Milan, 21 March 2001 - The Board of Directors of Pirelli SpA today met and examined the Group's consolidated results for the year ended December 31, 2000.

The year 2000 has ended with a consolidated net income of Lit. 7,021 billion (€ 3,626 million) compared to Lit. 591 billion (€ 305 million in 1999; net income attributable to Pirelli SpA amounts to € 3,632 million (equal to Lit. 3,524 per share, i.e. € 1.82), compared to the previous year's € 293 million (equal to Lit. 290 per share, i.e. € 0.15).
This performance reflects an improvement in ordinary operating activities, the result of which has risen from € 331 million to € 437 million (+32%), extraordinary operations (with a gain, before tax, of € 1,409 million from the sale of Terrestrial Optical Systems to Cisco Systems, and of € 3,351 million from the sale of Optical Technologies USA Corp. to Corning Inc.) and extraordinary charges of € 433 million in respect of manufacturing rationalisation and efficiency investments in both sectors.

Sales revenues, at Lit. 14,477 (€ 7, 477 million), have risen 15.4% compared to 1999. The increase is due to higher volumes (+4%), a positive price trend (+2.6%), a positive Euro exchange rate trend (+6.4%), as well as to the effect (+6%) of the consolidation of activities acquired (BICC and NKF) in the Cables and Systems Sector and the consolidation of a full financial year of Alexandria Tire Co S.A.E. in the Tyre Sector, offset by the deconsolidation (-3.3%) of activities sold to Cisco and Corning.

The gross operating profit, up by 20.9%, has increased from € 678 to € 820 million. In addition to operating growth and efficiency factors, the supply agreement with Cisco Systems contributed to this improvement to an extent of € 83 million.

The operating profit, as mentioned earlier, amounted to € 437 million with a return on sales of 5.9%, compared to € 331 million in 1999 (5.1% of sales). Depreciation has moved from € 347 million to € 383 million with an increase of € 36 million (€ 6 million of which due to the new acquisitions).

The net financial position is positive to an extent of € 3,495 million, compared to a net debt of € 1,017 million at 31 December 1999. The improvement is primarily due to above-mentioned sales to Corning (proceeds of € 3,558 milioni) and to Cisco (proceeds of € 1,575 million). This positive flow was partly offset by outlays of € 244 million for the NKF and BICC acquisitions, of € 126 million in total for the purchase of additional shares of Pirelli Cables Australia Ltd, Pirelli Cabos S.A. and Pirelli Pneus S.A. (Brazil), Pirelli Tyre Holding NV (The Netherlands), Alexandria Tire Co. S.A.E. (Egypt), as well as of € 166 million for the payment of dividends.

In spite of a better average net financial position, the financial income/charges balance (€ 75 million) has worsened on account of a fall in real interest rates in Turkey and Brazil, as well as the extraordinary presence in 1999 of exchange rate derived profits.

Tax charges have risen from € 91 million to € 1,013 million, chiefly as a result of the Cisco Systems and Corning operations.

Capital expenditure amounted to € 562 million (€ 469 million in 1999) while the total research and development expenditure, fully charged to the income statement, amounted to € 213 million (2.8% of sales) compared to € 200 million the previous year.

As a result of the acquisitions the Group's employees have risen to 41,914 from 40,103 at 31 December 1999. Consolidation area being equal the total number of employees drops by 1,027.

2000 Pirelli Group Overview

The year 2000 was characterized by an increasingly competitive scenario, with tension in raw material and selling prices. Against this backcloth the Group's sales volumes have grown and these, together with necessary actions to reduce costs and improve manufacturing efficiency, have made it possible to better previous year's operating profit.

The above-mentioned actions were accompanied by development, investment and acquisition activities which materialized among other things in: the acquisition of majority control (66.5%) in Pirelli Telecom Cables Co. Ltd. Wuxi in China; in the acquisition from NKF of two factories in Delft (The Netherlands) and Pikkala (Finland) for the production of high, medium and low voltage energy cables; in the acquisition from BICCGeneral of energy cable manufacturing units in Italy, the United Kingdom, Zimbabwe, Mozambique, China and South East Asia.

Finally, within the framework of the Group's corporate structure simplification strategy undertaken some years back, public Bids were launched for the purchase on the market of shares of the Brazilian associated companies Pirelli Cabos S.A. and Pirelli Pneus S.A. (total outlay of € 90 million) and of Pirelli Cables Australia Ltd (total outlay of € 22 million), the successful outcome of which led to their delisting from the Stock Exchanges.

As regards the sectors:

Cables and Systems Sector

Sales revenues amounted to € 4,591 million (+17.1% compared to € 3,921 million in 1999), 355 million of which due to the acquired units. The increase is a result of the positive exchange rate effect (+6.9%), the increase in metal prices(+5.8%), the growth in volumes (+1.1%), in addition to the effect (+8.7%) of consolidating the units acquired (BICC e NKF) which was offset however by the deconsolidation (-5.4%) of the activities sold to Cisco and Corning.

The gross operating profit improved by € 111 million with respect to 31 December 1999. The supply agreement with Cisco Systems contributed to an extent of € 83 million, growth and efficiency factors to an extent of € 29 million while the former BICCGeneral units reduced the gross operating profit by € 1 million.

The Sector's operating profit, equal to € 289 million, shows an improvement compared to 1999 (€ 183 million), reaching a return on sales of 6.3% mainly thanks to telecom activities which witnessed a significant growth in sales volumes and margins; energy activities, and the utilities market in particular, were affected by the pressure on prices as well as by a temporary slow down in the submarine field.

The net profit, equal to € 1,780 million compared to € 136 million in 1999, comprises the gains mentioned above that are attributable to the Sector, as well as extraordinary charges of € 233 million connected to the optimization of manufacturing efficiency.

Tyre Sector

Sales revenues, equal to € 2,880 million, show an increase of 12.5% in comparison with € 2,559 million in 1999. The growth in volumes (+9.4%, to which the entry of Alexandria Tire Co. S.A.E in July 1999 contributed by +1.2%) and the favourable exchange rate trend (+5.7%) were impacted by the fall in selling prices (-2.6%).

The gross operating profit, equal to € 370 million, shows an improvement of over 6% compared to 1999.

The operating profit at € 180 million has remained stable compared to € 185 million in 1999; the positive contribution of volumes and mix, flanked by cost reduction measures, almost wholly offset the drop in selling prices and the increase in raw material prices.

The net result shows a loss of € 172 million, following a negative balance of € 224 million between extraordinary income and charges (that includes costs of € 200 million connected to the optimization of manufacturing efficiency) and higher interest charges.

Prospects for the current year

The plan to strengthen the Pirelli Group's strategic and competitive positioning in major international markets will continue to be pursued in 2001.
As already announced, overall investments of roughly € 850 million are envisaged, distributed in the following manner:

- Approx. € 400 million for the telecommunications area, to increase optical fibre production capacity and boost research and development in new optical technologies;
- Approx. € 120 million mainly for the technological update of Energy Cables and Systems production plants and for the industrialisation of the new high voltage "Air Bag" cable;
- Approx. € 330 million for the Tyre Sector, € 150 million of which to set up new plants using MIRS (Modular Integrated Robotized System) technology.

For the current year, if the general economic/financial scenario does not deteriorate further, the Group expects to reach operating and net profits that are at least in line with 2000 (obviously excluding last year's extraordinary items)

* * *

<u>The statutory accounts at 31/12/2000 of Pirelli SpA, the parent Company</u>, show a profit of € 1,733 million and a sharp growth compared to € 229 million in 1999.
As of such year, in agreement with the Independent Auditors, the dividends of controlled companies are recorded according to the principle of accrual; this has led to the registration of greater dividends to an extent of € 1,500.5 million.

The Board of Directors will propose to the Annual General Meeting, convened on 27 April in first call and on 8 May in second call, the <u>distribution of a dividend</u> that rises from Lit. 160 (€ 0.0826) to Lit. 300 (€ 0.1550) per ordinary share and from Lit. 180 (€ 0.0930) to Lit. 320 (€ 0.1654) per savings share. Dividends will be paid as of 24 May 2000.