



CAMFIN S.p.A.

PRESS RELEASE

**CAMFIN S.p.A. BOARD OF DIRECTORS
APPROVES 2004 FINANCIAL STATEMENTS:**

**CAMFIN GROUP BACK IN THE BLACK:
CONSOLIDATED NET INCOME €30.15 MN
(LOSS OF €93.74 MN IN '03)**

**POSITIVE NET INCOME EXPECTED FOR GROUP AND PARENT
COMPANY
FOR FULL-YEAR 2005**

**PROFIT FOR PARENT COMPANY CAMFIN S.p.A.: €16.67 MN (€10.61
MN IN '03)**

**PROPOSED DIVIDEND OF €0.03 PER SHARE:
TOTAL PAYOUT UP BY MORE THAN 25%
HIGHER FLOAT DUE TO CAPITAL INCREASE OF MARCH 2005**

Milan, 22 March 2005 - The Board of Directors of Camfin S.p.A. has examined and approved the consolidated and statutory financial statements for the year ended 31 December 2004.

Results for the Cam Group showed a definite improvement on the previous year, thanks to stronger profitability by the Pirelli & C. Group and better operating results for the industrial businesses.

In 2004 concrete steps were taken to reorganize the Camfin Group's mission, through the transfer of Cam Tecnologie S.p.A. to Pirelli & C. Ambiente Holding S.p.A., a subsidiary of Pirelli & C. S.p.A. of which Camfin owns 45.3%. Through that process, Camfin has reinforced its status as a financial holding company with a portfolio of mostly qualified minority investments (like Pirelli & C. S.p.A.), and limited its traditional standing as the sole shareholder of operating companies in the field of business development.

Considering the reduced significance of the consolidation of operating companies, Camfin has decided to supplement its financial statement results to provide a clearer picture of the group's new structure and allow closer analysis of its financial situation and

consolidated earnings.

In addition to the traditional schedules required by Legislative Decree 127/91, Camfin has prepared a set of **abridged consolidated financial statements** in which financial holding companies are consolidated on a line-by-line basis and operating and associated companies are carried at net equity.

Financial holding companies are defined as those whose main activity is the management of equity investments and financial assets; in the current structure they consist of Cam Finanziaria S.p.A. and Cam Partecipazioni S.r.l.

In 2004 the associated company **Pirelli & C. made a full recovery**, contributing (net of goodwill amortization) a positive €45.45 million to the group as opposed to a negative €15.52 million in 2003.

Trading income, at €17.14 million, includes gains realized by the parent company on the sale of Pirelli & C. S.p.A. warrants (€15.36 million), plus dividends on the Pirelli & C. S.p.A. shares it holds for trading purposes (€1.78 million).

As a result of the trends described, **net income from equity investments** showed a steep improvement on the previous year, growing from a negative €16.46 million to a positive €57.38 million, net of goodwill amortization of €7.06 million and equity investment writedowns of €3.37 million

Net income before extraordinary items was a positive €34.84 million, after overheads that fell from €3.92 million to €3.47 million and **financial expenses** that grew from €13.30 million to €19.07 million, due to the increase in consolidated debt (attributable mainly to Camfin S.p.A.'s investments in Pirelli & C. S.p.A.).

Pre-tax income came to €30.69 million, net of €4.15 million in extraordinary charges (essentially provisions and expenses for the real estate business). The 2003 result, a loss of €99.60 million, was influenced by the dilutive effect of €64.45 million calculated upon valuation at net equity of Pirelli & C. S.p.A.

Net income for 2004 was €30.15 million, compared with a loss of €93.74 million the previous year. Taxes, which burdened the 2004 accounts by €0.53 million, were the source of a positive €5.86 million the previous year, due essentially to deferred taxation.

The main figures from the "full" consolidated financial statements, drawn up in the traditional formats required by Legislative Decree 127/91 (see attachments), are as follows:

- **Group revenues** amounted to €330.02 million, an increase of more than 2% thanks chiefly to the development of the natural gas business.
- Improved margins and successful cost-cutting measures allowed a sharp increase

in **EBITDA**, from a negative €0.69 million to a positive €1.67 million.

- **EBIT, including the contribution of equity investments**, was a positive €57 million—triple the 2003 balance of €18.84 million. That figure was obviously boosted by the healthy results of the Pirelli & C. Group and by income from trading activities.

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In the **balance sheet**, the group's portion of shareholders' equity comes to €591.06 million, an increase of €23.40 million on 2003. The change owes essentially to the year's net income, which was partially offset by Camfin S.p.A.'s dividend payout.

Consolidated net debt for the financial holding companies rose from €352.48 million at 31 December 2003 to €440.65 million at the close of 2004. The attachments include a **reconciliation between the net financial position** of the holding system and full consolidated debt, which increased from €380.32 million to €470.91 million.

Basically, the change amounts to the balance of €26 million in dividend income, €15 million in trading income and €14 million in proceeds from the distribution of reserves by Cam Technologie S.p.A. and its subsequent transfer to Pirelli Ambiente Holding, less the following negative components: €8 million in dividends paid by Camfin, €19 million in financial expenses, and €117 million for investments in Pirelli & C. S.p.A., of which €25.9 million stems from the capital increase described in greater detail below.

For purposes of the **recapitalization of Pirelli & C. S.p.A.**, in an effort to bolster investments in the strategic telecommunications sector, in December Camfin S.p.A.'s Board of Directors proposed a **capital increase** of €218.4 million that was approved by the extraordinary shareholders' meeting of 21 January 2005 and carried out as described in the section on subsequent events. The sale of Pirelli & C. shares and warrants in December 2004 and January 2005, and the early exercise of all Pirelli & C. warrants held by Camfin S.p.A. in late December, should be viewed in light of that operation.

More specifically, the operation took flight at the end of December through the sale to Capitalia and Banca Intesa (so that the two institutions could enter the Pirelli & C. shareholders' agreement) of 100,361,124 Pirelli warrants at the price of €0.101 each and of an initial tranche of 10,000,000 ordinary Pirelli & C. shares for €0.921 each, for a total **intake of €19.3 million**. The second tranche of Pirelli & C. shares, as described in a separate section, was sold in early January 2005.

Again before the end of 2004, Camfin S.p.A. exercised all of its remaining 347,772,520 Pirelli warrants for an outlay of €45.2 million.

In addition to the transactions described above on Pirelli & C. S.p.A. securities, during the year Camfin S.p.A. conducted a series of **trades** for a total of €29 million. On the whole, **trading** of Pirelli securities brought Camfin's financial statements a **capital gain** of

€15.36 million for 2004.

During the year, 103,352 Camfin 2003-2006 warrants were exercised. As a result, 25,838 new shares had been issued at 31 December 2004.

SUBSEQUENT EVENTS

- On 10 January 2005, Banca Intesa and Capitalia became shareholders of Pirelli & C. S.p.A., and joined that company's shareholders' agreement. The operation involved the sale of a further 33,138,410 Pirelli & C. S.p.A. shares to the two institutions, for proceeds of €30.5 million and a capital gain of over €13 million.
- On 21 January 2005 Camfin S.p.A.'s extraordinary shareholders' meeting approved the capital increase mentioned above, for a total effective amount of €218,378,608, the equivalent of 136,486,630 new shares with normal rights as from 1 January 2004. The operation was launched on 7 February 2005 and closed successfully on 25 February, with 99.97% of the first-instance offer subscribed. The re-offer of the remaining options closed on 17 March with a 100% subscription rate.
- On 25 February 2005 Camfin, following the aforementioned sales to Banca Intesa and Capitalia, subscribed to its full share of the capital increase of Pirelli & C. S.p.A. for a total of €262.7 million. As a result, Camfin S.p.A. directly or indirectly owns 1,315,216,673 shares of Pirelli & C. (25.4%) with an average carrying value of €0.81 each.
- In February and March, Cam Partecipazioni S.r.l. reduced its stake in Buongiorno Vitaminic S.p.A. through the sale of 665,000 shares.
- In February Cam Partecipazioni S.r.l. bought 3,043,496 Pirelli & C. options and subscribed to the relative 1,217,398 shares. The outlay totalled €340 thousand for the purchase of options, plus about €850 thousand for the subscription.
- Also in February, Camfin—which in October had expressed an interest in acquiring the IP network of ENI S.p.A.—took part in ENI's due diligence process. After considered analysis, Camfin decided it was not in a position to make a binding offer.
- At 15 March 2005, a total of 7,692,648 Camfin S.p.A. warrants had been subscribed (7.18% of the warrants issued), and an additional 99,455,008 warrants were freely circulating on the market. As a result of the capital increase and the conversion of warrants, therefore, the share capital now amounts to €178,341,496.32, made up of 342,964,416 shares with a par value of €0.52 each.
- In March, Camfin S.p.A. reimbursed the final coupon of its 2000-2005 bond loan, in the amount of €5.8 million.

OUTLOOK FOR 2005

Financial operations during the first two months of 2005 and the earnings growth expected of the main group companies make it likely that the year will close with net income at both the statutory and consolidated levels.

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Camfin S.p.A. - parent company

The financial statements of Camfin S.p.A. (the parent company) at 31 December 2004 close with **net income of €16.67 million, up** from the previous year's profit of €10.61 million. That result includes a dividend resolved by Pirelli & C. in the amount of €0.021 per ordinary share.

Income from ordinary operations, at €18.29 million, also showed a definite improvement on 2003 (€6.0 million). The increase is explained primarily by higher dividends pertaining to the year and the positive trading results, which were only partially offset by the increase in financial expenses (a direct consequence of the equity investments made in 2003).

Financial fixed assets rose from €736.21 million at 31 December 2003 to €839.74 million at the close of 2004; the main reasons for the change include the increased stake in Pirelli & C. S.p.A. (+€135.71 million), the conversion of Pirelli & C. 2003-2006 warrants (-€18.91 million), and the transfer of the investment in Cam Technologie S.p.A. to Pirelli & C. Ambiente Holding S.p.A. and its subsequent partial disposal (net decrease of €11.18 million).

Shareholders' equity went from €430.46 million to €439.21 million at 31 December 2004.

The **net financial position** moved from €346.33 million to €432.22 million, due to the additional investments in Pirelli & C.

The Board of Directors will ask the shareholders' meeting to approve a **dividend of €0.03** per share, which will also be paid on the shares issued to service the recent capital increase. **The total payout will thus increase by over 25%.**

The Board of Directors has authorized the chairman and deputy chairman to call the ordinary and extraordinary shareholders' meeting for 28 April 2005 (first call) and 29 April 2005 (second call) to approve the 2004 financial statements. The dividend will be payable as from 26 May 2005, with the shares going ex-div on 23 May.

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In 2004 the Camfin Group began the transition to IAS/IFRS, aiming to identify the changes required of the Italian accounting standards thus far employed by the group and the main implications for its IT systems.

The group has finished its staff education and training programme regarding the changes brought about by the use of IAS/IFRS, the impact on business operations, and recommended solutions to the principal problems. Following this analysis phase, the group began to adapt its accounting standards to comply with IAS/IFRS.

The impact on shareholders' equity at 1 January 2004 (the transition date) and on 2004 net income will be published in the first quarterly report for 2005.

Camfin Press Office – Tel. 02 85354270

www.gruppocamfin.it

NB: attached are the statutory and consolidated balance sheet and income statement, indicating figures not yet subject to external audit or verified by the statutory auditors.

Abridged consolidated income statement (*)*in €/000)*

	31/12/04	31/12/03
Group's share of result of investments carried at equity	50,670	(9,632)
Good will amortization	(7,065)	(7,502)
Writedown of equity investments	(3,373)	(3,200)
Trading income	17,144	3,870
Net income (loss) from equity investments	57,376	(16,464)
Net financial expenses	(19,072)	(13,298)
Net overheads (including property management)	(3,468)	(3,921)
Income (loss) before extraordinary items	34,836	(33,683)
Extraordinary income (expenses)	(4,147)	(65,914)
Pre-tax income (loss)	30,689	(99,597)
Current taxes	(1,119)	(1,101)
Deferred taxes	582	6,957
Net income (loss) for the year	30,152	(93,741)

(*) With financial holding companies and service companies consolidated on a line-by-line basis and operating companies carried at net equity

Attachment 2

Abridged consolidated balance sheet (*)

in €/000)

	31/12/2004	31/12/03
Financial fixed assets	1,023,909	903,888
Tangible fixed assets	2,283	4,413
Intangible fixed assets	895	1,371
Net working capital	8,532	10,816
	1,035,619	920,488
Shareholders' equity	591,059	567,655
Reserves	3,913	349
Net financial position	440,647	352,484
	1,035,619	920,488

(*)With financial holding companies and service companies consolidated on a line-by-line basis and operating companies carried at net equity

Reconciliation between "holding system's" net financial position and full consolidated debt

(in €/000)

	31/12/2004	31/12/2003
Consolidated net financial position of holding companies	(440,647)	(352,484)
Operating companies' net financial positions		
Cam Technologie	-	11,278
Gecam France	-	134
Tre Total Renewable Energy	-	84
Cam Gas	747	(1,057)
Cam Immobiliare	(29,665)	(26,547)
Cam Petroli	(3,226)	(11,730)
Blu Marine	(4)	-
Progetto Assago	1,889	-
Full consolidated debt	(470,906)	(380,322)

Attachment 3

Consolidated financial statements in their traditional format

<i>(in €/000)</i>	31/12/04	31/12/03
Sales	330,017	322,666
EBITDA	1,674	(695)
EBIT	(2,224)	(3,992)
Operating income including result of equity investments	56,998	18,841
Income before extraordinary items and taxes	37,056	(32,741)
Extraordinary income (expenses), net	(5,853)	(1,574)
Net income (loss) for the year pre-dilutive effect	31,203	(29,234)
Dilutive effect	-	(64,659)
Net income (loss) for the year	30,152	(93,893)
Camfin's share of net income (loss) for the year	30,152	(93,741)
Earnings (loss) per share (in euros)	0.15	(0.46)
Shareholders' equity	591,059	569,446
Camfin's portion of shareholders' equity	591,059	567,655
Camfin's equity per share (in euros)	2.89	2.78
Net financial position	470,906	380,322

Attachment 4

The *income statement* and *balance sheet* of Camfin S.p.A., in comparison with the previous year, can be summarized in the following figures:

<i>(in €/000)</i>	31/12/04	31/12/03
Net financial expenses (income)	(18,895)	(13,003)
Dividends	30,580	23,100
Other income from equity investments	15,361	3,438
Adjustments to the value of financial assets	(5,897)	(3,726)
Other costs/revenues from ordinary operations	(2,859)	(3,807)
Income from ordinary operations	18,290	6,002
Extraordinary expenses (income)	(1,090)	(1,252)
Taxes	(531)	5,856
Net income (loss) for the year	16,669	10,606
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Intangible fixed assets	785	1,332
Tangible fixed assets	2,281	4,413
Financial fixed assets	839,741	736,208
Working capital	35,794	35,393
	878,601	777,346
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Shareholders' equity	439,207	430,458
Reserves	7,173	557
Net financial position	432,221	346,331
	878,601	777,346