



PRESS RELEASE

- **PIRELLI SELLS TO GOLDMAN SACHS CAPITAL PARTNERS ITS ACTIVITIES IN ENERGY AND TELECOM CABLES AND SYSTEMS**
 - **ENTERPRISE VALUE: 1.3 BILLION EUROS**
 - **STRATEGIC REFOCUSING OF PIRELLI COMPLETED**
- **EXISTING MANAGEMENT TEAM RECEIVES FULL SUPPORT OF THE NEW OWNER TO CONTINUE TO GROW AND DEVELOP THE BUSINESS**

Milan, 1st June 2005 – Pirelli & C. SpA and Goldman Sachs Capital Partners today announce that they have reached an agreement for the sale of Pirelli's Energy and Telecom Cables and Systems business to Goldman Sachs Capital Partners.

Under the terms of the agreement, Pirelli will sell to Goldman Sachs Capital Partners activities that had in 2004 sales of €3,208 million, with an operating income (EBIT) of more than €110 million. The business has 12,000 employees and 52 plants all around the world.

The transaction has an **enterprise value** of **€ 1.3 billion**, including intellectual property rights and Pirelli brand licensing for two years.

Upon completion of the transaction, the net financial position of Pirelli will improve by around €1.2 billion of which €490 million relates to equity value and around €690 million of net debt that will be deconsolidated at closing. Furthermore, €135 million out of the above mentioned €490 million will be in the form of a vendor loan. In addition, Pirelli will receive a warrant which will allow it to share in up to 5% of the economic value uplift generated by Goldman Sachs Capital Partners. Pirelli will also retain the statutory UK pension liabilities of around €95 million.

Goldman Sachs Capital Partners is fully supportive of the existing management team of the business, which has achieved excellent results in the past. The new owner intends to work with the existing management team to continue to grow and develop the business.

As already announced, net proceeds of the operation will be invested in strategic activities of the Group.

Following this transaction, Pirelli's strategic optimization programme announced in July 2001 is now completed. Pirelli will therefore focus on the development of higher value-added businesses and in particular on these activities: telecommunications, tyres, real estate, the activities in the field of broadband and second generation photonics managed by Pirelli BroadBand Solutions and based upon Pirelli Labs' innovations and in the environmental field (Pirelli & C. Ambiente).

The transaction is subject to final approval from regulatory and government bodies including those of the UK pension fund, the Antitrust Authorities and the French Economy Minister as some production is based in France.

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