

SHARP INCREASE OF SALES, NET INCOME AND DIVIDEND IN 1999. FURTHER IMPROVEMENTS IN 2000 THANKS ALSO TO THE NET

Milan, March 20, 2000 -The Board of Directors of Pirelli SpA today met and examined the consolidated Group's results for the year ended December 31, 1999.

Consolidated net income for 1999 is up by more than 10% to Euro 305 million (Euro 276 million in 1998); net income attributable to Pirelli S.p.A. is Euro 293 million (Euro 0.15 per share) compared to Euro 249 million (Euro 0.13 per share) in the previous year.

The net income for the year, which includes an extraordinary item of Euro 89 million, on the contrary does not include the sale, and hence the gain, of the terrestrial optical systems business concluded last February as part of the strategic alliance with the American company Cisco Systems, a leader in the production of optic equipment for the Internet. Beyond its financial importance, this alliance also seals the partnership struck by Pirelli and Cisco in optic submarine components and systems, sectors with an estimated high growth rate.

In particular:

sales revenues rose by more than 18% reaching Euro 6,482 million (Cables 60% and Tyres 40%). While a negative trend was recorded in prices (-5.2%) and exchange rates into Euro (-4.4%), the increase was due to the effect of the consolidation of the newly purchased units (+14.8%), as well as to an increase in volumes (+9.1%) and mix (+4.8%).

The negative trend in prices - mostly in the Cables and Systems Sector - and exchange rates, in addition to the effect of the consolidation of the former Siemens businesses, gave rise to an already forecasted but temporary reduction in the gross operating profit, equal to Euro 678 million (Euro 721 million in the prior year) and in the operating profit, equal to Euro 331 million (Euro 412 million in 1998).

Net financial debt went from Euro 265 million at the end of 1998 to Euro 1,017 million, with an increase of Euro 752 million owing substantially to the new acquisitions (Euro 291 million), the merger of Société Internationale SpA in Pirelli SpA (Euro 229 million) with the consequent consolidation of debt, as well as the purchase of treasury shares (Euro 106 million) and dividend payments (Euro 109 million).

The year 1999 was again marked by strong tensions in prices in both activity sectors and by fluctuations in the South American financial markets, factors which negatively affected this year's profit. In this scenario, the Group adopted the appropriate measures to reduce costs and improve productive efficiency. Such measures were accompanied by actions directed to development, investments and new acquisitions. These led, among other things, to the completion of the process for the acquisition of the Power Cables business from Siemens, the purchases of the Power and Construction Cables Division from Metal Manufactures Limited (Australia), the further 50% of FOS Fibre Ottiche Sud SpA, the remaining 50% of PT Pirelli Cable Indonesia, in addition to Pirelli Tire Company SAE (Egypt). Furthermore, the previously announced agreements became operative for trade cooperation with Cooper in the USA and with Michelin for the joint development of the new tyre using PAX System technology.

The acquisitions in the last three months also merit mention and refer to the majority stake in Pirelli Telecom Cables Co Waxi (China), the cables business and power cables for utilities operations of NKF in Holland and Finland and the power cables business from BICC General.

As for the current year, it will be characterized mostly by the constant commitment to integrate the former Siemens and BICC businesses, the ceaseless goal to increase the value of the traditional businesses and the search for new opportunities in the various markets. In order to raise the company's competitiveness, actions will be undertaken to restructure and rationalize productive operations which should be concluded in the next fifteen months, with a quick return, and which will involve extraordinary expenses of about Euro 248 million (a fourth of which refers to the Cables and Systems Sector and the remaining amount to the Tyres Sector). It should also be pointed out that the Cisco deal led to the income of Euro 1,575.3 million, with a net gain of Euro 1,134 million. This will be added to the result from ordinary operations for the year which, although premature, should show an improvement over 1999. The agreement with Cisco also calls for, in the event of reaching specific targets within 12 months, the payment to Pirelli of an additional variable sum of up to a maximum of US \$450 million.

The financial statements at December 31, 1999 of Pirelli SpA, the Group holding company, ended with a net income of Euro 229 million, up 13.4% compared to Euro 202 million in 1998.

At the shareholders' meeting called for April 27, 2000 in first call, and for May 8, 2000 in second call, the Board of Directors will propose a dividend increasing from Euro 0.0723 to Euro 0.0826 for ordinary shares and from Euro 0.0826 to Euro 0.0930 for savings shares. The dividends will be paid starting from May 25, 2000.

The Board of Directors, as a first implementation of the "Codice di Autodisciplina" issued by Borsa Spa, has appointed the internal "Remuneration Committee" as well as the internal "Control Committee".

Attachments:

summary data of the income statements and balance sheets not yet audited by the independent audit firm or checked by the board of statutory auditors.