9M 2006 Group Results

7th November 2006

DISCLAIMER

This presentation contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

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KEY EVENTS

- 2nd August : sale of 38.9 % Pirelli tyre (capital gain ~ € 416* mn – net cash effect ~ € 716* mn)
- 30th September: restatement of Olimpia book value (negative impact ~ € 2,110* mn)
- 4th October: Pirelli stake in Olimpia rose to 80% (impact on NFP ~ € 1,040* mn)
- 9th October: Pirelli RE signed a binding agreement to acquire around 96.8% of Deutsche Grundvermögen (estimated Entreprise Value at closing date € 1.5 bn)
- 18th October: Olimpia, Pirelli, Edizione Holding, Edizione Finance International, Mediobanca and Generali entered into a new shareholders' consultation pact, which tied up 23.2% of TI ordinary shares
- 25th October: new Pirelli Tyre facility in Slatina dedicated to production of high-performance tyres (total investment € 170 mn)
- 27th October: Pirelli finalized the sale of Capitalia shares (1.92%) for approximately € 333 mn (capital gain ~ € 215* mn)

* At consolidated level

RESTATEMENT OF OLIMPIA BOOK VALUE AT 30th SEPT. 2006

TI "see through" value from ~ 4 € per share to 3 € per share

€/mn		P&C - Statutory Accounts			P&C - Consolidated Accounts		
		Before	After	Δ	Before	After	Δ
Balance Sheet	**Equity**	**4,763**	**2,936**	**(1,827)**	**6,537**	**4,427**	**(2,110)**
	attributable				***5,876***	***3,766***	***(2,110)***
	of which **Share Capital**	**2,790**	**2,790**	**-**			
P&L	**Net Result**	**115**	**(1,712)**	**(1,827)**	**699**	**(1,411)**	**(2,110)**
	attributable				***638***	***(1,472)***	***(2,110)***

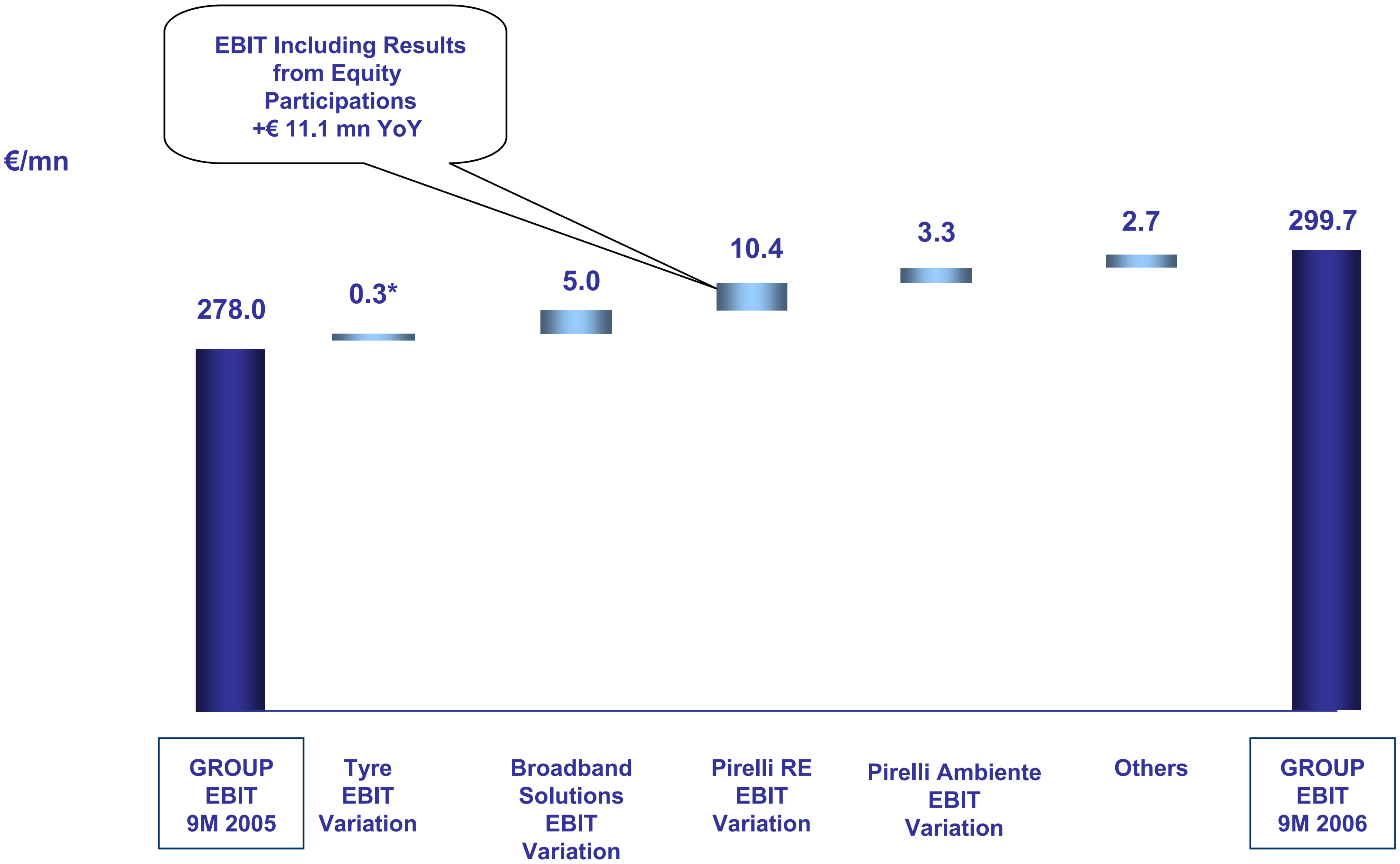
No cash impact: after restatement NFP remains at € 1,431 mn

PIRELLI

9M 06 PIRELLI GROUP RESULTS

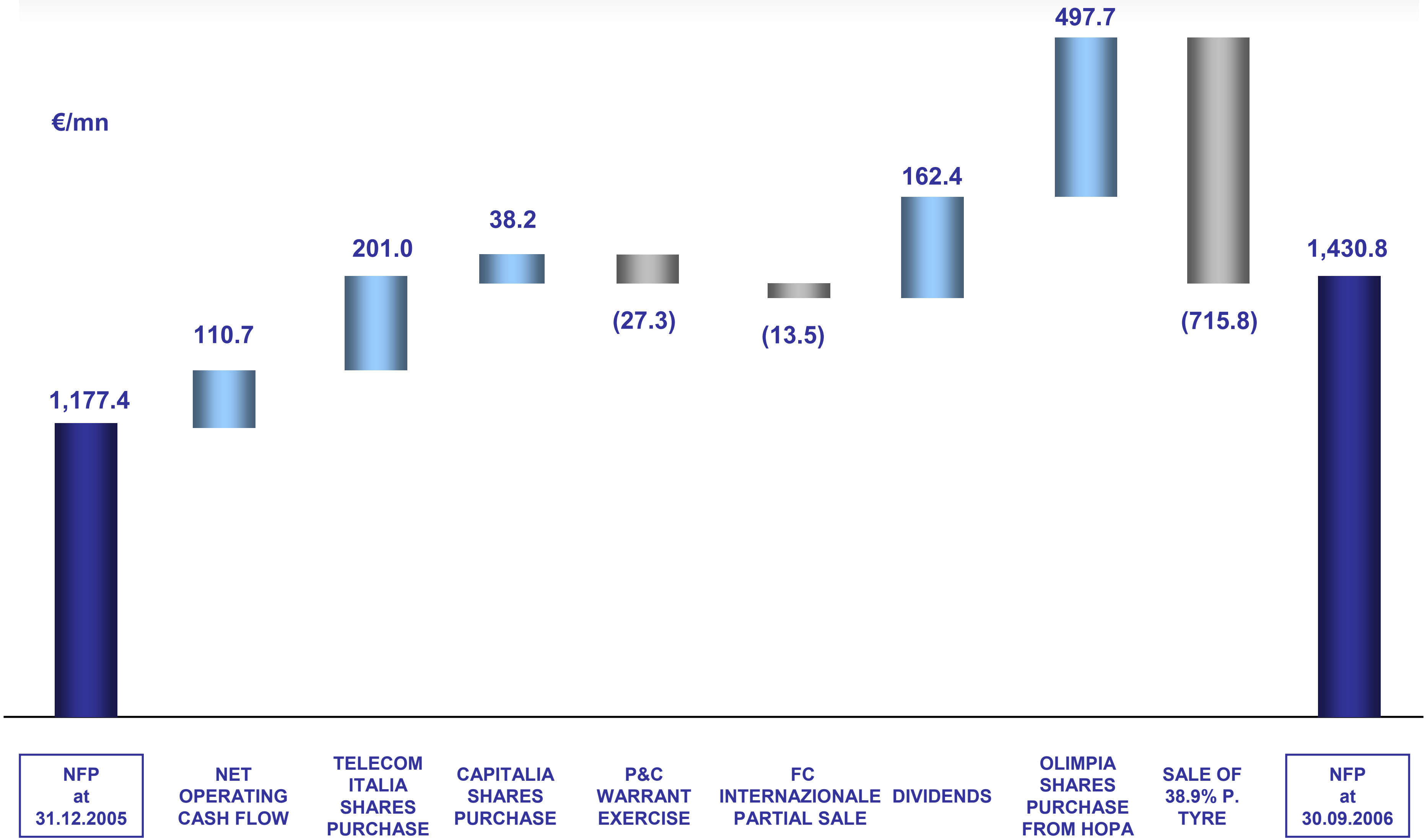
€/mn	9M 06 IAS/IFRS	9M 05 IAS/IFRS	Δ 06/05
Net Sales (as reported)	3,623.1	3,322.3	+9.1%
Net Sales (organic)	3,623.1	3,404.1	+6.4%
EBIT	299.7	278.0	+7.8%
EBIT margin	*8.3%*	*8.4%*	
Result from Equity Participations	97.1	65.2	+48.9%
Net Cap. Gain from 38.9% of P. Tyre Disp.	416.4		
Olimpia	(1,983.0)	129.7	
EBIT including Result from Equity Participations	(1,169.8)	472.9	
Net Income (Loss) from Continuing Operations	(1,410.5)	266.4	
Discontinued Operations	-	49.8	
Net Income (Loss)	(1,410.5)	316.2	
Attributable Net Income	(1,472.4)	276.0	
NET FINANCIAL POSITION	1,430.8	1,235.8	

9M 2005 – 9M 2006: PIRELLI GROUP EBIT VARIATION



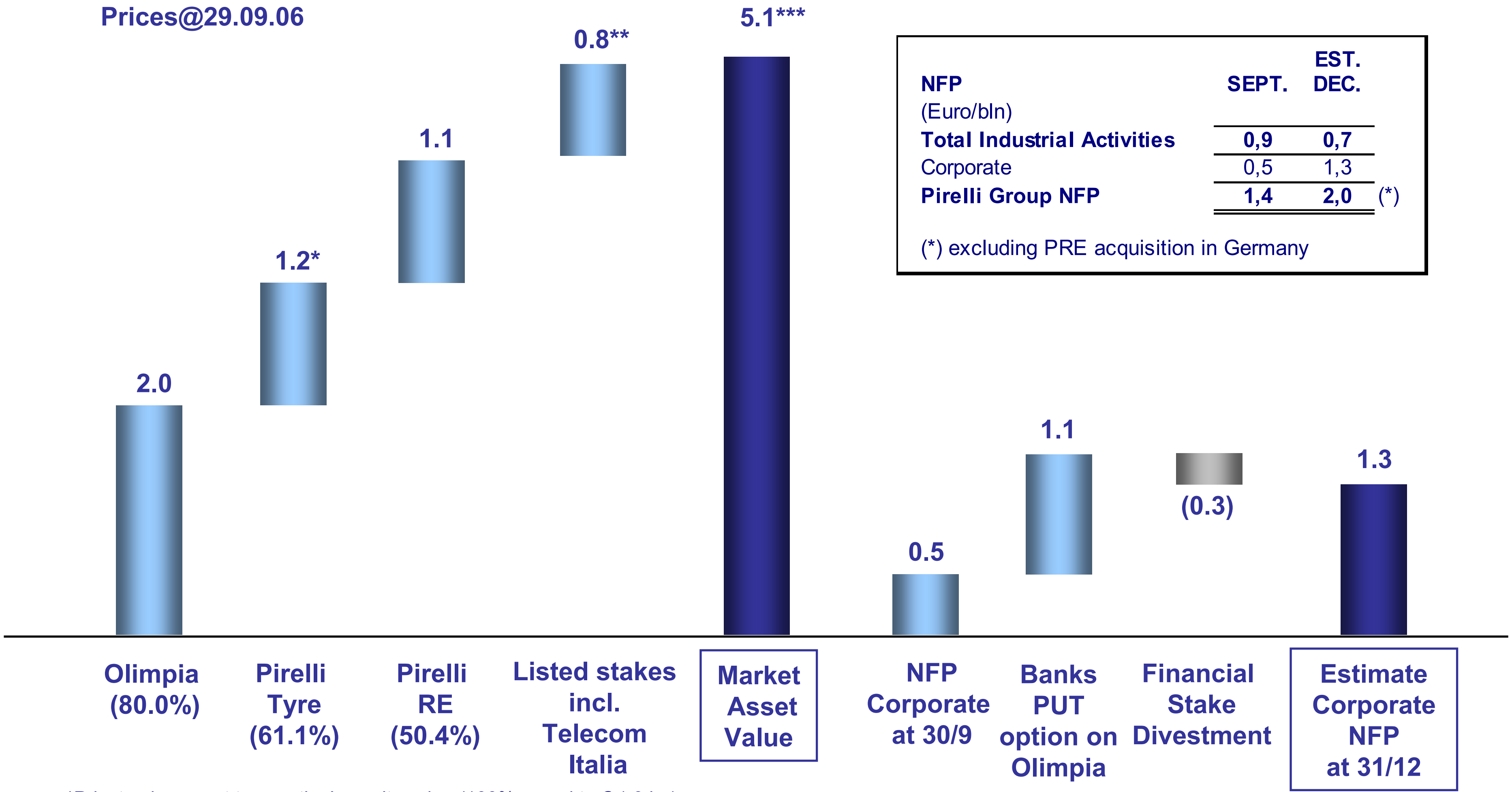
* Including IPO cost €7.4 mn

PIRELLI GROUP NFP VARIATION – 9M 2006 BALANCE SHEET



PIRELLI & C. – 9M 2006 BALANCE SHEET MARKET ASSET VALUE VS CORPORATE NET FINANCIAL POSITION

€/bn
Prices@29.09.06



NFP (Euro/bln)	SEPT.	EST. DEC.	
Total Industrial Activities	**0,9**	**0,7**	
Corporate	0,5	1,3	
Pirelli Group NFP	**1,4**	**2,0**	(*)

(*) excluding PRE acquisition in Germany

*Private placement transaction's equity value (100% equal to € 1.9 bn)
**Excluding Capitalia stake sale
***Excluding PBS and Pirelli Ambiente

9M 2006 PIRELLI TYRE RESULTS

€/mn	9M 2006 IAS/IFRS	9M 2005 IAS/IFRS	Variation
Net Sales	2,990.6	2,706.9	+10.5%
EBITDA before IPO costs	425.5	412.4	+3.2%
EBITDA margin bef. IPO costs	*14.2%*	*15.2%*	
EBIT before IPO costs	278.8	271.1	+2.8%
EBIT margin bef. IPO costs	9.3%	10.0%	
EBIT	271.4	271.1	+0.1%
EBIT margin	*9.1%*	*10.0%*	
Net Income	153.6	165.1	-7.0%

ΔPrice/mix:	+3.4%
ΔVolumes:	+3.9%
ΔActual Variation:	**+7.3%**
ΔExch. Rates:	+3.2%
ΔTotal:	**+10.5%**

ΔCommercial Variations:	€ 48.2 mn
ΔEfficiencies:	€ 21.7 mn
ΔUnit Costs/Other:	€ (69.6) mn
ΔTotal:	**€ 0.3 mn**

- **Two digit sales growth notwithstanding negative market trends in North America**
- **Volumes up 3.9% including new Chinese operations**
- **Price/mix up 3.4% not compensating strong increase of raw materials and energy costs, at record level in the quarter**
- **Positive EBIT development before IPO costs**

9M 2006 PIRELLI TYRE RESULTS BY BUSINESS SEGMENT

€/mn

		9M 06 IAS/IFRS	9M 05 IAS/IFRS	Variation	
CONSUMER	Sales	2,072.0	1,894.3	+9.4%	
	EBIT	193.9	170.5	+13.7%	* Pre IPO costs
	ROS	*9.4%*	*9.0%*		
INDUSTRIAL	Sales	918.6	812.6	+13.0%	
	EBIT	84.9	100.6	-15.6%	* Pre IPO costs
	ROS	*9.2%*	*12.4%*		

- Consumer sales up 9.4% thanks to higher winter tyre volumes in Europe (+19% on 2005) and motorcycle tyre volumes worldwide (+14% on 2005).
- Industrial sales up 13.0% thanks to higher volumes in Europe, Latin America and to China new operations
- Raw material and energy cost increase negatively affect profitability

9M 2006 – PIRELLI TYRE HIGHLIGHTS

• Successes in the most important winter test by the Automobilclub and by leading German, Austrian e Swiss magazine. Pirelli Winter Sottozero, Snowsport, Snowcontrol and Scorpion ICE & Snow have been appointed best in class

J.D. POWER AND ASSOCIATES
Power Information Network®

• J.D. Power & Associates Award 2006 in the mass market/non luxury and second position in the luxury/sport US segments on a survey of 23.000 american consumers

• Start operations of new facility in Romania dedicated to production of High-Performance car e Suv tyres, (26 october). An investment of approximately €170 mn, with a 2007 production of 2 mn tyres. Once fully operational, the new facility will produce over 5 mn tyres a year

• Price increase: average 5% in European and Export markets, average 4% in USA

9M 06 PIRELLI BROADBAND SOLUTIONS RESULTS

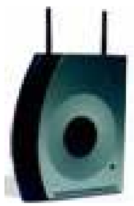
€/mn	9M 06 IAS/IFRS	9M 05 IAS/IFRS	Variation
Net Sales	102.6	81.4	+26.0%
EBITDA	(0.1)	(5.6)	
EBIT	(1.0)	(6.0)	
Net Income	(2.5)	(6.9)	

- Growth in terms of volumes of the BBA business unit allowed the access business to post a positive EBIT (€ 7 mn), notwithstanding price pressure
- Introduction of new products such as DMP should allow PBS to enlarge its customer basis
- More than € 10 mn sales in the first 3 quarters in photonics business unit (City 8 CWDM)
- We still think to reach the operational breakeven by the end of the year

PIRELLI BROADBAND SOLUTIONS: FIELDS OF ACTIVITY

BROADBAND ACCESS: ENLARGING CLIENTS PORTFOLIO

- Continuous increase of volumes in the traditional business of gateways
- First sales of the new DMP telephone in several tier 2/3 of Europe
- Scouting possible business with 2 of the most important tier in Europe (product in on-field validation phase)

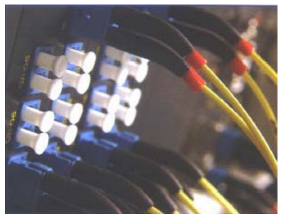


Access Gateway

DMP

PHOTONICS: BECOMING A REALITY

- More than € 10 mn revenues in CWDM City 8 ™
- DTL qualification test ready. Start up of the pre sales operation



CWDM City 8 ™

Dynamically Tunable Laser

PIRELLI AMBIENTE: ENVIRONMENTAL GROUP'S SOLUTIONS

Total Net Sales: € 54.5 mn
Net Result: € 0.5 mn

PIRELLI AMBIENTE ECO TECHNOLOGY	PIRELLI AMBIENTE RENEWABLE ENERGY	PIRELLI AMBIENTE SITE REMEDIATION
Gecam ™, Filters	**Energy recovery from municipal solid waste (SRF-P)**	**Environmental Reclamation**
Reducing the emissions of particulate in Diesel Engines	**Reducing CO_2 emissions, developing use of Renewable Energy Sources**	**Global solutions for reclamation and redevelopment of contaminated sites**

9M 06 PIRELLI RE RESULTS

€/mn	9M 06	9M 05	Δ 06/05
Aggregate Revenues (pro Quota)	915.1	920.1	-0.5%
EBIT Incl. Income from Equity Participations	115.6	104.5	+11%
Profit Before Taxes	114.6	105.3	+9%
Net Attributable Income	84.0	78.0	+8%

PIRELLI

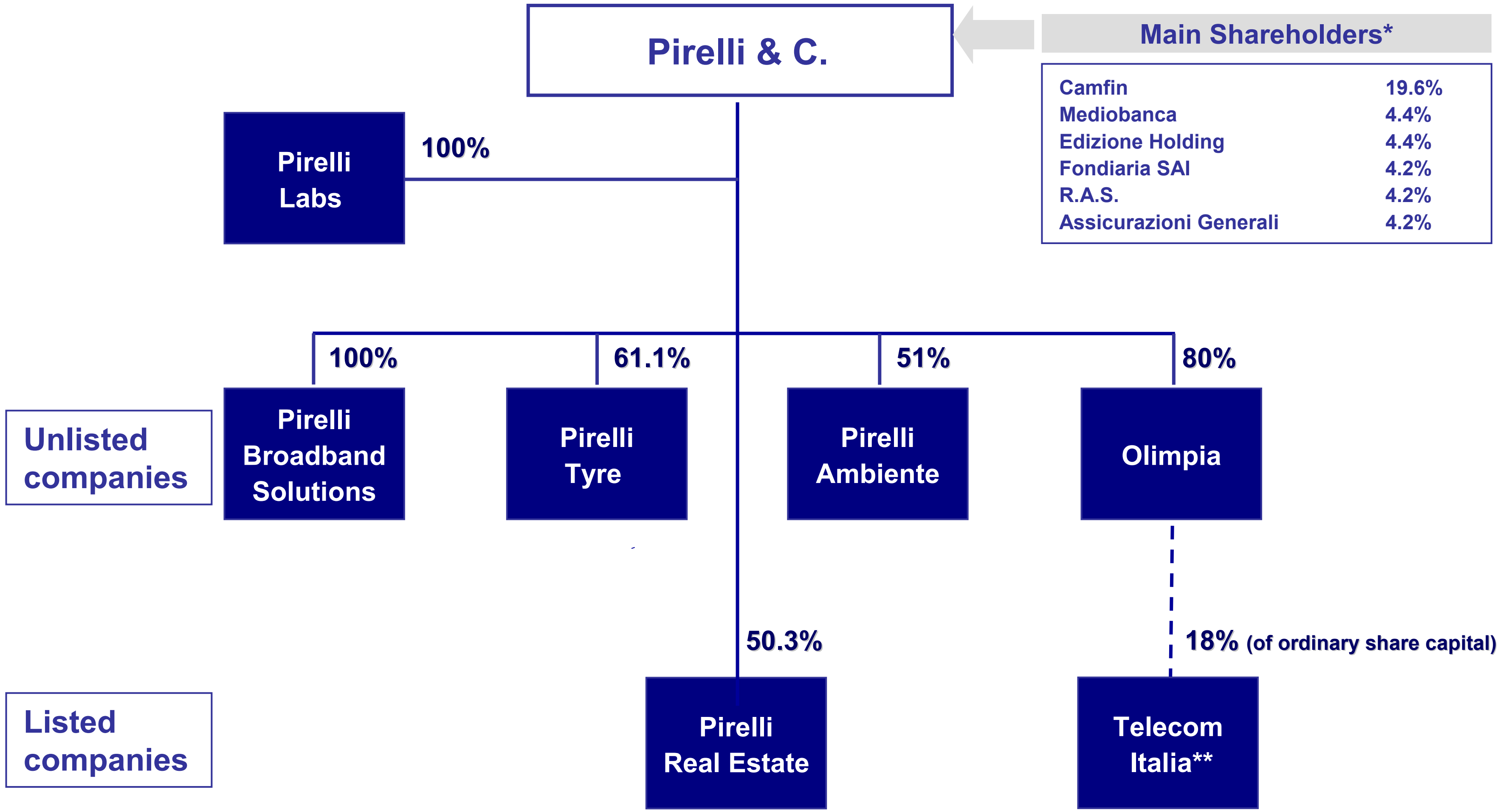
PIRELLI RE RECENT ACHIEVEMENTS

- **Assets Under Management at market value after the DGAG acquisition exceed € 15 bn, of which around € 2 bn abroad, therefore approaching in advance the 20% target of international assets set out for 2008**
- **Assets Under Management through Funds reached € 6.7 bn at market value (as of today), with 12 managed funds (3 opportunistic and 9 core/core-plus)**
- **Successful completion of the listing to the AIM, of Spazio Investment (IPO of approx. € 300 mn), a company which owns 100% of the units of Spazio Industriale, a closed end fund specialised in the industrial and light logistics sector**
- **Acquisitions commitments as of today, including DGAG, for approx. € 3.4 bn, corresponding to the target set out for the whole 2006**
- **In the Service Provider and Franchising Network business, we posted significant increase of Technical Services, with an EBIT including Income from Equity Participation of approx. € 18 mn (+40% vs 9M 05)**

WE CONFIRM 2006 INCREASE IN ALL OPERATING RESULTS, WITH A SOUND FINANCIAL STRUCTURE

BACK-UP SLIDES

PIRELLI GROUP STRUCTURE



*The stakes above are only the ones regrouped in the Shareholders Agreement of 5th July 2006
** Pirelli owns directly 1.36% of TI ordinary share capital

PIRELLI

9M 2006 – PIRELLI GROUP RESULTS

€/mn	Pirelli Tyres			Pirelli Broadband Solutions			Pirelli RE			Pirelli Ambiente			Others			PIRELLI GROUP		
	9M 2006	9M 2005	Δ 06/05	9M 2006	9M 2005	Δ 06/05	9M 2006	9M 2005	Δ 06/05	9M 2006	9M 2005	Δ 06/05	9M 2006	9M 2005	Δ 06/05	9M 2006	9M 2005	Δ 06/05
Net Sales (as reported)	2,990.6	2,706.9	*10.5%*	102.6	81.4	*26.0%*	464.4	458.8	*1.2%*	54.5	40.1	*35.9%*	11.0	35.1		3,623.1	3,322.3	*9.1%*
Net Sales (organic)		2,787.6	*7.3%*		81.4			458.8			40.1			36.2			3404.1	*6.4%*
EBITDA before IPO Tyre costs	425.5	412.4		(0.1)	(5.6)		58.9	48.3		1.5	(1.2)		(10.3)	(18.0)		475.5	435.9	*9.1%*
EBITDA margin before IPO COSTS	*14.2%*	*15.2%*														*13.1%*	*13.1%*	
EBITDA	418.1	412.4	*1.4%*	(0.1)	(5.6)		58.9	48.3	*21.9%*	1.5	(1.2)		(16.4)	(18.0)		462.0	435.9	*6.0%*
EBITDA margin	*14.0%*	*15.2%*														*12.8%*	*13.1%*	
EBIT before IPO Tyre costs	278.8	271.1		(1.0)	(6.0)		52.3	41.9					(17.8)	(26.6)		313.2	278.0	*12.7%*
ROS before IPO Tyre costs	*9.3%*	*10.0%*														*8.6%*	*8.4%*	
IPO Tyre costs	(7.4)												(6.1)			(13.5)		
EBIT	271.4	271.1		(1.0)	(6.0)		52.3	41.9	*24.8%*	0.9	(2.4)		(23.9)	(26.6)		299.7	278.0	*7.8%*
EBIT margin	*9.1%*	*10.0%*														*8.3%*	*8.4%*	
Result from Equity Participations	0.3	(0.5)					63.3	62.6	*1.1%*				33.5	3.1		97.1	65.2	*48.9%*
Net Cap. Gain from 38.9% of P. Tyre Disp.													416.4			416.4		
Olimpia													(1,983.0)	129.7		(1,983.0)	129.7	
EBIT including Result from Equity Participations	271.7	270.6	*0.4%*	(1.0)	(6.0)		115.6	104.5	*10.6%*	0.9	(2.4)		(1,557.0)	106.2		(1,169.8)	472.9	
Financial Charges	(42.3)	(29.6)		(1.0)	(0.7)		(1.0)	0.8					(85.0)	(80.4)		(129.3)	(110.0)	
EBT	229.4	241.0		(2.0)	(6.7)		114.6	105.3		0.9	(2.4)		(1,642.0)	25.7		(1,299.1)	362.9	
Fiscal Charges	(75.8)	(75.9)		(0.5)	(0.2)		(29.2)	(26.4)		(0.4)	(0.1)		(5.5)	6.1		(111.4)	(96.5)	
Net Income (loss) before Discontinued Operations	153.6	165.1		(2.5)	(6.9)		85.4	78.9	*8.2%*	0.5	(2.5)		(1,647.5)	31.8		(1,410.5)	266.4	
Discontinued Operations														15.1			49.8	
Net Income (loss)	153.6	165.1		(2.5)	(6.9)		85.4	78.9	*8.2%*	0.5	(2.5)		(1,647.5)	46.9		(1,410.5)	316.2	
Attributable Net Income																(1,472.4)	276.0	
NET FINANCIAL POSITION	783.3	384.7		9.0	3.1		94.9	29.4		(0.3)	(1.5)		543.9	820.1		1,430.8	1,235.8	
of which Discontinued operations																		