



PRESS RELEASE

**THE BOARD OF DIRECTORS OF PIRELLI & C. SPA APPROVES
FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30
SEPTEMBER 2006:**

**THE GROUP ENDED THE FIRST NINE MONTHS OF THE YEAR WITH AN
IMPROVEMENT IN RESULTS FROM OPERATIONS: REVENUES +9.1%,
OPERATING INCOME +7.8%**

**THE CARRYING VALUE OF THE EQUITY INVESTMENT IN OLIMPIA
ADJUSTED: THE "SEE-THROUGH" VALUE OF THE TELECOM ITALIA
SHARES DOWN FROM APPROXIMATELY 4 TO 3 EUROS PER SHARE**

**THE CONSOLIDATED SHAREHOLDERS' EQUITY AMOUNTS TO 4,426.7
MILLION EUROS, COMPARED TO NET DEBT OF 1,430.8 MILLION
EUROS**

**LUCIANO GOBBI APPOINTED AS CHIEF FINANCE AND STRATEGIC
PLANNING OFFICER. CLAUDIO DE CONTO APPOINTED AS CHIEF
OPERATING OFFICER**

PIRELLI & C. SPA GROUP

- **REVENUES: 3,623.1 MILLION EUROS, UP BY 9.1% COMPARED TO
3,322.3 MILLION AT 30 SEPTEMBER 2005 (+6.4% NET OF EXCHANGE
RATES)**
 - **OPERATING INCOME: 299.7 MILLION EUROS (+7.8%); ROS
OF 8.3%**
- **NET DEBT: 1,430.8 MILLION EUROS FROM 1,574.9 MILLION AT 30
JUNE 2006**
- **NET RESULT: -1,410.5 MILLION EUROS, COMPARED TO 316.2
MILLION AT 30 SEPTEMBER 2005. THE RESULT IS AFFECTED BY
THE VALUE ADJUSTMENT OF 2,110 MILLION EUROS OF THE
EQUITY INVESTMENT IN OLIMPIA. NET OF THE EXTRAORDINARY
ITEMS AND ON A LIKE-FOR-LIKE BASIS, THE NET RESULT IS A
POSITIVE FIGURE OF 296.6 MILLION EUROS (266.4 MILLION AT 30
SEPTEMBER 2005)**

- **28,645 EMPLOYEES, UP FROM 26,827 AT THE END OF 2005 THANKS ABOVE ALL TO THE EXPANSION OF THE TYRE BUSINESS**

PIRELLI TYRE

- **REVENUES: 2,990.6 MILLION EUROS, AN IMPROVEMENT OF 10.5% FROM 2,706.9 MILLION IN THE SAME PERIOD OF 2005 (+7.3% NET OF EXCHANGE RATES)**
- **OPERATING INCOME FROM ORDINARY OPERATIONS: 278.8 MILLION EUROS, +2.8% FROM 271.1 MILLION AT 30 SEPTEMBER 2005; ROS OF 9.3%. OPERATING INCOME AFTER THE COSTS OF THE IPO PROJECT: 271.4 MILLION EUROS; ROS OF 9.1%**

PIRELLI RE

- **OPERATING PROFIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS: 115.6 MILLION EUROS (+11% COMPARED TO 30 SEPTEMBER 2005)**
- **NET PROFIT: 84 MILLION EUROS (+8% FROM 78 MILLION AT 30 SEPTEMBER 2005)**
- **ASSETS MANAGED AT MARKET VALUE (INCLUDING THE BINDING COMMITMENTS FOR ACQUISITIONS): APPROXIMATELY 15 BILLION EUROS, OF WHICH ABOUT 3.4 BILLION OWNED BY PIRELLI RE**

PIRELLI BROADBAND SOLUTIONS

- **REVENUES: 102.6 MILLION EUROS, UP BY 26% COMPARED TO 81.4 MILLION IN THE FIRST NINE MONTHS OF 2005**
- **OPERATING INCOME: -1 MILLION EUROS (-6 MILLION EUROS AT 30 SEPTEMBER 2005)**

PIRELLI AMBIENTE

- **REVENUES: 54.5 MILLION EUROS, AN IMPROVEMENT OF 35.9% COMPARED TO 40.1 MILLION AT 30 SEPTEMBER 2005**
- **OPERATING INCOME: 0.9 MILLION EUROS, COMPARED TO -2.4 MILLION EUROS AT 30 SEPTEMBER 2005**

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• THE GROUP CONFIRMS ITS EXPECTATIONS OF AN IMPROVEMENT IN RESULTS FROM OPERATIONS FOR 2006

Milan, 7 November 2006 – The **Board of Directors** of **Pirelli & C. SpA**, which met today, has examined the **results** for the **first nine months of 2006**.

The results at 30 September 2006 show a **growth in results from operations** with respect to the same period of last year thanks to the positive performance of the Group's core businesses. At consolidated level, **revenues increased by 9.1%** and the **operating income by 7.8%**. In **industrial activities**, **Pirelli Tyre** ended the first nine months of the year with a **double digit growth in revenues (+10.5%)** with respect to the same period of 2005, with increases in both the Consumer and Industrial businesses. In real estate activities, **Pirelli RE** achieved an **11% increase in the operating profit including income from equity participations**. As for the start-ups, **Pirelli Broadband Solutions** and **Pirelli Ambiente** registered significant **revenues increases**, respectively **26%** and **35.9%**, compared to last year.

New management structure

The Board of Directors has accepted the resignation of Mr. **Carlo Buora** from his appointment as **CEO**, expressing its sincere thanks for his fundamental contribution to the Group's growth and expansion during the course of over fifteen years work with the Company. The Board then appointed Mr. **Luciano Gobbi** as **Chief Finance and Strategic Planning Officer** and, to co-ordinate all the other functions directly reporting to the Chairman, it **created** the new position of **Chief Operating Officer**, which it entrusted to Mr. **Claudio De Conto**.

Value adjustment of the equity investment in Olimpia

Furthermore, the Board of Directors decided to make an **adjustment** to the **carrying value** of the equity investment that the Company holds in **Olimpia SpA**. At consolidated level this adjustment amounts to **2,110 million euros** and corresponds to a see-through valuation of the Olimpia asset (or the Telecom Italia shares held by the latter) of **3 euros per share**, with respect to the previous valuation of about **4 euros per share**.

The deterioration in the recoverable value of the equity investment, which took place during 2006, is ascribable to the negative stock market performance of the Telecom Italia shares – inferior to both European sector indexes and the expectations of Pirelli management – and the analysts' reduction of the target price.

The Company has considered it appropriate, having recorded the effective existence of a loss for the reduction in value of the equity investment and in view of the significance of this investment and taking also into account the observations formulated by Consob, to make use of both the value configurations provided by international accounting standards

for the purpose of determining the amount of the loss itself (fair value, deducting sale costs and value in use). This was also decided due to the current absence of a consolidated practice, as result of the recent introduction of the IFRS standards, and the variety of value configurations and criteria for recoverable value estimates utilised by European operators in the telecommunications sector, as well as the specific nature of the asset subject to test of impairment.

In the light of this transaction, the impact of Olimpia on the consolidated income statement of Pirelli & C. SpA at 30 September was a **negative** figure of **1,983 million** euros. This result is due to the negative component of 2,110 million euros related to the value adjustment and positive result of 127 million euros achieved by Olimpia in the first nine months.

Pirelli & C.'s **consolidated shareholders' equity** at 30 September 2006, following the value adjustment of the equity investment in Olimpia, was **4,426.7 million** euros, compared to the **net debt** that, at the same date, was **1,430.8 million** euros. The shareholders' equity of the **Parent Company** Pirelli & C. SpA, following the value adjustment of the equity investment in Olimpia, is **2,936 million** euros, of which the share capital is 2,790 million euros. The valuation adjustment of Olimpia, therefore, does not have repercussions on the **equity and financial solidity** of the Group.

Pirelli & C. SpA Group

At consolidated level, the Group's **revenues** at 30 September 2006 amounted to **3,623.1 million** euros, an **increase** of **9.1%** compared to 3,322.3 million euros for the same period of 2005. Net of exchange rates, revenues were up by 6.4%.

The consolidated **gross operating margin** (EBITDA) was **462 million** euros (12.8% of sales), an **increase** of **6%** compared to 435.9 million euros in the first nine months of 2005. Excluding the non-recurring costs incurred for the planned flotation of Pirelli Tyre SpA (about 13.5 million euros), the consolidated **EBITDA** amounted to **475.5 million** euros (13.1% of sales), an **increase** of about **9.1%** compared to the first nine months of 2005.

The consolidated **operating income** (EBIT) was **299.7 million** euros, an increase of **7.8%** from 278 million at 30 September 2005 and growth in all the business sectors. The consolidated profitability margin (**ROS** – Return on Sales) was **8.3%**. Excluding the non-recurring costs incurred for the planned flotation of Pirelli Tyre SpA (about 13.5 million euros), the consolidated **operating income** was **313.2 million** euros (+**12.7%** with respect to 2005) with a **8.6% ROS** (8.4% at September 2005).

The **result from equity participations** was a **negative** amount of **1,469.5 million** euros, against a positive figure of 194.9 million in the first nine months of 2005 and above all includes the value adjustment of the equity investment in Olimpia (2,110 million euros), against a **capital gain** realised in the third quarter following the private placement of 38.9% of Pirelli Tyre (416.4 million euros). The item also includes the result of the companies valued with the shareholders' equity method and the dividends of the other non-consolidated equity investments. In particular, **Olimpia** made a **positive** contribution of **127**

million euros from 129.7 million at 30 September 2005. It is recalled that Olimpia's financial statements, adopted in the Group's consolidated financial statements, were drawn up in accordance with the IFRS standards and include the valuation using the shareholders' equity method of the Telecom Italia equity investment.

The item also includes the **results of the real estate sector companies (Pirelli RE Group)**, which were a positive **63.3 million** euros (62.6 million at 30 September 2005) and the **dividends** received of **51.4 million** euros (20 million at 30 September 2005).

The item **financial charges and income** recorded a negative balance of **129.3 million** euros (50.4 million euros of which is related to the valuation of the derivatives on ordinary Telecom Italia shares held by the Group), compared to 110 million (38.2 million euros of which was related to the valuation of the derivatives on ordinary Telecom Italia shares held by the Group) for the same period of 2005.

The consolidated **net result** at 30 September 2006 was a **negative amount of 1,410.5 million** euros, with respect to a positive figure of 316.2 million euros for the first nine months of 2005 (which included a contribution of 49.8 million euros for the cable activities sold). The figure was affected by the value adjustment of 2,110 million euros in the equity investment in Olimpia. Net of the **extraordinary items** (the value adjustment of Olimpia, capital gain from the sale of part of the Pirelli Tyre shares and the Tyre IPO project costs) with the **same scope of consolidation** (net of the contribution of the assets sold), the **net consolidated result** at 30 September was a **positive 296.6 million** euros, an increase compared to 266.4 million for the same period of 2005.

Net result attributable to Pirelli & C. SpA for the first nine months of the year was a **negative 1,472.4 million** euros, compared to 276 million euros in the first nine months of 2005 (which included a contribution of 49.8 million euros of the activities sold). The figure was affected by the value adjustment of 2,110 million euros in the equity investment in Olimpia. Net of the **extraordinary items** (the value adjustment of Olimpia, capital gain from the sale of part of the Pirelli Tyre shares and the Tyre IPO project costs) with the **same scope of consolidation, net result** attributable to Pirelli & C. SpA at 30 September was a **positive 234.7 million** euros, compared to 226.2 million for the same period of 2005.

The **consolidated shareholders' equity** at 30 September 2006 was **4,426.7 million** euros, compared to 5,613.8 million at 31 December 2005. **The shareholders' equity attributable to Pirelli & C. SpA** was **3,766.3 million** euros compared to 5,204.9 million euros at the end of 2005. The change compared to the end of 2005 reflects the value adjustment of 2,110 million euros in the equity investment in Olimpia. **The shareholders' equity of the Parent Company Pirelli & C. SpA**, following the value adjustment of the equity investment in Olimpia, is **2,936 million** euros, of which the share capital is 2,790 million euros.

The Group's **net debt** at 30 September 2006 amounted to **1,430.8 million** euros, compared to 1,574.9 million euros at 30 June 2006. The change in the quarter is mainly due to the difference between the outlay for the acquisition of 12.8% of Olimpia from Hopa (approximately 498 million euros) and the receipts from the private placement of 38.9% of Pirelli Tyre (about 740 million euros). The net debt at 30 September 2005 was 1,235.8 million euros, while this was 1,177.4 million euros at 31 December 2005.

The Group's **employees** at 30 September 2006 totalled **28,645** against 26,827 at the end of 2005. The extra 1,818 persons relate above all to personnel with a term contract (798 persons) and are mainly linked to the expansion of the activities in the tyres sector.

Pirelli Tyre

Pirelli Tyre achieved a **sales growth exceeding 10%** in the first nine months of 2006 and **increased results from operations** compared to the previous year. This performance was obtained despite the significant rise in raw material costs, which penalised the entire sector.

Revenues were **2,990.6 million** euros, **up by 10.5%** compared to 2,706.9 million in the same period of 2005 (+7.3% net of exchange rates).

The **EBITDA** was **418.1 million** euros (+1.4% compared to the first nine months of 2005 and 14% of sales), after non-recurring costs of about 7 million euros incurred for the planned flotation. The **EBITDA** from ordinary operations amounted to **425.5 million** euros (14.2% of sales), an **increase of 3.2%** compared to 412.4 million euros in the first nine months of 2005.

The **operating income** amounted to **271.4 million** euros (**ROS of 9.1%**), substantially in line with the figure at 30 September 2005, including non-recurring costs of about 7 million euros incurred for the planned flotation. The **operating income** from ordinary operations was **278.8 million** euros, up by **2.8%** from 271.1 million euros at 30 September 2005, with a **ROS of 9.3%** (10% in the first nine months of 2005). The improved result is a function of the positive impacts related to the sales and efficiency increases, which have more than compensated for the increased costs of the production factors. The reduction of the profitability percentage is mainly attributable to the increased costs of raw materials.

The **net income** was **153.6 million** euros (after financial charges of 42 million euros and tax charges of 75.8 million euros), compared to **165.1 million** euros (after financial charges of 30.1 million euros and tax charges of 75.9 million euros) in the first nine months of 2005. This change resulted from the higher financial charges related to the corporate reorganisation and optimization of the financial structure of Pirelli Tyre that took place in the course of 2006.

Net debt was **783.3 million euros**, compared to 739.6 million at 30 June 2006.

At the end of September, the **headcount** stood at **25,396 employees** (of which 3,730 were temporary), compared to 23,673 (of which 2,958 were temporary) at 31 December 2005, thanks to the development of the activities.

In the **Consumer** business, the first nine months of 2006 showed growth both in terms of revenues (+9%) and operating income (+14%) with respect to the previous year. In detail, the revenues amounted to 2,072 million euros and the operating income from ordinary operations was 193.9 million euros. The third quarter revenues amounted to 669 million euros, up by 6% with respect to the same period of 2005, thanks to higher volumes and a

significant improvement in the price/mix component. The operating income from ordinary operations of 53.2 million euros (8% of sales), also registered an increase with respect to the previous year (+5%), thanks to the positive contribution of the commercial variables and efficiencies, which more than compensated the higher raw materials cost.

The demand in the *Car* segment was positive in Europe, in particular in the segments in which Pirelli Tyre is traditionally the leader (High Performance and Ultra-High Performance), as well as Winter, where Pirelli continues to grow in the more sporting applications with the Sottozero, Snowsport, Snowcontrol and Scorpion ICE & Snow range thanks also to the successes in the Automobile Club test and those of the more prestigious German, Austrian and Swiss magazines. The demand in the South American market was stable overall. Pirelli Tyre's selective growth in North America continues, notwithstanding negative demand, supported by new products such as the SUV Scorpion ATR tyre. The improvement continues in the profitability of the *Motorcycle* segment, where the volume and mix more than compensated for the trend in raw material costs.

The **Industrial** business revenues at 30 September of 919 million euros, show a growth of 13% with respect to the previous year. Market demand was positive in Europe overall, while a reduction occurred in South America. Growth in steelcord volumes continued in the third quarter. The operating income, which was down, was 84.9 million euros. The third quarter ended with revenues of 303 million euros, up by 8% with respect to the same period of 2005. The operating income from ordinary operations was 24.5 million euros, down compared to the third quarter of 2005 due to the peak reached by natural rubber, the main cost item of the business' raw materials. The ROS was 8.1%.

Pirelli RE

Pirelli RE is a **management company** that manages funds and companies owning properties and non-performing loans, and in which it holds minority interests (the fund and asset management businesses). It also provides a full range of property services to the above companies and to other customers, either directly or via its franchise network. In analysing the following results it should be noted that the **operating profit including income from equity participations** is the most appropriate measure of the Group's operating performance.

The **aggregate revenues pro-quota** amount to **915.1 million** euros, which are substantially in line with the 920.1 million euros of the previous year.

The **operating profit** including income from equity participations was **115.6 million** euros, an **increase of 11%** compared to 104.5 million euros for the first nine months of 2005.

The company's attributable **net profit** was **84 million** euros, **up by 8%** against 78 million euros in the same period of 2005.

At 30 September 2006 the operating profit including income from equity participations was up 11% with respect to 2005, notwithstanding a quarter affected by uncertainty regarding new tax legislation on the property front, which came into force at the beginning of October,

with the latest change relating to the transfer tax on the property funds. The operating profit including income from equity participations registered strong growth above all in tertiary assets, up from 48.1 to 68.4 million euros, a growth of 42%, and in the more recent Asset Management NPL sector, rose from 4.7 to 7.9 million euros, a 68% improvement.

The **assets under management** at market value, including the binding commitments for acquisitions inclusive of the binding agreement for acquisition of the German DGAG, rose to over **15 billion** euros, of which about **3.4 billion** euros is owned by Pirelli RE.

The **net financial position** was a negative figure of **94.9 million** euros, with respect to 82.3 million at 30 June 2006 (30.5 million at the end of 2005). Pirelli RE had **1,655 employees** at 30 September 2006 (1,596 at the end of 2005).

For further information on the performance of the real estate activities you are referred to the press release issued by Pirelli & C. Real Estate on 6 November.

Pirelli Broadband Solutions

The **revenues** at 30 September 2006 rose to **102.6 million** euros, a **growth** of **26%** with respect to 81.4 million euros in the first nine months of 2005, which was also linked to the marketing of second generation photonic products (optical components and modules to improve the performance and flexibility of telecommunication networks) for 11.3 million euros.

The company's **EBITDA** reached **break-even** and improved compared to -5.6 million at 30 September 2005.

The **operating income**, positive with regard to the access activities, nevertheless suffered from the start-up phase of the second generation photonic products and was **-1 million** euros, an **improvement** compared to the -6 million of the same period of 2005.

The **net income** was a **negative** amount of **2.5 million** euros, compared to -6.9 million at 30 September 2005.

Net debt totalled 9 million euros.

There were **156 employees** at the end of September, an increase of 34 with respect to 31 December 2005.

The sales increase achieved by Pirelli Broadband Solutions in the first nine months of 2006 with respect to the same period of the previous year is the fruit of the growth seen in both the company's divisions (access and photonics). A significant increase in volumes was recorded in the broadband access business, partially cut back by a fall of the market prices for residential access gateways. Furthermore, the first contracts were signed for supply of the "dual-mode" phones for integration between fixed and mobile telephony services, which will produce the first turnover in the last quarter of 2006. Instead, in photonics the good market success of the City8 (CWDM) continues, while the pre-sale qualification phase was

initiated with some principal customers of the DTL (Dynamically Tunable Laser), which should lead to the signing by the year-end of the first supply contracts for 2007.

Pirelli Ambiente

Pirelli Ambiente, the company incorporated to reinforce the Group's presence in the environment and sustainable development sector, registered **revenues of 54.5 million euros** at 30 September 2006 (+35.9% compared to 40.1 million euros in the same period of 2005), confirming the effectiveness of the technologies developed by the company. The growth attained in the first nine months is related to sales of fuel with a low environmental impact *Gecam™ - Il Gasolio Bianco*, in particular in the French market through the subsidiary Gecam France, development of the new business line of anti-particulate filters for reduction of the emissions of diesel vehicles and the agreement signed with the British company ReEnergy for the development and marketing of the fuel derived from waste by Pirelli (Cdr-P) in the United Kingdom.

The company's **EBITDA** was a **positive 1.5 million euros** with respect to a negative figure of 1.2 million euros at 30 September 2005, thanks to an agreement signed with ReEnergy.

The **operating income** was a **positive 0.9 million euros** compared to -2.4 million for the same period of 2005.

The **net result** was a **positive 0.5 million euros** compared to -2.5 million for the same period of 2005.

The **net financial position** at 30 September was a **positive** figure of **0.3 million euros**.

There were **49 employees** at 30 September.

Outlook for full-year 2006

The results for the first nine months allow the confirmation for full-year 2006 of forecasts of an **improvement in results** from operations in all Group's businesses compared with 2005, barring external factors of an extraordinary nature which today cannot be foreseen, while the impact of the value adjustment of the equity investment in Olimpia will continue to affect the net result. Pirelli expects that the net debt will reach approximately 2 billion euros at the end of 2006, net of the temporary effect of the transaction finalised on 9 October by Pirelli RE in Germany, which will have an impact of about 80 million euros on the Group's consolidated net financial position when completed.

Relevant events after 30 September 2006

On 4 October 2006, Pirelli & C. SpA finalized the acquisition of the stakes in Olimpia SpA held by Banca Intesa SpA (4.77%) and Unicredito Italiano SpA (4.77%) for a consideration of approximately 585 million euros for each bank.

On 9 October 2006, Pirelli RE signed a binding agreement to acquire approximately 97% of Deutsche Grundvermögen (DGAG), one of Germany's leading property companies, with offices in Hamburg and Kiel, based on a valuation of 100% of the company's equity of 440 million euros (at 31 December 2005).

On 18 October 2006, Olimpia, Pirelli, Edizione Holding, Edizione Finance International, Mediobanca and Generali executed a shareholder's agreement by way of which Olimpia, Mediobanca and Generali have tied-up a total of 23.2% of Telecom Italia ordinary shares.

On 26 October 2006, Pirelli Tyre officially started tyre manufacturing in Romania at its new facility in Slatina (Olt Province). The plant produces top-of-the-range tyres for cars and SUVs (Sport Utility Vehicles) and is located close to the steel-cord facility opened last year. The total investment is approximately 170 million euros.

On 26 October 2006, Pirelli & C. SpA, following up on its communication of 28 September, concluded the sale of its 49,689,476 Capitalia shares (about 1.92% of the share capital) for a total amount of approximately 333 million euros.

Bonds maturing in the 18 months following 30 September 2006

On 4 April 2007, the bond issued in 2002 at a fixed rate of 6.5% by Pirelli Finance Luxembourg SA, a subsidiary of Pirelli & C. SpA, of a value of 500 million euros, is due to mature.

Conference call

The results relative to the first nine months of 2006 will be illustrated at 4.30 p.m GMT in a conference call with the participation of the Chairman of Pirelli & C. SpA, Marco Tronchetti Provera.

Journalists will be able to follow the presentation, without the possibility of asking questions, by calling **+39 06 33485042**.

The presentation will also be available in audio streaming – in real time – at www.pirelli.com in the Investor Relations section, where it will also be possible to consult the slides.

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In order to present more complete information regarding the results at 30 September 2006, summaries of the consolidated financial statements included in the report approved by the Board of Directors are attached. Please note that they are not subject to being audited by the Auditing company. Pro-forma consolidated balance sheet and statement of income for Pirelli & C. SpA at 30 September 2006, assuming full

consolidation of Olimpia SpA. and valuation of the investment in Telecom Italia SpA according to the equity method. Calendar of main corporate events for 2007 also attached.

Attachment I

PIRELLI & C. S.p.A. GROUP

	(million euro)				
	3rd Q 2006	3rd Q 2005	30/09/2006	30/09/2005	31/12/2005
. Sales	1.177,2	1.040,9	3.623,1	3.322,3	4.545,7
. EBITDA	137,8	129,6	462,0	435,9	567,6
% on sales	11,7%	12,5%	12,8%	13,1%	12,5%
. EBIT	83,6	75,5	299,7	278,0	354,9
% on sales	7,1%	7,3%	8,3%	8,4%	7,8%
. Income from equity participations	(1.634,7) (*)	61,5	(1.469,5) (*)	194,9	267,1
. Operat. income incl. income from equity part.	(1.551,1)	137,0	(1.169,8)	472,9	622,0
. Financial charges/income	(18,6)	(22,8)	(129,3)	(110,0)	(144,4)
. Tax charges	(33,9)	(25,4)	(111,4)	(96,5)	(128,5)
. Net profit operat. activities	(1.603,6)	88,8	(1.410,5)	266,4	349,1
% on sales	n.s.	8,5%	n.s.	8,0%	7,7%
. Net profit discontinued operations	-	17,0	-	49,8	49,8
. Total net profit	(1.603,6)	105,8	(1.410,5)	316,2	398,9
. Net profit attributable to Pirelli & C. S.p.A.			(1.472,4)	276,0	327,4
. Attributable net profit per share (in euro)			(0,276)	0,057	0,066
. Shareholders' equity			4.426,7	5.565,0	5.613,8
. Shareholders' equity attributable to Pirelli & C. S.p.A.			3.766,3	5.187,0	5.204,9
. Shareholders' equity per share (in euro)			0,702	0,976	0,979
. Net financial position (assets)/liabilities			1.430,8	1.235,8	1.177,4
. R&D investments			131	131	174
. Employees n. (at the end of the period)			28.645	26.864	26.827
. Number of plants			24	24	24
Pirelli & C. shares in circulation					
. ordinary (n. million)			5.233,1	5.180,7	5.180,7
. savings (n. million)			134,8	134,8	134,8
. Total shares in circulation			5.367,9	5.315,5	5.315,5

(*) including the write-down of Olimpia S.p.A. for 2,110 million euros and capital gain from the sale of 38.9% of Pirelli Tyre for 416 million euros.

Attachment 2

(million euro)	30.09.2006					TOTAL
	Tyres	Broadband	Ambiente	Real Estate	Others	
. Sales	2.990,6	102,6	54,5	464,4	11,0	3.623,1
. EBIDTA	418,1	(0,1)	1,5	58,9	(16,4)	462,0
. EBIT	271,4	(1,0)	0,9	52,3	(23,9)	299,7
. Income from equity participations	0,3	-	-	63,3	(1.533,1) ⁽¹⁾⁽²⁾⁽³⁾	(1.469,5)
. Operating income incl. income from eq. part.	271,7	(1,0)	0,9	115,6	(1.557,0)	(1.169,8)
. Financial charges/income	(42,3)	(1,0)	0,0	(1,0)	(85,0)	(129,3)
. Tax charges	(75,8)	(0,5)	(0,4)	(29,2)	(5,5)	(111,4)
. Net profit	153,6	(2,5)	0,5	85,4	(1.647,5)	(1.410,5)
. Net financial position (assets)/liab.	783,3	9,0	(0,3)	94,9	543,9	1.430,8

(million euro)	30.09.2005					TOTAL
	Tyres	Broadband	Ambiente	Real Estate	Others	
. Sales	2.706,9	81,4	40,1	458,8	35,1	3.322,3
. EBIDTA	412,4	(5,6)	(1,2)	48,3	(18,0)	435,9
. EBIT	271,1	(6,0)	(2,4)	41,9	(26,6)	278,0
. Income from equity participations	(0,5)	-	-	62,6	132,8 ⁽¹⁾	194,9
. Operating income incl. income from eq. part.	270,6	(6,0)	(2,4)	104,5	106,2	472,9
. Financial charges/income	(29,6)	(0,7)	-	0,8	(80,5)	(110,0)
. Tax charges	(75,9)	(0,2)	(0,1)	(26,4)	6,1	(96,5)
. Net profit	165,1	(6,9)	(2,5)	78,9	31,8	266,4
. Net financial position (assets)/liab.	384,7	3,1	(1,5)	29,4	820,1	1.235,8

(1) Equity evaluation of Olimpia S.p.A. positive for Euro 127 million (Euro 130 million in 2005).

(2) write-down of Olimpia S.p.A. for 2,110 million euros.

(3) capital gain from the sale of 38.9% of Pirelli Tyre for 416 million euros.

PIRELLI & C. SPA PRO-FORMA

	30/09/2006 Pirelli & C S.p.A. Consolidated financial statements (1)	Pro-forma adjustments				30/09/2006 Pirelli & C S.p.A. Pro-forma consolidated financial statements (2)
		Reversal of Olimpia S.p.A. results owing to Pirelli & C S.p.A.	Olimpia S.p.A. fully	Olimpia books of consolidation	Total pro- forma adjustments	
<i>(million euro)</i>						
Statement of Income Summary						
Sales	3.623	-	-	-	-	3.623
EBIT	300	-	(1)	-	(1)	299
Financial charges/income/adj. value of income activ.	(1.599)	1.983	(2.443)	-	(460)	(2.058)
Taxes	(111)	-	-	-	-	(111)
Net profit	(1.410)	1.983	(2.444)	-	(461)	(1.870)
Attributable net profit	(1.472)	1.983	(1.983)	-	-	(1.472)
Reclassified balance sheet						
Shareholders' equity	4.427	1.983	4.497	(5.518)	962	5.389
- attributable shareholders' equity	3.766	1.983	3.294	(5.277)	-	3.766
Net financial position (assets)/liabilities	1.431	-	3.179	-	3.179	4.610

(1) Pirelli & C. consolid. fina. statements (invest. in Olimpia valued using shareholders' equity method with Olimpia valuat. TI with the shareholders' equity method).

(2) Pro-forma data (Olimpia S.p.A. Fully consolidated).

<i>(million euro)</i>	Shareholders' equity		Net debt		Net debt/ Shareholders' equity		Attributable Shareholders' equity	
	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005	30/09/2006	31/12/2005
Pirelli & C. S.p.A. Group: consolidated data	4.427	5.614	1.431	1.177	0,32	0,21	3.766	5.205
Pirelli & C. S.p.A. Group: pro-forma consolidated data incl. Olimpia S.p.A. fully consolidated	5.389	8.393	4.610	4.667	0,86	0,56	3.766	5.205
Pirelli & C. S.p.A. Group: pro-forma consolidated data incl. Olimpia S.p.A. and Telecom Italia fully consolidated	28.550	32.029	44.114	44.525	1,55	1,39	3.766	5.205

Calendar of main Corporate events:

Calendar of main corporate events for year 2007 follows:

12 March 2007: Meeting of Board of Directors to examine draft financial statements of the Company and draft consolidated financial statements for the year ended 31 December 2006. The above documents will be published by 90 days from the end of the period and, consequently, in accordance with art. 82 of Consob resolution 11971/99 (with following modifications and integrations), the quarterly report for the fourth quarter 2006 will not be drawn up.

20-23 April 2007 (first and second convocation): Annual General Meeting of Shareholders for the approval of the financial statements at 31 December 2006. Consequently, it is forecasted that any dividend related to fiscal year 2006 would be paid on May 2007.

10 May 2007: Meeting of Board of Directors to examine financial statements for the first quarter ended 31st March 2007.

26 July 2007: Meeting of Board of Director to examine draft and unaudited financial statements for the six months ended 30 June 2007.

11 September 2007: Meeting of Board of Directors to examine financial statements for the six months ended 30 June 2007.

The above document will be published by 75 days from the end of the period and, consequently, in accordance with art 82 of Consob resolution 11971/99 (with following modifications and integrations), the quarterly report for the second quarter 2007 will not be drawn up.

9 November 2007: Meeting of Board of Directors to examine financial statements for the third quarter ended 30 September 2007.

Any change in the Calendar will be communicated as soon as decided.