



PRESS RELEASE

BOARD OF DIRECTORS MEETING OF PIRELLI & C. SPA

**EFFECTS OF THE NEW IAS/IFRS ACCOUNTING STANDARDS ON THE
2004 FINANCIAL STATEMENTS EXAMINED**

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**QUARTERLY REPORT AT 31 MARCH 2005 APPROVED, THE FIRST
DRAFTED IN ACCORDANCE WITH THE NEW IAS/IFRS ACCOUNTING
STANDARDS**

- **GROUP NET PROFIT MORE THAN DOUBLED:
83 MILLION EUROS, COMPARED TO 40 MILLION EUROS AT 31
MARCH 2004**
- **OPERATING INCOME (EBIT) OF INDUSTRIAL ACTIVITIES UP BY 29%
TO 115 MILLION EUROS, FROM 89 MILLION EUROS AT 31 MARCH
2004**
 - **REAL ESTATE ACTIVITIES GROWING: OPERATING INCOME
INCLUDING INCOME FROM EQUITY PARTICIPATIONS +17%**
 - **OLIMPIA: PRO-QUOTA RESULT ON GROUP CONSOLIDATED
STATEMENTS GROWS TO 30 MILLION EUROS (10 MILLION EUROS
IN THE FIRST QUARTER OF 2004)**
- **FOR 2005 THE GROUP CONFIRMS FORECASTS OF IMPROVEMENT
IN PROFITABILITY COMPARED TO 2004**

PIRELLI & C. SPA GROUP:

- **SALES: 1,870 MILLION EUROS, COMPARED TO 1,700 MILLION
EUROS IN THE FIRST QUARTER OF 2004 (+10%); ON A LIKE FOR
LIKE BASIS, GROWTH OF 8.3% WAS POSTED**
- **OPERATING INCOME (EBIT): 118 MILLION EUROS, IMPROVING
(+35%) COMPARED TO THE 87 MILLION EUROS AT 31 MARCH 2004**
- **PIRELLI & C. ATTRIBUTABLE NET PROFIT: 70 MILLION EUROS,
COMPARED TO 32 MILLION EUROS IN THE FIRST QUARTER OF 2004**
- **NET DEBT: 2,120 MILLION EUROS, IN LINE COMPARED TO MARCH
2004 THOUGH THE NEGATIVE BALANCE BETWEEN THE
SUBSCRIPTION OF OLIMPIA CAPITAL INCREASE (-1,344 MILLION**

**EUROS) AND THE CAPITAL INCREASE COMPLETED IN MARCH
(+1,062 MILLION EUROS)**

INDUSTRIAL ACTIVITIES:

- **SALES: 1,745 MILLION EUROS, COMPARED TO 1,606 MILLION EUROS IN THE FIRST QUARTER OF 2004 (+8.7%); ON A LIKE FOR LIKE BASIS, NET OF EXCHANGE RATES, METAL PRICES AND CHANGES IN THE SCOPE OF CONSOLIDATION, THIS RESULT REPRESENTS A GROWTH OF 7%**
- **OPERATING INCOME AT 115 MILLION EUROS, UP BY 29%; ROS RISES TO 6.6% FROM 5.5%**
- **TYRES: SALES TOTALING 862 MILLION EUROS (+4.6% COMPARED TO 31 MARCH 2004), ROS AT 10.2% FROM 9.1%**
- **ENERGY CABLES AND SYSTEMS: SALES TOTALING 759 MILLION EUROS (+10.6% COMPARED TO THE FIRST QUARTER OF 2004), ROS RISES TO 4% FROM 3.1%**
- **TELECOM CABLES AND SYSTEMS: SALES UP BY 8% TO 93 MILLION EUROS**
- **PIRELLI BROADBAND SOLUTIONS ACTIVITIES REPORT STRONG GROWTH, WITH SALES TRIPLING (31 MILLION EUROS); OPERATING INCOME IMPROVES**

REAL ESTATE ACTIVITIES:

- **OPERATING INCOME INCLUDING INCOME FROM EQUITY PARTICIPATIONS: 34 MILLION EUROS, +17%**
- **CONSOLIDATED NET INCOME: 27 MILLION EUROS, COMPARED TO 24 MILLION EUROS IN THE FIRST QUARTER OF 2004, +12%**

Milan, 12 May 2005 – The Board of Directors of **Pirelli & C. SpA** met today and examined the impact of adoption of the international financial reporting standards IAS/IFRS on the 2004 financial statements. The independent auditor PricewaterhouseCoopers is completing its audit of the reconciliation tables prepared in accordance with IFRS 1. The audited report of the IAS/IFRS reconciliations will be disclosed as soon as available and, in any case, within the date of the presentation of the half year report at 30th June 2005.

The Board of Directors also examined and approved the quarterly report at 31 March 2005, the first to be drafted in accordance with IAS/IFRS.

Principal effects of adoption of IAS/IFRS

Main impacts on the 2004 financial statements and on shareholders' equity at 1 January 2005 deriving from transition to the new international accounting standards can be summarized as follows:

- **Operating income** grows by **19 million** from 380 million euros to **399 million** euros. In particular, these are due to: lower amortizations of intangible assets (goodwill) for 39 million euros, lower labour cost due to the recognition of all actuarial losses on employee benefits at the transition date (previously amortized on the residual life of participants to funds) for 10 million euros and negative components (as stock options, non capitalized charges and other minor charges) for a value of -12 million euros, for a total amount of 37 million euros. These are counterbalanced by -18 million euros for the restatement of the balance of costs (mainly restructuring charges) and revenues (mainly sale of assets) from extraordinary to operating, without therefore an impact on the net result.
- **Consolidated net profit increases by 35 million** euros (from 274 million euros to **309 million** euros).
- The **shareholders' equity** of Pirelli & C. SpA at 1 January 2005 **shows a decrease of 52 million euros** (from 4,088 million euros to **4,036 million euros**), principally in consequence of the impact of: the evaluation of employee defined benefit plans (-147 million euros), previously disclosed in the notes to the consolidated financial statements, the evaluation of securities and financial instruments at fair value (+138 million euros) and other minor changes (-43 million euros). In particular, as for the above mentioned defined benefit plans, the Group has opted for the recognition of all actuarial gains and losses at the transition date to IAS/IFRS. As for the evaluation of securities and financial instruments the Group opted, in compliance with IFRS 1, for the adoption of IAS 32 and 39 from 1 January, 2005.
Change in attributable shareholders' equity at 1 January, 2005 corresponds to -40 million euros (from 3,736 million euros to 3,696 million euros).
- **Net debt** at 1 January, 2005 changed from 1,469 million euros to **1,586 million euros**, mainly in consequence of IAS/IFRS valuation of put options sold to banks that are shareholders of Olimpia SpA, which resulted in an increase of the equity investment corresponding to the debt increase, for an amount of 130 million euros.
- **Olimpia**, in accordance with IAS 31, is considered a jointly controlled entity that is valued applying the equity method; the shareholders' equity of Olimpia must be restated on the basis of IAS/IFRS.

According to IAS 28, the investment held by Olimpia in Telecom Italia is qualified as an associate and thus must be consolidated applying the equity method.

An Appendix illustrates details of the individual adjustments made to shareholders' equity and result 2004.

Group operating performance in the first quarter of 2005

The financial and operating results of the Pirelli Group in the first quarter of 2005 and comparative periods were determined in accordance with IAS/IFRS (the appended tables also illustrate the historic data for the first quarter of 2004 that were determined in accordance with Italian accounting standards).

During the first three months of the year, the **significant improvement in all economic indicators** of the Pirelli & C. SpA Group continued, thanks to the continuous focus on segments with higher added value. The first quarter of 2005 thus closed with a **doubling in net income** for the Group, which totaled **83 million euros**, compared with 40 million euros in the same period of the previous year.

In particular, **Industrial Activities** reported further improvement in the profitability of the *Tyres Sector*, which topped 10%, improving its historic highs and achieving the highest levels in its reference market. Growth trend continued both in North America, where Pirelli aims at realizing 10% of the Sector's sales by 2006, and in South America, where the market posted growth in all segments. On the European market, Pirelli consolidated its position as the market leader in the performance car, SUV, and motorcycle segments. In the industrial segment, high performance Truck products, developed partly with innovative technologies, were extremely successful both on the European and other markets. The steelcord business also reported growth.

The *Energy Cables and Systems Sector* confirmed its position as a technological and market leader on the international level, with operating income of 30 million euros, up by over 40%. In the first quarter of 2005, Pirelli consolidated its role as preferred partner for the world's principal utility companies. On this market, the company is involved in the most important international projects for interconnection currently underway to improve the efficiency of electric power transmission networks.

On the Trader&Installers market, the measures undertaken to improve efficiency are leading to a recovery in profitability, while in the special cable sector, greater focus is being dedicated to high technology segments.

Pressure on prices and margins persisted in the *Cables and Fiber Optics* business. Nevertheless, fiber volumes increased significantly, especially on the North American market, where Pirelli is one of the suppliers chosen by Verizon to expand its fiber optic network. In Europe, growth in the copper cable segment continued thanks to investments by telecommunication operators in ADSL networks.

The broadband access and second generation photonics activities of *Pirelli Broadband Solutions*, the new Group company that sells the innovations developed with Pirelli Labs, tripled their sales (31 million euros). In the access market, products offered by Pirelli Broadband Solutions are considered among the most innovative at the European level; in the photonics segment, leading international telecommunication operators are showing major interest in the new products that are being introduced.

The principal financial and operating figures for **Real Estate Activities** continue to show growth; the first quarter posted a 17% growth of the operating income including income from equity participations, the most significant indicator for the Group's business model performance, compared to march 2004.

The Pirelli & C. SpA Group

In the first quarter of 2005, consolidated **revenues** of the Pirelli & C. SpA Group totaled **1,870 million euros**, up by 10% compared with the 1,700 million in the same period of 2004. On a like for like basis – net of exchange rates, metal prices, and changes in the scope of consolidation – they increased by **8.3%**.

EBITDA increased by **15%**, rising from 167 million euros to **192 million euros**. The impact on sales thus increased from 9.8% to **10.3%**.

Consolidated **EBIT** totaled **118 million euros**, up by **35%** with respect to the 87 million euros in the first quarter of 2004.

Consolidated **ROS** (Return on Sales) totaled **6.3%**, reflecting an increase of 5.1% with respect to the previous year.

The **result of equity investments** was a **positive 50 million euros**, compared with 31 million in the first quarter of 2004 and includes the effect of the income of companies valued according to the equity method. In particular, it includes the effect of Olimpia SpA, which was a positive 30 million euros (10 million euros in the same period of 2004), while the results of the real estate sector (Pirelli RE Group) was a positive 20 million euros (21 million in the previous year).

The balance of **financial charges and income** was **negative** for **46 million euros**, compared with -45 million euros in the first quarter of 2004.

Net profit at 31 March 2005 was **positive** for **83 million euros** (after tax charges of 39 million euros), compared with 40 million in the first quarter of 2004.

The Pirelli & C. SpA attributable **net profit** was **positive** for **70 million euros**, compared with 32 million euros at 31 March 2004.

Shareholders' equity totaled **5,276 million euros**, compared with 3,549 million euros at 31 March 2004. The Pirelli & C. SpA attributable shareholders' equity was 4,909 million euros (0.92 euros per share), compared with 3,294 million euros (0.95 euros per share) in the same period of 2004.

Net debt at 31 March 2005 was negative for **2,120 million euros**, in line when compared to 2,089 million euros at 31 March, 2004 though the negative balance between the Olimpia SpA capital increase for 1,344 million euros and the 1,062 million euros share capital increase approved last 21 January, 2005. The change from -1,601 million euros at 31 December 2004 is also attributable to the usual seasonal factors – caused by an increase in

Group activities – which led to a negative operating cash flow for 226 million euros (-214 million euros at 31 March 2004).

Group **personnel** at 31 March 2005 totaled **38,011 employees** (including 4,104 temporary employees), compared with 37,154 at 31 December 2004 (including 3,513 temporary employees).

Group industrial activities

In the first quarter of 2005, **sales** totaled **1,745 million euros**, reflecting an increase of **8.7%**. On a like for like basis (net of exchange rates, metal prices, and changes in the scope of consolidation), revenues increased by 7%.

EBITDA totaled **183 million euros** (10.5% of sales), compared with 162 million euros during the same period of 2004 (10.1% of sales).

EBIT totaled **115 million euros, up sharply (+29%)** from the 89 million euros in the first quarter of 2004; **ROS** rose to **6.6%** from 5.5% at 31 March 2004.

The **net profit** of industrial activities at 31 March 2005 was **61 million euros**, almost doubling the 35 million euros reported in the first quarter of 2004.

The priority commitment made by the Group to research and technological innovation was confirmed again in the first quarter of 2005, with **research and development costs at 54 million euros**, equal to **3.1% of the sales of Industrial Activities**, in line with the previous year. Thanks to continuous investments, Pirelli has now achieved a position of excellence in the system of Italian and international excellence, as testified by the over 5,000 “alive” patents held by the Group.

The **personnel** of industrial activities at 31 March 2005 totaled **34,873 employees** (including 3,968 temporary employees), compared with the 33,956 at 31 December 2004 (including 3,368 temporary employees).

Industrial Sectors Operations

Tyres

Sales totaled **862 million euros**, with an **increase of 4.6%** that was almost entirely due to price/mix, in confirmation of the continuous focus on high performance market segments.

EBIT was **88 million euros**, with ROS of **10.2%** (9.1% in the same period of 2004), up by over **17%** from the 75 million euros in the first quarter of 2004.

Net profit was **53 million euros** (after financial charges of 8 million and tax charges of 27 million), compared with 38 million at 31 March 2004.

There were **22,226 employees** at 31 March 2005, including 2,949 temporary employees: the increase was mainly due to the opening of the new steelcord production plant in Romania and reorganization of the distribution in Brazil.

Energy Cables and Systems Sector

Sales were **759 million euros**, reflecting **growth of 10.6%** compared with the first quarter of 2004; on a like for like basis, net of exchange rates, metal prices, and changes in the scope of consolidation, sales increased by 6.1% with respect to the same period of the previous year.

EBIT totaled **30 million euros**, up by **43%** from the 21 million euros at 31 March 2004, with **ROS** rising to **4%** from 3.1%.

Net profit was **14 million euros** (after financial charges of 8 million euros and tax charges of 8 million) from the 8 million euros in the first quarter of 2004.

There were **10,725 employees** at 31 March 2005, including 927 temporary employees.

Telecom Cables and Systems Sector

Sales totaled **93 million euros**, up by **8%** compared with the 86 million euros in the first quarter of 2004. On a like for like basis, the increase was 13.4%, due to a marked increase in volumes.

EBIT was **negative** for **2 million euros** (-4 million euros in the first quarter of 2004).

The **net loss** was **4 million euros** (after financial charges of 2 million euros), compared with a loss in the first quarter of 2004 of 8 million euros.

There were **1,821 employees** at 31 March 2005, including 86 temporary employees.

Pirelli BroadBand Solutions

Sales totaled **31 million euros**, more than **three times higher** than the 10 million euros reported for the first quarter of 2004.

EBIT for this company – even if it is in the start-up phase – was **negative** for just **1 million euros** (-3 million euros in the first quarter of 2004). The operating result for the activities connected with broad band access alone was positive.

The **net loss** was **2 million euros**, against a loss of 3 million euros in the first quarter of 2004.

There were **101 employees** at 31 March 2005, including 6 temporary employees.

The Group Real Estate activities

Pirelli RE is a management company that manages companies and funds that in turn own real estate and non-performing loans, in which it invests through minority shareholdings (asset management and fund management activities), providing these and other clients with a full range of specialized property services (service provider activity). Consequently, the aggregate production value net of acquisitions and EBIT including the Group's interest in the income of equity investments are the most significant indicators of the business volume managed by the Group and results at the operating level, respectively.

The **aggregate production value** during the first quarter of 2005 was, net of acquisitions, equal to **727 million euros, up by 30%** with respect to the 560 million euros during the same period of 2004. **EBIT** including income from equity participations (pro-quota) was **33.8 million euros**, compared with 28.8 million euros in the first quarter of 2004, **up by 17%**.

The **net profit** of Real Estate activities was **26.9 million euros**, compared with 24.1 million euros in the first quarter of 2004, **up by 12%**.

For more information on the performance of Real Estate Activities, please refer to the press release issued by Pirelli RE on 10 May 2005.

Olimpia

Olimpia **net profit** at 31 March 2005 determined in accordance with IAS/IFRS was **positive** for **52 million euros** (20 million euros in the first quarter of 2004), thanks to the positive performance of Telecom Italia SpA. The investment held by Olimpia in this company is valued according to the equity method.

Forecasts for the 2005 fiscal year

The first quarter results confirm the forecasts of **increased profitability** for the Group in 2005 – compared to the previous year - with the exception of extraordinary external events that cannot be forecast today.

In the *Tyres Sector*, Pirelli expects improvement in its results compared to 2004, thanks to the continuous focalization on “performance” products and the growth in North America and South America.

In the *Energy Cables and Systems Sector*, Pirelli aims at further consolidation of its recovery of profitability thanks to focus on higher margin products.

In the *Telecom Cables and Systems Sector*, in a market that is still characterized by competitive prices, Pirelli aims to consolidate its 2004 result, especially through the previously mentioned recovery of volumes on the North American market.

Pirelli BroadBand Solutions should continue to see growth in sales of its broadband access products, in line with forecasts of the 2004-2006 Outlook. In regard to second generation photonics, which are in the start-up phase, research and development of innovative products continues.

In the *Real Estate Activities*, according to the results posted during the first quarter and available information, it is forecasted a growth of operating income including income from equity participations that will enable achievement of targets included in the three-year Outlook 2003-2005.

Olimpia should post an improved result, benefiting from the results of Telecom Italia.

Conference call

The operating results for the first quarter of 2005 and the effects deriving from adoption of the new international financial reporting standards on the 2004 financial statements will be illustrated today at 6:00 p.m. (5:00 p.m. GMT), during a conference call including the participation of the Chairman of Pirelli & C. SpA, Marco Tronchetti Provera.

Journalists may listen to the presentation by telephone, but without the possibility of asking questions, by dialing **+39 06 33485042**.

The presentation will also be available via real time audio streaming on the Web site www.pirelli.com, in the Investor Relations section, from which slides can be downloaded.

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Summaries of the financial statements for the period ending 31 March 2005; pro-forma consolidated balance sheet and statement of income for Pirelli & C. S.p.A at 31 March 2005, assuming full consolidation of Olimpia S.p.A. and valuation of the investment in Telecom Italia S.p.A. according to the equity method. Effects of adoption of international financial reporting standards (“IAS/IFRS”) on the 2004 financial statements.

SUMMARY IAS IMPACTS GROUP PIRELLI & C.

in million Euros

	1 January, 2004	Results 2004	Dividends	Other movements	31 December, 2004	Changes IAS 32/39	1 January, 2005
Total Equity GAAP	3678	274	(132)	268	4088		4088
1 Goodwill		39			39		39
2 Other Intangible Assets	(25)	1			(24)		(24)
3 Impairment	(21)	4			(17)		(17)
4 Spare parts	(27)	(3)			(30)		(30)
5 Employees Benefits	(157)	10			(147)		(147)
6 Real Estate Sales	(9)	(2)			(11)		(11)
7 Stock Options		(6)		1	(5)		(5)
8 Other Others	(11)	(7)		6	(12)		(12)
9 Treasury Shares						(5)	(5)
10 Fair Value Financial Assets						238	238
11 Financial Instruments						(100)	(100)
Fiscal Effects	23	(1)			22		22
GAAP - IAS/IFRS on Total Equity	(227)	35		7	(185)	133	(52)
Total Equity IAS/IFRS	3451	309	(132)	275	3903	133	4036
Minority Interest GAAP	249	57	(23)	69	352		352
GAAP- IAS/IFRS on Minority Interests	(8)	(4)			(12)		(12)
Minority Interests IAS/IFRS	241	53	(23)	69	340		340
Attributable Equity GAAP	3429	217	(109)	199	3736		3736
GAAP - IAS/IFRS on Attributable Equity	(219)	39		7	(173)	133	(40)
Attributable Equity IAS / IFRS	3210	256	(109)	206	3563	133	3696

PIRELLI & C. S.p.A GROUP

(Million Euros)

	31/03/2005 (IAS/IFRS)	31/03/2004 (IAS/IFRS)	31/03/2004 (principi italiani)	31/12/2004 (IAS/IFRS)	31/12/2004 (principi italiani)
. Sales	1.870	1.700	1.677	7.298	7.114
. EBITDA	192	167	172	699	725
% on sales	10,3%	9,8%	10,3%	9,6%	10,2%
. EBIT	118	87	83	399	380
% on sales	6,3%	5,1%	4,9%	5,5%	5,3%
. Income from equity participations	50	31	(3)	143	76
. Operating income incl. Income from equity particip.	168	118	80	542	456
. Financial charges/income	(46)	(45)	(35)	(139)	(108)
. Extraordinary charges/income			(2)		20
. Tax charges	(39)	(33)	(33)	(94)	(94)
. Net profit	83	40	10	309	274
% on sales	4,4%	2,4%	0,6%	4,2%	3,9%
. Net profit attributable to Pirelli & C. S.p.A.	70	32	2	256	217
. Attributable net profit per share (in euro)	0,01	0,01	0,00	0,07	0,06
. Shareholders' equity	5.276	3.549	3.751	3.903	4.088
. Shareholders' equity attributable to Pirelli & C. S.p.A.	4.909	3.294	3.486	3.563	3.736
. Shareholders' equity per share (in euro)	0,92	0,95	1,01	1,03	1,08
. Net financial position (assets)/liabilities	2.120	2.089	1.959	1.601	1.469
. R&D Spending	54	51	51	198	198
. Employees n. (at end period)	38.011	36.663	36.663	37.154	37.154
. Number of plants	76	77	77	74	74
. Pirelli & C. S.p.A. ordinary shares (in millions)	5.180,5	3.326,6	3.326,6	3.327,5	3.327,5
. Pirelli & C. S.p.A. savings shares (in millions)	134,8	134,8	134,8	134,8	134,8
. Total shares in circulation	5.315,3	3.461,4	3.461,4	3.462,3	3.462,3

(Million Euros)

	Industrial Aggregate		Pirelli & C. Real Estate		Other		TOTAL	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004	31/03/2005	31/03/2004	31/03/2005	31/03/2004
	(IAS/IFRS)		(IAS/IFRS)		(IAS/IFRS)		(IAS/IFRS)	
. Sales	1.745	1.606	113	107	12	(13)	1.870	1.700
. EBITDA	183	162	16	10	(7)	(5)	192	167
. % on sales	10,5%	10,1%					10,3%	9,8%
. EBIT	115	89	14	8	(11)	(10)	118	87
. % on sales	6,6%	5,5%					6,3%	5,1%
. Income from equity participation	-	-	20	21	30 *	10	50	31
. Operat. inc. incl. income from e.p.	115	89	34	29	19	0	168	118
. Financial charges/income	(19)	(20)			(27)	(25)	(46)	(45)
. Tax charges	(35)	(34)	(7)	(5)	3	6	(39)	(33)
. Net profit	61	35	27	24	(5)	(19)	83	40
. % on sales	3,5%	2,2%					4,4%	2,4%
. Net fin. Posit. (assets)/liabilities	980	1.156	12	40	1.128	893	2.120	2.089

* equity evaluation of Olimpia S.p.A. positive for Euro 30 million (Euro 10 million in 2004)

(Million Euros)

	Energy C&S		Telecom C&S		Pirelli BBS		Tyres	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004	31/03/2005	31/03/2004	31/03/2005	31/03/2004
	(IAS/IFRS)		(IAS/IFRS)		(IAS/IFRS)		(IAS/IFRS)	
. Sales	759	686	93	86	31	10	862	824
. EBITDA	47	40	4	5	(1)	(3)	133	120
. % on sales	6,2%	5,8%	4,3%	5,8%			15,4%	14,6%
. EBIT	30	21	(2)	(4)	(1)	(3)	88	75
. % on sales	4,0%	3,1%	n.s.	n.s.			10,2%	9,1%
. Income from equity participation	-	-						-
. Operat. Income incl. Inc. from e.p.	30	21	(2)	(4)	(1)	(3)	88	75
. Financial charges/income	(8)	(7)	(2)	(3)	(1)		(8)	(10)
. Tax charges	(8)	(6)	0	(1)			(27)	(27)
. Net profit	14	8	(4)	(8)	(2)	(3)	53	38
. % on sales	1,8%	1,2%	n.s.	n.s.			6,1%	4,6%
. Net fin. position (assets)/liabilities	348	444	292	285	27	23	313	404

PRO-FORMA PIRELLI & C. SPA DATA

	31/03/2005 Pirelli & C S.p.A. Consolidated financial statements (1)	Pro-forma adjustments			31/03/2005 Pirelli & C S.p.A. pro-forma consolidated fin. statements(2)	
		Reversal of Olimpia S.p.A. result owing to Pirelli & C S.p.A. (57,7%)	Olimpia S.p.A. fully	Olimpia books of consolidation		Total pro- forma adjustments
<i>(in milion Euros IAS/IFRS)</i>						
Statements of Income summary						
Sales	1.870	-	-	-	-	1.870
Operating Income	118	-	-	-	-	118
Financ. Charges/Incomes/Adj. Value of fin. Activities	4	(30)	52	-	22	26
Taxes	(39)	-	-	-	-	(39)
Net profit	83	(30)	52	-	22	105
Attributable net profit	70	(30)	30	-	-	70
Reclassified balance sheet						
Shareholders' equity	5.276	(30)	8.331	(5.444)	2.857	8.133
- of which attributable shareholders' equity	4.909	(30)	4.807	(4.777)	-	4.909
Net financial position (assets)/liabilities	2.120	-	3.644	-	3.644	5.764

(1) Pirelli & C. S.p.A. Consolidated accounts (investment in Olimpia valued used shareholders' equity method with Olimpia evaluating TI with shareholders' equity method)
(2) dpro-forma data (Olimpia S.p.A. wholly consolidated)

<i>(Million Euros)</i> <i>IAS/IFRS</i>	Shareholders' equity		Net debt		Net debt/Shareholders' equity		Company's Shareholders' equity	
	31/03/2005	31/12/2004	31/03/2005	31/12/2004	31/03/2005	31/12/2004	31/03/2005	31/12/2004
Pirelli & C. SpA Group: consolidated data	5.276	3.903	2.120	1.601	0,40	0,41	4.909	3.563
Pirelli & C. SpA Group: pro-forma consolidated data incl. Olimpia SpA wholly consolidated	8.133	6.417	5.764	5.175	0,71	0,81	4.909	3.563
Pirelli & C. SpA Group: pro-forma consolidated data incl. Olimpia SpA and the Telecom Italia Group wholly consolidated	27.137	25.369	49.266	38.037	1,82	1,50	4.909	3.563