



1H 2006 Group Results  
12 September 2006

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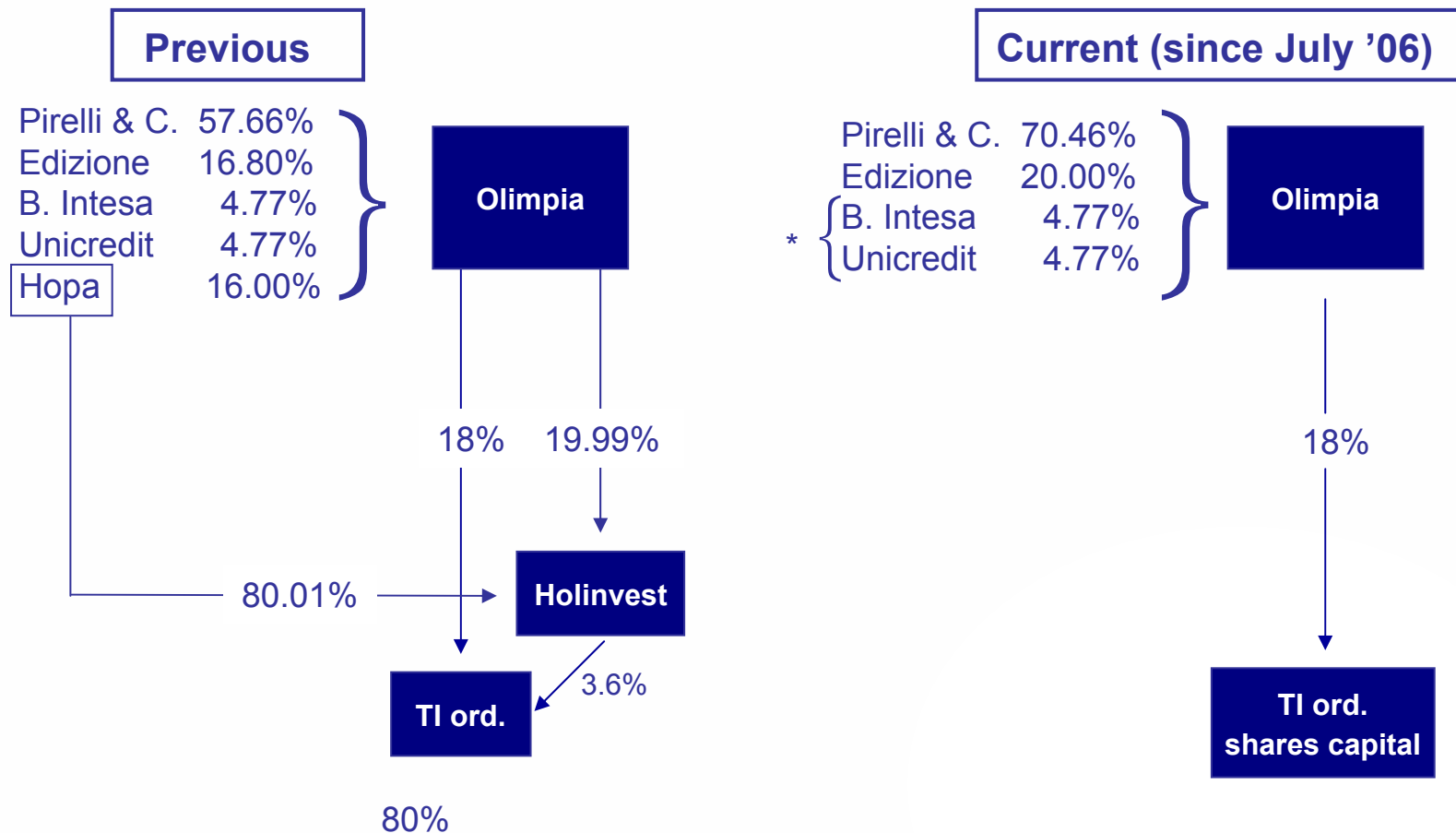
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- **Olimpia shareholders' structure evolution: Pirelli from 57.66% to 70.46%**
- **Pirelli Tyre Private Placement: Equity Value ~ €1.9 bn (38.9% equal to €740 mn)**

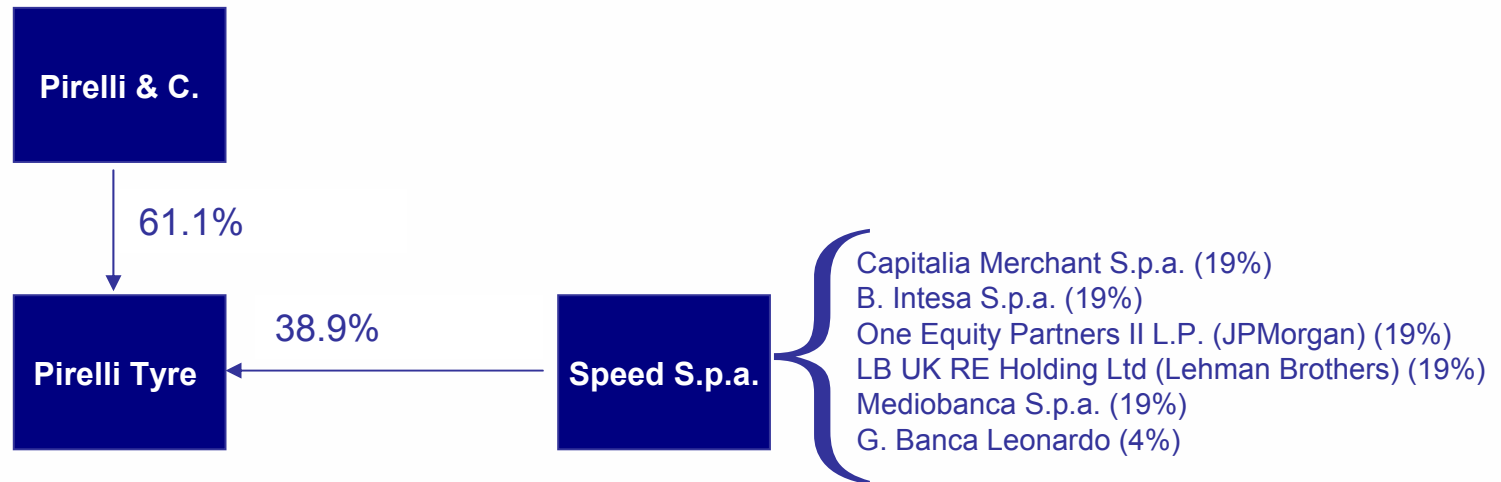
# OLIMPIA SHAREHOLDERS' STRUCTURE EVOLUTION



- **Simplified shareholding structure after purchasing Hopa minority stake by Pirelli and Edizione Holding through a cash settlement**

\* On 4<sup>th</sup> October 2006, Pirelli will buy Banks' stakes; consequently, Pirelli will own the 80% of Olimpia Shareholders' capital

# PIRELLI GROUP: PIRELLI TYRE PRIVATE PLACEMENT



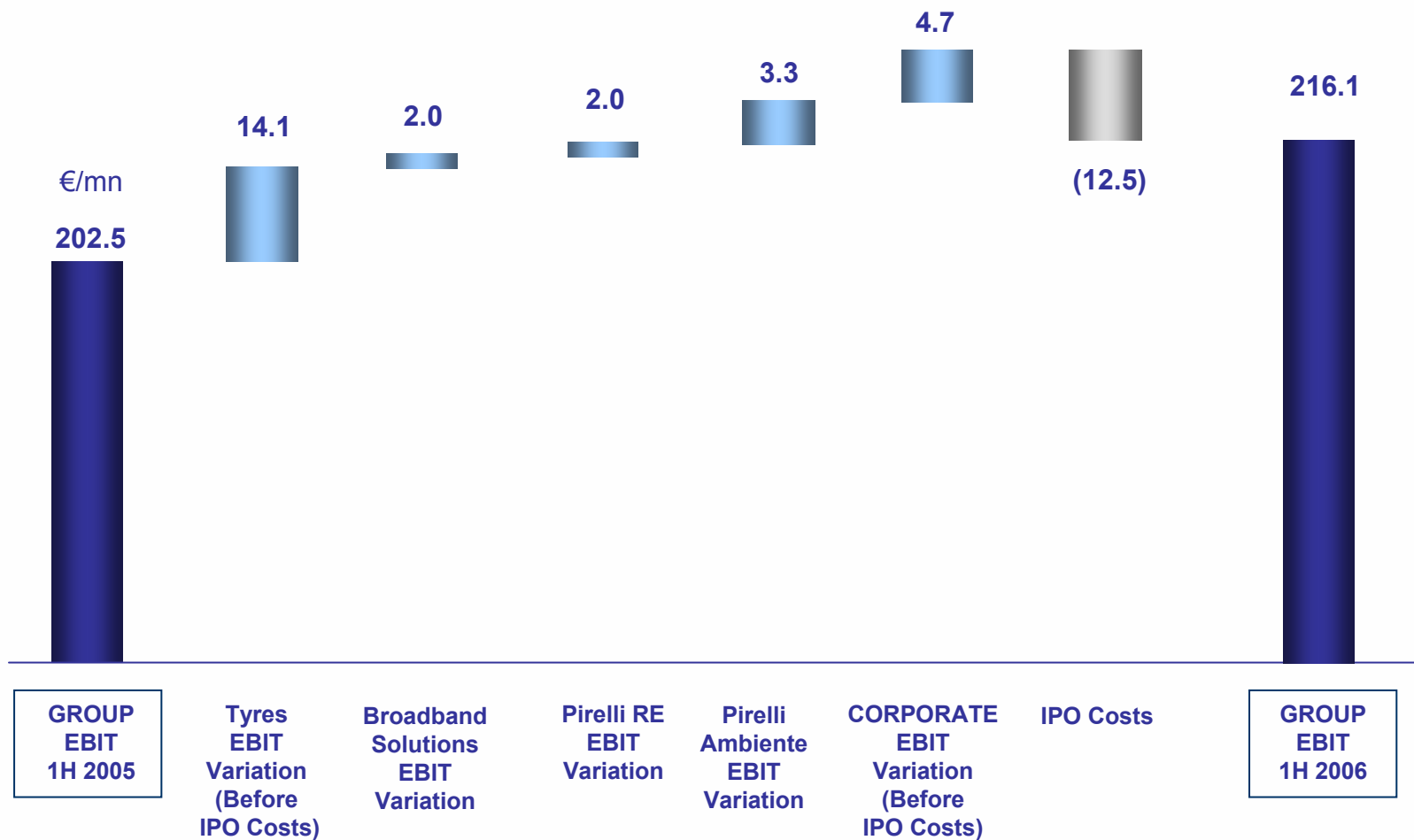
- **Private placement of 38.9% of Pirelli Tyre finalized on 2 August 2006**
- **Deal details:**
  - **Equity Value ~ €1.9 bn (38.9% equal to €740 mn);**
  - **Private Placement aims to a subsequent IPO within 2<sup>nd</sup> February 2011;**
  - **Granted to Pirelli a call option on the sold stake that can be exercised between February 2011 and August 2011;**
  - **Pirelli Tyre BoD: 8 members designated by Pirelli & C. and 5 by Speed S.p.a.**

# 1H 06 PIRELLI GROUP RESULTS

€/mn	1H06 IAS/IFRS	1H05 IAS/IFRS	Δ 06/05
Net Sales (as reported)	2,445.9	2,281.4	7.2%
Net Sales (organic)		2,365.9	3.4%
EBIT	216.1	202.5	6.7%
EBIT margin	8.8% (*)	8.9%	
Result from Equity Participations (included dividends)	165.2	133.4	
<i>of which Olimpia</i>	71.2	85.8	
EBIT including Result from Equity Participations	381.3	335.9	13.5%
Net Income (Loss) from Continuing Operations	193.1	177.6	8.7%
Discontinued Operations		32.8	
Net Income (Loss)	193.1	210.4	
Attributable Net Income	153.0	179.6	
NET FINANCIAL POSITION	1,574.9	2,338.2	
of which Discontinued Operations		714.9	

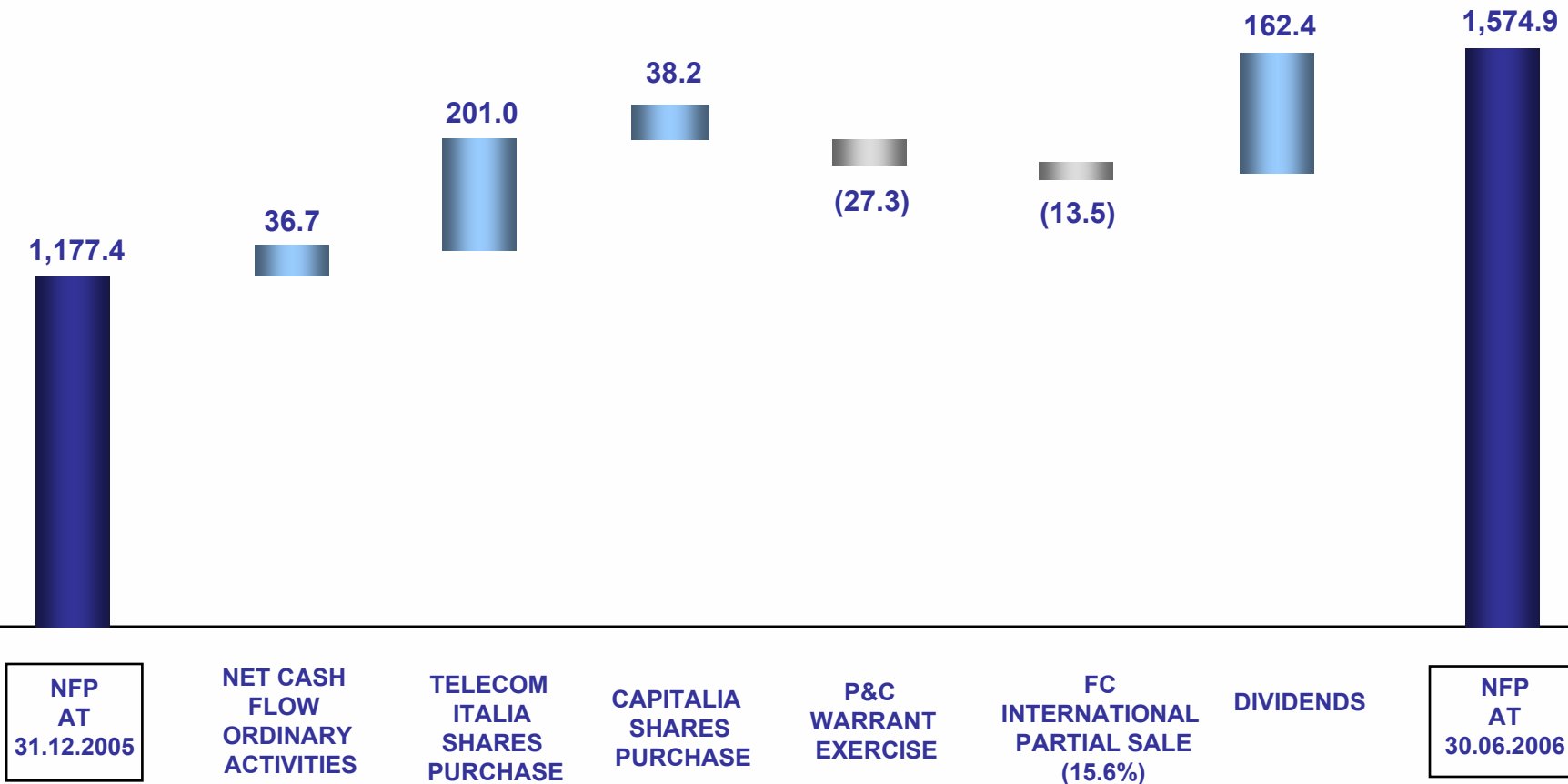
(\*) 9.3% before IPO costs

# 1H 2005 – 1H 2006: GROUP EBIT VARIATION



# FY 2005 – 1H 2005: GROUP NET FINANCIAL POSITION VARIATION

€/mn



# 1H 06 PIRELLI TYRE RESULTS

€/mn	1H 06 IAS/IFRS	1H 05 IAS/IFRS	Variation											
Net Sales	2,018.7	1,795.8	+12.4%	<table border="1"> <tr> <td>ΔPrice/mix:</td> <td>+3.1%</td> </tr> <tr> <td>ΔVolumes:</td> <td>+4.3%</td> </tr> <tr> <td><b>ΔActual Variation:</b></td> <td><b>+7.4%</b></td> </tr> <tr> <td>ΔExch. Rates:</td> <td>+5.0%</td> </tr> <tr> <td><b>ΔTotal:</b></td> <td><b>+12.4%</b></td> </tr> </table>	ΔPrice/mix:	+3.1%	ΔVolumes:	+4.3%	<b>ΔActual Variation:</b>	<b>+7.4%</b>	ΔExch. Rates:	+5.0%	<b>ΔTotal:</b>	<b>+12.4%</b>
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ΔExch. Rates:	+5.0%													
<b>ΔTotal:</b>	<b>+12.4%</b>													
EBITDA	292.6	279.6	+4.6%											
EBITDA margin	14.5%	15.6%												
EBIT before IPO costs	201.1	187.0	+7.5%											
EBIT before IPO costs margin	10.0%	10.4%												
EBIT	194.6	187.0	+4.1%	<table border="1"> <tr> <td>ΔCommercial Variations:</td> <td>€37.0mn</td> </tr> <tr> <td>ΔEfficiencies:</td> <td>€11.1mn</td> </tr> <tr> <td>ΔUnit Costs/Other:</td> <td>€-40.5mn</td> </tr> <tr> <td><b>ΔTotal:</b></td> <td><b>€7.6mn</b></td> </tr> </table>	ΔCommercial Variations:	€37.0mn	ΔEfficiencies:	€11.1mn	ΔUnit Costs/Other:	€-40.5mn	<b>ΔTotal:</b>	<b>€7.6mn</b>		
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<b>ΔTotal:</b>	<b>€7.6mn</b>													
EBIT margin	9.6%	10.4%												
Net Income	118.3	116.2	+1.8%											

- Two digit sales growth (+12.4%) from both consumer and industrial segments
- Volumes up 4.3% including new chinese operations
- Price/mix up 3.1% notwithstanding brazilian real and turkish lira revaluations
- Positive EBIT development, still showing a 10% ROS before IPO costs

# 1H 06 PIRELLI TYRE RESULTS BY BUSINESS SEGMENT

€/mn

	FY 05 IAS/IFRS	1H 06 IAS/IFRS	1H 05 IAS/IFRS	Variation	
<b>CONSUMER</b>					
Sales	2,523.7	1,402.7	1263.7	+11.0%	*
EBIT	202.1	140.7	119.8	+17.4%	
ROS	8.0%	10.0%	9.5%		
<b>INDUSTRIAL</b>					
Sales	1,109.2	615.7	532.1	+15.7%	*
EBIT	126.7	60.4	67.2	-10.1%	
ROS	11.4%	9.8%	12.6%		
<b>TOTAL</b>					
Sales	3,632.9	2,018.4	1795.8	+12.4%	*
EBIT	328.8	201.1	187.0	+7.5%	
ROS	9.1%	10.0%	10.4%		

\* Pre IPO costs

# 1H 06 BROADBAND SOLUTIONS RESULTS

€/mn	1H 06 IAS/IFRS	1H 05 IAS/IFRS	Variation
Net Sales	72.7	63.9	+13.8%
EBITDA	(0.1)	(2.3)	-
EBITDA margin	-	-	-
EBIT	(0.6)	(2.6)	-
EBIT margin	-	-	-
Net Income	(3.3)	(3.6)	-

- Sales increase in BBA due to higher volume in the first half of the year
- In the photonics the sales increase is due to the start up of City8
- Result near to the operative break even thanks to the continuous action on variable cost reduction and fixed cost under a controlled increase

## BBA

- Moving from old platform ADSL 2/2+
- Introducing new Dual Mode Phone in the market
- Introducing STB on ANT platform



DMP



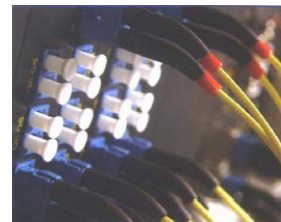
Discus™ Multiplay  
Access Gateway



Discus™  
MultiMediaGate  
Hybrid-STB

## PHOTONICS

- Consolidation of City 8 on sales in Europe
- Telcordia qualification DTL completed in August



CWDM City 8™



Dynamically Tunable  
Laser

Total Net Sales: 39.3 €/mn  
Net Result: 1.1 €/mn

**PIRELLI AMBIENTE  
ECO TECHNOLOGY**

**PIRELLI AMBIENTE  
RENEWABLE ENERGY**

**PIRELLI AMBIENTE  
SITE REMEDIATION**

Gecam <sup>TM</sup>, Filters

Energy recovery from  
municipal solid waste  
(SRF-P)

Environmental  
Reclamation



**Reducing the  
emissions of  
particulate in  
Diesel Engines**

**Reducing CO<sub>2</sub>  
emissions,  
developing use of  
Renewable  
Energy Sources**

**Global solutions for  
reclamation and  
redevelopment of  
contaminated sites**

# 1H 05 PIRELLI RE RESULTS

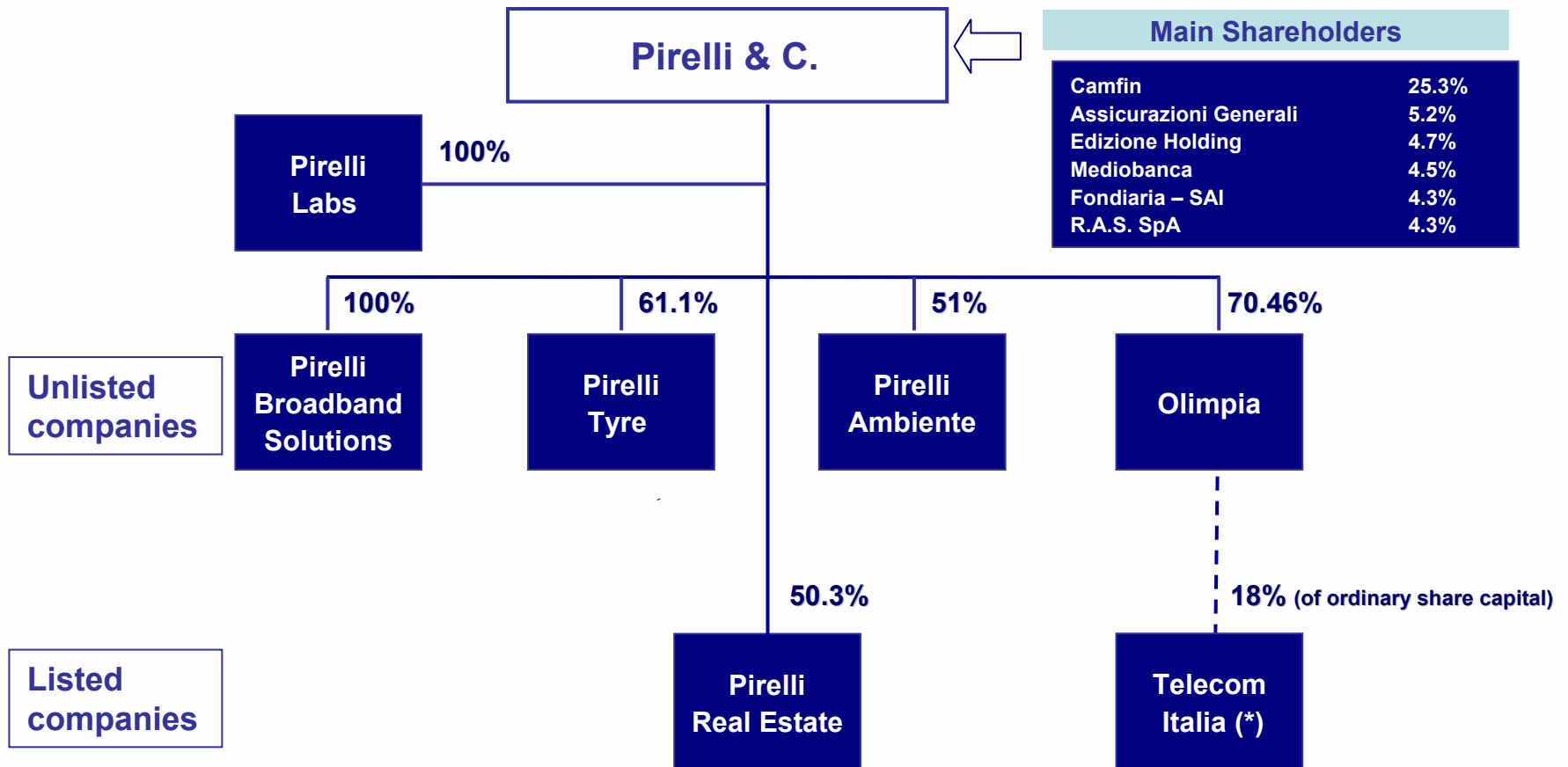
€/mn	1H 06 IAS/IFRS	1H 05 IAS/IFRS	Δ 06/05 %
Aggregate Revenues	1,706,2	1,741.7	
EBIT Incl. Income from Equity Participations	92.3	80.3	+15%
Profit Before Taxes	91.7	80.4	
Group Net Income	70.0	59.8	+17%

- **Asset Under Management increased by 15% over the last twelve months to around €14 bn**
- **The Value of the Real Estate assets is equal to €12 bn of which €6.6 bn are in funds and the remaining in SPVs**
- **The Net Asset Value increased by 3% to €1,086 mn over December 2005**
- **Specialised Services including franchising posted a growth in revenues to €189 mn from €175 mn in the first half 2005**

- **Confirmed 2006 increase in all operating results with a sound financial structure**

Back up

# PIRELLI CURRENT GROUP STRUCTURE



(\*) Pirelli & C. owns directly 1.36% of TI ordinary share capital

# 1H 06 OLIMPIA CONTRIBUTION

€/mn	1H 06	1H 05		Consolidated TI Net Income		
				1H 06	1H 05	
<b>TI Consolidated Net Income Post Minorities</b>	<b>1,496</b>	<b>1,775</b>				
<b>Olimpia % (13.04%) (*)</b>	<b>195.1</b>	<b>231.7</b>				
<b>Financial Charges &amp; others</b>	<b>(77.3)</b>	<b>(89.8)</b>		<b>N. Income</b>	<b>1,496</b>	<b>1,775</b>
<b>Olimpia IAS/IFRS Net Result</b>	<b>117.8</b>	<b>141.9</b>				
<b>Contribution on Pirelli Consolid. P&amp;L</b>	<b>71.2</b>	<b>85.8</b>				

(\*) Economic Interest (calculated on TI Ordinary + Savings Shares)

(\*\*) Organic Growth

# 1H 2006 GROUP RESULTS

€/mn	Pirelli Tyres			Pirelli Broadband Solutions			Pirelli RE			Pirelli Ambiente			Others			PIRELLI GROUP		
	1H 2006	1H 2005	Δ 05/06	1H 2006	1H 2005	Δ 05/06	1H 2006	1H 2005	Δ 05/06	1H 2006	1H 2005	Δ 05/06	1H 2006	1H 2005	Δ 05/06	1H 2006	1H 2005	Δ 05/06
Net Sales (as reported)	2,018.4	1,795.8	12.4%	72.7	63.9	13.8%	308.4	363.0	(15%)	39.3	28.8	36.5%	7.1	29.9		2,445.9	2,281.4	7.2%
Net Sales (organic)		1,879.4	7.4%		63.9			363.0			28.8			30.8			2,365.9	3.4%
EBITDA before IPO Tyre Costs	299.1	279.6	6.9%	(0.1)	(2.3)		41.9	39.9		1.9	(1.0)		(6.1)	(9.9)		336.7	306.3	
EBITDA margin before IPO Tyre Costs	14.8%	15.6%														13.8%	13.4%	
EBITDA	292.6	279.6	4.6%	(0.1)	(2.3)		41.9	39.9	5.0%	1.9	(1.0)		(12.1)	(9.9)		324.2	306.3	5.8%
EBITDA margin	14.5%	15.6%														13.3%	13.4%	
EBIT before Tyre IPO Costs	201.1	187.0	7.5%	(0.6)	(2.6)		37.7	35.7	5.6%	1.5	(1.8)		(11.1)	(15.8)		228.6	202.5	12.9%
EBIT margin before Tyre IPO Costs	10.0%	10.4%														9.3%	8.9%	
EBIT	194.6	187.0	4.1%	(0.6)	(2.6)		37.7	35.7	5.6%	1.5	(1.8)		-17.1 (*)	(15.8)		216.1	202.5	6.7%
EBIT margin	9.6%	10.4%														8.8%	8.9%	
Result from Equity Participations	0.4	0.2					54.6	44.6	22.4%				110.2	88.6		165.2	133.4	23.8%
of which Olimpia													71.2	85.8		71.2	85.8	
EBIT including Result from Equity Participations	195.0	187.2	4.2%	(0.6)	(2.6)		92.3	80.3	14.9%	1.5	(1.8)		93.1	72.8		381.3	335.9	13.5%
Net Financial Charges	(24.6)	(15.9)		(2.3)	(0.7)		(0.6)	0.1					(83.2)	(70.7)		(110.7)	(87.2)	
EBT	170.4	171.3		(2.9)	(3.3)		91.7	80.4		1.5	(1.8)		9.9	2.1		270.6	248.7	
Taxes	(52.1)	(55.1)		(0.4)	(0.3)		(21.1)	(20.1)		(0.4)			(3.5)	4.4		(77.5)	(71.1)	
Net Income (loss)	118.3	116.2	1.8%	(3.3)	(3.6)		70.6	60.3	17.1%	1.1	(1.8)		6.4	6.5		193.1	177.6	8.7%
Attributable Net Income																153.0	146.8	4.2%
Discontinued Operations														(1.9)			32.8	
Total Net Income	118.3	116.2	1.8%	(3.3)	(3.6)		70.6	60.3	17.1%	1.1	(1.8)		6.4	4.6		193.1	210.4	
NET FINANCIAL POSITION	739.6	349.6		(1.0)	2.6		82.3	42.6	93.2%	(1.6)	(5.7)		755.6	1,234.2		1,574.9	2,338.2	
of which Discontinued Operations																	714.9	

(\*) €-11.1 mn before Tyre IPO costs