COSTS				
Raw materials, auxiliaries, consumables and goods for resale	(1.681.431)	(2.153.256)	(3.888.402)	
Service expenses	(693.602)	(672.658)	(1.314.288)	
Lease and rent expenses	(38.827)	(42.441)	(85.581)	
Personnel costs	(751.374)	(806.703)	(1.549.744)	
Amortization, depreciation and writedowns:				
a) Amortization of intangible assets	(43.480)	(40.959)	(82.098)	
b) Depreciation of property, plant and equipment	(160.605)	(165.047)	(325.566)	
c) Write-downs of receivables included in current assets and cash and banks	(17.017)	(31.936)	(79.945)	
Changes in inventories of raw materials, auxiliaries, consumables and goods for resale	30.695	43.473	(6.511)	
Accruals for risk	(173)	(45)	(3.765)	
Other accruals	(8.925)	(12.995)	(30.521)	
Other operating expenses	(133.734)	(127.134)	(235.224)	
TOTAL PRODUCTION COSTS	(3.498.473)	(4.009.701)	(7.601.645)	
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	100.995	250.135	296.525	
C) FINANCIAL INCOME AND EXPENSES				
Investment income	4.926	5.043	12.176	
Other financial income:				
a) from receivables included in fixed assets				
- other	228	160	319	
b) from securities included in fixed assets	44	312	518	
c) from securities included in current assets	2.378	5.317	3.550	
d) income other than the above	793.561	386.056	461.018	
Interest and other financial expenses	(888.369)	(352.392)	(515.383)	
TOTAL FINANCIAL INCOME AND EXPENSES	(87.232)	44.496	(37.802)	

CONSOLIDATED STATEMENTS OF INCOME		(in thousands of euros)		
	1st half 2002	1st half 2001	2001	
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS				
Revaluation	16.383	3.945	9.951	
Writedowns	(59.451)	(25.952)	(41.517)	
TOTAL ADJUSTMENTS	(43.068)	(22.007)	(31.566)	
E) EXTRAORDINARY ITEMS				
Extraordinary income	241.745	74.351	425.670	
Extraordinary expenses	(42.772)	(19.434)	(270.075)	
TOTAL EXTRAORDINARY ITEMS	198.973	54.917	155.595	
INCOME BEFORE INCOME TAXES	169.668	327.541	382.752	
Income taxes	(77.127)	(139.147)	(188.540)	
NET INCOME	92.541	188.394	194.212	
PARENT COMPANY INTEREST	130.282	57.460	124.955	
MINORITY INTEREST	(37.741)	130.934	69.257	

COMMENTS ON SIX-MONTHS CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 2002

FORM AND CONTENT

The consolidated financial statements for the six months ended June 30, 2002 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, 2001 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 net result for the period and the shareholders' equity reported by Pirelli & C. A.p.A. at June 30, 2002 and the corresponding consolidated figures is presented in the supplementary information.

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

ASSETS

B) FIXED ASSETS

I) INTANGIBLE ASSETS

The composition and changes in intangible assets are presented below:

	(in thousands of euros)					
	12/31/2001	Translation adjustment	Increase	Decrease	Amortization	6/30/2002
. Formation costs	6.051	20	2.699	(41)	(1.970)	6.759
. Patents and design patent rights	4.101	5	2.030	-	(1.261)	4.875
. Concessions, licenses, trademarks and similar rights	8.076	(94)	1.897	-	(1.611)	8.268
. Goodwill	15.416	(602)	6.223	(737)	(1.650)	18.650
. Difference on consolidation	544.938	-	45	(7.417)	(16.527)	521.039
. Other	96.165	(3.872)	30.287	(845)	(20.461)	101.274
	674.747	(4.543)	43.181	(9.040)	(43.480)	660.865

The “difference on consolidation” at June 30, 2002 includes Euros 458,990 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. and is 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)	
	6/30/2002	12/31/2001
Gross value		
. Opening balances	6.405.699	6.263.534
. Translation adjustment	(579.889)	(269.905)
. Change in scope of consolidation	2.521	(14.405)
. Additions	152.820	646.218
. Disposals	(83.034)	(219.743)
	5.898.117	6.405.699
Accumulated depreciation		
. Opening balances	3.579.799	3.645.534
. Translation adjustment	(372.798)	(224.702)
. Change in scope of consolidation	1.387	(4.244)
. Depreciation charge	160.605	325.566
. Disposals	(51.873)	(162.355)
	3.317.120	3.579.799
Net book value	2.580.997	2.825.900

The ratio of additions during the period to depreciation is 0.95.

III) FINANCIAL ASSETS

Investments

Investments rose from Euros 3,583.1 million at December 31, 2001 to Euros 3,612.9 million at June 30, 2002. Details are as follows:

	12/31//2001	Change in scope of consolidation	Increase	Decrease	6/30/2002
Investments in subsidiaries	1,136	(192)	110	(547)	507
Investments in jointly controlled subsidiaries	3,150,840	-	-	(54,242)	3,096,598
Investments in associated companies	115,559	8,785	55,206	(21,053)	158,497
Investments in other companies	315,570	153	74,419	(32,877)	357,265
	3,583,105	8,746	129,735	(108,719)	3,612,867

“Investments in subsidiaries” amount to Euros 507 thousand and refer to the following:

Description	Country	% holding	Amount
AFCAB Holdings (Proprietary) Ltd.	South Africa	50,00%	197
Delta S.p.A.	Italy	100,00%	146
Pirelli & C. Real Estate Ltd.	Great Britain	100,00%	100
Parcheggi Bicocca S.r.l.	Italy	75,00%	64
			507

“Investments in jointly controlled subsidiaries” total Euros 3,096,598 thousand. The amount refers to the investment in Olimpia S.p.A. (60 percent) which was accounted for using the equity method. The amount includes goodwill that will be amortized over 20 years (Euro 48,284 thousand).

“Investments in associated companies” total Euros 158,497 thousand compared to Euros 115,559 thousand at December 31, 2001. The amount of Euros 55,206 thousand shown in the increase column includes Euros 12,757 thousand for the net earnings of companies accounted for using the equity method and Euros 42,449 thousand for the acquisitions of investments in associated companies by Pirelli & C. Real Estate S.p.A., including Trixia S.r.l., Dixia S.r.l., Domogest 2 S.r.l. and Popov B.V., respectively, for Euros 15,306 thousand, Euros 13,649 thousand, Euros 7,289 thousand and Euros 3,032 thousand.

The decrease column shows Euros 21,053 thousand which include Euros 18,530 thousand for the reclassification of the company Euroqube S.A. to investments in other companies.

"Investments in other companies" amount to Euros 357,265 thousand compared to Euros 315,570 thousand at December 31, 2001. The increase column shows Euros 74,419 thousand which refer mainly to the capital increase in F.C. Internazionale Milano S.p.A. (Euros 40,890 thousand), the purchase of Mediobanca shares (Euros 14,863 thousand) and Euros 18,530 thousand for the reclassification of Euroqube S.A. from investments in associated companies, as mentioned above.

The decrease column (Euros 32,877 thousand) refers to the sale of Superga S.p.A. (Euros 4,390 thousand) and the wind-up of Tredicimarzo S.r.l. (Euros 14,001 thousand).

Other securities

“Other securities” total Euros 105,296 thousand compared to Euros 14,247 thousand at December 31, 2001. The change is mainly due to the reclassification from current financial assets of securities held by the subsidiary Pirelli Finance Luxembourg S.A..

The effect of adjusting these securities to market value, had they remained in current financial assets, would have been Euros 68 million.

Treasury shares

“Treasury shares” consist of 2,617,500 ordinary shares, equal to 0.42 percent of outstanding share capital (0.44 percent of ordinary share capital).

As required by article 2357-ter of the Italian Civil Code, the “Reserve for treasury shares in portfolio” has been set up for the same amount.

C) CURRENT ASSETS

I) INVENTORIES

Inventories, which amount to Euros 1,351.1 million compared to Euros 1,363.4 million at December 31, 2001, can be analyzed as follows:

	(in thousands of euros)	
	6/30/2002	12/31/2001
Pirelli S.p.A. group		
. Energy Cables and Systems Sector	408.102	441.529
. Telecom Cables and Systems Sector	105.791	128.240
. Tyres Sector	434.195	455.756
. Other	15.275	1
Total Pirelli S.p.A. group	963.363	1.025.526
Pirelli & C. Real Estate S.p.A. group	396.849	346.029
Other and intereliminations	(9.074)	(8.102)
	1.351.138	1.363.453

II) RECEIVABLES

Receivables, which amounted to Euros 2,729.5 million at December 31, 2001, now total Euros 2,590.5 million. Details are as follows:

	(in thousands of euros)			
	6/30/2002		12/31/2001	
	Financial	Trade and other	Financial	Trade and other
. Trade	-	1.718.671	-	1.784.613
. Subsidiaries	2	1.035	-	292
. Associated companies	53.029	44.865	1.336	22.553
. Other receivables	61.010	711.939	21.284	899.485
	114.041	2.476.510	22.620	2.706.943

Trade receivables

Trade receivables by due date are detailed as follows:

	(in thousands of euros)	
	6/30/2002	12/31/2001
. due within 1 year	1.840.489	1.925.196
. due beyond 1 year	16.579	19.382
. allowance for doubtful receivables	(138.397)	(159.965)
	1.718.671	1.784.613

There are no trade receivables due beyond five years.

III) CURRENT FINANCIAL ASSETS

Other investments

At December 31, 2001, this caption totaled Euros 20,700 thousand and included equity securities owned by the subsidiary Partecipazioni Real Estate S.p.A. that were later sold.

Other securities

These 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

PARENT COMPANY INTEREST

"Share capital" is Euros 339,399,636.162, consisting of 618,273,351 ordinary shares and 34,418,257 savings shares, all with a par value of Euros 0.52 per share and normal dividend rights.

In the first half, 27,786,868 ordinary shares were issued following the conversion of the same number of 2.5% 1998-2003 bonds.

Subsequent to June 30, 2002, another 11,428 ordinary shares were issued following the conversion of the same number of 2.5% 1998-2003 bonds.

The share premium reserve rose from Euros 501,054 thousand at December 31, 2001 to Euros 549,593 thousand following the aforementioned conversion of 2.5% 1998-2003 bonds.

The revaluation reserve set up under ex Law 413/91 and the reserve for treasury shares in portfolio have remained unchanged compared to December 31, 2001.

The legal reserve went from Euros 65,014 thousand to Euros 67,880 thousand following the shareholders' resolutions passed at the May 13, 2002 meeting.

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

MINORITY INTEREST

The minority interest in shareholders' equity went from Euros 3,288.7 million at December 31, 2001 to Euros 3,083.45 million at June 30, 2002. The change arises from the net income for the first half of 2002, the payment of dividends referring to the prior year and the translation adjustment deriving from the conversion of foreign currency financial statements in euros.

The main percentages of investments held by the minority interest are as follows:

	6/30/2002	12/31/2001
Pirelli S.p.A.	59,62%	59,87%
Pirelli & C. Real Estate S.p.A.	36,74%	7,73%

B) PROVISIONS FOR LIABILITIES AND EXPENSES

PROVISIONS FOR INCOME TAXES

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

	(in thousands of euros)	
	6/30/2002	12/31/2001
. Provision for current taxes	53.932	41.731
. Provision for deferred taxes	170.857	183.829
	224.789	225.560

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

	(in thousands of euros)	
	1 st half 2002	1 st half 2001
. Current taxes	96.729	145.725
. Deferred taxes	(19.602)	(6.578)
	77.127	139.147

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

OTHER PROVISIONS

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

	(in thousands of euros)		
	Restructuring costs	Other	Total
Balance at December 31, 2001	200.225	201.039	401.264
. Translation adjustment	(4.043)	(4.816)	(8.859)
. Utilization	(80.328)	(51.590)	(131.918)
. Increase	1.877	16.076	17.953
Balance at June 30, 2002	117.731	160.709	278.440

The **provision for restructuring costs** at June 30, 2002 amounts to Euros 117.7 million, consisting of Euros 74.2 million for the Energy Cables and Systems Sector, Euros 8.1 million for the Telecommunications Cables and Systems Sector and Euros 15.1 million for the Tyres Sector. Utilizations during the six-month period by the Energy Cables and Systems Sector, the Telecommunications Cables and Systems Sector and the Tyres Sector total, respectively, Euros 46.4 million, Euros 14.7 million and Euros 15.1 million.

Other provisions include accruals for litigation, industrial risks and claims, product warranties, and other contingencies.

D) PAYABLES

Payables amount to Euros 5,847.4 million at June 30, 2002 compared to Euros 5,992.5 million at December 31, 2001. Details are as follows:

	(in thousands of euros)			
	6/30/2002		12/31/2001	
	Financial	Trade and other	Financial	Trade and other
. Bonds	1.162.591		661.407	
. Convertible bonds	21.545		86.177	
. Bank borrowings	2.372.089		2.513.307	
. Other financial companies	71.363		155.308	
. Advances from customers		188.878		188.249
. Trade		1.232.265		1.328.243
. Subsidiaries		1.470		-
. Associated companies	763	11.491	79	4.450
. Taxes		243.312		531.591
. Social security agencies		50.389		49.817
. Other payables	-	491.262	3.369	470.487
	3.628.351	2.219.067	3.419.647	2.572.837

An analysis of payables by due date is as follows:

Financial payables

(in thousands of euros)				
	6/30/2002		12/31/2001	
	within 1 year	beyond 1 year	within 1 year	beyond 1 year
. Bonds	4	1.162.587	4	661.403
. Convertible bonds		21.545	2.102	84.075
. Bank borrowings	1.544.393	827.696	1.456.202	1.057.105
. Other financial companies	17.269	54.094	96.200	59.108
. Associated companies	763		79	
. Other payables	-		3.369	
	1.562.429	2.065.922	1.557.956	1.861.691

Financial payables are secured by liens and mortgages of Euros 59.1 million.

Financial payables due within one year total Euros 1,562.4 million and include the current portion of long-term debt of Euros 41.1 million.

Additional disclosure on bonds is provided as follows:

(in thousands of euros)					
	Non-convertible		Convertible		Pirelli & C. shares to be issued in the event of early redemption
	within 1 year	beyond 1 year	within 1 year	beyond 1 year	Number
Pirelli & C. (Italy)					
. Lire 287.9 billion 1998-2003, 2.5% convertible in Pirelli & C. shares	-	-	-	21.545	9.253.551
Pirelli S.p.A. (Italy)					
. Euros 500 million 1998-2008, 4.875%	-	500.000	-	-	-
. Unredeemed bonds	4	-	-	-	-
Pirelli Finance Luxembourg S.A.					
. Euros 500 million 2002-2007, 6.5%	-	500.000	-	-	-
Pirelli & C. Luxembourg S.A.					
. Euros 150 million 1999-2009, 5.125%	-	162.587	-	-	-
	4	1.162.587	-	21.545	9.253.551

- Bank borrowings

Bank borrowings due beyond one year, amounting to Euros 827.7 million, include borrowings due beyond five years of Euros 70.4 million.

- **Payables to other financial companies**

Payables to other financial companies due beyond one year, amounting to Euros 54.1 million, comprise payable due beyond five years of Euros 31.4 million.

Trade and other payables

	(in thousands of euros)			
	6/30/2002		12/31/2001	
	within 1 year	beyond 1 year	within 1 year	beyond 1 year
. Advances from customers	174.288	14.590	188.249	-
. Trade	1.214.747	17.518	1.310.725	17.518
. Subsidiaries	1.470	-	-	-
. Associated companies	11.491	-	4.450	-
. Taxes	181.419	61.893	451.452	80.139
. Social security agencies	50.389	-	49.817	-
. Other payables	420.328	70.934	436.485	34.002
	2.054.132	164.935	2.441.178	131.659

MEMORANDUM ACCOUNTS

Memorandum accounts total Euros 3,150.9 million compared to Euros 3,293.2 at December 31, 2001.

Personal guarantees

“Sureties on behalf of other companies” are mainly given to guarantee loans received and job orders in the process of being delivered or tested.

Third party assets held in deposit

“Securities held in deposit” include securities entrusted for administration.

Assets held by third parties

“Securities held as guarantees and sureties” include securities owned by the Group and held by third parties in deposit as guarantees or entrusted for administration and also sureties given by Pirelli S.p.A. and Pirelli & C. Real Estate S.p.A. against commitments and contractual obligations.

Commitments and contingencies

The “nominal value of put options given to third parties” represents the nominal value of the put options given to the banks IntesaBci S.p.A. (Euro 520,000 thousand) and Unicredito Italiano S.p.A. (Euro 520,000 thousand), and to Edizione Holding

S.p.A. (Euro 1,040,000 thousand) in respect of their investments in Olimpia S.p.A., under the Olimpia S.p.A. shareholder agreements.

The put options granted to the banks can be exercised from September 2006 or, before that date, in the case of a deadlock among the shareholders, at a price equal to the value of the economic capital of Olimpia S.p.A., plus a premium. This price shall be determined by the parties and shall not be less than the outlays made by the banks (Floor) nor higher than such sum increased by an annual return of 15 percent (Cap).

The put options granted to Edizione Holding S.p.A. can be exercised in the case of (I) a deadlock situation among the shareholders, (II) withdrawal by Pirelli from the shareholder agreements and (III) if Mr. Marco Tronchetti Provera ceases, not by his own volition, but by an act inter vivos, to assure the strategic operational management of the Pirelli Group.

The exercise price of the put option granted to Edizione Holding S.p.A. is equal to, respectively, (I) the price indicated above, (II) the price increased by an additional 50 percent and (III) three times the price.

This item also includes the nominal value of the option given to Cisco Systems on the Pirelli Submarine Telecom Systems Holding B.V. shares which it holds. This amount is already shown in the financial statements under the minority interest in shareholders' equity.

Other memorandum accounts

“Forward securities purchases” refer to the forward purchase (expiration date of November 23, 2006) of 200,000,000 Olivetti 2001-2010 convertible bonds effected with Credit Agricole Lazard Financial Products Bank.

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)			
	1st half 2002		1st half 2001	
Geographical area				
Italy	724.519	20,74%	684.617	16,90%
Other European countries	1.452.910	41,58%	1.660.295	40,97%
North America	402.639	11,52%	631.150	15,58%
Central and South America	445.679	12,76%	610.822	15,08%
Oceania, Africa and Asia	468.154	13,40%	464.546	11,47%
	3.493.901	100,00%	4.051.430	100,00%
Sector				
Pirelli S.p.A. group				
. Energy Cables and Systems Sector	1.614.216	46,20%	1.691.676	41,75%
. Telecom Cables and Systems Sector	283.515	8,11%	811.742	20,03%
. Tyres Sector	1.488.374	42,60%	1.477.476	36,47%
. Other and intereliminations	(34.328)	-0,98%	(35.016)	-0,86%
Total Pirelli S.p.A. group	3.351.777	95,93%	3.945.878	97,39%
Pirelli & C. Real Estate S.p.A. group	146.163	4,18%	115.679	2,86%
Other and intereliminations	(4.039)	-0,12%	(10.127)	-0,25%
	3.493.901	100,00%	4.051.430	100,00%

B) PRODUCTION COSTS

- Personnel costs

Details are as follows:

	(in thousands of euros)	
	1 st half 2002	1 st half 2001
. Salaries and wages	572.810	627.363
. Social security costs	127.327	132.724
. Leaving indemnity	26.721	23.440
. Pension and similar costs	13.612	10.593
. Other costs	10.904	12.583
	751.374	806.703

- Depreciation of property, plant and equipment

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

	(in thousands of euros)	
	1 st half 2002	1 st half 2001
. Buildings	15.961	15.796
. Plant and machinery	103.747	109.798
. Commercial and industrial equipment	22.510	20.565
. Other assets	18.387	18.888
	160.605	165.047

C) FINANCIAL INCOME AND EXPENSES

- Investment income

Details of investment income are as follows:

	(in thousands of euros)	
	1 st half 2002	1 st half 2001
Dividends from subsidiaries	-	343
Dividends from associated companies	942	-
Dividends from other companies	3.984	4.537
Other income	-	163
	4.926	5.043

Other financial income

"Income other than the above" consists of the following:

	(in thousands of euros)	
	1 st half 2002	1 st half 2001
. Interest from associated companies	6.613	6.860
. Bank interest	28.565	123.407
. Other interest	2.817	1.588
. Other financial income	26.996	25.136
. Gains on exchange	728.570	229.065
	793.561	386.056

- **Interest and other financial expenses**

Details are as follows:

(in thousands of euros)		
	1 st half 2002	1 st half 2001
. Interest to associated companies	25	23
. Bond interest	24.110	16.771
. Bank interest	74.700	71.630
. Other financial expenses	55.097	36.433
. Losses on exchange	734.437	227.535
	888.369	352.392

D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS

Details of revaluations are as follows:

(in thousands of euros)		
	1 st half 2002	1 st half 2001
Earnings of companies accounted for using the equity method	16.203	3.945
Revaluations	180	-
	16.383	3.945

The earnings of companies accounted for using the equity method relate to the associated companies of Pirelli & C. Real Estate S.p.A., of which Euros 7,868 thousand refer to Auriga Immobiliare S.r.l., Euros 4,829 thousand to MSCM Holding B.V. and Euros 2,042 thousand to Iniziative Immobiliari S.r.l..

Writedowns include:

(in thousands of euros)		
	1 st half 2002	1 st half 2001
Losses of companies accounted for using the equity method	57.267	11.547
Writedowns of investments	2.184	675
Writedowns of securities recorded in current assets	-	13.730
	59.451	25.952

The losses of the companies accounted for using the equity method of Euros 57,267 thousand include Euros 54,777 thousand for the share of the result of Olimpia S.p.A., accounted for using the equity method.

Writedowns of investments include Euros 1,067 thousand and Euros 582 thousand relating to the investments in Casa Click S.p.A. and Equitalia, both companies in Pirelli & C. Luxembourg S.A.'s investment portfolio, and Euros 472 thousand in respect of the investment in Pirelli Pneumatici Holding S.p.A..

E) **EXTRAORDINARY ITEMS**

- **Extraordinary income**

Extraordinary income went from Euros 74,351 thousand in the corresponding period of the prior year to Euros 241,745 thousand. Details are as follows:

(in thousands of euros)		
	1 st half 2002	1 st half 2001
. Gains on disposals	225.595	34.726
. Miscellaneous	16.150	39.625
	241.745	74.351

"Gains on disposal" mainly include Euros 167,711 thousand from the offering on the market (at Euros 26 per share) of No. 10,100,000 shares of the subsidiary Pirelli & C. Real Estate S.p.A. and Euros 53,611 thousand from the sale of the securities related to the equity swap transaction that were in Pirelli & C. Real Estate S.p.A.'s portfolio.

Last year, the caption mainly included Euros 30,285 thousand on the sale of Pirelli S.p.A. shares on the open market.

In the first half of 2002, "Miscellaneous" mainly comprises Euros 5.1 million for the adjustment regarding the higher tax credit on dividends relating to the year ended June 30, 1998 of the company Pirelli Partecipazioni S.p.A. which was merged in Pirelli S.p.A..

In the corresponding period of last year, this caption included Euros 36.3 million paid by Cisco Systems under the terms of the sale of the Terrestrial Optical Systems business which took place in 2000.

- **Extraordinary expenses**

Extraordinary expenses total Euros 42.8 million, compared to Euros 19.4 million in the first half of 2001, and consist of the following:

	(in thousands of euros)	
	1 st half 2002	1 st half 2001
. Losses on disposals	-	271
. Miscellaneous	42.772	19.163
	42.772	19.434

Miscellaneous comprises Euros 25,710 thousand for the costs of listing the shares of the subsidiary Pirelli & C. Real Estate S.p.A. on the stock exchange.

OTHER INFORMATION

- **Employees**

The average number of employees in companies included in consolidation in the first half of 2002, by category, is as follows:

Senior executives	594
Staff	9.836
Blue collars	25.230
Temporary employment	2.739
	38.399

Exchange rate

The main exchange rates used in the consolidated financial statements are as follows:

	(local currency against euros)					
	Period-end		Change in	Average		Change in
	6/30/2002	12/31/2001	%	1 st half 2002	1 st half 2001	%
Europe						
British pound	0,6498	0,6085	6,79%	0,62165	0,62355	(0,30%)
Swiss franc	1,4721	1,4829	(0,73%)	1,4690	1,5308	(4,04%)
Hungarian forint	244,9300	245,1800	(0,10%)	243,4821	261,6231	(6,93%)
Slovakian koruna	43,9200	42,2610	3,93%	42,6163	43,4427	(1,90%)
North America						
U.S. dollar	0,9975	0,8813	13,19%	0,8979	0,8981	(0,02%)
Canadian dollar	1,5005	1,4077	6,59%	1,4128	1,3779	2,53%
South America						
Brazilian real	2,8373	2,0450	38,74%	2,1916	1,9331	13,37%
Venezuelan bolivar	1.349,3681	667,1441	102,26%	843,0204	636,2410	32,50%
Argentine peso	3,7905	1,4100	168,83%	2,3821	0,8981	165,24%
Oceania						
Australian dollar	1,7702	1,7280	2,44%	1,6791	1,7216	(2,47%)
Asia						
Chinese RMB	8,2564	7,2942	13,19%	7,4318	7,4338	(0,03%)
Singapore dollar	1,7586	1,6269	8,10%	1,6321	1,6011	1,94%
Indian rupiah	8.681,2425	9.121,0000	(4,82%)	8.643,5222	9.426,0000	(8,30%)
Africa						
Egyptian pound	4,598	4,019	14,43%	4,1406	3,4752	19,15%
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 showed a change of Euros 284.5 million compared to December 31, 2001, is the following:

	(in thousands of euros)		
	6/30/2002	12/31/2001	6/30/2001
. Short-term financial payables	1.562.561	1.557.956	984.150
. Accrued and prepaid interest expenses	60.784	12.549	35.852
. Cash and banks	(508.364)	(471.386)	(2.419.207)
. Other securities and investments in current assets	(394.068)	(562.110)	(1.465.050)
. Short-term financial receivables	(115.211)	(258.333)	(294.500)
. Accrued and deferred interest income	(40.684)	(9.577)	(15.451)
Net short-term liquidity	565.018	269.099	(3.174.206)
. Medium/long-term financial payables	2.065.922	1.861.691	1.883.673
. Medium/long-term financial receivables	(291.167)	(89.564)	(97.675)
. Other securities	(25.658)	(11.665)	(9.120)
Net medium/long-term debt	1.749.097	1.760.462	1.776.878
Net financial (liquidity)/debt position	2.314.115	2.029.561	(1.397.328)

PIRELLI & C. GROUP

SUPPLEMENTARY INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousand of euros)

	1st half 2002	2001
Net cash flows		
Operating profit	100.995	296.525
Depreciation and amortization	204.085	407.735
Investment in intangible assets	(41.617)	(97.179)
Investment in property, plant and equipment	(152.820)	(646.218)
Investment in financial assets	(270.577)	(3.648.052)
Disposal of intangible assets	2.449	2.786
Disposal of property, plant and equipment	3.400	33.682
Disposal of financial assets	155.535	125.446
Changes in inventories	33.364	159.232
Changes in trade and other accounts receivable/payable	32.752	(167.773)
Changes in provisions	(14.490)	(35.218)
Other changes	(1.222)	21.556
Free cash flows	51.854	(3.547.478)
Financial income/expenses, net	(130.300)	(69.368)
Income taxes, net	(77.127)	(188.540)
Extraordinary items, net	198.973	155.595
Other changes	(347.487)	(712.817)
Cash flows before dividends	(304.087)	(4.362.608)
Dividends paid	(141.217)	(328.906)
Net cash flows	(445.304)	(4.691.514)
Share capital increase Pirelli & C.	62.531	19.886
Share capital increase Pirelli & C. Real Estate S.p.A.	105.299	-
Share capital increase Pirelli S.p.A.	-	29.158
Share capital increase minority interest	-	6.080
Changes in share capital	167.830	55.124
Translation adjustments	(7.080)	(28.103)
Net increase (decrease) in cash	(284.554)	(4.664.493)
Net liquidity (debt) at beginning of the year	(2.029.561)	2.634.932
Net liquidity (debt) at end of the year	(2.314.115)	(2.029.561)

Consolidated statements of changes in shareholders' equity for the periods ended December 31, 2000 to June 30, 2002						
(in thousands of euros)						
	Share capital	Share premium reserve	Legal reserve	Cumulative translation adjustments	Other reserves* Retained earnings Net income	Total
Balance at December 31, 2000	320.959	485.617	62.212	(640)	1.303.113	2.171.261
Appropriation of net income (shareholders' resolution of May 11, 2000)						
- Payment of dividends					(128.907)	(128.907)
- Legal reserve			2.802		(2.802)	0
Conversion of bonds 1998/2003	4.449	15.437				19.886
Adjustment to net equities of subsidiaries and associated companies					(13.154)	(13.154)
Translation adjustment and other changes				(55.336)		(55.336)
Net income for the year					124.955	124.955
Balance at December 31, 2001	325.408	501.054	65.014	(55.976)	1.283.205	2.118.705
Appropriation of net income (shareholders' resolution of May 13, 2002)						
- Payment of dividends					(52.364)	(52.364)
- Legal reserve			2.866		(2.866)	0
Conversion of bonds 1998/2003	13.992	48.539				62.531
Adjustment to net equities of subsidiaries and associated companies					(9.756)	(9.756)
Translation adjustment and other changes				(99.429)		(99.429)
Net income for the year					130.282	130.282
Balance at June 30, 2002	339.400	549.593	67.880	(155.405)	1.348.501	2.149.969

* Other reserves include the Revaluation reserve, the Reserve for treasury shares in portfolio and the amortized portion of differences on consolidation

(in thousands of euros)

Reconciliation of net results and shareholders' equity of Pirelli & C. A.p.A. and the corresponding consolidated figures of the Group at June 30, 2002

	Net income	Shareholders' equity
Pirelli & C. A.p.A. financial statements	126.375	1.331.055
Share of earnings of:		
- consolidated subsidiaries	44.464	44.464
- companies valued using the equity method	(8.725)	(8.725)
Elimination of dividends received from subsidiaries	(19.069)	(19.069)
Elimination of gains on the sale of intergroup buildings	(4.616)	(4.616)
Elimination of gains on the sale of intergroup financial assets	(1.477)	(1.477)
Gains on offering of shares on the stock market of consolidated companies	7.635	7.635
Amortization of goodwill	(14.305)	(14.305)
Difference between share of net equity of consolidated companies and their carrying value:		
- consolidated subsidiaries		818.579
- associated companies accounted for using the equity method		(3.572)
Group consolidated financial statements	130.282	2.149.969

Companies consolidated using the full consolidation method

Company	Business	Headquarters	Share Capital	Percentage ownership	Percentage of vote	Held by
Europe						
Austria						
Pirelli Gesellschaft mbH	Tyre	Vienna	Euro	726.728	100,00%	Lunares S.A.
Pirelli-Oekw GmbH	Energy Cables and Systems	Vienna	Euro	2.071.176	100,00%	Pirelli Cable Holding N.V.
Belgium						
Pirelli Tyres Belux S.A.	Tyre	Bruxelles	Euro	700.000	100,00%	Lunares S.A.
Finland						
Pirelli Cables and Systems OY	Energy Cables and Systems	Helsinki	Euro	10.000.000	100,00%	Pirelli Cable Holding N.V.
France						
Eurelectric S.A.	Energy Cables and Systems	La Bresse	Euro	4.036.500	100,00%	Pirelli Energie Câbles et Systèmes France S.A.
Pirelli Moto France - PMF S.a.s.	Tyre	Gonesse	Euro	77.000	100,00%	Metzeler Reifen GMBH
Pirelli Energie Câbles et Systèmes France S.A.	Energy Cables and Systems	Paron de Sens	Euro	136.800.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Telecom Câbles et Systèmes France S.A.	Telecom Cables and Systems	Bagnole Cedex	Euro	16.295.000	100,00%	Pirelli Cavi e Sistemi Telecom S.p.A.
Pneus Pirelli S.A.	Tyre	Puteaux	Euro	3.062.400	100,00%	Lunares S.A.
Project Saint Maurice S.a.s.	Real Estate	Paris	Euro	38.200	100,00%	Pirelli & C. Real Estate S.p.A.
Supernet Bis France S.A.	Energy Cables and Systems	Bagnole Cedex	Euro	40.000	100,00%	Pirelli Energie Câbles et Systèmes France S.A.
Germany						
Bergmann Kabel und Leitungen GmbH	Energy 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	Tyre	Breuberg/Odenwald	Euro	25.565	100,00%	Pirelli Reifenwerke GmbH & Co. K.G.
Materialverwertungsgesellschaft Breuberg GmbH	Tyre	Breuberg/Odenwald	Euro	25.565	100,00%	Deutsche Pirelli Reifen Hold. GmbH
Metzeler Reifen GmbH	Tyre	Breuberg/Odenwald	Euro	16.361.340	100,00%	Pirelli Deutschland A.G.
Pirelli Deutschland A.G.	Tyre	Breuberg/Odenwald	Euro	26.075.886	99,08%	Deutsche Pirelli Reifen Hold. GmbH
Pirelli Kabel Grundstücksverwaltungs GmbH	Energy Cables and Systems	Berlin	Euro	25.600	100,00%	Pirelli Kabel und Systeme Holding GmbH
Pirelli Kabel und Systeme Beteiligungs GmbH	Energy Cables and Systems	Berlin	Euro	25.600	100,00%	Pirelli Kabel und Systeme Holding GmbH
Pirelli Kabel und Systeme GmbH & Co. KG	Energy Cables and Systems	Berlin	Euro	5.113.000	100,00%	Pirelli Kabel und Systeme Beteiligungs GmbH
Pirelli Kabel und Systeme Holding GmbH	Energy Cables and Systems	Berlin	Euro	26.000	99,00%	Pirelli Cable Holding NV
					1,00%	Pirelli Cavi e Sistemi Energia S.p.A.
Pirelli Kabel und Systeme Verwaltungs GmbH	Energy Cables and Systems	Berlin	Euro	25.600	100,00%	Pirelli Kabel und Systeme Beteiligungs GmbH
Pirelli Reifenwerke Geschaeftsuehrungs GmbH	Services	Breuberg/Odenwald	Euro	25.565	100,00%	Deutsche Pirelli Reifen Hold. GmbH
Pirelli Reifenwerke GmbH & Co. K.G.	Tyre	Breuberg/Odenwald	Euro	35.790.943	100,00%	Pirelli Deutschland A.G.
Pirelli Telekom Kabel und Systeme Deutschland GmbH	Telecom Cables and Systems	Berlin	Euro	25.000	100,00%	Pirelli Cavi e Sistemi Telecom S.p.A.
Pneumobil GmbH	Tyre	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.
Greece						
Antem Representations & Trading Co. Ltd. in liq.	Tyre	Athens	Gr. Dracma	1.000.000	100,00%	Pirelli Hellas S.A.
Elastika Pirelli S.A.	Tyre	Athens	Euro	1.632.010	99,90%	Lunares S.A.
					0,10%	Pirelli Pneumatici Holding S.p.A.
Pirelli Hellas S.A. (in liquidation)	Tyre	Athens	Us \$	22.050.000	79,86%	Pirelli Tyre Holding N.V.
Hungary						
Kabel Keszletertesito BT.	Energy Cables and Systems	Budapest	Hun. Forint/000	1.239.841	100,00%	MKM Magyar Kabel Muvek Rt.
MKM Magyar Kabel Muvek RT.	Energy Cables and Systems	Budapest	Hun. Forint/000	6.981.070	100,00%	Pirelli Cable Holding N.V.
Pirelli Construction Hungary Limited	Energy Cables and Systems	Budapest	Hun. Forint/000	3.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Hungary Tyre Trading and Services Limited	Tyre	Budapest	Hun. Forint/000	3.000	100,00%	Lunares S.A.
Italy						
Acquario S.r.l. (in liquidation)	Real estate	Genoa	Euro	255.000	100,00%	Pirelli & C. Real Estate S.p.A.
Agied S.r.l.	Real estate	Rome	Euro	100.000	100,00%	Pirelli & C. Property Management 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.
Altair Facilities Management S.p.A.	Real estate	Milan	Euro	2.064.000	100,00%	Pirelli & C. Real Estate S.p.A.
Altair Building Services S.r.l.	Real estate	Genoa	Euro	500.000	75,00%	Altair Facilities Management S.p.A.
Alorfim 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.
Casaclick S.p.A.	Real estate	Milan	Euro	5.412.568	99,06%	Pirelli & C. Casa S.p.A.
					0,27%	Pirelli & C. Luxembourg S.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.	Services	Milan	Euro	51.000	100,00%	Pirelli S.p.A.
Edinord Gestioni S.p.A.	Real estate	Milan	Euro	517.000	100,00%	Pirelli & C. Real Estate S.p.A.
Edinord Progetti S.p.A.	Real estate	Milan	Euro	250.000	100,00%	Pirelli & C. Real Estate S.p.A.
Elle Dieci Società Consortile a.r.l.	Real estate	Milan	Euro	100.000	50,00%	Agied S.r.l.
					40,00%	Pirelli & C. Property Management S.p.A.
Elle Tre Società Consortile a.r.l.	Real estate	Milan	Euro	100.000	50,00%	Agied S.r.l.
					40,00%	Pirelli & C. Property Management S.p.A.
Elle Uno Società Consortile a.r.l.	Real estate	Milan	Euro	100.000	60,00%	Edinord Gestioni 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 Telecom S.p.A.
Holdim S.r.l.	Real estate	Milan	Euro	14.404	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	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.

Lambda S.r.l.	Real estate	Milan	Euro	578.760	100,00%		Pirelli & C. Real Estate S.p.A.
Localto S.p.A.	Financial	Milan	Euro	5.200.000	100,00%		Pirelli & C. A.p.A.
Maristi S.p.A.	Telecom Cables and Systems	Milan	Euro	1.020.000	100,00%		Pirelli Cavi e Sistemi Telecom S.p.A.
Neri Gomme & C. S.r.l. (in liquidation)	Tyre	Milan	Ital. Lira	20.000.000	100,00%		Sistema Puntogomme S.p.A.
Pirelli Cavi e Sistemi Energia S.p.A.	Power Cables and Systems holding company	Milan	Euro	100.000.000	98,75%		Pirelli S.p.A.
					1,25%		Pirelli Finance (Luxembourg) S.A.
Pirelli Cavi e Sistemi Energia Italia S.p.A.	Energy Cables and Systems	Milan	Euro	110.000.000	100,00%		Pirelli Cavi e Sistemi Energia S.p.A.
Pirelli Cavi e Sistemi S.p.A.	Holding	Milan	Euro	12.694.200	100,00%		Pirelli S.p.A.
Pirelli Cavi e Sistemi Telecom S.p.A.	Telecom Cables and Systems holding company	Milan	Euro	70.000.000	98,75%		Pirelli S.p.A.
					1,25%		Pirelli Finance (Luxembourg) S.A.
Pirelli Cavi e Sistemi Telecom Italia S.p.A.	Telecom Cables and Systems	Milan	Euro	41.000.000	100,00%		Pirelli Cavi e Sistemi Telecom S.p.A.
Pirelli Cultura S.p.A.	Sundry	Milan	Euro	1.000.000	99,00%		Pirelli S.p.A.
					1,00%		Trefin S.r.l.
Pirelli Informatica S.p.A.	Information Systems	Milan	Euro	520.000	100,00%		Pirelli S.p.A.
Pirelli Labs S.p.A.	Research and Development	Milan	Euro	10.000.000	100,00%		Pirelli Cavi e Sistemi S.p.A.
Pirelli Metzeler Motovelo S.r.l.	Real estate	Milan	Euro	4.590.000	100,00%		Pirelli Pneumatici S.p.A.
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.	Services	Milan	Euro	20.000.000	100,00%		Pirelli Pneumatici 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.	Tyre	Milan	Euro	252.320.000	100,00%		Pirelli Pneumatici Holding 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.	Telecom Cables and Systems	Milan	Euro	50.000.000	100,00%		Pirelli Submarine Telecom Systems Holding B.V.
Pirelli & C. Credit Servicing S.p.A. (formerly Milano Centrale Altofim S.p.A.)	Financial	Milan	Euro	5.200.000	100,00%		Pirelli & C. Real Estate 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 S.p.A.	Holding	Milan	Euro	1.043.604.420	10,80%	10,85%	Pirelli & C. A.p.A.
					26,31%	27,51%	Pirelli & C. Luxembourg S.A.
					8,14%	0,00%	Pirelli S.p.A.
Pirelli & C. Comercial Agency 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.	Real estate	Milan	Euro	104.000	100,00%		Pirelli & C. Real Estate S.p.A.
Pirelli & C. Facility Management S.p.A.	Real estate	Milan	Euro	561.000	200,00%		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	Euro	20.302.491	60,37%	55,99%	Pirelli & C. A.p.A.
					4,78%	0,00%	Pirelli & C. Real Estate S.p.A.
Polo Viaggi S.r.l.	Travel agency	Milan	Euro	46.800	100,00%		Pirelli S.p.A.
Progetti Creativi S.r.l.	Real estate	Milan	Euro	51.000	100,00%		Pirelli & C. Comercial Agency 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 II 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 Moncalieri S.r.l.	Real estate	Milan	Euro	90.000	100,00%		Pirelli & C. Real Estate S.p.A.
Progetto Salute Bollate S.r.l.	Real estate	Milan	Euro	100.000	100,00%		Pirelli & C. Real Estate S.p.A.
Promedit'84 S.r.l.	Real estate	Milan	Euro	10.400	100,00%		Pirelli & C. Real Estate S.p.A.
Rofau S.r.l.	Real estate	Milan	Euro	10.500	100,00%		Altofim S.r.l.
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.	Services	Milan	Euro	104.000	93,00%		Pirelli S.p.A.
					0,50%		Pirelli Cavi e Sistemi Energia S.p.A.
					0,50%		Pirelli Cavi e Sistemi Telecom 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.
					1,00%		Pirelli & C. A.p.A.
					1,00%		Pirelli & C. Real Estate S.p.A.
					1,00%		Alfa Due S.p.A.
Servizi Immobiliari Edilnord S.p.A.	Real estate	Milan	Euro	500.000	100,00%		Pirelli & C. Real Estate S.p.A.
Sistema Puntogomme S.p.A.	Tyre	Milan	Euro	3.060.000	100,00%		Pirelli Pneumatici Holding S.p.A.
Somogi S.r.l.	Real estate	Vimodrone (MI)	Euro	90.000	88,00%		Altair Facilities Management S.p.A.
Stella Polare S.r.l. (in liquidation)	Real estate	Napoli	Euro	289.215	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.
Tiglio I S.r.l. (formerly Kallithea S.r.l.)	Real estate	Milan	Euro	10.400	100,00%		Pirelli S.p.A.
Tiglio II S.r.l. (formerly Fintheta S.p.A.)	Real estate	Milan	Euro	255.000	100,00%		Pirelli S.p.A.
Trefin S.r.l.	Financial	Milan	Euro	4.242.476	100,00%		Pirelli S.p.A.

Luxembourg

Gamirco S.A.	Financial	Luxembourg	Swiss Franc	2.100.000	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	Fr.Sv./000	270.000	100,00%		Pirelli & C. A.p.A.

Norway

Pirelli Kabler og Systemer AS	Energy Cables and Systems	Ski	Nor. Krone	100.000	100,00%		Pirelli Cables and Systems OY
-------------------------------	---------------------------	-----	------------	---------	---------	--	-------------------------------

Poland

Pirelli Polska Sp.zo.o.	Tyre	Warsaw	Pol. Zloty	6.257.708.500	100,00%		Lunares S.A.
-------------------------	------	--------	------------	---------------	---------	--	--------------

Portugal

Descoberta Portuguesa de Material Electrico e Electronico S.A.	Energy Cables and Systems	Arcozelo Vngaia	Euro	1.545.000	70,93%	29,07%	Pirelli Energie Câbles et Systèmes France S.A. Eurelectric S.A.
--	---------------------------	-----------------	------	-----------	--------	--------	--

Romania

S.C. Pirelli Romania Cabluri si Sisteme S.A.	Energy Cables and Systems	Slatina	Rom. Leu/000	208.927.700	100,00%		Pirelli Cable Holding N.V.
--	---------------------------	---------	--------------	-------------	---------	--	----------------------------

Slovak Republic

Kablo Bratislava Spol. S.R.O. Pirelli Slovakia S.R.O.	Energy Cables and Systems Tyre	Bratislava Bratislava	Slov. Koruna Slov. Koruna	523.334.000 200.000	100,00% 100,00%	Pirelli Cable Holding N.V. Lunares S.A.
--	-----------------------------------	--------------------------	------------------------------	------------------------	--------------------	--

Spain

Fercable S.A.	Energy Cables and Systems	Barcelona	Euro	3.606.073	100,00%	Pirelli Cables y Sistemas S.A.
Omnia Motor S.A.	Tyre	Barcelona	Euro	1.502.530	100,00%	Pirelli Neumaticos S.A.
Pirelli Cables y Sistemas S.A.	Energy Cables and Systems	Barcelona	Euro	24.000.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Esmar S.A.	Energy Cables and Systems	Torredembarra	Euro	8.714.675	100,00%	Pirelli Cables y Sistemas S.A.
Pirelli Neumaticos S.A.	Tyre	Barcelona	Euro	45.075.908	100,00%	Pirelli Tyre Holding N.V.
Pirelli Telecom Cables y Sistemas Espana S.L.	Telecom Cables and Systems	Barcelona	Euro	12.000.000	100,00%	Pirelli Cavi e Sistemi Telecom S.p.A.

Sweden

Pirelli Kablar och System AB Pirelli Tyre Nordic AB	Energy Cables and Systems Tyre	Hoganas Bromma	Swed. Krona Swed. Krona	100.000 950.000	100,00% 100,00%	Pirelli Cables and Systems OY Lunares S.A.
--	-----------------------------------	-------------------	----------------------------	--------------------	--------------------	---

Switzerland

Agom S.A.	Tyre	Conthey	Swiss Franc	50.000	75,00%	Lunares S.A.
Agom S.A. Bioggio	Tyre	Bioggio	Swiss Franc	590.000	75,00%	Lunares S.A.
Lunares S.A.	Tyre holding company	Basel	Swiss Franc	10.000.000	100,00%	Pirelli Tyre Holding N.V.
Pirelli Cables and Systems S.A.	Energy Cables and Systems	Basel	Swiss Franc	500.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Produkte Holding A.G. (in liquidation)	Energy Cables and Systems	Basel	Swiss Franc	9.500.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Soci�t� de Services S.a.r.l.	Financial	Basel	Swiss Franc	50.000	100,00%	Pirelli Soci�t� G�n�rale S.A.
Pirelli Soci�t� G�n�rale S.A.	Financial	Basel	Swiss Franc	28.000.000	100,00%	Pirelli S.p.A.
Pirelli Submarine Telecom Systems S.A.(in liquidation)	Telecom Cables and Systems	Basel	Swiss Franc	1.230.000	100,00%	Pirelli Submarine Telecom Systems Holding B.V.
Pirelli Tyre (Europe) S.A.	Tyre	Basel	Swiss Franc	1.000.000	100,00%	Lunares S.A.

The Netherlands

Optical Technologies The Netherlands B.V.	Financial	Delft	Euro	183.235.100	67,88% 32,12%	0,00%	Pirelli S.p.A. Optical Technologies The Netherlands B.V.
Pirelli Cable Holding N.V.	Power Cables and Systems holding company	Delft	Euro	272.515.065	100,00%		Pirelli Cavi e Sistemi Energia S.p.A.
Pirelli Cable Overseas N.V.	Telecom Cables and Systems holding company	Delft	Euro	10.000.000	100,00%		Pirelli Cavi e Sistemi Telecom S.p.A.
Pirelli Cables and Systems N.V.	Energy Cables and Systems	Delft	Euro	5.000.000	100,00%		Pirelli Cable Holding N.V.
Pirelli Submarine Telecom Systems Holding B.V.	Telecom Cables and Systems	Delft	Euro	4.500.000	90,00%		Pirelli Cavi e Sistemi Telecom S.p.A.
ICEW (Insulated Conductors and Enameled Wires) N.V. (formerly Pirelli Telecom Cables and Systems The Netherlands N.V.)	Energy Cables and Systems	Delft	Euro	50.000	100,00%		Pirelli Cable Holding N.V.
Pirelli Tyre Holding N.V.	Tyre holding company	Breukelen	Euro	798.412.500	100,00%		Pirelli S.p.A.
Pirelli Tyres Nederland B.V.	Tyre	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.

Turkey

Celikord A.S.	Tyre	Istanbul	Turk. Lira/mil.	17.100.000	50,466% 0,27%		Pirelli Tyre Holding N.V. Pirelli Pneumatici Holding S.p.A.
Turk-Pirelli Lastikleri A.S.	Tyre	Istanbul	Turk. Lira/mil.	88.000.000	62,45% 0,08% 0,08% 0,08% 0,08% 0,08% 0,08%		Pirelli Deutschland A.G. Pirelli Tyre Holding N.V. Pirelli Deutschland A.G. Pirelli UK Tyres Ltd Pirelli Pneumatici S.p.A. Lunares S.A. Pirelli Pneumatici Holding S.p.A. Metzeler Reifen GmbH Pirelli Reifenwerke GmbH & Co. K.G. Pirelli Neumaticos S.A.
T�rk Pirelli Kablo ve Sistemleri A.S. Zalsan Zirai Arac Lastikleri A.S.	Energy Cables and Systems Tyre	Mudania / Bursa Istanbul	Turk. Lira/mil. Turk. Lira/mil.	3.780.000 1.400.000	83,75% 70,00%		Pirelli Cable Holding N.V. Turk-Pirelli Lastikleri A.S.

United Kingdom

Aberdare Cables Ltd	Energy Cables and Systems	London	British Pound	609.654	100,00%		Pirelli General plc
Pirelli Telecom Cables and Systems UK Limited	Telecom Cables and Systems	London	British Pound	100.000	100,00%		Pirelli General plc
Central Tyre Ltd	Tyre	London	British Pound	100.000	100,00%		Pirelli UK Tyres Ltd
Comergy Ltd	Cables and Systems	London	British Pound	1.000.000	100,00%		Pirelli & C. Luxembourg
Courier Tyre Company Ltd	Tyre	London	British Pound	10.000	100,00%		Pirelli UK Tyres Ltd
CPK Auto Products Ltd	Tyre	London	British Pound	10.000	100,00%		Pirelli UK Tyres Ltd
CTC 1994 Limited	Tyre	London	British Pound	984	100,00%		Central Tyre Ltd
Pirelli Cables (2000) Limited	Energy Cables and Systems	London	British Pound	118.653.473	100,00%		Pirelli General plc
Pirelli Cables (Industrial) Limited	Energy Cables and Systems	London	British Pound	9.010.935	100,00%		Pirelli General plc
Pirelli Cables (Supertention) Ltd	Energy Cables and Systems	London	British Pound	5.000.000	100,00%		Pirelli General plc
Pirelli Cables and Systems International Ltd	Energy Cables and Systems	London	Euro	100.000	100,00%		Pirelli Cable Holding N.V.
Pirelli Cables Ltd	Energy Cables and Systems	London	British Pound	100.000	100,00%		Pirelli General plc
Pirelli Construction Company Ltd	Energy Cables and Systems	London	British Pound	8.000.000	100,00%		Pirelli General plc
Pirelli Focoom Limited	Energy Cables and Systems	London	British Pound	6.447.000	100,00%		Pirelli General plc
Pirelli General plc	Cables and Systems	London	British Pound	102.100.000	100,00%		Pirelli UK plc "B1"/"B2"
Pirelli International Limited	Financial	London	Euro	250.000.000	100,00%		Pirelli Finance (Luxembourg) S.A.
Pirelli Metals Ltd	Energy Cables and Systems	London	British Pound	100.000	100,00%		Pirelli General plc
Pirelli Tyres Ltd	Tyre	London	British Pound	16.000.000	100,00%		Pirelli UK Tyres Ltd
Pirelli UK Employee Share Trustee Limited	Financial	London	British Pound	2	100,00%		Pirelli UK plc "C"
Pirelli UK Finance Ltd	Financial	London	British Pound	6.969.280	100,00%		Pirelli UK plc "C"
Pirelli UK plc "A"	Tyre holding company	London	British Pound	57.354.300	100,00%		Pirelli Tyre Holding N.V.
Pirelli UK plc "B1"	Energy Cables and Systems holding company	London	British Pound	27.149.529	100,00%		Pirelli Cable Holding N.V.
Pirelli UK plc "B2"	Telecom Cables and Systems holding company	London	British Pound	27.149.529	100,00%		Pirelli Cavi e Sistemi Telecom S.p.A.
Pirelli UK plc "C"	Finance holding company	London	British Pound	11.625.978	100,00%		Pirelli S.p.A.
Pirelli UK Tyres Ltd	Tyre	London	British Pound	56.819.000	100,00%		Pirelli UK plc "A"
Pirelli & C. Real Estate Ltd	Real Estate	Londra	Euro	100.000	100,00%		Pirelli & C. Real Estate S.p.A.

North America

Canada

Pirelli Power Cables and Systems Canada Ltd	Energy Cables and Systems	Saint John (New Brunswick)	Can. \$	40,000.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Tire Inc.	Tyre	Ottawa (Ontario)	Can. \$	6,000.000	100,00%	Lunares S.A.

U.S.A.

Metzeler Motorcycle Tire North America Corp.	Tyre	Seattle (Washington)	Us \$	150.000	100,00%	Metzeler Reifen GmbH
Pirelli Communications Cables and Systems USA LLC	Telecom Cables and Systems	Wilmington (Delaware)	Us \$	10	100,00%	Pirelli North America Inc. "B1"
Pirelli Communications Cables Corporation	Commercial	Wilmington (Delaware)	Us \$	1	100,00%	Pirelli Communications Cables and Systems USA LLC
Pirelli Construction Services Inc.	Energy Cables and Systems	Dover (Delaware)	Us \$	1,000	100,00%	Pirelli Power Cables and Systems USA LLC
Pirelli Jacobson Inc.	Energy Cables and Systems	Dover (Delaware)	Us \$	2,000	100,00%	Pirelli Power Cables and Systems USA LLC
Pirelli North America Inc. "A"	Tyre	Wilmington (Delaware)	Us \$	3,15	100,00%	Pirelli Tyre Holding N.V.
Pirelli North America Inc. "B1"	Telecom Cables and Systems	Wilmington (Delaware)	Us \$	5,75	100,00%	Pirelli Cavi e Sistemi Telecom S.p.A.
Pirelli North America Inc. "B2"	Energy Cables and Systems	Wilmington (Delaware)	Us \$	1,10	100,00%	Pirelli Cavi e Sistemi Energia S.p.A.
Pirelli Power Cables and Systems USA LLC	Energy Cables and Systems	Wilmington (Delaware)	Us \$	10	100,00%	Pirelli North America Inc. "B2"
Pirelli RNC Inc.	Commercial	Wilmington (Delaware)	Us \$	1	100,00%	Pirelli Tyre Holding N.V.
Pirelli Tire LLC	Tyre	Wilmington (Delaware)	Us \$	1	100,00%	Pirelli North America Inc. "A"

Central/South America

Argentina

Fipla S.A.	Energy Cables and Systems	Buenos Aires	Arg. Peso	1	66,97%	Pirelli Consultora Conductores e Instalaciones S.A.I.C.
Pirelli Argentina de Mandatos S.A.	Services	Buenos Aires	Arg. Peso	500.000	100,00%	Pirelli Société Générale S.A.
Pirelli Consultora Conductores e Instalaciones S.A.I.C.	Energy Cables and Systems	Buenos Aires	Arg. Peso	2.227	100,00%	Pirelli Cable Holding N.V.
Pirelli Consultora de Telecomunicaciones S.A.	Telecom Cables and Systems	Buenos Aires	Arg. Peso	12,000	100,00%	Pirelli Cable Holding N.V.
Pirelli Energia Cables y Sistemas de Argentina S.A.	Energy Cables and Systems	Buenos Aires	Arg. Peso	44.509.458	74,91%	Pirelli Consultora Conductores e Instalaciones S.A.I.C.
					24,69%	Pirelli Cable Holding N.V.
Pirelli Neumaticos S.A.I.C.	Tyre	Buenos Aires	Arg. Peso	19.016.500	99,02%	Pirelli Tyre Holding N.V.
					0,98%	Pirelli Pneumatici Holding S.p.A.
Pirelli Telecomunicaciones Cables y Sistemas de Argentina S.A.	Telecom Cables and Systems	Buenos Aires	Arg. Peso	12,000	100,00%	Pirelli Telecomunicações Cabos e Sistemas do Brasil S.A.
Tel 3 S.A.	Energy Cables and Systems	Buenos Aires	Arg. Peso	11.075.000	51,00%	Pirelli Energia Cables y Sistemas de Argentina S.A.

Brazil

Cordas Metalicas do Brasil Ltda	Tyre	Sumarè	Bra. Real	1.000	99,90%	Pirelli Pneus SA
					0,10%	Muriae Ltda
Muriae Ltda	Financial	Santo André	Bra. Real	80.000.000	100,00%	Pirelli Pneus S.A.
Novacorp Consultora e Serviços Corporativos Ltda	Holding	Santo André	Bra. Real	6.000	100,00%	Pirelli S.A.
Pirelli Energia Cabos e Sistemas do Brasil S.A.	Energy Cables and Systems	Santo André	Bra. Real	106.824.993	87,202%	Pirelli Cavi e Sistemi Energia S.p.A.
					12,189%	Pirelli S.A.
Pirelli Pneus Nordeste Ltda	Tyre	Feira de Santana	Bra. Real	29.991.402	100,00%	Pirelli Pneus S.A.
Pirelli Pneus S/A	Tyre	Santo André	Bra. Real	300.617.484	54,83%	Pirelli Pneumatici S.p.A.
					19,03%	Pirelli Tyre Holding N.V.
					41,20%	Pirelli Tyre Holding N.V.
					3,65%	Pirelli S.A.
Pirelli Produtos Especiais Ltda	Energy Cables and Systems	Cerquillo	Bra. Real	43.143.421	100,00%	Pirelli Energia Cabos e Sistemas do Brasil S.A.
Pirelli S.A.	Financial	Santo André	Bra. Real	45.848.684	100,00%	Pirelli S.p.A.
Pirelli Telecomunicações Cabos e Sistemas do Brasil S.A.	Telecom Cables and Systems	Sorocaba	Bra. Real	65.236.771	87,20%	Pirelli Cavi e Sistemi Telecom S.p.A.
					12,19%	Pirelli S.A.
Pirelli & C. Real Estate Ltda	Real Estate	Santo André	Bra. Real	2.000.000	60,00%	Pirelli & C. Real Estate S.p.A.
					30,00%	Pirelli S.A.
Pneuc Comercial e Importadora Ltda	Tyre	San Paolo	Bra. Real	12.913.526	100,00%	Pirelli Pneus S.A.
Solac-Laminadora de Cobre Ltda	Energy Cables and Systems	Jacarei	Bra. Real	8.971.950	89,00%	Pirelli Energia Cabos e Sistemas do Brasil S.A.

Chile

Pirelli E y T S.A.	Energy Cables and Systems	Santiago	Chile Peso/000	3.072.471	99,82%	Pirelli Instalaciones Chile S.A.
Pirelli Instalaciones Chile S.A.	Energy Cables and Systems	Santiago	Chile Peso/000	918.707	90,00%	Pirelli Consultora Conductores e Instalaciones S.A.I.C.
					10,00%	Cite S.A.
Pirelli Neumaticos Chile Limitada	Tyre	Santiago	Us \$	1.918.451	99,98%	Pirelli Pneus S.A.
					0,02%	Pneuc Comercial e Importadora Ltda

Colombia

Pirelli de Colombia S.A.	Tyre	Santa Fe De Bogota	Col. Peso/000	10.977.466	94,95%	Pirelli Pneus S.A.
					1,63%	Pirelli de Venezuela C.A.
					1,14%	Muriae Ltda
					1,14%	Pirelli Pneus Nordeste Ltda
					1,14%	Pneuc Comercial e Importadora Ltda

Dutch Antilles

Pirelli Financial Services Company N.V.	Financial	Curaçao	Us \$	11.000.000	100,00%	Pirelli Finance (Luxembourg) S.A.
Pirelli Insurance & Reinsurance Company N.V.	Insurance	Curaçao	Us \$	10.000.000	100,00%	Pirelli Finance (Luxembourg) S.A.

Mexico

Pirelli Neumaticos de Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	35.098.600	99,98%	Pirelli Pneus S.A.
					0,02%	Pneuc Comercial e Importadora Ltda

Uruguay						
Cite S.A.	Energy Cables and Systems	Montevideo	Urug. Peso	4.900.000	100,00%	Pirelli Energia Cabos e Sistemas do Brasil S.A.
Venezuela						
Pirelli de Venezuela C.A.	Tyre	Valencia	Ven. Bolivar/000	13.062.679	96,22%	Pirelli Tyre Holding N.V.
Africa						
Egypt						
Alexandria Tire Company S.A.E.	Tyre	Alessandria	Egy. Pound	300.000.000	74,54% 8,19%	Pirelli Pneumatici Holding S.p.A. Pirelli Pneumatici S.p.A.
International Tire Company Ltd	Tyre	Alessandria	Egy. Pound	50.000	96,00%	Alexandria Tire Company S.A.E.
Ivory Cost						
SICABLE - Societé Ivoirienne de Cables S.A.	Energy Cables and Systems	Abidjan	Cfa Franc	740.000.000	51,00%	Pirelli Energie Câbles et Systèmes France S.A.
South Africa						
Pirelli Cables & Syistems (Proprietary) Limited	Commercial	Woodmead, S.A.	S.A. Rand	100	100,00%	Pirelli Cavi e Sistemi Energia S.p.A.
Pirelli Tyre (Pty) Ltd (formerly Italian Tyre Pty Ltd)	Tyre	Sandton	S.A. Rand	1	100,00%	Lunares S.A.
Oceania						
Australia						
Pirelli Power Cables & Systems Australia PTY Limited	Energy Cables and Systems	Liverpool - N.S.W.	Aus. \$	15.000.000	100,00%	Pirelli Cavi e Sistemi Energia S.p.A.
Pirelli Telecom Cables & Systems Australia PTY Limited	Telecom Cables and Systems	Liverpool - N.S.W.	Aus. \$	38.500.000	100,00%	Pirelli Cavi e Sistemi Telecom S.p.A.
Pirelli Tyres Australia Pty Ltd	Tyre	Pymble - N.S.W.	Aus. \$	150.000	100,00%	Lunares S.A.
New Zealand						
Pirelli Power Cables & Systems New Zealand Limited	Energy Cables and Systems	Auckland	N.Z. \$	10.000	100,00%	Pirelli Power Cables & Systems Australia PTY Limited
Pirelli Telecom Cables & Systems New Zealand Limited	Telecom Cables and Systems	Auckland	N.Z. \$	10.000	100,00%	Pirelli Telecom Cables & Systems Australia PTY Limited
Pirelli Tyres (NZ) Ltd	Tyre	Wellington	N.Z. \$	100	100,00%	Pirelli Tyres Australia Pty Ltd
Asia						
China						
BICCGeneral Baosheng Cable Co. Ltd	Energy Cables and Systems	Jiangsu	Us \$	19.500.000	67,00%	Pirelli Cables Asia-Pacific Pte Ltd
Invex Insulated Conductors (Baoying) Co. Ltd.	Energy Cables and Systems	Yangzhou	Euro	6.000.000	100,00%	Pirelli Cable Holding N.V.
Pirelli Cables (Shanghai) Trading Co. Ltd	Energy Cables and Systems	Shanghai	Us \$	200.000	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
Pirelli Telecom Cables Co. Ltd Wuxi	Telecom Cables and Systems	Xuelang Town	Us \$	28.640.750	70,565%	Pirelli Cable Overseas N.V.
Tianjin Top Power Cables Co. Ltd	Energy Cables and Systems	Tianjin Municipality	Us \$	13.100.000	51,145%	Pirelli Cable Holding N.V.
India						
Pirelli Cables (India) Private Limited	Energy Cables and Systems	New Delhi	India Rupee	10.000.000	99,998% 0,002%	Pirelli Cable Holding N.V. Pirelli Cavi e Sistemi Energia S.p.A.
Indonesia						
P.T. Pirelli Cables Indonesia	Energy Cables and Systems	Jakarta	Us \$	67.300.000	99,48% 0,52%	Pirelli Cable Holding N.V. Pirelli Cable Overseas N.V.
Japan						
P & A K.K.	Tyre	Tokyo	Jap. Yen	1.700.000.000	51,00%	Pirelli Tyre Holding N.V.
Pirelli K.K.	Tyre	Tokyo	Jap. Yen	40.000.000	100,00%	Lunares S.A.
Malaysia						
BICC (Malaysia) Sdn Bhd	Energy Cables and Systems	Kuala Lumpur	Mal. Ringgit	100.000	100,00%	Pirelli Cables Asia-Pacific Pte Ltd
Submarine Cable Installation Sdn Bhd	Energy Cables and Systems	Kuala Lumpur	Mal. Ringgit	10.000	100,00%	Pirelli Cavi e Sistemi Energia S.p.A.
Mauritius						
BICCGeneral Asia Pacific Holdings	Energy Cables and Systems	Port Louis	Us \$	2	100,00%	Pirelli Cables Asia-Pacific Pte Ltd

Singapore

Pirelli Asia Pte Ltd	Tyre	Singapore	Sing. \$	2	100,00%	Lunares S.A.
Pirelli Cable Systems Pte Ltd	Energy Cables and Systems	Singapore	Sing. \$	25.000	50,00%	Pirelli General plc
					50,00%	Pirelli Cable Holding N.V.
Pirelli Cables Asia-Pacific Pte Ltd	Energy Cables and Systems	Singapore	Sing. \$	213.324.290	100,00%	Pirelli Cable Holding N.V.
Trans-Power Cables PTE Ltd	Energy Cables and Systems	Singapore	Sing. \$	1.500.000	100,00%	Pirelli & C. Luxembourg S.A.

Companies consolidated using the proportional method

Company	Business	Headquarters	Share	Capital	Percentage ownership	Percentage of vote	Held by
Europe							
Italy							
G6 Advisor	Real Estate	Milan		Euro 50.000	42,30%		Pirelli & C. Comercial Agency S.p.A.
Progetto Bicocca Università S.r.l.	Real Estate	Milan		Euro 873.600	34,00%		Pirelli & C. Real Estate S.p.A.

Investments accounted for using the equity method

Company	Business	Headquarters	Share Capital	Percentage ownership	Percentage of vote	Held by
Jointly Controlled Company						
Europe						
Italy						
Olimpia S.p.A.	Industrial holding company	Milan	Euro 1.562.596.150	60,00%		Pirelli S.p.A.
Subsidiary company						
Europe						
Germany						
Drahtcord Saar Geschäftsführungs GmbH	Tyre	Merzig	Deut. Mark 60.000	50,00%		Pirelli Deutschland A.G.
Drahtcord Saar GmbH & Co. K.G.	Tyre	Merzig	Deut. Mark 30.000.000	50,00%		Pirelli Deutschland A.G.
Kabeltrommel Gesellschaft mbH & Co K.G.	Energy Cables and Systems	Cologne	Deut. Mark 20.000.000	27,48%		Pirelli Kabel und Systeme GmbH & Co. KG
Italy						
Altair Zender Italia S.r.l.	Real Estate	Milan	Euro 10.330	50,00%		Altair Facilities Management S.p.A.
Auriga Immobiliare S.r.l.	Real Estate	Milan	Euro 25.602.000	36,02%		Pirelli & C. Real Estate S.p.A.
Bernini Immobiliare S.r.l.	Real Estate	Milan	Euro 500.000	14,00%		Pirelli & C. Real Estate S.p.A.
CFT Finanziaria S.p.A.	Real Estate	Florence	Euro 23.660.000	46,98%		Partecipazioni Real Estate S.p.A.
Dixia S.r.l.	Real Estate	Milan	Euro 2.500.000	30,00%		Pirelli & C. Real Estate S.p.A.
Domogest S.r.l.	Real Estate	Florence	Euro 1.050.000	50,00%		Centrale Immobiliare S.p.A.
Elle Nove Società Consortile a.r.l.	Real Estate	Milan	Euro 100.000	34,90%		Edilnord Gestioni S.p.A.
Epiclink S.p.A.	Information Systems	Milan	Euro 12.500.000	30,30%		Pirelli S.p.A.
Eurostazioni S.p.A.	Real Estate	Milan	Euro 60.000.000	31,67%		Pirelli & C. A.p.A.
Idea Granda S. Consortile r.l.	Environmental	Cuneo	Euro 1.292.500	49,00%		Pirelli & C. Ambiente S.p.A.
Immobiliare Prizia S.r.l.	Real Estate	Milan	Euro 15.000	36,00%		Pirelli & C. Real Estate S.p.A.
Iniziativa Immobiliari S.r.l.	Real Estate	Milan	Euro 4.312.591	38,45%		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 Bicoeca la Piazza S.r.l.	Real Estate	Milan	Euro 3.151.800	26,00%		Pirelli & C. Real Estate S.p.A.
Progetto Corsico S.r.l.	Real Estate	Milan	Euro 100.000	49,00%		Pirelli & C. Real Estate S.p.A.
Progetto Fontana S.r.l.	Real Estate	Milan	Euro 500.000	23,00%		Pirelli & C. Real Estate S.p.A.
Progetto Gioberti S.r.l.	Real Estate	Milan	Euro 100.000	50,00%		Pirelli & C. Real Estate S.p.A.
Progetto Grande Bicoeca 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.	Real Estate	Milan	Euro 2.500.000	35,00%		Pirelli & C. Real Estate S.p.A.
SMP Melfi S.r.l.	Tyre	Melfi (NA)	Euro 3.511.906	50,00%		Pirelli Pneumatici Holding S.p.A.
Trixia S.r.l.	Real Estate	Milan	Euro 2.500.000	36,00%		Pirelli & C. Real Estate S.p.A.
Luxembourg						
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 3.768.500	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.
Spain						
Optiwire S.L.	Energy Cables and Systems	Barcelona	Euro 6.010	50,00%		Pirelli Cables y Sistemas S.A.
The Nederland						
M.S.M.C. Italy Holding B.V.	Real Estate	Amsterdam	Euro 18.151	25,00%		Pirelli & C. Real Estate S.p.A.
Masseto I BV	Real Estate	Amsterdam	Euro 19.000	33,00%		Pirelli & C. Real Estate S.p.A.
Popoy Holding BV	Real Estate	Rotterdam	Euro 24.096	25,05%		Pirelli & C. Real Estate S.p.A.
United Kingdom						
Rodco Ltd	Energy Cables and Systems	Gravesend	British Pound 5.000.000	40,00%		Pirelli General plc
Central/South America						
Argentina						
Lineas de Transmision de Buenos Aires S.A. (in liquidation)	Energy Cables and Systems	Buenos Aires	Arg. Peso/000 12	20,00%		Pirelli Argentina de Mandatos S.A.
Brazil						
K.M.P. Cabos Especiais e Sistemas Ltda	Energy Cables and Systems	San Paolo	Bra. Real 6.600.916	40,00%		Pirelli Energia Cabos e Sistemas do Brasil S.A.
Pirelli & C. Real Estate Ltda	Information Systems	Santo André	Bra. Real 2.000.000	30,00%		Pirelli S.A.
Asia						
Saudi Arabia						
Sicew-Saudi Italian Co. for Electrical Works Ltd	Energy Cables and Systems	Jeddah	S. Arab. Riyal 1.000.000	34,00%		Pirelli Cable Holding N.V.

Other investments in subsidiaries and associated companies

Company	Business	Headquarters	Share Capital	Percentage ownership	Percentage of vote	Held by
Europe						
Austria						
Pirelli Kabelwerke und Systeme GmbH	Energy Cables and Systems	Vienna	Euro 36.336	100,00%		Pirelli Cavi e Sistemi Energia S.p.A.
Germany						
Industriekraftwerk Breuberg GmbH	Cogeneration	Breuberg/Odenwald	Euro 1.533.876	26,00%		Pirelli Deutschland AG
Hungary						
Ipoly Kábeldob KFT.	Energy Cables and Systems	Szecsény	Hun. Forint/000 36.350	25,17%		MKM Magyar Kábel Művek Rt.
Italy						
Delta S.p.A.	Real estate	Milan	Euro 153.000	100,00%		Pirelli & C. Real Estate S.p.A.
Parcchegi Bicocca S.r.l.	Real estate	Milan	Euro 25.500	75,00%		Pirelli & C. Real Estate S.p.A.
Spain						
Euro Driver Car S.L.	Tyre	Barcelona	Euro 300.000	25,00%		Pirelli Neumaticos S.A.
Africa						
South Africa						
AFCAB Holdings (Proprietary) Ltd	Energy Cables and Systems	Sandton	S.A. Rand 4.000	50,00%		Pirelli Cable Holding N.V.
African Cables Ltd	Energy Cables and Systems	Vereeniging	S.A. Rand 9.886.098	100,00%		AFCAB Holdings (Proprietary) Limited
ATC (Proprietary) Ltd	Energy Cables and Systems	Brits	S.A. Rand 632.912	21,00%		African Cable Limited
Tunisia						
Auto Cables Tunisie S.A.	Energy Cables and Systems	Tunis	Tun. Dinar 4.450.000	51,00%		Pirelli Energie Câbles et Systèmes France S.A.
Zimbabwe						
BICC CAFCA Limited	Energy Cables and Systems	Harare	Zimbabwe \$ 15.706.000	73,46%		African Cable Limited
BICC (CENTRAL AFRICA) (Private) Limited	Energy Cables and Systems	Harare	Zimbabwe \$ 200.000	100,00%		BICC CAFCA Limited
Zimbabwe Cables (Pte) Limited	Energy Cables and Systems	Harare	Zimbabwe \$ 2	100,00%		BICC CAFCA Limited
Asia						
Malaysia						
Power Cables Malaysia Sdn Bhd	Energy Cables and Systems	Selangor Darul Ehsan	Mal. Ringgit 8.000.000	40,00%		Pirelli Cables Asia - Pacific Pte Ltd

Other investments considered significant as per Consob resolution no. 11971 of May 14, 1999

Company	Business	Headquarters	Share Capital	Percentage ownership	Percentage of vote	Held by
Australia						
Optix Australia Ltd	Telecom Cables and Systems	Tottenham (Victoria)	Aus. \$ 4.000.000	15,00%		Pirelli Telecom Cables & Systems Australia PTY Ltd
Belgium						
Euroqube S.A.	Services	Bruxelles	Euro 94.961.250	17,79%		Pirelli & C. Luxembourg S.A.
France						
Aliapur S.A.	Tyre	Vitry sur Seine	Euro 262.500	14,29%		Pneus Pirelli S.A.
Italy						
Bernini Immobiliare S.r.l.	Real Estate	Milan	Euro 500.000	14,00%		Pirelli & C. Real Estate S.p.A.
Eurofly Service S.p.A.	Services	Caselle Torinese	Euro 1.235.000	16,33%		Pirelli S.p.A.
F.C. Internazionale Milano S.p.A.	Sport	Milan	Euro 53.465.000	19,49%		Pirelli S.p.A.
Fin. Priv. S.r.l.	Financial	Milan	Euro 20.000	7,14%		Pirelli & C. A.p.A.
Servizio Titoli S.r.l.	Services	Turin	Euro 105.000	12,38%		Pirelli S.p.A.
Tecnocittà S.r.l. (in liquidation)	Real Estate	Milan	Euro 547.612	12,00%		Pirelli & C. Real Estate S.p.A.
The Netherlands						
MB Venture Capital Fund I Participating Company G N.V.	Financial	Amsterdam	Euro 50.000	14,00%		Pirelli Finance (Luxembourg) S.A.
United Kingdom						
Cable Makers Properties and Services Ltd	Energy Cables and Systems	East Molesey	British Pound 337.700	18,30%		Pirelli General plc
Switzerland						
Voltimum S.A.	Energy Cables and Systems	Meyrin	Swiss Franc 2.850.120	14,29%		Pirelli Cavi e Sistemi Energia S.p.A.
Tunisia						
Société Tunisienne des Industries de Pneumatiques S.A.	Tyre	Tunis	Tun. Dinar 38.252.940	15,83%		Pirelli Pneumatici S.p.A.
Turkey						
Türk Sondel Enerji A.S. (*)	Cogeneration	Istanbul	Turk. Lira/mil. 900.000	13,98% 4,99%		Türk-Pirelli Lastikleri A.S. Celikord A.S.
U.S.A.						
Alloptic Inc.	Telecom Cables and Systems	Pleasanton (CA)	Us \$ 120.675.987	15,44%		Pirelli Cavi e Sistemi Telecom S.p.A.

(*) The percentage of investment indicated does not take into account the resolution for the capital increase passed by the Türk Sondel Enerji A.S. shareholders' meeting on October 22, 2001, which is being contested and is contingent upon the decision of

The execution of this increase would bring the investment in Türk Sondel Enerji A.S., which is unchanged as regards the number of shares owned, to a total of 2.150% (0.566% held through Celikord A.S. and 1.84% held through Türk Pirelli Lastikleri A.S.)

**AUDITORS REPORT ON THE LIMITED REVIEW OF THE INTERIM
FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED 30 JUNE
2002**

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 2002, 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 22 April 2002 and 11 September 2001.

- 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 2002

PricewaterhouseCoopers SpA

Signed by

Fabio Facchini
(Partner)

This report has been translated into the English language solely for the convenience of international readers.