Group Presentation

Conference Call with the Financial Community
First Half 2005 Results
12th September 2005

STRATEGIC HIGHLIGHTS

- Focus on high margin businesses, supporting the profitability growth path

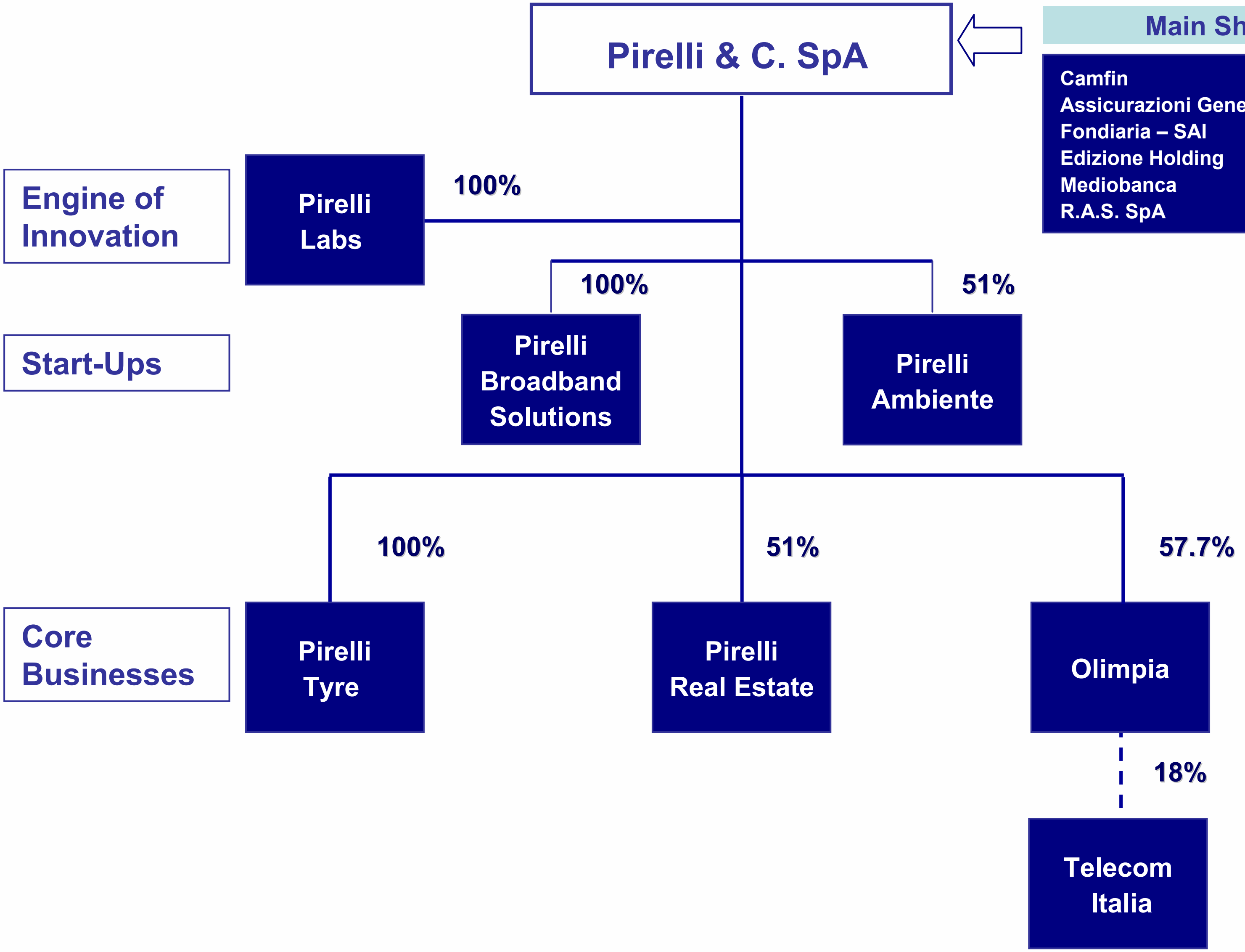
- Cost control to maintain competitiveness

- R&D is the engine of strategic innovation, giving the Group the opportunity to exploit new high tech fields of activity and to run new Start Ups (e.g. PBroadband Solutions, PEnvironment)…

… supported by a transparent and effective Corporate Governance

PIRELLI

PIRELLI GROUP STRUCTURE



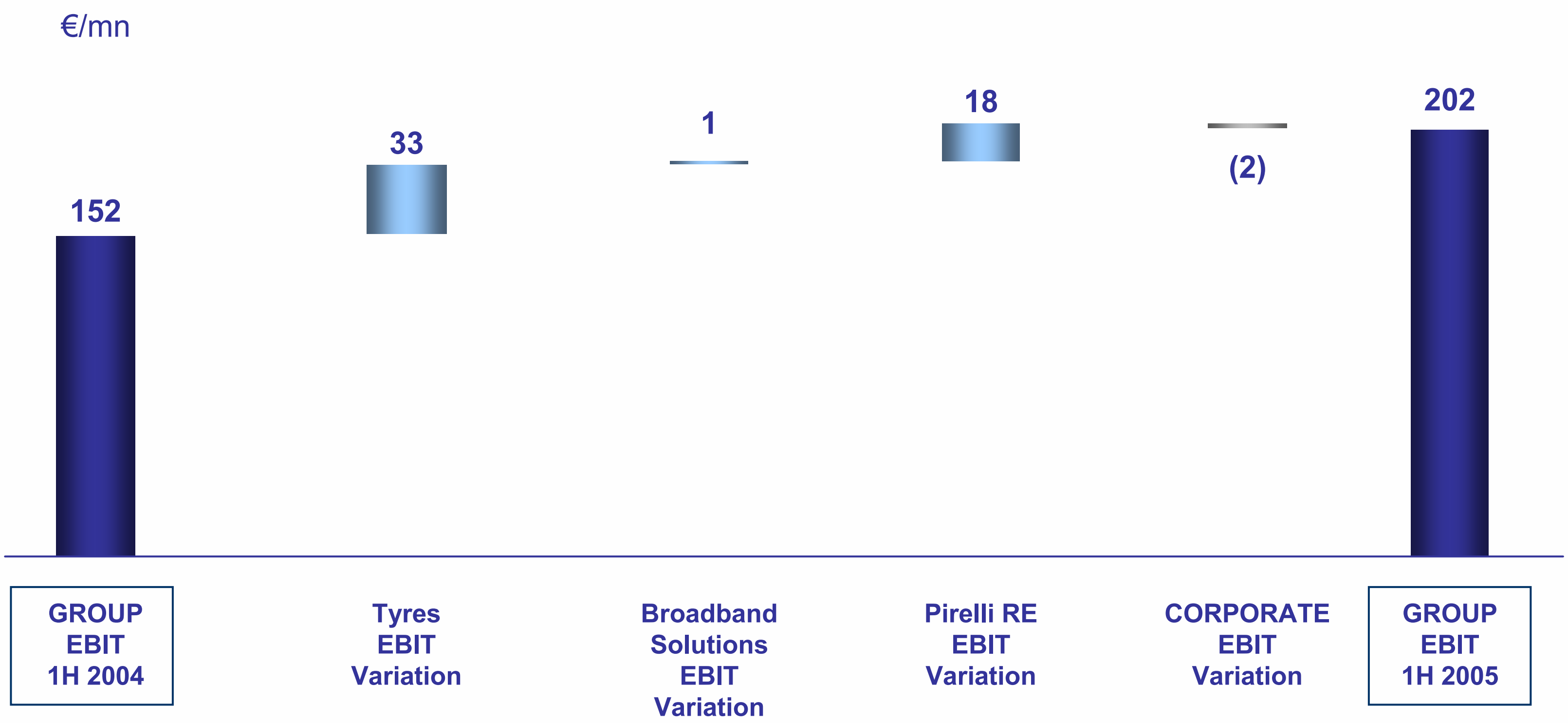
Main Shareholders

Camfin	25.4%
Assicurazioni Generali	5.2%
Fondiaria – SAI	4.3%
Edizione Holding	4.5%
Mediobanca	4.5%
R.A.S. SpA	4.3%

1H 2005 GROUP RESULTS

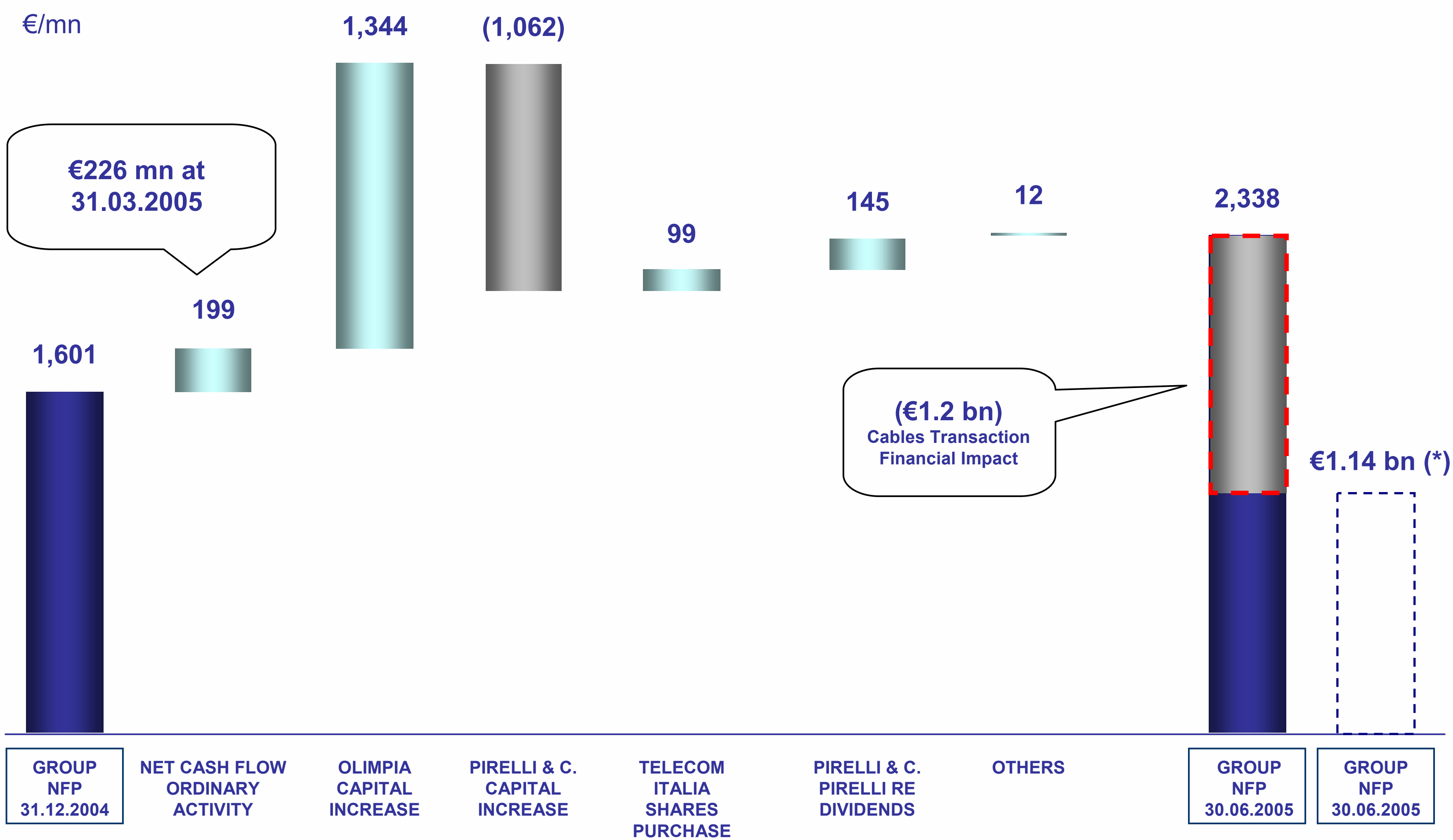
€/mn	Pirelli Tyres			Pirelli Broadband Solutions			Pirelli RE			Others			PIRELLI GROUP		
	1H 05	1H 04	*Δ05/04*	1H 05	1H 04	*Δ05/04*	1H 05	1H 04	*Δ05/04*	1H 05	1H 04	*Δ05/04*	1H 05	1H 04	*Δ05/04*
Net Sales (as reported)	1,796	1,659	*8.3%*	64	28	*128.6%*	363	297	*22.2%*	58	32		2,281	2,016	*13.1%*
Net Sales (organic)		1,677			28			297			61			2,063	
EBIT	187	154	*21.4%*	(3)	(4)		36	18	*100.0%*	(18)	(16)		202	152	*32.9%*
EBIT margin	*10.4%*	*9.3%*											*8.9%*	*7.5%*	
Result from Equity Participations							43	40		(17)	(15)			25	
Olimpia										86	8		86	8	
EBIT including Result from Equity Participations	187	154	*21.4%*	(3)	(4)		80	58	*37.9%*	50	(23)		314	185	*69.7%*
Net Income (loss) before Discontinued Operations	116	83	*39.8%*	(4)	(5)		60	48	*25.0%*	5	(35)		177	91	*94.5%*
Discontinued Operations													33	13	
Net Income (loss)	116	83	*39.8%*	(4)	(5)		60	48	*25.0%*	5	(35)		210	104	*101.9%*
Attributable Net Income													179	85	
NET FINANCIAL POSITION	350	375		3	22		43	46		1,227	1,052		2,338	2,178	
of which Discontinued operations													715	683	

1H 2004 – 1H 2005: GROUP EBIT VARIATION



PIRELLI

FY 2004 – 1H 2005: GROUP NET FINANCIAL POSITION VARIATION



(*) Net of cables disposal financial impact (€1.2 bn)

1H 05 PIRELLI TYRE RESULTS

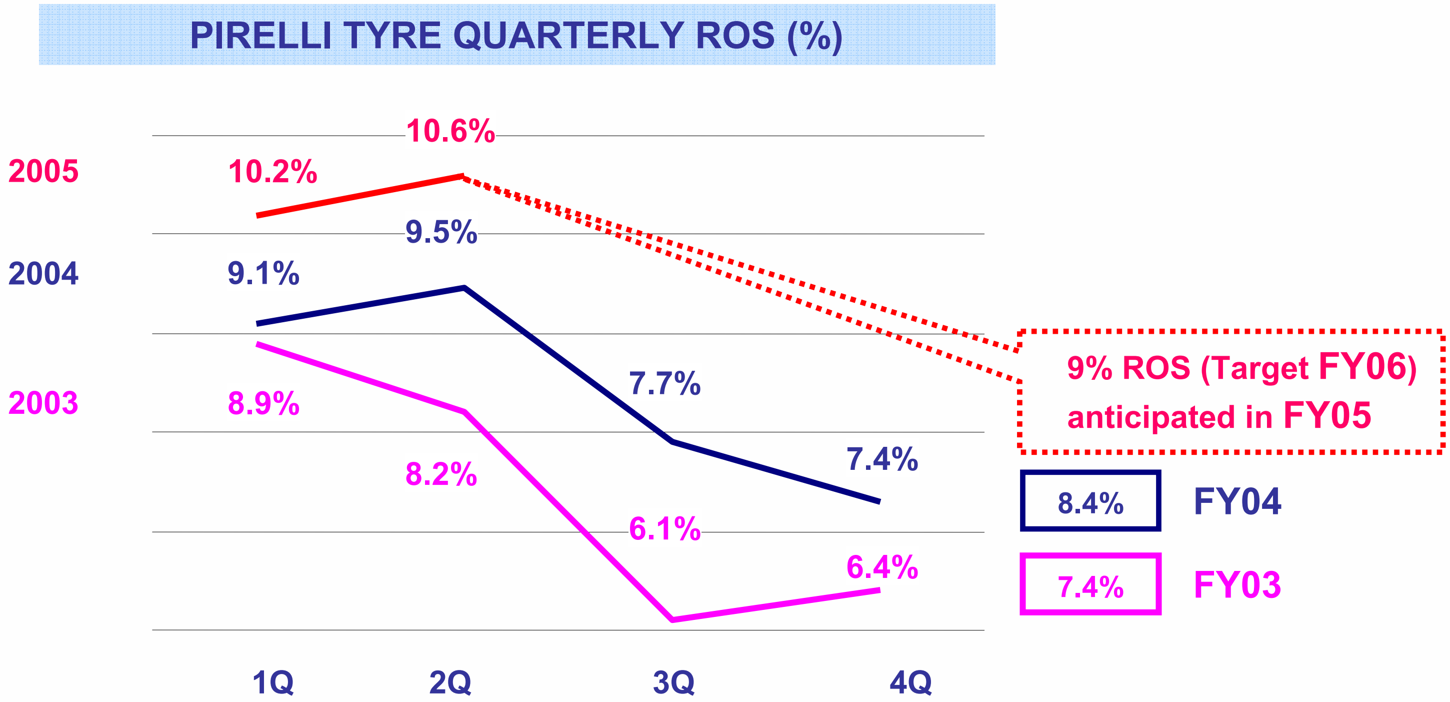
€/mn	1H 05 IAS/IFRS	1H 04 IAS/IFRS	Variation
Net Sales	1,796	1,659	+8.3%
EBITDA	280	243	+15.2%
EBITDA margin	*15.6%*	*14.6%*	
EBIT	187	154	+21.4%
EBIT margin	*10.4%*	*9.3%*	
Net Income	116	83	+39.8%

ΔPrice/mix:	+5.1%
ΔVolumes:	+2.0%
ΔActual Variation:	**+7.1%**
ΔExch. Rates:	+1.2%
ΔTotal:	**+8.3%**

ΔCommercial Variations:	€77mn
ΔEfficiencies:	€4mn
ΔUnit Costs/Other:	€(48)mn
ΔTotal:	**€33mn**

- **Two digits net sales growth in second quarter coming from both Consumer and Industrial segments allows an overall + 8.3% variation in First Half 2005**
- **Further Price & Mix improvements in all areas offset raw materials and energy cost also in second quarter**
- **Despite a weak market environment, volume growth stands at 3.9% YoY in second quarter allowing an overall + 2% volume variation in First Half 2005**

PIRELLI TYRE: SEASONALITY TREND & FY 2005 OUTLOOK



• In a contrasted scenario (positive winter campaign outlook vs additional energy and raw materials costs), Pirelli Tyre targets a year end 9% ROS with one year advance vs Three Years Plan

1H 05 PIRELLI BROADBAND SOLUTIONS RESULTS

€/mn	1H 05 IAS/IFRS	1H 04 IAS/IFRS	Variation
Net Sales	64	28	nm
EBITDA	(2)	(4)	nm
EBITDA margin	*nm*	*nm*	
EBIT	(3)	(4)	nm
EBIT margin	*nm*	*nm*	
Net Income	(4)	(5)	nm

• Sales doubled YoY mainly thanks to new generation Broadband Access products (VoIP)

• EBIT improved, as a result of:

Broadband Access positive contribution…
…notwithstanding the negative impact of Photonic development costs (start-up and qualification tests)

• On track to meet FY05 targets

PIRELLI BROADBAND SOLUTIONS: FIELDS OF ACTIVITY

BROADBAND ACCESS

- Leadership in domestic market confirmed by new clients and innovative services provided (VoIP + modularity)
- Commercial strategy new developments in EU & LATAM
- Enhanced offer of integrated PMP (Software Management Platform), leveraging the proved experience

PHOTONICS

- Business structure development, to support the first sales of photonics products
- Tunable Laser: submitted for qualification tests to the main clients
- CWDM (Coare Wavelenght Division Multiplexer): agreements with leading TLC Systems Integrators

1H 05 PIRELLI RE RESULTS

€/mn	1H 05 IAS/IFRS	1H 04 IAS/IFRS	Δ 05/04 %
Aggregate Revenues	1,741.7	1,213.5	+44%
EBIT Incl. Income from Equity Participations	80.3	58.2	+38%
Profit Before Taxes	80.4	61.1	
Net Attributable Income	59.8	48.0	+25%

1H 05 PIRELLI RE ACHIEVEMENTS

- The Asset Under Management increased by 13% over last year to €12.1 bn and Asset Under Services grew at the same path (13%) to €39.6 bn

- Fund and Asset Management posted aggregate revenues of around €1.5 bn (+45% over the same period of 2004), thanks to the increase in sales and in management fees; EBIT grew 18% to €62.7 mn

- Specialised Services posted a strong increase at EBIT level (+49% over the same period of 2004). ROS reached 19% (13% in First Half 2004)

- As at June 30, 700 franchising contracts were signed (408 agencies are already operating through the country)

PIRELLI GROUP OUTLOOK 2005

- Confirmed growth in profitability
- Pirelli Tyre 2006 ROS target anticipated by one year
- Pirelli Broadband Solutions in line with targets
- Pirelli RE operating profitability in line with Three Years Plan Targets

BACKUP SLIDES

1H 05 PIRELLI ENERGY C&S RESULTS

€/mn	1H 05 IAS/IFRS	1H 04 IAS/IFRS	Variation
Net Sales	1,651	1,499	+10.1%
EBITDA	113	97	+16.5%
EBITDA margin	*6.8%*	*6.5%*	
EBIT	78	59	+32.2%
EBIT margin	*4.7%*	*3.9%*	
Net Income	45	30	+50.0%

ΔPrice/mix:	+6.5%
ΔVolumes:	+1.1%
ΔActual Variation:	**+7.6%**
ΔPerimeter:	-3.0%
ΔMetal price:	+5.5%
ΔTotal:	**+10.1%**

Δ Commercial Variations:	€42mn
ΔEfficiencies:	€3mn
ΔUnit Costs/Other:	€(26)mn
ΔTotal:	**€19mn**

1H 05 PIRELLI TELECOM C&S RESULTS

€/mn	1H 05 IAS/IFRS	1H 04 IAS/IFRS	Variation
Net Sales	177	177	-
EBITDA	7	3	nm
EBITDA margin	*4.0%*	*1.5%*	
EBIT	(4)	(11)	nm
EBIT margin	*nm*	*nm*	
Net Income	(10)	(17)	nm

ΔPrice/mix:	-21.8%
ΔVolumes:	+20.4%
ΔActual Variation:	**-1.4%**
ΔExch. rates:	-0.4%
ΔMetal price:	+1.8%
ΔTotal:	**-**

Δ Commercial Variations:	€(5)mn
ΔEfficiencies:	€5mn
ΔUnit Costs/Other:	€8mn
ΔTotal:	**€8mn**

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Net Sales (organic)		1,677			28			297			61			2,063	
EBITDA	280	243	*15.1%*	(2)	(4)		40	23	*73.9%*	(12)	(10)		306	252	*21.3%*
EBITDA margin	*15.6%*	*14.6%*											*13.4%*	*12.5%*	
EBIT	187	154	*21.4%*	(3)	(4)		36	18	*100.0%*	(18)	(16)		202	152	*32.9%*
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Result from Equity Participations							44	40		(18)	(15)		26	25	
Olimpia										86	8		86	8	
EBIT including Result from Equity Participations	187	154	*21.4%*	(3)	(4)		80	58	*37.9%*	50	(23)		314	185	*69.7%*
Financial Charges	(16)	(19)		(1)	(1)		-	3		(49)	(18)		(66)	(35)	
EBT	171	135	*26.7%*	(4)	(5)		80	61	*31.1%*	1	(41)		248	150	*65.3%*
Fiscal Charges	(55)	(52)		-	-		(20)	(13)		4	6		(71)	(59)	
Net Income (loss) before Discontinued Operations	116	83	*39.8%*	(4)	(5)		60	48	*25.0%*	5	(35)		177	91	*94.5%*
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