

Energy Cables & Systems

Valerio Battista

General Manager Energy C&S

Milan, May 2004

PIRELLI

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TECHNOLOGY DAY

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- Q 1 Results
- Guidelines
- Outlook 04-06

Energy Cables & Systems Q1 '04 Results: IMPROVING PROFITABILITY

€ Mln

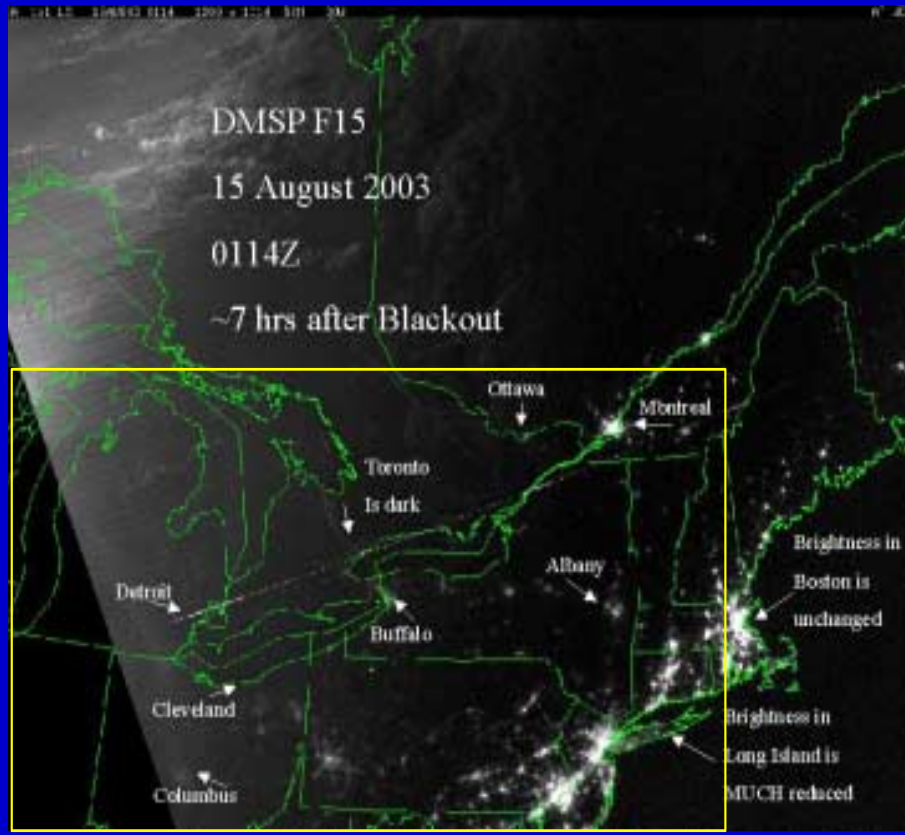
	Q1 2004	Q1 2003	Variation	FY2003
Net Revenues	671	623	+7.7%	2,637
EBIT	20	9	+122%	83
ROS	3.0%	1.4%	-	3.1%

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ELECTRICITY LIGHTS OUR LIFE

USA, 14/08/03

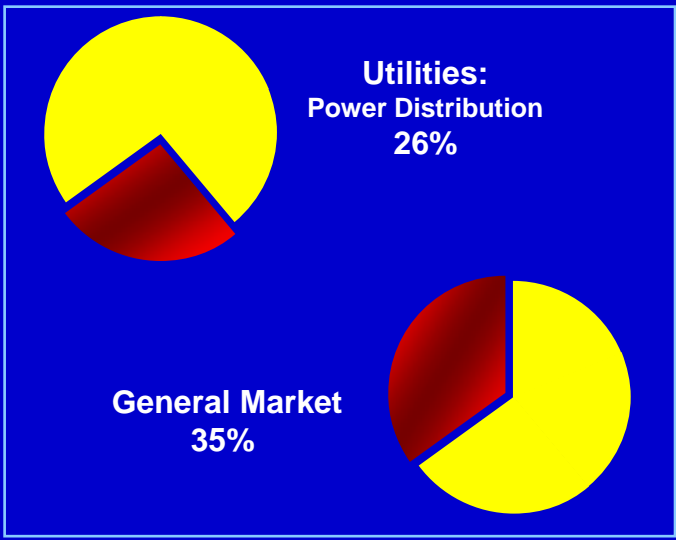
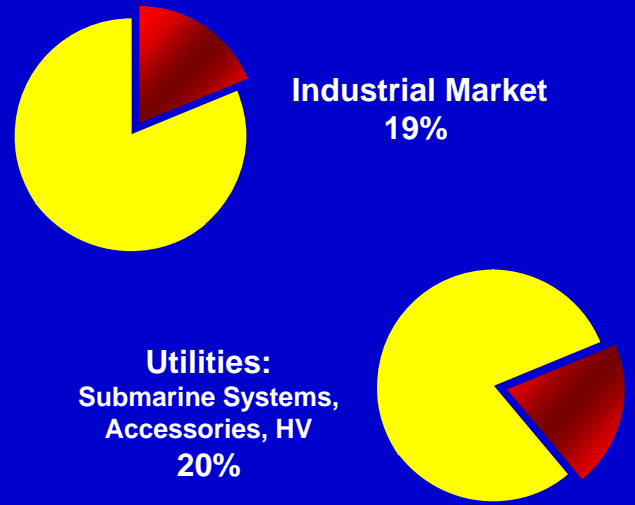


Italy, 28/09/03



STRATEGIC DRIVERS

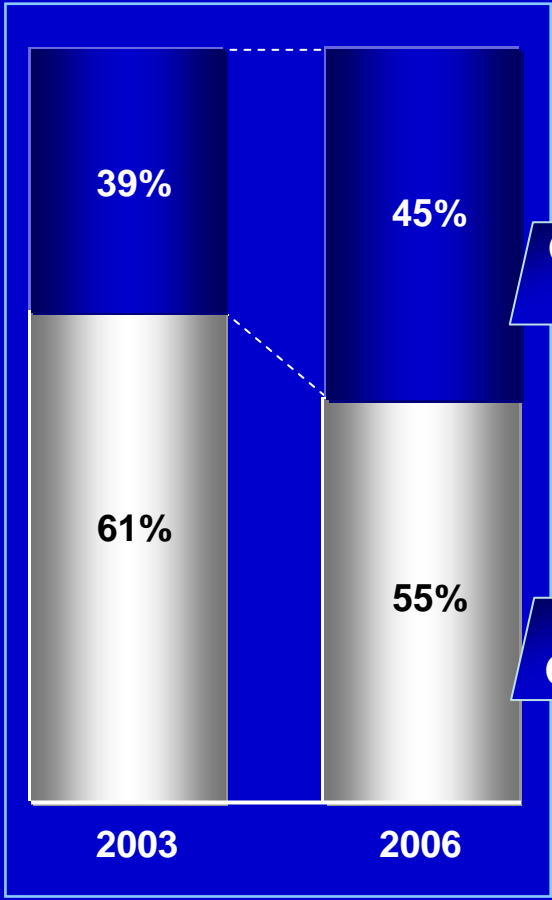
2003 Revenues by Business



Specialty Business

Bulk Business

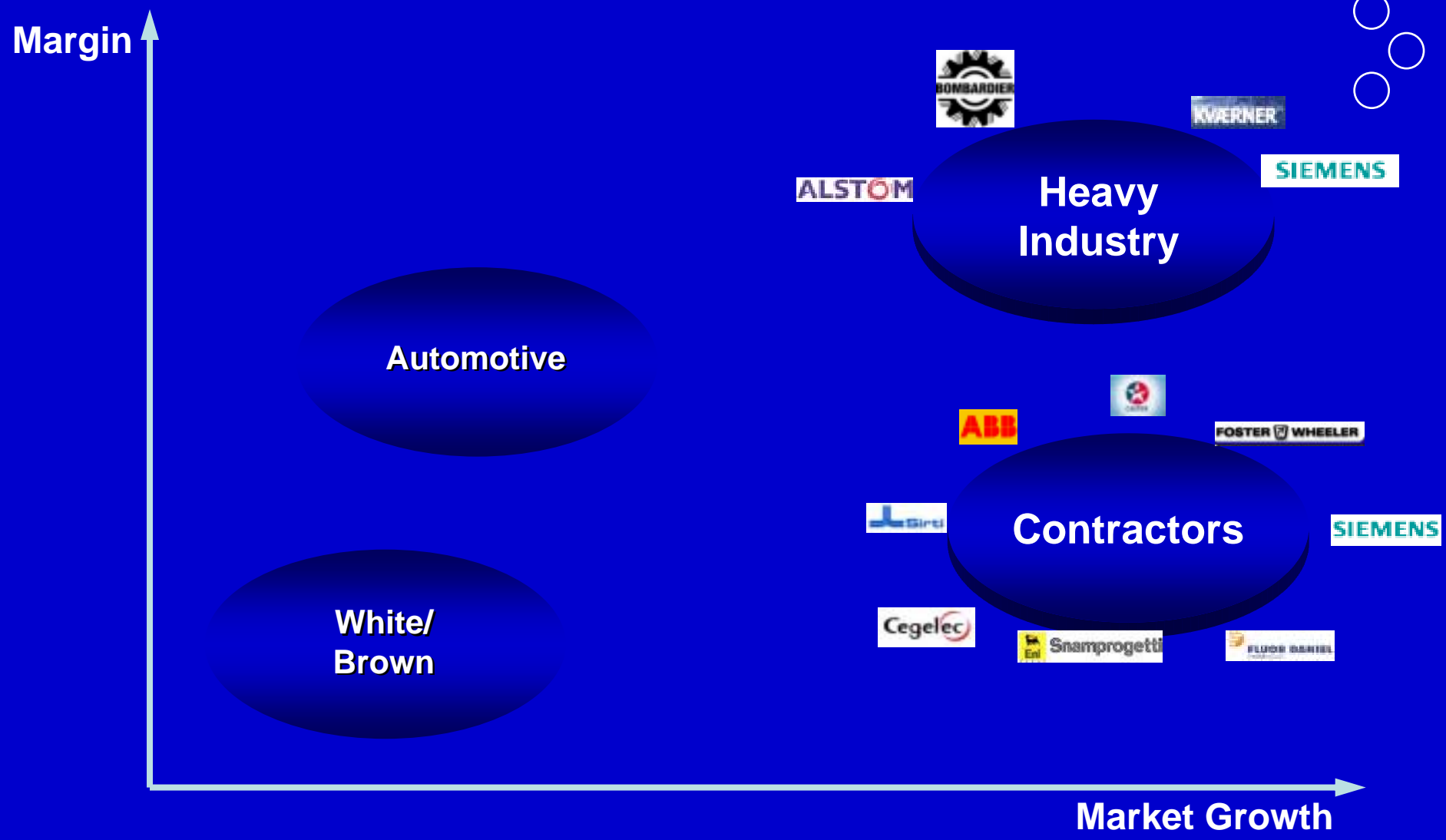
Revenue Composition Trend



Growth for Profit

Cash Generation

Industrial market: TECHNICAL LEADERSHIP IN FAST GROWING SEGMENTS



Utilities: SELECTIVITY AND ADVANCED SERVICES

Margin

SPECIALTY

Submarine Systems



Accessories



High voltage



- World Leader
- Product Innovation
- Advanced services

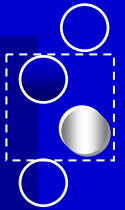
BULK

- Product/process innovation
- Efficiency and service

Power distribution

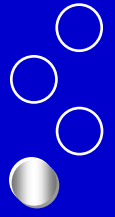
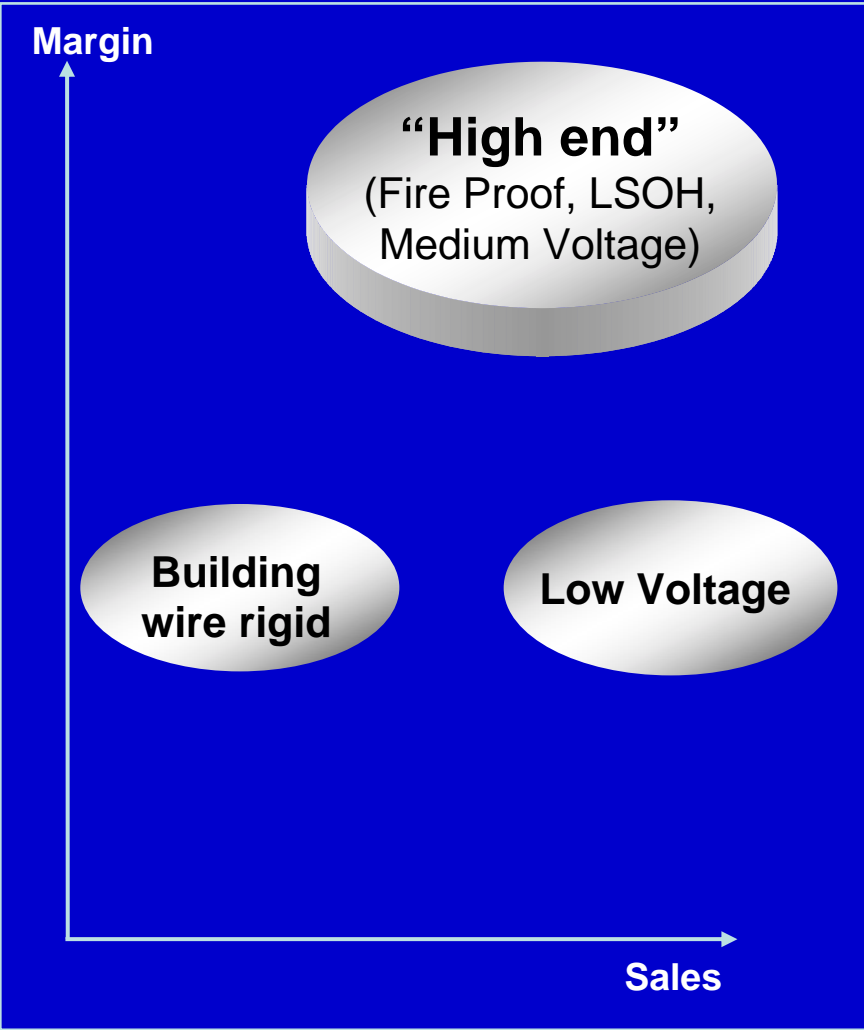


Sales



General Market: MIX UPGRADING AND EFFICIENCY

Product Mix



Customer Mix

- Keep **improving service level**
- **Tailored marketing** approach
- **Partnerships** with selected players

Efficiency

- **Plant specialization**
- **Delocalization**
- **Process improvement**
- **Alternative materials**
- **Low cost supply sources**

RD&E: A KEY COMPETITIVE ADVANTAGE

Reorienting
world class
RD&E toward
competitive
advantage
close to
customers

Specialty
Top Line Growth

Bulk
Cost Reduction

Customer Needs

- Total life costs
- Safety
- Performance
- Environment

Cost Drivers

- Proprietary Compounding Materials
- Cable design Optimization
- New Processes
- Low Cost Suppliers

Energy Cables & Systems, Guidelines: NETWORK MANAGEMENT SERVICES

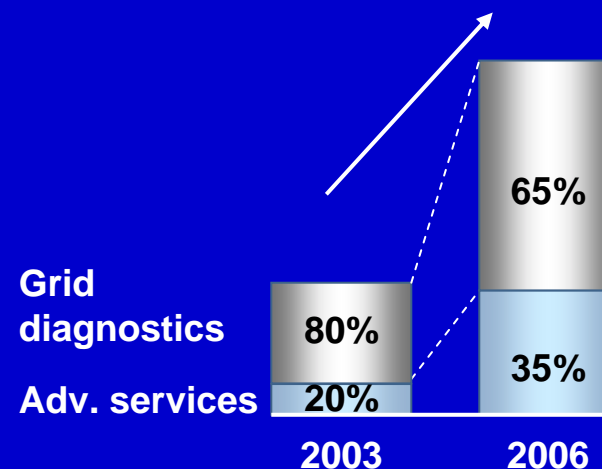
Customer Needs: Outsourcing of Network Mgmt Services

- Rightsizing at most utilities companies
- Maximum utilization of the assets in place
- Increasing age of electric networks

Pirelli's Competitive Advantage

- Distinctive capabilities in grid diagnostics
- Unique know-how in cables and systems
- Global presence, 14 installation & service centers

Worldwide service revenue targets



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Energy Cables & Systems, Outlook: '04-'06 TARGETS

