



PRESS RELEASE

***THE BOARD OF DIRECTORS OF PIRELLI & C. SPA APPROVES DRAFT 2006
FINANCIAL STATEMENTS:***

- **THE GROUP CLOSES 2006 WITH GROWTH IN OPERATING RESULTS COMPARED WITH THE PREVIOUS YEAR**
- **GROWING INTERNATIONAL PRESENCE (NEW PIRELLI TYRE PLANTS IN BRAZIL AND ROMANIA, ACQUISITIONS BY PIRELLI RE IN GERMANY AND POLAND)**
 - **REVENUES: 4,841.2 MILLION EUROS COMPARED WITH 4,545.7 MILLION EUROS IN 2005, UP 6.5% (+5.1% ON A LIKE-FOR-LIKE BASIS)**
 - **EBITDA: 614.1 MILLION EUROS (+8.2%)**
- **OPERATING INCOME: 401.4 MILLION EUROS (+13.1%), ROS AT 8.3% COMPARED WITH 7.8% IN 2005**
- **NET RESULT: -1,048.8 MILLION EUROS (POSITIVE FOR 398.9 MILLION EUROS IN 2005), DUE TO VALUE ADJUSTMENT OF THE HOLDING IN OLIMPIA, PARTIALLY COMPENSATED BY THE PRIVATE PLACEMENT OF 38.9% OF PIRELLI TYRE AND BY THE SALE OF FINANCIAL HOLDINGS**
 - **DIVIDEND: IN LIGHT OF THIS RESULT, NO DIVIDEND WILL BE DISTRIBUTED**
- **ON A LIKE-FOR-LIKE PERIMETER, AND NET OF EXTRAORDINARY COMPONENTS, THE NET RESULT IS POSITIVE FOR 472.8 MILLION EUROS (349.1 MILLION EUROS IN 2005)**
- **NET FINANCIAL POSITION: -1,979.6 MILLION EUROS, IN LINE WITH ESTIMATES ALREADY COMMUNICATED TO THE MARKET**
- **THE NUMBER OF EMPLOYEES RISES TO 28,617, UP FROM 26,827 AT END 2005**
- **FOR 2007 THE GROUP EXPECTS A FURTHER IMPROVEMENT IN RESULTS, MAINLY IN THE TYRE AND REAL ESTATE BUSINESSES**

- **AS REGARDS OLIMPIA, THE BOARD GAVE A MANDATE TO THE CHAIRMAN TO EXPLORE ALL POSSIBLE OPTIONS, WITHOUT EXCLUDING SALE OF THE HOLDING, IN ORDER TO BRING OUT THE BEST STRATEGIC VALUE OF THE ASSET IN THE INTEREST OF ALL SHAREHOLDERS**

PIRELLI TYRE

- **REVENUES: 3,949.5 MILLION EUROS, UP 8.7% COMPARED WITH 2005 (+7% ON A LIKE-FOR-LIKE BASIS)**
- **OPERATING INCOME FROM ORDINARY OPERATIONS: 349.7 MILLION EUROS, +6.4% COMPARED WITH 328.8 MILLION EUROS IN 2005, ROS TO 8.9%; OPERATING INCOME AFTER IPO PROJECT COSTS 342.3 MILLION EUROS, ROS TO 8.7%**

PIRELLI RE

- **EBIT INCLUDING INCOME FROM EQUITY PARTICIPATIONS: 214.4 MILLION EUROS (+15% COMPARED WITH 2005)**
- **NET PROFIT: 159.5 MILLION EUROS (+10% FROM 145.4 MILLION EUROS IN 2005)**
- **ASSETS UNDER MANAGEMENT: APPROXIMATELY 14.5 BILLION EUROS (+12% COMPARED WITH END 2005)**

PIRELLI BROADBAND SOLUTIONS

- **REVENUES TO 129.4 MILLION EUROS, UP 15.3% FROM 112.2 MILLION EUROS IN 2005**
- **OPERATING INCOME REACHES BREAK-EVEN**

PIRELLI AMBIENTE

- **REVENUES: 69 MILLION EUROS, UP 12.2% COMPARED WITH 61.5 MILLION EUROS IN 2005**
- **OPERATING INCOME REACHES BREAK-EVEN**

Milan, 12 March 2007 – The **Board of Directors** of **Pirelli & C. SpA**, which met today, approved the **draft financial statements for 2006**.

The Pirelli & C. SpA Group

The Pirelli & C. SpA Group closed 2006 with **further growth in operating results** compared with 2005. The consolidated accounts present a significant **increase of revenues (+6.5%** compared with the previous year), which come close to a threshold of **5 billion** euros, and a double digit increase in the **operating income (+13.1%)**, which exceeds **400 million** euros, thanks to the **good performance of the core businesses** in the tyre and real estate sectors and to the improvement in the broadband and environmental businesses, in start-up phases.

In the **industrial businesses**, **Pirelli Tyre** closed 2006 with an **increase in revenues** slightly below 9% and **growing operating results**, despite the increase in raw materials costs that penalized the tyre sector in all areas of the world. In the **real estate business**, **Pirelli RE** registered **double-digit growth** in **EBIT** including income from equity participations, reaching the maximum of the range indicated by the 2006-2008 three-year plan (CAGR 10-15%), and a **significant increase in assets under management** at market value, which amounts to about **14.5 billion** euros. With regard to the **start-ups**, **Pirelli Broadband Solutions** obtained in 2006 a **sales increase** greater than **15%**, closing the year at **break-even** on the operating level. **Pirelli Ambiente** also reached operating break-even and confirmed the trend of **sales growth**.

In addition, in 2006 the **Pirelli Group** further **increased its international presence in all areas of business**: **Pirelli Tyre** inaugurated a new plant for truck tyres in Brazil and started manufacturing of car tyres in Romania; **Pirelli RE** started its expansion abroad with important transactions in Poland and, above all, in Germany, where it concluded an agreement for the acquisition of DGAG, one of the most important German real estate companies; **Pirelli Broadband Solutions** began an internationalization process marketing its products throughout Europe, while **Pirelli Ambiente** took the first steps towards the realization in Romania of a factory for original equipment particulate filters.

As regards **Olimpia**, in 2006 Pirelli increased its holding from 57.66% to 80% following its purchase of the stakes of Hopa, Banca Intesa, and Unicredito Italiano. It should be recalled that on 7 November 2006, the Board of Directors of Pirelli & C. SpA decided to effect an adjustment to the book value of the holding in Olimpia. The adjustment, at consolidated level, amounted to 2,110 million euros and corresponds to a see-through value of the assets of Olimpia (that is, the Telecom Italia shares held by this latter) of 3 euros per share, compared with the previous valuation of about 4 euros per share.

At consolidated level, Group **revenues** as of 31 December 2006 amounted to **4,841.2 million** euros, **up 6.5%** compared with 4,545.7 million euros in the same period of 2005 and with increases in all business sectors. Net of exchange rates, revenues rose 5.1%.

The **gross operating profit (EBITDA)** amounted to **614.1 million** euros (12.7% of revenues), **up 8.2%** compared with the 567.6 million euros in the same period of 2005 (12.5% of revenues).

The consolidated **operating income (EBIT)** stood at **401.4 million** euros, with an increase of **13.1%** over the 354.9 million euros in 2005 and growth in all business sectors. The profitability margin (**ROS – Return on Sales**) at consolidated level stood at **8.3%**, **up** further compared with the 7.8% of 2005.

The **result from participations** was a negative amount of **1,149.3 million** euros, compared with a positive figure of 267.1 million euros in 2005 and includes the **value adjustment** of the holding in Olimpia for the amount of 2,110 million euros, counterposed against the **capital gains** realized during the year following the private placement of 38.9% of Pirelli Tyre (416.4 million euros) and the sale of the stake in Capitalia (215.2 million euros). The item also contains the results of the companies valued according to the shareholders' equity method and the dividends of the other non-consolidated holdings. In particular, the **contribution of Olimpia** was positive for **170 million** euros (152.5 million euros in 2005). It should be recalled that the Olimpia balance sheet, integrated into the consolidated balance sheet of the Group, was drawn up according to IFRS principles and includes a shareholders' equity method valuation of the Telecom Italia holding. The item also includes the results from real estate sector participations (**Pirelli RE Group**), which are positive for **110.7 million** euros (102.3 million euros the previous year).

The **financial charges and income** item presents a **negative** balance of **143.1 million** euros (of which 29.6 million euros related to the fair value valuation, effected during the course of the entire year, of derivatives on ordinary Telecom Italia shares held by the Group prior to closure of all the positions) compared with 144.4 million euros in 2005.

The **consolidated net result** as of 31 December 2006 is affected by the above-mentioned value adjustment of 2,110 million euros of the participation in Olimpia and is **negative** for **1,048.8 million** euros, compared with 398.9 million euros at the end of 2005. Net of extraordinary components (the value adjustment of Olimpia, capital gains from the sale of the stake in Pirelli Tyre and the stake in Capitalia, costs of the Tyre IPO project) and at like-for-like perimeters (net of the contribution of the assets sold), the consolidated net result as of 31 December 2006 was positive for 472.8 million euros, an increase over the 349.1 million euros in 2005.

The **attributable net result** of Pirelli & C. SpA as of 31 December 2006 was **negative** for **1,167.4 million** euros, compared with 327.4 million euros in 2005. The figure is affected by the value adjustment of the participation in Olimpia for 2,110 million euros. Net of extraordinary components (the value adjustment of Olimpia, capital gains from the sale of the stake in Pirelli Tyre and the stake in Capitalia, costs of the Tyre IPO project) and at like-for-like perimeters (net of the contribution of the assets sold), the attributable net result as of 31 December 2006 was positive for 354.2 million euros, an increase over the 277.6 million euros of 2005. The **net result of the parent company** Pirelli & C. SpA as of 31 December 2006 was **negative** for **1,642.3 million** euros (positive for 139.8 million euros in 2005). In light of this result, for 2006 the company will not distribute dividends. The loss will be covered by existing reserves.

Consolidated shareholders' equity is **4,686.6 million** euros. The variation compared with the 5,613.8 million euros of end 2005 is mainly due to the value adjustment of the Olimpia participation. The **attributable shareholders' equity** of Pirelli & C. SpA as of 31 December 2006 is **3,879.6 million** euros, compared with 5,204.9 million euros at end 2005, mainly due to the value adjustment of the Olimpia participation. The

shareholders' equity of the parent company Pirelli & C. SpA is **2,882.3 million** euros, of which 2,790 million relating to share capital.

The **net financial position** of the Group as of 31 December 2006 is negative for **1,979.6 million** euros, in line with estimates already communicated to the market. The variation with respect to the -1,430.8 million euros as of 30 September is mainly due to the difference between the payment sustained for the purchase of 9.54% of Olimpia from Intesa and Unicredito Italiano (1,040 million euros), the income obtained from the sale of 1.92% of Capitalia (333 million euros) and the cash generated in the period by operating businesses. At end 2005, the net financial position was negative for 1,177.4 million euros. The variation on an annual basis is mainly due to the previously mentioned factors and to the payments sustained in the first nine months of the year (purchase of Olimpia shares from Hopa for 497.7 million euros, purchase of Telecom Italia shares for 201 million euros, dividends paid for 162.7 million euros), offset by the net income deriving from the sale of 38.9% of Pirelli Tyre (715.8 million euros).

Again in the course of 2006 the Group maintained its priority commitment to **research and technological innovation**, with costs of **research and development** equal to **171 million** euros, about **3.5%** of sales.

The **personnel** of the Group as of 31 December 2006 consisted of **28,617** units compared with 26,827 as of 31 December 2005, with an increase of 1,790 units (of which 377 with temporary contracts) linked mainly to expansion of the businesses in the tyre and real estate sectors.

Pirelli Tyre

In 2006 Pirelli Tyre obtained sales growth of 8.7%, reaching nearly 4 billion euros, and growth of operating results over 2005 despite an increase in the cost of raw materials, which penalized the tyre industry in all areas of the world.

Revenues as of 31 December 2006 stood at **3,949.5 million** euros, with an increase of **8.7%** compared with 3,632.9 million in 2005 (+7% on a comparable basis, net of exchange rates).

EBITDA stood at **533.7 million** euros (+3% compared with 2005 and equal to 13.5% of sales), including non-recurring costs of about 7 million euros sustained for the IPO project. EBITDA for ordinary operations amounted to 541.1 million euros, up 4.4% compared with 518.1 million euros in 2005.

Operating income, including non-recurring costs of about 7 million euros sustained for the IPO project, amounted to **342.3 million** euros (ROS at 8.7%), up **4.1%** compared to 2005. Operating income from ordinary operations amounted to 349.7 million euros, up 6.4% compared with 328.8 million euros as of 31 December 2005, with a ROS of 8.9% (9.1% in 2005). The positive impacts linked to sales growth, product mix and improved efficiency, combined with the exchange rate contribution, more than compensated the increase of costs of production factors and in particular of raw materials (111 million

euros), the main cause of the percentage reduction in profitability, in addition to the start-up effect of the new truck factory in China.

Net profit stood at **199.3 million** euros (after financial charges of 56.5 million euros and fiscal charges of 86.5 million euros), compared with 198.4 million euros (after financial charges of 33.4 million euros and fiscal charges of 97 million euros) as of 31 December 2005.

Net financial position was a negative figure of **601.5 million** euros compared with net debt of 783.3 million euros as of 30 September 2006. The variation was mainly due to working capital. As of 31 December 2005, the net financial position was negative for 237.4 million euros.

At the end of December 2006, Pirelli Tyre counted **25,169 employees**, including 3,265 workers with temporary contracts, compared with 23,673 (of which 2,958 temporary) as of 31 December 2005, thanks to the growth of the business.

In the **Consumer** business, which corresponds to **69%** of total sales, 2006 was highlighted by **growth** both in terms of **revenues** (+8%) and in terms of **operating income** (+22%) compared with the previous year. In detail, **revenues** amounted to **2,735 million** euros and the **operating income** from ordinary operations to **245.7 million** euros. The improvement in the result was linked to the positive contribution of commercial variables and of increased efficiency, which more than compensated for the higher cost of raw materials.

In the *Auto* segment, demand confirmed itself to be positive in Europe, in particular in the segments in which Pirelli Tyre is traditionally leader (High-Performance and Ultra-High-Performance), as well as in Winter, where Pirelli has grown overall more than the market and above all in sports applications with the Sottozero, Snowsport, Snowcontrol and Scorpion ICE & Snow range. In the South American market demand was stable overall. In North America, despite negative demand, selective growth of Pirelli Tyre continued, supported by new products such as the tyre for the SUV Scorpion ATR. Improvement in the profitability of the *Motorcycle* segment continues, where the increase in volume and mix more than compensated raw material costs.

In the **Industrial** business, **revenues**, amounting to **1,214 million** euros, show growth of **9%** compared with the previous year. Demand was positive overall in all areas of interest for the *Truck* business (Europe, Mediterranean and Middle East, South America and China). For the *Steelcord* business as well demand grew in all areas with the exception of North America. The **operating income** of ordinary operations was equal to **104 million** euros, down from 2005 due to the peak reached by natural rubber, the main cost item in the raw materials of the business, and the impossibility to transfer the extra cost to the market in a short time. ROS (at 8.6%) was thus reduced by 2.8 percentage points compared with 2005.

Pirelli RE

Pirelli RE is a **management company** that manages funds and companies that own real estate and non-performing loans, in which it takes a minority stake (investment & asset management business) and to which it provides, as well as to other customers, every kind of specialized real estate service, both directly and through a network of franchised agencies (service provider business). Consequently, the most significant performance indicators of the Group's share of turnover and trend in earnings are respectively **pro-rate aggregate revenues** and **EBIT including income from equity participations** as reported below.

Consolidated revenues amount to **702 million** euros, substantially in line with the 700.2 million euros of 2005. **Pro-rate aggregate revenues**, meanwhile, amount to **1,560 million** euros, **up 12%** compared with 1,386.8 million euros the previous year.

EBIT including income from equity participations amounts to **214.4 million** euros, with an **increase of 15%** compared with 186.1 million euros in 2005.

Attributable net profit was **159.5 million** euros, **up 10%** compared with 145.4 million euros in 2005.

As of 31 December 2006, EBIT including income from equity participations rose 15% compared with 2005. That result registered strong growth particularly in tertiary assets, up from 100.7 million euros to 126 million euros, with 25% growth, and in the more recent sector of NPL Asset Management, which grew from 3 to 11.6 million euros.

In 2006 a binding agreement was concluded for the acquisition of DGAG, one of the principal real estate companies in Germany, with headquarters in Hamburg and Kiel. Enterprise value amounted to about 1.4 billion euros. In 2007, following the finalization of the transaction, a process of transformation of DGAG will be started according to the usual business model, with the creation of a JV 35% owned by Pirelli RE in which residential properties worth more than 1 billion euros will be conferred, and a JV 30% owned by Pirelli RE in which commercial properties worth about 300 million euros will be conferred, while asset management and services businesses will remain 100% owned by Pirelli RE.

Assets under management at market value, including DGAG, rose to about **14.5 billion** euros, with an **increase of 12%** compared with the previous year.

The **net financial position** stood at a negative amount of **96.4 million** euros (including an initial payment of 140 million euros for the DGAG transaction), compared with net debt of 94.9 million euros as of 30 September 2006 (30.5 million euros at the end of 2005).

Pirelli RE **employees** as of 31 December 2006 numbered **1,848** units (1,596 units at the end of 2005).

For further information on the performance of the real estate businesses please refer to the press release distributed on 9 March by Pirelli & C. Real Estate.

Pirelli Broadband Solutions

Revenues as of 31 December 2006 amounted to **129.4 million** euros, with an **increase of 15.3%** compared with the 112.2 million euros in 2005, also linked to the start-up of the businesses relating to higher-margin second generation photonics products (components and optical modules for improving performance and flexibility of telecommunications networks) for 14.6 million euros.

EBITDA of the company was **positive for 1.1 million** euros, an improvement over the -6.3 million euros as of 31 December 2005.

As regards the **operating income**, the company closed the year in break-even, compared with a negative figure of 7 million euros in 2005, with a positive contribution from the access business, while the photonics business reflected the investments in research and development characteristic of the start-up phase of the business, totally covered in the income statement.

The **net result** of the company as of 31 December 2006 was **negative for 3.3 million** euros, an improvement over the -8.1 million euros of 2005.

The **net financial position** was negative for **13.1 million** euros compared with net debt of 9 million euros as of 30 September 2006 (7.2 million euros as of 31 December 2005).

As of 31 December 2006, there were **166 employees** at the company, compared with a workforce of 122 units as of 31 December 2005.

In 2006 Pirelli Broadband Solutions maintained a double digit growth trend in sales, increasing the international component and enlarging its customer base. The result was linked to an increase in product volumes for broadband access and greater contributions from second generation photonics products. For the first times since its founding, in addition, the company closed a fiscal year in break-even at operating level. The access business benefited from the launch of new products in the residential gateway access market and the marketing of the dual-mode phone in Europe, which integrates fixed telephone services in VOIP mode with mobile telephone services. In second generation photonics there was continued market success of the City8 (CWDM) product, in parallel with the first sales of the DTL (Dynamically Tunable Laser) and with the launch of the new modules based on the Pirelli laser.

Pirelli Ambiente

Pirelli Ambiente, the company in the Group active in the environmental and sustainable development sector, registered **revenues of 69 million** euros in 2006, **up 12.2%** compared with the 61.5 million euros of 2005.

EBITDA of the company was positive for 0.5 million euros, compared with a negative figure of 2 million euros in the previous fiscal year.

As regards the **operating income**, the company closed the fiscal year in substantial break-even, compared with a negative figure of 3.6 million euros in 2005.

At the level of **net result**, the company concluded the fiscal year with a loss of 0.8 million euros, an improvement over the -3.4 million of the previous year.

The **net financial position** was substantially close to zero, compared with -0.8 million euros at the end of 2005.

As of 31 December 2006, there were **52 employees** at the Company, compared with a workforce of 43 units as of 31 December 2005.

The increase in sales registered compared with the previous year was mainly linked to the sale of Gecam – Il Gasolio Bianco low environmental impact fuel, in particular in the French market through the subsidiary Gecam France, to the development of the new particulate filter line of business for reduction of emissions of diesel vehicles and the agreement signed with the UK company ReEnergy for development and marketing of fuel derived from waste Pirelli (Cdr-P) in the United Kingdom. In 2006, in addition, Pirelli Ambiente signed a leasing agreement for a terrain in the Romanian county of Gorj on which a facility is planned to be built for manufacturing of particulate filters for diesel engines, destined for the European original equipment market. The new manufacturing plant, expected to be operative from the second half of 2008, will be able to produce more than 1,300 tons of silicon carbide filters.

Prospects for the current year

The strategy of focusing on segments of greater added value and the good performance of the core businesses allows the **Pirelli & C. SpA Group** to expect for 2007 **further improvement of results**, assuming no external elements of an extraordinary nature unpredictable as of today. In particular, in the industrial businesses, **Pirelli Tyre** expects sales growth above the market average again this year, thanks to its focus on premium segments in the Consumer business and to rapid growth markets in the Industrial business, and, in a scenario of raw material costs stabilized at current levels, a further improvement of the operating results in all the businesses. As for **Pirelli RE** the growth in EBIT including income from equity participations is expected to exceed the targets set in the 2006-2008 three-year plan (CAGR 10-15%) as from June of this year and for the year as a whole. As regards the start-ups, **Pirelli Broadband Solutions** expects for 2007 a further increase in sales, concentrated mostly in the second half of the year, thanks to the completion of the portfolio of access solutions and to a more and more relevant contribution from the photonics business, which will be characterized again in 2007 by significant investments in research and production for development of new products. **Pirelli Ambiente** expects to consolidate its trend of sales growth.

Olimpia

With regard to the holding in Olimpia, the Board of Directors then gave a mandate to the Chairman to explore all possible options, without excluding sale of the holding, in order to bring out the best strategic value of the asset in the interest of all shareholders.

Calling of Shareholders' Meeting

The Board of Directors resolved to call the Shareholders' Meeting for approval of the financial statements for 2006, for 20 April 2007 (on first call) and for 23 April 2007 (on second call).

The Shareholders' Meeting will also be called upon to make determinations as a consequence of the cessation of two directors during the course of 2006.

In an extraordinary session, proposals for amendment of the by-laws will be submitted for approval of the Shareholders, proposals which aim to integrate the provisions of the so-called Law regulating Savings and self-regulation – “Legge sulla tutela del Risparmio e di autodisciplina” (in particular: institution of the figure of a manager called upon to draft corporate accounting documents; discipline of additions to the agenda of Shareholders' meetings upon request of shareholders; discipline of the terms for the publication of lists). On this occasion, further updates to the text of the by-laws and to the text of the Shareholders' Meeting Regulations adopted in 2004 will also be proposed.

Corporate Governance

In the course of the Board of Directors' meeting, in addition to adopting resolutions for adhesion to all the recommendations contained in the new Self-Regulation Code for Listed Companies, published in March 2006, the Board also approved a series of amendments updating the system of *corporate governance* of the company, and in particular:

- a procedure regarding the flow of information to Directors and Statutory Auditors, which in renewing the previous procedure for carrying out of obligations as per art. 150, first paragraph, Legislative Decree no. 58 of 1998, has the objective of guaranteeing a coordinated flow of information to the boards of directors and auditors;
- a new code on *insider dealing* which aims to establish in a self-regulatory way – above and beyond governing laws and regulations – obligations for abstaining, in certain periods of the year (*so-called black-out periods*), from carrying out transactions on financial instruments of the Company, applying to directors, statutory auditors, and managers of Pirelli & C. or its main subsidiaries with strategic responsibility.

The complete text of all the illustrative material will be published as usual on the Internet site www.pirelli.com.

Relevant facts which occurred after closure of the fiscal year

On 9 January 2007, Pirelli & C. SpA and Quattrodue Holding BV (controlling shareholder of Intek SpA), in light of the plan for merger through incorporation of Gim SpA into Intek SpA and following up on what was indicated by the new codicillo n. 1 among the members of the Shareholders' Pact of Gim, signed a put&call agreement

relating to the 14,923,526 ordinary shares in Gim owned by Pirelli, equal to 7.04% of the ordinary capital of the same Gim.

On 10 January, Pirelli RE completed the acquisition of approximately 97% of Deutsche Grundvermogen AG (DGAG), one of the leading real estate companies in Germany whose main offices are in Hamburg and Kiel.

On 17 January, Pirelli & C. SpA communicated that no participant in the *Sindacato di Blocco Azioni Pirelli & C. SpA* manifested the will to recede within the term contractually set at 15 January 2007. The Pact thus remains in force, with the same composition, until its new expiration on 15 April 2010.

On 12 February, syndication of the five-year multi-currency revolving credit line for Pirelli Tyre was concluded successfully. Following the high number of banking commitments, the initial amount of 500 million euros was increased to 675 million euros.

Bonds maturing in the 18 months following 31 December 2006

On 4 April 2007 the bond loan issued in 2002 at a fixed rate of 6.5% by Pirelli Finance Luxembourg SA, a company controlled by Pirelli & C. SpA, with a value of 500 million euros, will expire.

Conference Call

The results of company management relating to 2006 will be illustrated at 7 p.m. CET, during a conference call in which the Chairman of Pirelli & C. SpA, Marco Tronchetti Provera, will intervene. Journalists will be able to follow the presentation by telephone, without the possibility to ask questions, by calling the number **+39 06 33485042**.

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

In this press release, in addition to the financial performance measures established by IFRS, certain non-IFRS measures originated from the latter are presented although they are not required by IFRS (“Non-GAAP Measures”). These performance measures are presented for purposes of a better understanding of the trend of operations of the Group and should not be construed as a substitute for the information required by IFRS. Specifically, the “Non-GAAP Measures” used are described as follows:

Gross operating profit: this financial measure is used by the Group as the financial target in internal business plans and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group as a whole and for each single segment, in addition to the Operating Income. The Gross Operating Profit is an intermediate performance measure represented by the Operating Income from which depreciation and amortization are subtracted.

Result from participations: result from participations consist of all the effects recorded in the income statement referring to investments that are not consolidated line-by-line. These include dividends, the share of the earnings (losses) of companies accounted for using the equity method, impairment losses of available-for sale financial assets and gains (losses) on the disposal of available-for-sale financial assets. Movements in the fair value of assets available-for-sale that are recognized directly in equity are excluded.

Net financial (liquidity)/debt position: this performance measure is represented by the gross financial debt less cash and cash equivalents as well as other interest-earning financial receivables.

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In order to allow for more complete information on the results obtained in 2006, attached are summary consolidated figures included in the Report approved by the Board of Directors. It should be noted that these figures are not subject to verification by the auditing company and that this latter has not yet completed its review of the parent company Pirelli & C. SpA financial statements or of the consolidated financial statements. Summaries of the financial statements for the period ending 31 December 2006. Pro-forma consolidated balance sheet and statement of income for Pirelli & C. S.p.A at 31 December 2006, assuming full consolidation of Olimpia S.p.A. and valuation of the investment in Telecom Italia S.p.A. according to the equity method.

PIRELLI & C. S.p.A. GROUP

	(million euro)	
	31/12/2006	31/12/2005
. Sales	4.841,2	4.545,7
. EBITDA	614,1	567,6
% on sales	12,7%	12,5%
. EBIT	401,4	354,9
% on sales	8,3%	7,8%
. Income from equity participations	(1.149,3)	267,1
. Operat. income incl. income from equity part.	(747,9)	622,0
. Financial charges/income	(143,1)	(144,4)
. Tax charges	(127,8)	(128,5)
. Net profit operat. activities	(1.018,8)	349,1
% on sales	n.s.	7,7%
. Net profit discontinued operations	(30,0)	49,8
. Total net profit	(1.048,8)	398,9
. Net profit attributable to Pirelli & C. S.p.A.	(1.167,4)	327,4
. Attributable net profit per share (in euro)	(0,217)	0,066
. Shareholders' equity	4.686,6	5.613,8
. Shareholders' equity attributable to Pirelli & C. S.p.A.	3.879,6	5.204,9
. Shareholders' equity per share (in euro)	0,723	0,979
. Net financial position (assets)/liabilities	1.979,6	1.177,4
. Investments	255	234
. R&D investments	171	174
. Employees n. (at the end of the period)	28.617	26.827
. Number of plants	24	24
<i>Pirelli & C. shares in circulation</i>		
. ordinary (n. million)	5.233,1	5.180,7
. savings (n. million)	134,8	134,8
. Total shares in circulation	5.367,9	5.315,5

(million euro)	31.12.2006					
	Tyres	Broadband	Ambiente	Real Estate	Others	TOTAL
. Sales	3.949,5	129,4	69,0	702,0	(8,7)	4.841,2
. EBIDTA	533,7	1,1	0,5	113,1	(34,3)	614,1
. EBIT	342,3	(0,3)	(0,2)	103,7	(44,1)	401,4
. Income from equity participations	(2,4)	(1,0)	0,0	110,7	(1.256,6) ⁽¹⁾	(1.149,3)
. Operating income incl. income from eq. part.	339,9	(1,3)	(0,2)	214,4	(1.300,7)	(747,9)
. Financial charges/income	(54,1)	(1,6)	(0,1)	(3,1)	(84,2)	(143,1)
. Tax charges	(86,5)	(0,4)	(0,5)	(49,3)	8,9	(127,8)
. Net profit activities in operation	199,3	(3,3)	(0,8)	162,0	(1.376,0)	(1.018,8)
. Net financial position (assets)/liab.	601,5	13,1	0,0	96,4	1.268,6	1.979,6

(million euro)	31.12.2005					
	Tyres	Broadband	Ambiente	Real Estate	Others	TOTAL
. Sales	3.632,9	112,2	61,5	700,2	38,9	4.545,7
. EBIDTA	518,1	(6,3)	(2,0)	92,8	(35,0)	567,6
. EBIT	328,8	(7,0)	(3,6)	83,9	(47,2)	354,9
. Income from equity participations	(1,3)	-	-	102,3	166,1 ⁽¹⁾	267,1
. Operating income incl. income from eq. part.	327,5	(7,0)	(3,6)	186,2	118,9	622,0
. Financial charges/income	(32,1)	(0,7)	0,0	1,2	(112,8)	(144,4)
. Tax charges	(97,0)	(0,4)	0,2	(40,5)	9,2	(128,5)
. Net profit activities in operation	198,4	(8,1)	(3,4)	146,9	15,3	349,1
. Net financial position (assets)/liab.	237,4	7,2	0,8	30,5	901,5	1.177,4

(1) Equity evaluation of Olimpia S.p.A. positive for Euro 170 million (Euro 153 million in 2005); adjustment of equity participation in Olimpia Spa negative for Euro 2,11 billion, capital gain P.Tyre private placement for Euro 416 million and capital gain selling equity participation in Capitalia Spa for Euro 215 million.

PIRELLI & C. SPA PRO-FORMA DATA

	31/12/2006 Pirelli & C S.p.A. Consolidated financial statements (1)	Pro-forma adjustments				31/12/2006 Pirelli & C S.p.A. pro- forma consolidated financial adjustments (2)
		Reversal of Olimpia S.p.A. results owing to Pirelli & C S.p.A.	Olimpia S.p.A. fully	Olimpia books of consolidat ion	Total pro- forma adjustme nts	
<i>(million euro)</i>						
Statement of Income Summary						
Sales	4.841	-			-	4.841
EBIT	401	-	(1)	-	(1)	400
Financial charges/income/adj. value of income activ.	(1.292)	1.940	(2.715)		(775)	(2.067)
Taxes	(128)	-	-		-	(128)
Total net profit	(1.049)	1.940	(2.716)	-	(776)	(1.825)
Attributable net profit	(1.167)	1.940	(1.940)	-	-	(1.167)
Reclassified balance sheet						
Shareholders' equity	4.687	1.940	4.360	(5.428)	872	5.559
- attributable shareholders' equity	3.880	1.940	3.488	(5.428)	-	3.880
Net financial position (assets)/liabilities	1.980	-	3.216	-	3.216	5.196

(1) Pirelli & C. consolidated financial statements (investment in Olimpia valued using shareholders' equity method with Olimpia valuating 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	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Pirelli & C. S.p.A. Group: consolidated data	4.687	5.614	1.980	1.177	0,42	0,21	3.880	5.205
Pirelli & C. S.p.A. Group: pro- forma consolidated data incl. Olimpia S.p.A. fully consolidated	5.559	8.393	5.196	4.667	0,93	0,56	3.880	5.205
Pirelli & C. S.p.A. Group: pro- forma consolidated data included Olimpia S.p.A. and Telecom Italia fully consolidated	29.263	32.029	42.497	44.525	1,45	1,39	3.880	5.205