Ladies and gentlemen, welcome to Pirelli's conference call, in which our Chairman, Mister Marco Tronchetti Provera, will release 2005 first quarter group results. I remind you that the Q&A session will follow after the presentation and that you can find the presentation slides in the investor relation section of the Pirelli web site. Now let me introduce you to Mister Marco Tronchetti Provera. Please.

Good evening, ladies and gentlemen. Thank you for joining us in our conference call for the release of first quarter 2005 group results. We'll start over viewing first quarter 05 group results I'd like to show you the many impacts coming from the transition to the IAS ISFRS accounting standards. As endorsed by the European Commission, Pirelli&C group has adopted ISFRS standards mandated for listed companies, starting from the first quarter 05 inter-results. I remind you that the transition figures are unaudited, and the audited figures will be disclosed as soon as available and in any case within the date of the release of the accounting principles (...), June 05. The many impacts on the attributable shareholders' equity are the following: as you can see in slide 3, on the opening of 1st of January 04, -219 million euros, on equity; mostly they are the info-adjustments related to employee benefits, which accounts for –157 million euros, already disclosed in the (...) to the consolidated financial statement of 04 annual reports. The restatement of 04 net results was the positive effect of 39 million euros, many due to the division of Pirelli goodwill amortisation, 25 million euros. At EBIT level, the total positive impact was 11 millions, in the back-up slides you have the details. At the opening of 1st of January 05, (...) made an application of Pirelli's positive impact of 133 million euros, related to the five overview of the participations available for sale, and of the other financial instruments, and here again you have more details in the back-up section. At the end of the day the accumulated adjustments on Pirelli's attributable shareholders' equity is –40 million euros which is not materially affecting the shareholders' equity.
Now let us see more in detail the IAS IFRS impacts on group net financial position. In slide 4 you see that it represents, it is represented by 113 million euros related to the second put option balance of Olimpia coming from 03 capital increase. These items are accounted also by an increase in Olimpia's participation for the same amount on the upper side of the balance sheet. The net financial position at 1st of January 05 was less that 1.6 billion euros.
So these are the main figures related to the new accounting system, and I think that now we can review the first quarter 05 group results, starting from slide 6. So, group sales were 1.9 billion euros, up from 1.7 billion euros in first quarter 04, year on year it represents an increase of 10%. Group EBIT grew to 118 million euros from 87 million euros, year on year increase is 15%, results from Olimpia are positive for 13 million euros, up from 10 million euros of last year. And I'll announce for Olimpia contribution on Pirelli's now related to the PI pro quarter consolidated net results. With the Italian GAAP last year it was a dividend, it was a net result coming from Olimpia's balance sheet. Group net income risks 83 million euros from 40 million euros in first quarter 04. As regarding industrial activity sales, in first quarter 05 were 1.7 billion euros from 1.6 billion euros, increase of 8.7% on a year on year basis. EBIT grew to 115 million euros from 89 million euros in first quarter 04, plus 59.2%. Pirelli's real estate EBIT including results from equity participation was 44 million euros, from 39 million euros, plus 17.2%, year on year. Group net financial position was stable, at 2.1 billion euros. During first quarter 05, two main effects on net financial position should be underlined: excluding one, the negative delta between Olimpia's capital increase and Pirelli's capital increase accounts for 282 million euros. The seasonality effect of 226 million euros which, as you know, is typically on the first quarter in our industrial activity, was 214 million euros in 04. The shares' purchase of 10 million euros was related to the June capital increase.
I would like now to go to the industrial sector's results, starting from energy. Net sales in slide 9, up to 759 million euros from 686 million euros, plus 10.6%, is 6.1% on a like for like basis; EBITDA was 47 million euros from 40 millions, plus 17.5; EBIT 30 millions growing 42.9%. Net income was 14 million euros from 8 million euros, with a strong profitability improvement versus last year, due to the e-volumes specialties particularly in summary. Better channel and counting mix in the (...) empowered our distribution. At the end of the year we expect positive outcome from good orders by specialties business. Now let us see Telecom in slide 10, which includes also fibres, cables and fibres, net access up to 93 millions from 86, plus 8.1%, 13.4 on a like for like basis, EBITDA stable 4 million euros, EBIT negative 2 million euros up from –4 million euros. Net income was negative by 4 million euros, up from a negative figure of 8 million euros. As regarding Pirelli's problems, slide 11, net risk is from little 31 million euros from 10 millions, incremented saving problem access business activated to the government of the city customer (...) equipment access product. EBITDA was negative by 1 million euros from 3, EBIT still negative by 1 million euros from 3 millions in first quarter 04, the EBIT of problem access was positive due to higher volumes and strong cost reduction offset by a negative impact of new photonics products still (...). Net income, negative –2 million euros from –3 million euros from 04.

Coming to tyres, slide 12; net sales up to 862 million from 824, plus 4.6%, EBITDA 133 million euros from 120, plus 10.8%, EBIT 88 million euros with 10.2% at turnoff sales, was 9.1 in first quarter of 04, up from 75 millions in first quarter of 04. Net income, 53 millions, growing from 38 millions. Let me point out the problem of material cost increase versus 04, still as we are, (...). This was offset by price mix improvement across the goods and that the positive performances in North and South American markets offset negative market growth based in Europe. And you know like (...) production in North America and Europe. For 05, we expect an additional price increase to be implemented in North America, and Europe, mainly in winter by this year. We will bring an operation on schedule, and a joint-venture finalization channel is on the way.
Now we'll give you some highlights on Pirelli's real estate first quarter results. Slide number 14, and I will leave the word to Mr. Puri, who will provide you some more details about Pirelli's real estate.

Thank you. Good evening to all of you, I would like to briefly comment first quarter results of Pirelli's real estate, according to the new accounting principles. EBIT, including income from equity participation, reached 33.8 million euros, or 17 increase of the same quarter of last year, where net profit grew by 12%. In the fund and asset management business, sales were 463 million euros, almost double versus the same period of 2004. Acquisitions were 384.8 million euros, in the quarter, while as today the company signed 1.7 billion euros of acquisition agreements, representing around 65% of the total asset acquisitions expected in 2005. Operating profit in the service business was particularly strong, it increased by 54%, over the same period of last year, thanks to the good performance of the agency and property division. Loss stood at 15% versus 10% of the same period of last year. Franchising network reached more than 600 contracts, with, as expected, an operating loss of around 2 million euros, but we expect to reach break-even by year end. For 2005, we expect a growing range of 15-20% of EBIT, including income from equity participation, in order to confirm the targets stated in the 2003-2005 business plan. To make it clear, the growth will have, as a reference point, the EBIT including income from equity participation, of year 2004, euro 157.5 millions, before the IAS restatements. This means that already in the second quarter of the year, we will be able to deliver a higher growth versus the first quarter. I will skip the comment of the following two slides, which give you detailed figures for the PL and the balance sheet restated with the new accounting principles. Thank you.

So, thank you and now I will answer to your questions.