



CAMFIN s.p.a.

## **PRESS RELEASE**

### *BOARD OF CAMFIN SPA APPROVES 2004 HALF-YEAR REPORT*

- **CONSOLIDATED NET RESULT UP SHARPLY TO REPORT A PROFIT OF AROUND 15 MILLION EUROS (VERSUS 15.69 MILLION EUROS LOSS IN FIRST HALF OF 2003)**
- **CONSOLIDATED SALES: 143 MILLION EUROS, IN LINE WITH 144.59 MILLION EUROS REPORTED FOR THE FIRST HALF OF 2003**
- **EBIT, INCLUDING POSITIVE CONTRIBUTION OF INCOME FROM INVESTMENTS, POSITIVE BY 24.9 MILLION EUROS (VERSUS LOSS OF 11.3 MILLION EUROS IN 2003)**
- **NET DEBT AT 407 MILLION EUROS, AFTER INCREASE IN STAKE HELD IN PIRELLI & C. SPA (VERSUS 380 MILLION EUROS AS AT 31 DECEMBER 2003)**
- **CONSOLIDATED NET PROFIT STILL EXPECTED TO BE SEEN IN CONSOLIDATED ACCOUNTS FOR 2004**
- **PARENT COMPANY POSTS NET LOSS OF 4.36 MILLION EUROS (VERSUS NET LOSS OF 5.14 MILLION EUROS AS AT 30 JUNE 2003): PROFIT FORECAST FOR 2004 EXPECTED TO BE IN LINE WITH PREVIOUS FINANCIAL YEAR RESULT**
- **PLAN TO INTEGRATE ENVIRONMENT-ORIENTED BUSINESSES OF PIRELLI & C. AND CAMFIN APPROVED**

*Milan, September 9<sup>th</sup>, 2004* – The Board of Directors of Camfin SpA, which met earlier today, examined and approved the 2004 first-half report of the Camfin Group.

In the first half of 2004, the Camfin Group net result was sharply up on that seen for the same period of the previous financial year, thanks to the substantial contribution lent by its stake in Pirelli & C. SpA, which in turn saw all its economic indicators achieve significant growth.

### **Performance of operating companies**

In terms of **industrial activities**, the first half of the year saw performance vary from one business area to another.

Oil marketing operations, undertaken by the joint venture **Cam Petroli Srl**, continued with the positive results already registered during 2003, even though volumes sold were down 0.9% on the same period of the previous financial year.

As regards products with low environmental impact, during the first half of the current year, the subsidiary company **Cam Tecnologie SpA** - after bearing the brunt of the late renewal of special emulsion excises during the second half of 2003 – saw greater competitive pressure across all reference markets, which caused volumes sold to decrease to around 53 million litres (10% lower than the previous financial year).

Cam Tecnologie SpA nevertheless promptly introduced a series of internal rationalisation measures. Thanks in part to a number of contracts won during the last two months of the period under review, volumes and margins should pick up during the second half of the year.

Progress has continued to be made with activities undertaken in connection with the start-up **Cam Gas SpA**, which just a few months after commencing operations was already making a tangible contribution to Group turnover. Indeed, the contracts won last year have been joined by a number of important industrial contracts, with the supply process commencing from the start of 2004. 26 million cubic metres of gas were sold in total, with around 11 million sold for civil use and around 15 million sold for industrial use.

And finally, as regards **property activities**, as part of a project devised to enhance and make the most of the areas housing the Group's head office, subsidiary company **Cam Immobiliare SpA** entered into a preliminary contract to buy land bordering on the current site from Fintrivulzio Srl; this acquisition wrapped up a series of deals geared to create the space needed to embark on a quaternary services development programme in connection with the building of the new Polo Fieristico (trade fair complex) in Pero-Rho.

### **Consolidated accounts for the first half of 2004**

Due to the dynamics already described above, Group **sales** for the first half of 2004 amounted to **142.99 million** euros, which was more or less **in line** with the 144.59 million euros registered for the first half of 2003.

The downturn in unitary margins seen for products with low environmental impact had an effect on the **gross operating margin**, which reported a **negative balance of 0.05 million** euros, compared with the positive balance of 1.06 million euros reported for the same period of the previous financial year.

**Consolidated EBIT**, which does not include income from the equity investment in Pirelli & C. SpA, amounted instead to a **loss of 1.97 million** euros, partly due to a rise in depreciation and amortisation expense (0.53 million euros).

The **result from equity investments** instead improved considerably, advancing from a loss of 10.93 million euros to a profit of **26.90 million** euros. This progress, as well as being the contribution of the equity investment held in Pirelli & C. SpA, is also the result of trading activities, which generated income of 2.86 million euros.

In the period to 30 June 2004, **EBIT (including the contribution of equity investments)** therefore underwent a marked rise, amounting to a **profit of 24.93 million euros**. This compares with the EBIT loss of 11.26 million euros posted for the first half of 2003.

The Group's **consolidated net result** for the period to 30 June 2004 made an unquestionable recovery, the loss of 15.69 million euros reported in the first half of 2003 turning into a **profit of 14.96 million euros**. The increased burden (in absolute terms) of financial charges, which increased from 5.91 million euros to 9.14 million euros, was completely absorbed by profits from trading activities, dividends (1.78 million euros) and income from the stake held in Pirelli & C. SpA, consolidated by the equity method (22.26 million euros).

In terms of cashflow generation, consolidated cashflow from ordinary operations showed a **surplus of 2.25 million euros**, after a surplus of 1.60 million euros was posted for the whole of financial year 2003.

**Equity** amounted to 586.9 million euros, recording a rise on the 569.4 million euros seen at the end of 2003, while the Group's **net debt stood at 407.01 million euros**, up on the negative balance of 380.32 million euros at end-2003. This was largely due to stakes in the share capital of the affiliate company Pirelli & C. being acquired. The structure of the Group's financial debt nevertheless benefited during the period under review from the boost received by its medium/long-term component further to the parent company successfully wrapping up a 120 million-euro club deal, arranged and managed by Efibanca, in June.

#### **Significant events taking place after the end of the first half**

- In July, as part of a diversification strategy in sectors connected to the fuel with low environmental impact Gecam™, the subsidiary company **Cam Technologie SpA** acquired an exclusive licence to market diesel particulate filters in Italy.
- As well as acquiring the quota of Pirelli & C. SpA shares and warrants offered under a pre-emption right from RCS Mediagroup SpA to members of the Pirelli & C. Bloc Union (the offering in question having been announced on 7 July), Camfin S.p.A. also entered into a number of trading transactions totalling the equivalent of 5.33 million euros. As a result, as at 31 August 2004, Camfin held a 26.9% stake in Pirelli & C. S.p.A., represented by 894,771,171 shares. As at the same date, Camfin held 514,533,644 Pirelli & C. warrants.
- During the period 1 July-31 August 2004, 5,272 Camfin 2003-2006 warrants were exercised, with 1,318 new shares consequently issued as of 31 August 2004.
- In August, Camfin received the first tranche (80%) of the 3 million euros awarded by Milan's Provincial Council in respect of expropriation and compensation relating to the development of the new Trade Fair Complex in Milan.

#### **Business development in the current year**

Thanks to the impressive improvements to results enjoyed by the Pirelli Group and the performance of operating investments, a consolidated net profit can be expected for the current year.

### **The Parent Company Camfin SpA**

The accounts of the **Parent Company Camfin S.p.A.** have also improved. As usual, the economic result for the first half does not include dividends from investee companies, which are computed on an accrual basis.

The company's net loss for the first half of 2004 decreased to 4.36 million euros (from a loss of 5,14 million euros in the first half of 2003), thanks to income from trading activities and dividends received from Pirelli & C. SpA. (computed on a cash basis), making up for higher financial charges.

Moving on to the balance sheet, **long-term investments** increased to 780 million euros as at 30 June 2004, from 736.2 million euros as at 31 December 2003. As at 30 June, **net debt** amounted to 377.5 million euros (346.3 million euros as at 31 December 2003), while **equity** amounted to 417.9 million euros (430.5 million euros at end-2003).

**Prospects for the year currently underway**, once the distribution of dividends of investee companies has been considered, point to the parent company realising a profit in line with that of the previous financial year.

During the first half of the year – as part of the Group's rationalisation project - Camfin S.p.A. increased the focus on co-ordinating the various Group companies and holding company. As a result, IT, tax, accounting, and personnel management services, along with activities common to Group companies were all centralised and incorporated into the subsidiary company **Centro Servizi Aziendali 2004 Srl**.

### **Extraordinary transactions**

The Board of Directors approved a project geared to seize environment-oriented business opportunities more effectively and to make the most of any synergies stemming from the amalgamation of its own activities and managerial capabilities with those of the Pirelli Group.

The above project involves integrating the activities of Pirelli & C. Ambiente S.p.A. (controlled by Pirelli & C. and involved in recovering energy from waste and environmental reclamation) and Cam Tecnologie S.p.A. (controlled by Camfin and the manufacturer of *Gecam<sup>TM</sup> - Il Gasolio Bianco*, a fuel with low environmental impact) into just one company controlled by Pirelli & C., namely Pirelli & C. Ambiente Holding S.p.A.

This transaction, subject to approval from the relevant authorities, will be accomplished by transferring the above activities (valued at around 6 million euros in the case of Pirelli & C. Ambiente S.p.A. and around 17 million euros in the case of Cam Tecnologie S.p.A, net of reserves that may be distributed to the latter's shareholders before the transfer- around 10 million euros) to Pirelli & C. Ambiente Holding S.p.A. The above values need to be confirmed in the survey of an expert who will be designated by the President of the Court of Milan.

Once the transaction has been executed, Camfin will transfer to Pirelli & C. – at a price in line with transfer values – the amount of shares needed to give the latter legal control of the company.

In its study of the transaction and for the related valuations, Camfin was assisted by Lazard, acting as independent advisor.

CAMFIN GROUP

The Group's consolidated accounts as at 30 June 2004 may be summarised with the following figures:

<i>(€ thousands)</i>	<b>30/06/04</b>	<b>30/06/03</b>	<b>31/12/03</b>
Sales	142,994	144,585	322,666
Gross Operating Margin	( 46)	1,057	(695)
EBIT	(1,966)	(329)	(3,992)
Profit/(Loss) on equity investments	26,896	(10,928)	(14,849)
EBIT (inc. profit/(loss) from equity investments)	24,930	(11,257)	(18,841)
Financial (charges)/income	(9,140)	(5,912)	(13,900)
Profit/(Loss) before extraordinary items and taxes	15,790	(17,169)	(32,741)
Extraordinary (charges)/income	(800)	(514)	(1,574)
Net profit/(loss) before dilution effect	14,957	(15,693)	(29,234)
Dilution effect	-	-	(64,659)
<b>Net Profit/(Loss)</b>	<b>14,957</b>	<b>(15,693)</b>	<b>(93,893)</b>
Result attributable to Camfin	15,073	(15,813)	(93,741)
Attributable result per share (€)	0.07	(0.08)	(0.46)
Equity	586,936	562,167	569,446
Equity attributable to Camfin	585,261	558,479	567,655
Attributable equity per share (€)	2.86	2.73	2.78
Net debt (surplus)/deficit	407,010	401,878	380,322

Highlights on Camfin Spa's sole accounts as at 30 June 2004

<b>HIGHLIGHTS</b>	<b>(€ thousands)</b>		
<b>P&amp;L</b>	<b>30/06/2004</b>	<b>30/06/2003</b>	<b>31/12/2003</b>
Financial (charges)/income	(8,581)	(5,627)	(13,003)
Dividends	3,298	-	23,100
Income from securities trading	2,851	-	3,438
Adjustments to financial activities	-	-	(3,726)
Other ordinary operating (costs)/revenues	(1,637)	(1,622)	(3,807)
<b>Result from ordinary operations</b>	<b>(4,069)</b>	<b>(7,249)</b>	<b>6,002</b>
Extraordinary (charges)/income	(530)	(485)	(1,252)
Taxes	236	2,590	5,856
<b>Net profit/(loss)</b>	<b>(4,363)</b>	<b>(5,144)</b>	<b>10,606</b>
<b>Balance sheet</b>	<b>30/06/2004</b>	<b>31/12/2003</b>	
Intangible assets	1,054	1,332	
Fixed assets	4,130	4,413	
Long-term investments	779,967	736,208	
Current assets	11,035	35,393	
	<b>796,186</b>	<b>777,346</b>	
Equity	417,945	430,458	
Provisions	774	557	
Net debt	377,467	346,331	
	<b>796,186</b>	<b>777,346</b>	