Pirelli & C Group

Future key drivers and First Half 2003

Milan, September 5th, 2003

PRELIMINARY NOTES

- 1H 03 results include the effects of Pirelli & C capital increase and “recesso”, along with the incorporation of Pirelli SpA and Pirelli & C Luxembourg

- Financial and fiscal effects of the merger are retroactive to January 1, 2003

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- Key Milestones
- Group Results
- Industrial Business
- Pirelli & C Real Estate
- Olimpia
- The New Vision and Outlook

PIRELLI GROUP'S KEY MILESTONES …

- Successful merger and capital increase…

  … and stronger financial position

- Industrial businesses recovering after an impressive turnaround, with positive outlook

- Real Estate activities growing in size and profitability

- Olimpia ready to take direct advantage from TI Group results

… FOR A FUTURE OF GROWTH SUPPORTED BY A SOLID STRUCTURE

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PIRELLI GROUP MAIN FIGURES (ml Euro)

	H1 2003 Pro-forma Pre Merger	H1 2003 Post Merger	H1 2002
Net Sales	3,298	3,298	3,494
EBIT	**129**	**142**	**101**
EBIT Margin	***3.9%***	***4.3%***	***2.9%***
Equity participation results	23	23	11
Olimpia	(45)	(45)	(54)
Op. result incl. Equity Partic.	**107**	**120**	**58**
Financial charges	(74)	(74)	(87)
PBEIT	**33**	**46**	**(29)**
Extraordinary items	16	(2)	199
Fiscal charges	(65)	(65)	(77)
Net Result	**(16)**	**(21)**	**93**
Net Debt	**2,247**	**1,598**	**2,234**
Equity	**4,444**	**(*) 3,799**	**5,233**
Parent Company Interest	***1,912***	***3,499***	***2,150***
Gearing	**0.51 x**	**0.42 x**	**0.43 x**

(*) Including merger surplus allocation (€ 1.3 bn), related also to Olimpia (new indirect book value of TI shares = 4.93 Euro)

NEW PIRELLI GROUP STRUCTURE …
(effective as of September 1st, 2003)

Main Shareholders (*)

Camfin	23.7%
Assicurazioni Generali	4.6%
RCS MediaGroup	4.4%
Fondiaria – SAI	4.2%
Mediobanca	4.0%
Edizione Holding	3.9%
R.A.S.	3.8%

PIRELLI & C.

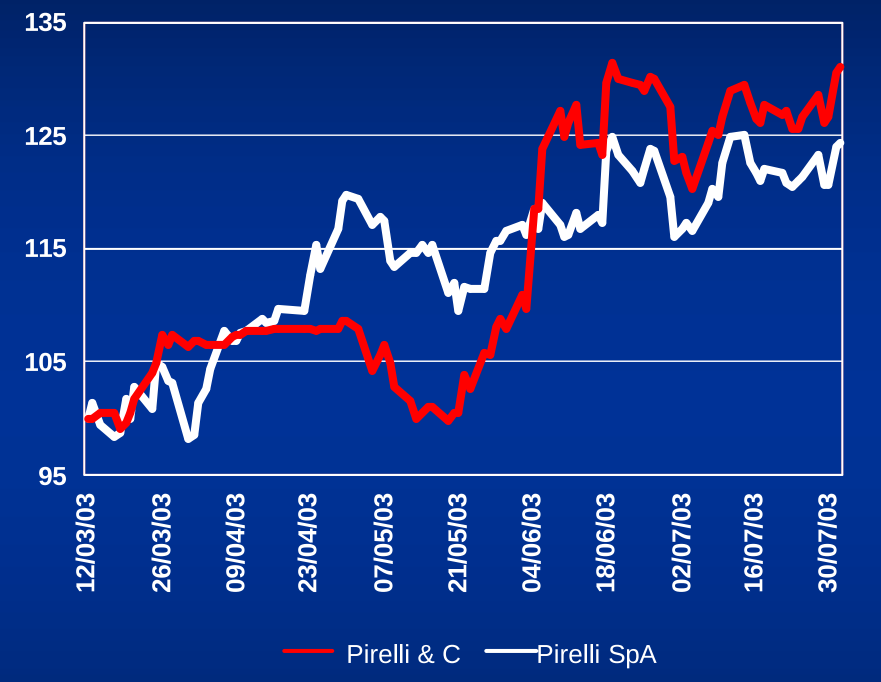
Pirelli Energy Cables & Systems	Pirelli Telecom Cables & Systems	Pirelli Tyre Holding N.V.	Pirelli & C Real Estate	Olimpia
100%	100%	100%	61.7%	50.4%

(*) An overall 42.2% stake of the ordinary capital is regrouped in a Shareholders' Syndicate Pact

… SUPPORTED BY POSITIVE MARKET REACTIONS AFTER THE MERGER ANNOUNCEMENT

- Capital Increase fully subscribed w/o intervention of the underwriting syndicate
- Limited “Recesso” from retail shareholders
- Timetable respected
- Transaction appreciated by the financial analysts covering the Stocks

Stock performance since March 12th 2003



From the announcement date to the merger completion:

- **Pirelli & C SApA: + 31% (including dividend effect)**
- **Pirelli SpA: + 24%**

THE NEW PIRELLI GROUP FINANCIALS FRAMEWORK (ml Euro)

	Industrial Business		Pirelli & C. Real Estate		Other (incl. Olimpia)		Total (post merger)	
	06/2003	06/2002	06/2003	06/2002	06/2003	06/2002	06/2003	06/2002
Net Sales	3,049	3,386	(***) 281	146	(32)	(38)	3,298	3,494
- EBITDA	287	(*) 290	37	33	(**) (2)	(18)	(**) 322	(*) 305
EBITDA margin	*9.4%*	*8.6%*					*9.8%*	*8.7%*
- EBIT	**135**	**(*) 117**	29	29	(**) (22)	(45)	**(**) 142**	**(*) 101**
EBIT margin	*4.4%*	*3.5%*					*4.3%*	*2.9%*
Results from Equity Participation	(1)	0	24	13	-	(2)	23	11
Olimpia	-	-	-	-	(45)	(54)	(45)	(54)
- Op. result incl. Equity Partic.	134	117	**53**	**42**	(67)	(101)	**120**	**58**
Financial expenses	(49)	(69)	0	(2)	(25)	(16)	(74)	(87)
- PBEIT	85	48	53	40	(92)	(107)	**46**	**(29)**
Extraordinary Items	18	8	0	51	(20)	140	(2)	199
Income taxes	(48)	(35)	(13)	(20)	(4)	(22)	(65)	(77)
- Net Income (loss)	55	21	40	(****) 71	(116)	1	(21)	93
% of net sales	*1.8%*	*0.6%*	*14.2%*	*48.6%*			*n.s.*	*2.7%*
Attributable Income (loss)							*(36)*	*130*
Net Financial Position	1,399	1,537	71	55	128	642	1,598	2,234

(*) Including 16 ml Euro of positive non-recurring items in Energy and TLC
(**) Including 10 ml Euro of positive non-recurring items (“Ciena settlement”)
(***) Figure does not represent business volumes; Aggregate Production Value 693 ml Euro (+44%)
(****) Of which 32 mn real estate activities and 39 mn other components (disposal UNIM securities portfolio)

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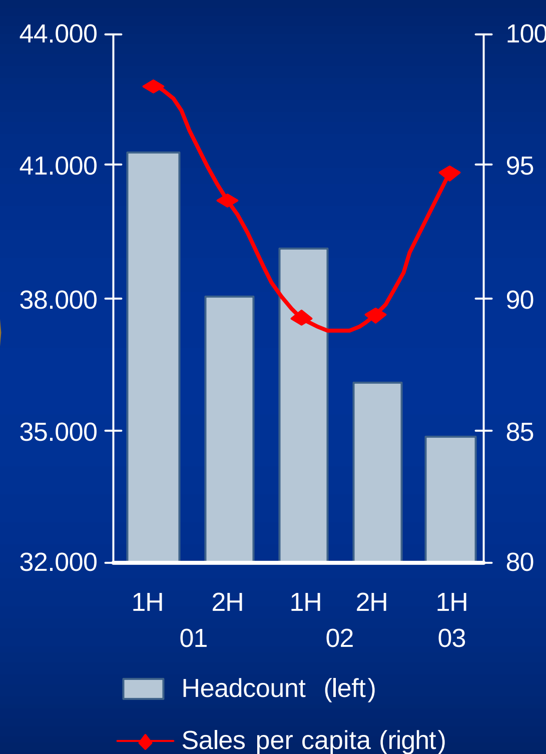
A MAJOR RESTRUCTURING TO FACE A TOUGH ENVIRONMENT

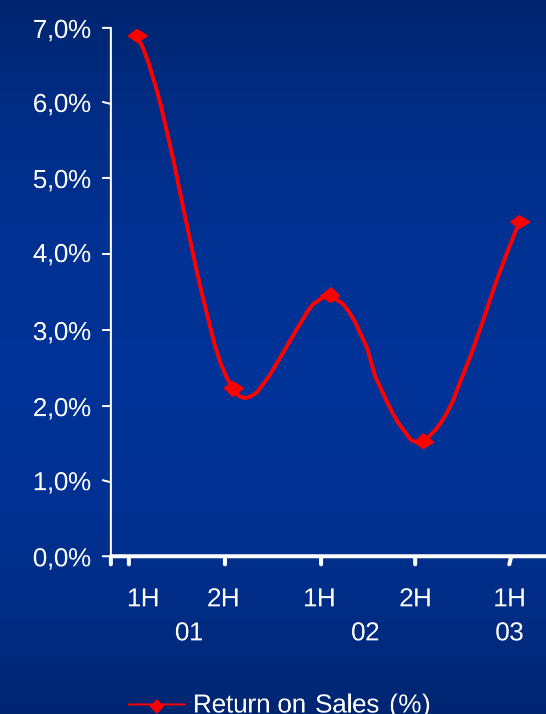
Actions...

- Re-sizing of capacity to match market demand: 12 plants closures (7 Energy, 4 TLC, 1 Tyres) starting from 2001
- Efficiency recovery:
  . Headcount reduced by over 7,000 (- 17%) in 2 years…
  . … of which about 3,000 mgmt and staff (- 26%)
- Cross sectors synergies
- Increased factory specialisation

Continuous search for efficiencies…



...improving margins, in line with targets...



…Result: Cumulated gross efficiencies: more than 300 ml Euro in 18 months

…keeping commitment to R&D and innovation (3.4% of sales) and focus on high value added businesses

PIRELLI ENERGY CABLES SECTOR

Very tough environment so far

- Investments contraction
- Price pressure
- Overcapacity

Impressive restructuring mostly completed

- Efficiencies recovery :
  . 7 factories closed since 2001
  . Headcount reduced by 25%, of which mgmt and staff by 30% and labour by 23%
- Break even point lowered by 14%
- Cumulated operating free cash flow (since 2001): more than 200 ml Euro

Margins improvement in 1H, in contrast with competitors' trend and further improvement in 2H

Profit and loss

	1H 2003	1H 2002	Var. %
SALES	1,312	1,614	*-18.7%*
EBITDA	70	(*) 77	*-9.1%*
EBITDA margin	*5.3%*	*4.8%*	
EBIT	27	(*) 26	*+3.8%*
EBIT margin	*2.1%*	*1.6%*	

(*) Including a positive contribution of 10 ml Euro related to a settlement with a major customer

ΔVolumes:	-3.2%
ΔPrice/mix:	-1.1%
Actual Variation:	**-4.3%**
ΔExchange rates:	-6.3%
ΔMetal price:	-4.4%
ΔPerimeter:	-3.7%
Total Δ sales:	-18.7%

PIRELLI TELECOM CABLES SECTOR

Very weak market so far

- Cable demand low and flat
- Pressure on prices/mix (-13%) in 1H2003
- Copper cables improving in Latam and Australia
- Competitors still under restructuring

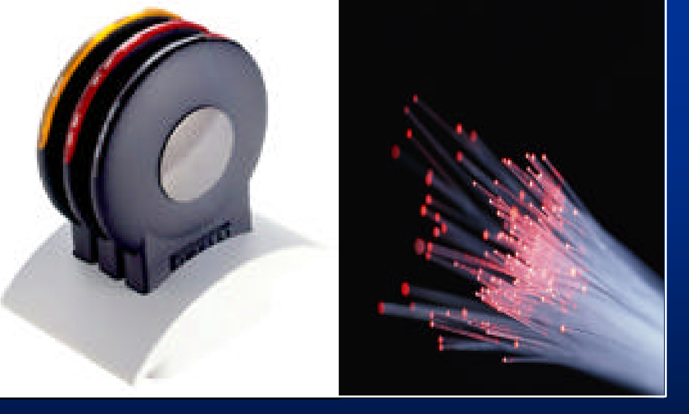
A new consistent business model

- Five Markets covered:
  - . Fiber
  - . Cable
  - . Submarine Systems
  - . 2nd generation optical comp.
  - . Access systems
- Leaner organisation and timely restructuring already completed (headcount reduced by 47% with mgmt and staff down 42% and labour 49%)
- New business starting to contribute with a positive cash flow expected from 2004

Third consecutive quarter in progress
Target: Operating break-even in 4Q 03

Profit and loss	1H 2003	1H 2002	*Var. %*
SALES	228	284	*-19.7%*
EBITDA	(2)	(*) 11	*n.m.*
EBITDA margin	*n.s.*	*3.9%*	
EBIT	(21)	(*) (20)	*n.m.*
EBIT margin	*n.s.*	*n.s.*	

(*) Including a positive contribution of 6 ml Euro related to an insurance compensation



PIRELLI TYRES SECTOR

Achievements

- Volume growth in Performance segments (Moto and Car HP/UHP/SUV)
- Price/Mix improvements across the markets
- Raw material cost increase in South America offset by domestic prices and export growth

Investing in the future

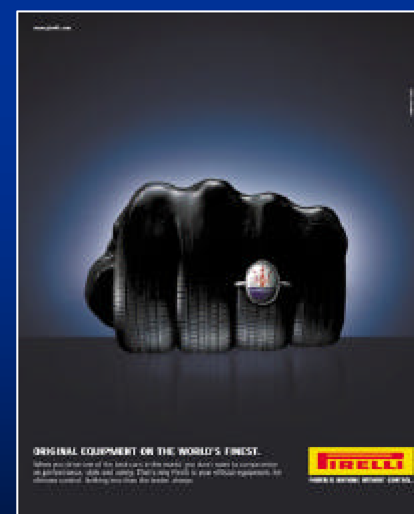
- Successful product launches: Diablo (MIRS), PZero Corsa, Scorpion STR
- Prestigious OE homologations
- Successful entry in the US OE market
- MIRS production deployment in Germany, UK and USA
- CCM initial deliveries on new materials
- Outstanding performance in moto and truck

Positive trend in operating margin expected also in 2nd Half

Profit and loss

	1H 2003	1H 2002	*Var. %*
SALES	1,509	1,488	*+1.4%*
EBITDA	219	202	*+8.4%*
EBITDA margin	*14.5%*	*13.6%*	
EBIT	129	111	*+16.2%*
EBIT margin	*8.5%*	*7.5%*	

ΔPrice/mix:	+6.4%
ΔVolumes:	+8.0%
Actual Variation:	**+14.4%**
ΔExch. rates:	-13.0%
Total Δ sales:	+1.4%



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PIRELLI & C. REAL ESTATE ENVIRONMENT AND ACTIONS

Environment		Pirelli Actions
Residential	- Family high propensity to save money and buy home, sustained demand for housing	- Portfolio rotation: sold € 322 ml, acquired € 153 ml, € 500 ml under negotiation
Commercial	- High liquidity available for investments alternative to Stock Market. - Investors appetite for financial products Real Estate Backed.	- Portfolio rotation: sold € 423 ml, acquisitions € 850 ml (incl. Fonsai) - Strengthened joint venture agreements: Morgan Stanley, Peabody - Product differentiation between Commercial Short Term and Long term Long Term: - Bank of Italy approval for Sgr - Agreements with advisors/banks for placing funds, one retail, one institutional
Services	- Huge potential for upgrade of services to European standards	- Acquisition facility divisions, RAS and Olivetti - Unification of residential and commercial agencies - Franchise Network – signed letter of intent with Abbey National Bank, Generali group, Selma BPM Leasing

PIRELLI & C. REAL ESTATE BUSINESS RESULTS

	Profit and loss		
	1H 2003	1H 2002	*Var. %*
Net Aggregate Production value	693	481	*+44%*
EBIT including Results from Equity Participations	53	42	*+27%*
Net Income from Real Estate activities	40	32	*+26%*

	Balance sheet	
	1H 2003	FY 2002
Equity	360	368
Net Financial Position	71	(12)
NFP incl. share-holders loans	249	167
Gearing	0.7 x	0.5 x

Assets Under Management *	€ 10.2 Bn
Assets Under Services *	€ 30.1 Bn

Additional information on H1 2003 results available on the IR section of the www.pirellirealestate.com Web Site

* Including acquisition of Fonsai

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OLIMPIA: AN INDUSTRIAL CORE INVESTMENT

MAJOR ISSUES

- A reliable and efficient financial structure:
  - TI 1H 2003 Net Result after merger: 1,592 ml Euro
  - Reduced dividend leakage
- Business targets for the New TI 2003-2005 fully confirmed as well as the TI dividend policy
- Industrial culture of new management contributed to the achievement of the above strategic targets

Olimpia is the main shareholder in TI with:
- 11.6% ordinary stake
- 12.5% fully diluted (*)

(*) Taking into account “in the money” securities only

Olimpia stake in TI as of 4th August 2003

	#	TI shares on diluted basis
TI shares	1,190.7 m	1,190.7 m
TI 2001-2010 Convertible Bonds	504.8 m	238 m
TOTAL		1,428.8 m

Olimpia balance sheet

	30/06/03	31/12/02
Net assets	€ 9.0 bn	€ 8.6 bn
Equity	€ 5.8 bn	€ 4.9 bn
Net debt	€ 3.2 bn	€ 3.7 bn

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A STRONGER GROUP…

- Simplified and strengthened post merger structure

- A balance of assets - industrial, real estate and telecommuncations - strongly placed in all businesses

- Leveraging on: . A strong and integrated management team
  . A strong Group culture focused on value creation
  . The sharing of Group know-how

- Solid and reliable “post merger” financial structure

- Continued emphasis on technology and innovation allied to rigorous cost management and return on investment

- Businesses well positioned to capture benefits of any rebound:
  . New products and processes
  . Competitive cost structures
  . High potential geographic markets

… FOR PROFITABLE BUSINESS …

… WITH CLEAR OUTLOOK AND PERSPECTIVES

With a competitive cost structure, Pirelli "ready"… also for economic rebound

Energy Cables and Systems	- Good order book for 2H 03 - Black-outs stimulating new round of capex - Innovative services to utilities (maintenance, network control)
Telecom Cables and Systems	- Effective collaboration P Labs/TI Labs/External partners - Access and Metro solutions market growing - Incumbents reconsidering capex
Tyres	- Strong Winter season foreseen - 2 digit market growth in HP segments - New plant opening in Brazil
Real Estate	- Continued short term portfolio rotation; management of long term investment lines - Placing of Office funds - Launch of franchise network - Increase in Service Provider Revenues by 40-50%
Telecommunications	- Thanks to merger, more directly connected with TI performance

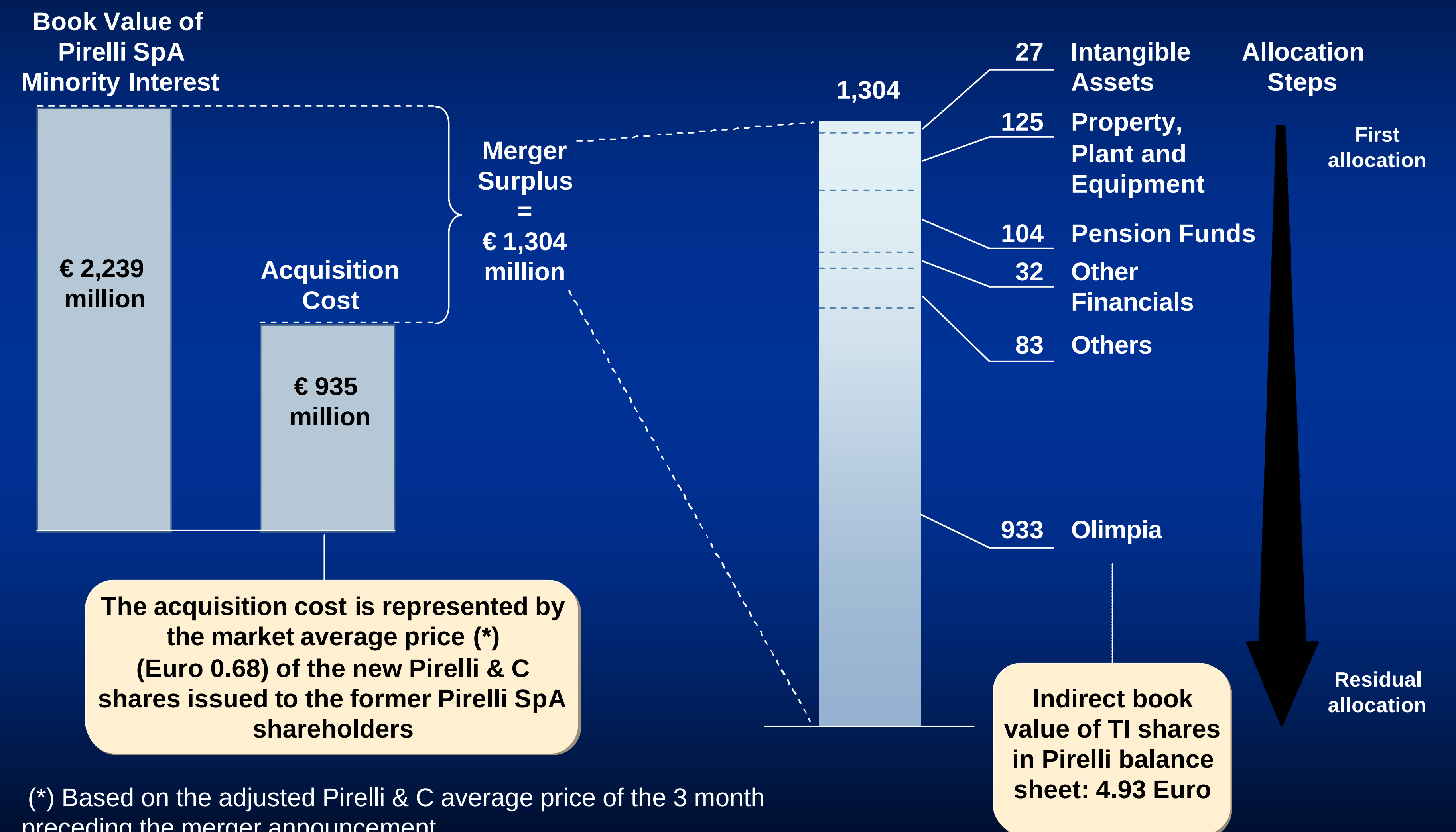
Further recovery expected in H2 2003

Annex

MERGER SURPLUS

Surplus origination …

… and allocation breakdown



(*) Based on the adjusted Pirelli & C average price of the 3 month preceding the merger announcement