



CAMFIN S.p.A.

PRESS RELEASE BY CAMFIN SPA

2003 FINANCIAL STATEMENTS APPROVED BY THE BOARD OF DIRECTORS

- **CONSOLIDATED SALES RISE TO 322.7 MILLION EUROS**

(UP 24% ON 2002)

- **GECAM™ - WHITE DIESEL™, SHARP INCREASE IN VOLUME SALES:
OVER 113 MILLION LITRES SOLD (+29%)**

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- **FOR 2004 A NET POSITIVE RESULT IS FORESEEN
BOTH ON A CONSOLIDATED LEVEL AND FOR THE PARENT COMPANY**

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- **GROSS OPERATING PROFIT (- 0.7 MILLION EUROS) PENALIZED BY THE
DELAYED EXTENSION OF THE REDUCED EXCISE DUTY ON EMULSIFIED FUEL
(WITH A NEGATIVE EFFECT EQUAL TO 1.7 MILLION EUROS)**

- **THE RESULT BEFORE ANY EXTRAORDINARY ITEMS AND TAX IS 32.7 MILLION
EUROS IN THE RED (VS. 48.6 MILLION IN THE RED IN 2002)**

- **AFFECTED BY THE NEGATIVE DILUTION ACCOUNTING EFFECTS (64.7 MILLION
EUROS) RESULTING FROM THE MERGER OF PIRELLI SPA WITH PIRELLI & C.,
THE CONSOLIDATED NET RESULT SHOWS A LOSS OF 93.9 MILLION EUROS,
AGAINST 22.9 MILLION EUROS IN THE PREVIOUS YEAR (WHICH INCLUDED
EXTRAORDINARY INCOME OF 25.4 MILLION EUROS).**

- **CONSOLIDATED INDEBTEDNESS RISES TO 380.3 MILLION EUROS (282.5 IN
2002) AS A RESULT OF THE PARTICIPATION IN THE SHARE CAPITAL INCREASE
OF PIRELLI & C.; THE FREE CASH FLOW SHOWS A GAIN OF 14.3 M EUROS**

- **PROFIT FOR PARENT COMPANY CAMFIN SPA: 10.6 MILLION EUROS (10.0
MILLION IN 2002); AN OVERALL DIVIDEND PAYOUT OF 8.2 MILLION EUROS
RECOMMENDED (5.1 MILLION IN 2002); IN TERMS OF SINGLE DIVIDEND, THIS IS
EQUAL TO 0.04 EUROS AND IS PAYABLE ON A MORE-THAN-DOUBLED NUMBER
OF SHARES COMPARED TO THE PREVIOUS YEAR**

- **MR FEDERICO FALCK IS CO-OPTED AS MANAGING DIRECTOR**

Milan, 24th March 2004 – The Board of Directors of Camfin S.p.A. has examined and approved the consolidated data and the financial statements of the Parent Company for the year ended 31st December 2003.

Consolidated sales in 2003 amount to **322.7 million Euros**, against 260.3 million Euros in 2002 (an increase of about 24%). For the purposes of a like-for-like comparison, we note that in the year 2002 Cam Petroli was fully consolidated for the first eight months and proportionally for the final four months.

In the period under examination now, the group has achieved an **increase in sales volumes**, both for low environmental impact products and traditional oil products; furthermore, a first tangible contribution has come from the launch of the business activity of Cam Gas.

Cam Tecnologie has sold 113.4 million litres of “Gecam fuel – the white diesel”™, with an increase of 29% on the volume sales of the previous year. The growth has allowed to raise - just less than five years since the marketing launch of this product – **to over 8,500 the number of vehicles** used by public transport companies and urban cleaning firms that use GECAM™ fuel, with a coverage of about 20% of the fleet in circulation in Italy and with a peak of market penetration in excess of 40% in the north of Italy. In monetary terms, this has translated into sales of **50.8 million Euros**, a 12.1% rise on the previous year.

Cam Petroli revenues (a 50%-50% joint-venture with the Eni-Agip Group and therefore only proportionally taken into account in Camfin’s consolidated financial statements) amount to **571.9 million Euros, as opposed to 326.6 million Euros** in the previous year; the increase (75%) is basically attributable to the full effects of the transfer of the Agip Fuel business arm (ex Atriplex) that took place in September 2002 and to the completion of the transfer of the customers linked to the no-competition pact carried out in the course of the year. In volume terms, Cam Petroli sold **897 thousand tonnes of oil products, as against 542 thousand tonnes in the previous year**. On a like-for-like basis, sales are slightly above those of 2002, outperforming the trend of Italian domestic consumption.

Additionally, the consolidated 2003 figures for the Camfin Group include for the first time the sales made by **Cam Gas**, the company acquired during the year and operating since October. Sales amount to **2.4 million Euros deriving from the sale of 9.6 million cubic metres of gas**, equally split between civil and industrial use; the figure, only relating to the last few months of the year, is equivalent on a yearly basis to sales of approximately 24 million cubic metres.

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The group reported a **consolidated gross operating loss of 0.7 million Euros**, against a profit of 0.7 million Euros in 2002.

The growth margins of the traditional oil business have not been able to make up for the effects of the **delayed extension of the reduced excise duties on stabilized emulsions**, which has adversely affected the economic results of Gecam – White Diesel sales. In the period 30th June – 30th September 2003, the legislative delay has caused CAM Tecnologie to suffer 1.7 million Euros in lost income, absorbed by the higher excise duties. As already mentioned earlier on the occasion of the report on the third quarter of 2003, the return to normality in the months following the publication of the decree has already made the foreseen recovery of profitability a concrete reality.

The **consolidated operating result** (which does not include those achieved by the shareholding in Pirelli & C.) is negative by **4.0 million Euros**, as opposed to 1.8 million Euros still in the red in 2002.

The differential is basically attributable to the weight of the higher depreciation in Cam Petroli, relating to the start-up attributed to the business arm and to the no-competition pact.

The **result achieved thanks to the stake held** in the Pirelli & C. Group, valued with the net equity method, is negative, **15.5 million Euros in the red**, though improving from the previous year when it stood at 22.1 million Euros in the red) thanks to the first positive effects of the reorganization of the Pirelli & C Group.

The **result before any extraordinary items and tax**, even thanks to the lower write-down made to long-term financial investments, **sees its negative balance fall to 32.7 million Euros from 48.5 million in 2002.**

Finally, the **consolidated net result** is **influenced by the purely accounting effects** relating to the shareholding in Pirelli & C. The merger by incorporation of Pirelli S.p.A. with Pirelli & C. has in fact resulted into a **negative dilution effect** for Camfin of the value of the shareholding in Pirelli & C. S.p.A. Such an effect, equal to 64.7 million Euros, is reflected in the consolidated profit & loss account in observance of the accounting principles currently in force.

The profit & loss account, which, **net of the above-mentioned dilution effect**, records a **negative result of 29.2 million Euros**, shows therefore a loss of **93.9 million Euros**, compared to **22.9 million Euros in 2002**, influenced, among other things, by extraordinary income of 25.4 million Euros.

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From a balance sheet point of view, it must be noted that the main changes are attributable to transactions of an extraordinary nature which took place in the course of the year: **long-term financial investments** rise from **731.6 to 882.1 million Euros**, primarily as a result of the participation in the share capital increase of Pirelli & C., while **net equity for the period amounts to 567.7 million Euros**, compared to 517.3 million Euros at the end of 2002, essentially due to the combined effect of the fully subscribed capital increase in Camfin and to the diluting effect due to the merger of Pirelli & C. with Pirelli S.p.A.

Net indebtedness of the Group as at 31st December 2003 stands at **380.3 million Euros**, against 282.5 million Euros as at 31st December 2002; the increase is basically attributable to the capital increase carried out by the Parent Company in its subsidiary company, Pirelli & C. S.p.A. (Euro 288.4 million) only partly offset by the capital increase in Camfin S.p.A (Euro 160.7 million) and by the better cash flow. **Free Cash Flow**, as evidence of the efforts made to contain working capital and of the improvement in the customer mix, shows a gain of 14.3 million Euros.

In addition to the said capital increase operation and to the full subscription of its due share in the capital increase of Pirelli & C., in the course of the year Camfin S.p.A. has carried out **trading transactions on Pirelli & C. stock (shares and warrants)**, which can be summed up as follows: purchases of 9.77 million Euros and sales of 11.54 million Euros in total.

As a whole, the trading of Pirelli & C. securities has generated a capital gain of 3.43 million Euros; once the transactions were completed, at 31/12/2003, the Pirelli & C. shares owned by Camfin S.p.A. totalled 790,824,664 shares, equivalent to 23.78% of ordinary share capital.

Events occurred after the end of the year

Since January 2004, trading in Pirelli & C. shares and warrants has been carried out, at the end of which Camfin's stake in Pirelli & C. consists in 802,387,164 shares, equivalent to 24.12% of ordinary share capital, whereas the number of Pirelli & C. warrants owned by Camfin currently stands at 504,547,142.

The outlook for the Camfin Group for the current year

The trend in the first two months of 2004 for operating activities, together with the certainty of a stable regulatory framework for the whole of the year with regard to the reduced excise duty on emulsified products, allows to forecast an improvement in terms of consolidated operating result in the course of the year.

Considering, furthermore, the further strengthening in terms of earnings expected by the Pirelli & C. group as a result of the efficiency measures taken in the last couple of years, it is possible to anticipate a positive net result for the current year, both on a consolidated level and for the parent company.

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Camfin S.p.A. – the Parent Company

The financial statements as at 31.12.2003 of Camfin S.p.A. – the Parent Company – show a net profit of **10.6 million** Euros, making some progress from 10.0 million Euros in 2002. The result includes a dividend approved by the new Pirelli & C. of 0.031 Euros per ordinary share.

Long-term financial investments go from 468.9 million Euros as at 31st December 2002 to **736.2 million** Euros at 31st December 2003, stemming primarily from the previously mentioned capital increase in Pirelli & C.

As an effect of the re-capitalization of last July, **net equity** rises from 264.2 million Euros to **430.5 million** Euros as at 31st December 2003. The **net financial position** increases instead from 238.7 million to 346.3 million Euros as a result of the previously mentioned transactions on Pirelli & C.

At the shareholders' meeting, the Board shall recommend the distribution of a **dividend of 0.04 Euros per share** which, paid to a more-than-doubled number of shares (from 97.4 million to 204.5 million) **is equivalent to an increase of 62% in absolute terms.**

The Board has therefore authorized the Chairman to call a meeting for 11th May (as a first call) and 12th May (as a second call), both ordinary and extraordinary, when shareholders shall approve the Financial Statements for 2003; the dividend will be payable as of 27th May 2004 (date for coupon detachment set for 24th May 2004).

As part of the ordinary meeting, shareholders will be asked to decide on the nomination of the Board of Directors (whose mandate is due to expire in May, on the occasion of the approval of the accounts for the year ended on 31/12/03) and of the fixing of the remuneration of the Supervisory Body appointed as pursuant to Italian Leg. Decree 231/2001.

At an extraordinary meeting, a proposal will be submitted to shareholders for approval whose subject matter is the adjustment of the articles of association to the new provisions of law introduced by the recent reform of corporate law and the updating of some provisions that are by now outdated by common practice, as well as the assignment to the Board of Directors of the power to increase the share capital and issue convertible bonds, as pursuant to art. 2443 and 2420-ter of the Italian Civil Code.

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The Board has proceeded to co-opt Mr Federico Falck, appointing him also as a member of the Internal Control Committee as well as of that in charge of *Corporate Governance*.

NOTE: The profit & loss and balance sheet schedules are attached, both statutory and consolidated, with the indication of those data that has not been audited yet by the auditors' firm nor verified by the Board of Auditors.

Camfin Group

The consolidated financial statements for the Group as at 31/12/03 can be summarized by the following highlights:

| (thousands of Euros) | 31/12/2003 | 31/12/2002 |
|---|-------------------|-------------------|
| | | |
| Sales | 322,666 | 260,313 |
| Gross Operating Profit | (695) | 741 |
| Operating result | (3,992) | (1,802) |
| Result before extraordinary items and tax | (32,741) | (48,548) |
| Extraordinary (costs) / income | (1,574) | 25,415 |
| Net result before Pirelli & C. dilution effect | (29,234) | (22,913) |
| Pirelli & C. dilution effect | (64,659) | - |
| Net result after dilution effect | (93,893) | (22,913) |
| Net result attributable to Camfin | (93,741) | (23,097) |
| Net equity | 569,446 | 520,966 |
| Net equity attributable to Camfin | 567,655 | 517,281 |
| Net equity per share (Euro) | 2.78 | 5.31 |
| Net financial debt | 380,322 | 282.528 |

Annexe 2

Cam Finanziaria S.p.A.

The profit and loss account and balance sheet position of Camfin S.p.A., compared with the previous year, can be summarized as follows:

| (thousands of Euros) | 31/12/2003 | 31/12/2002 |
|---|-------------------|-------------------|
| Financial costs / income | (13,003) | (10,880) |
| Dividends and Tax credit | 23,100 | 28,614 |
| Other income from shareholdings | 3,438 | - |
| Write-downs of financial assets | (3,726) | (26,872) |
| Other costs / income from ordinary activities | (3,807) | (2,888) |
| Ordinary result | 6,002 | (12,026) |
| Extraordinary costs / income | (1,252) | 26,831 |
| Tax | 5,856 | (4,762) |
| Net result | 10,606 | 10,043 |
| Intangible assets | 1,332 | 783 |
| Tangible assets | 4,413 | 4,867 |
| Long-term financial investments | 736,208 | 468,942 |
| Working capital | 35,393 | 30,175 |
| | 777,346 | 504,767 |
| Net equity | 430,458 | 264,196 |
| Reserves | 557 | 1,920 |
| Net Financial Position | 346,331 | 238,651 |
| | 777,346 | 504,767 |