



## **Group Presentation**

Conference Call with the Financial Community  
Third Quarter – Nine Months 2005 Results  
11<sup>th</sup> November 2005

# GROUP MISSION

**ENHANCING ENTERPRISE VALUE**

through

**LEADING TECHNOLOGY & BUSINESS INNOVATION**

leveraging on

**MANAGEMENT SKILLS**

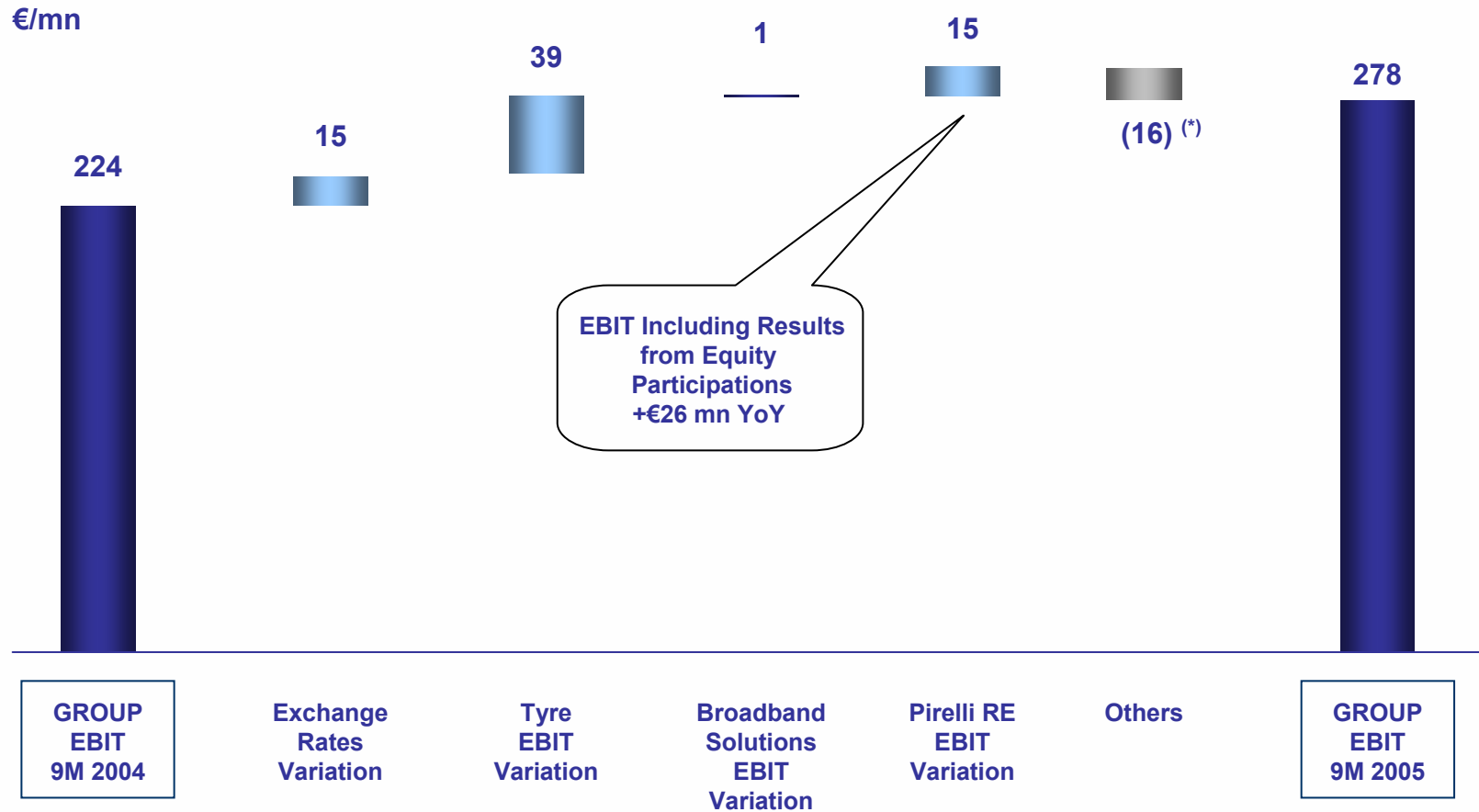
driven by

**AN EFFECTIVE CORPORATE GOVERNANCE**

# 9M 05 PIRELLI GROUP RESULTS

€/mn	9M 05 IAS/IFRS	9M 04 IAS/IFRS	Δ 05/04
Net Sales (as reported)	3,322	2,932	+13.3%
Net Sales (organic)		3,035	+9.5%
EBIT	278	224	+24.1%
EBIT margin	8.4%	7.6%	
Result from Equity Participations	65	106	
<i>Olimpia</i>	130	8	
EBIT including Result from Equity Participations	473	338	+39.9%
Net Income (Loss) from Continuing Operations	266	181	+47.0%
Discontinued Operations	50	53	
Net Income (Loss)	316	234	+35.0%
Attributable Net Income	276	206	
NET FINANCIAL POSITION	1,236	2,046	
of which Discontinued Operations		649	

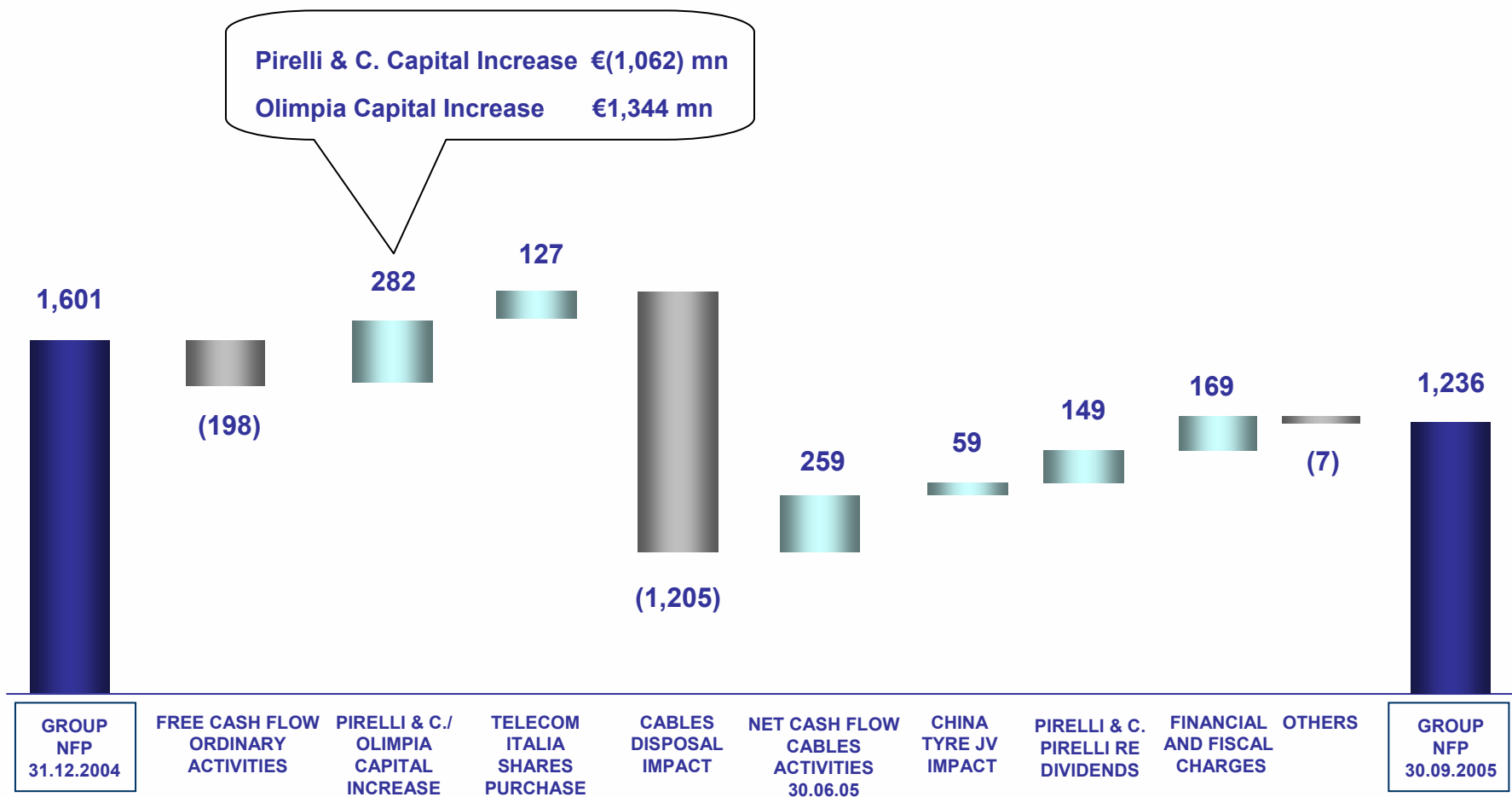
# 9M 2004 – 9M 2005: GROUP EBIT VARIATION



(\*) in 9M 04, €14 mn positive contribution from disposed submarine TLC cables activities IPR

# FY 2004 – 9M 2005: GROUP NET FINANCIAL POSITION VARIATION

€/mn



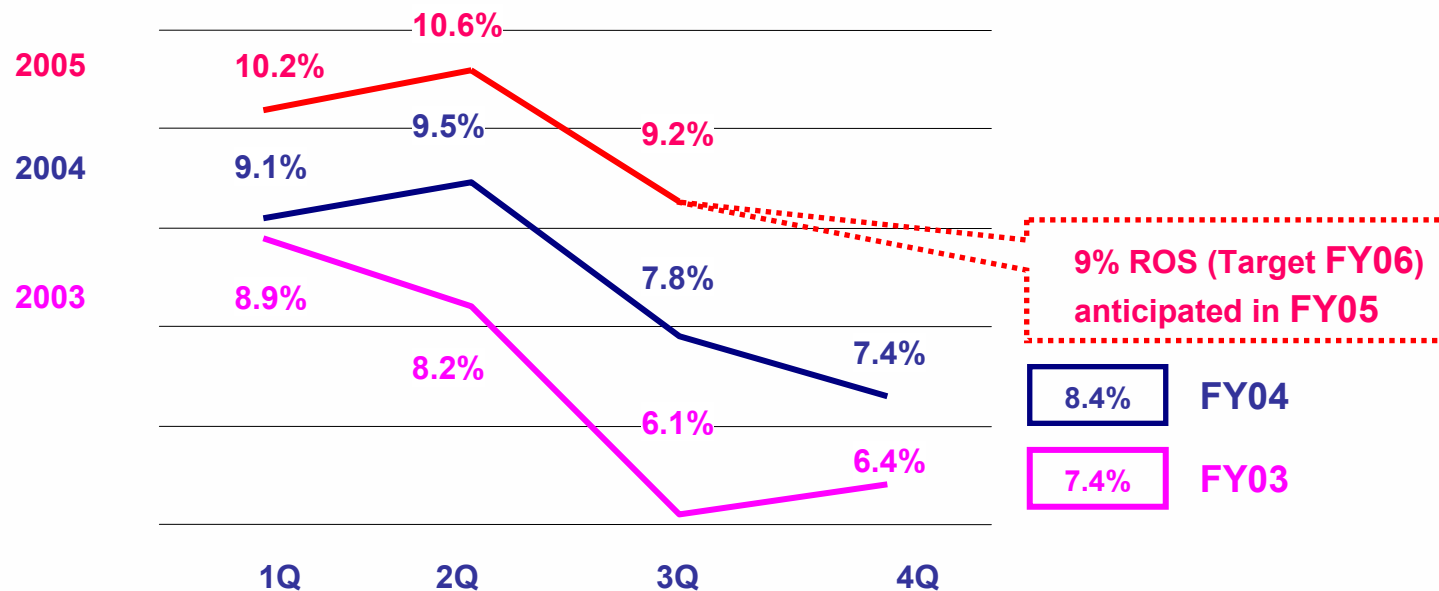
# 9M 05 PIRELLI TYRE RESULTS

€/mn	9M 05 IAS/IFRS	9M 04 IAS/IFRS	Variation													
Net Sales	2,707	2,466	+9.8%	<table border="1"> <tr><td>ΔPrice/mix:</td><td>+5.2%</td></tr> <tr><td>ΔVolumes:</td><td>+1.8%</td></tr> <tr><td><b>ΔActual Variation:</b></td><td><b>+7.0%</b></td></tr> <tr><td>ΔExch. Rates:</td><td>+2.7%</td></tr> <tr><td>ΔPerimeter:</td><td>+0.1%</td></tr> <tr><td><b>ΔTotal:</b></td><td><b>+9.8%</b></td></tr> </table>	ΔPrice/mix:	+5.2%	ΔVolumes:	+1.8%	<b>ΔActual Variation:</b>	<b>+7.0%</b>	ΔExch. Rates:	+2.7%	ΔPerimeter:	+0.1%	<b>ΔTotal:</b>	<b>+9.8%</b>
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<b>ΔTotal:</b>	<b>+9.8%</b>															
EBITDA	412	350	+17.7%													
EBITDA margin	15.2%	14.2%														
EBIT	271	217	+24.9%	<table border="1"> <tr><td>ΔCommercial Variations:</td><td>€ 112mn</td></tr> <tr><td>ΔEfficiencies:</td><td>€ 5mn</td></tr> <tr><td>ΔUnit Costs/Other:</td><td>€ (63)mn</td></tr> <tr><td><b>ΔTotal:</b></td><td><b>€ 54mn</b></td></tr> </table>	ΔCommercial Variations:	€ 112mn	ΔEfficiencies:	€ 5mn	ΔUnit Costs/Other:	€ (63)mn	<b>ΔTotal:</b>	<b>€ 54mn</b>				
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ΔEfficiencies:	€ 5mn															
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<b>ΔTotal:</b>	<b>€ 54mn</b>															
EBIT margin	10.0%	8.8%														
Net Income	165	119	+38.7%													

- 7.2% Net Sales organic growth in Third Quarter coming from both Consumer and Industrial segments
- Further Price & Mix improvements (5.5% in the quarter) offset raw materials and energy cost increase also in Third Quarter
- Pirelli two digit Winter Sales growth is more than twice the market allowing a +1.9% volume overall growth in the quarter, which includes initial 2 months of Chinese new operations

# PIRELLI TYRE: SEASONALITY TREND & FY 2005 OUTLOOK

PIRELLI TYRE QUARTERLY ROS (%)



- Soft market demand expected to continue till year end
- 4Q raw materials and energy cost increase pressure on margins
- Announced price increases will materialize from early 2006
- 9% ROS for FY 2005 is confirmed

# 9M 05 PIRELLI BROADBAND SOLUTIONS RESULTS

€/mn	9M 05 IAS/IFRS	9M 04 IAS/IFRS	Variation
Net Sales	81	39	nm
EBITDA	(6)	(7)	nm
EBITDA margin	<i>nm</i>	<i>nm</i>	
EBIT	(6)	(7)	nm
EBIT margin	<i>nm</i>	<i>nm</i>	
Net Income	(7)	(11)	nm

- First revenues contribution from Photonic products

- 9M 2005 EBIT improved, as a result of:

positive contribution of Broadband Access...  
...and Photonic development costs (start-up and qualification tests)

- Confident to reach FY05 Sales targets

# PIRELLI BROADBAND SOLUTIONS: FIELDS OF ACTIVITY

## BROADBAND ACCESS: ENLARGING CLIENTS PORTFOLIO

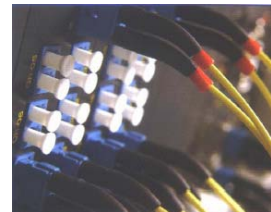
- Increasing contribution to Revenues from businesses with Italian TLC carriers
- Scouting the European TLC market to provide value added BBA solutions



Discus  
Modular Access  
Gateway™

## PHOTONICS: BECOMING A REALITY

- First revenues contribution in 3Q 2005 (CWDM City 8™)
- DTL qualification test



CWDM City 8™



Dynamically  
Tunable Laser

# 9M 05 PIRELLI RE RESULTS

€/mn

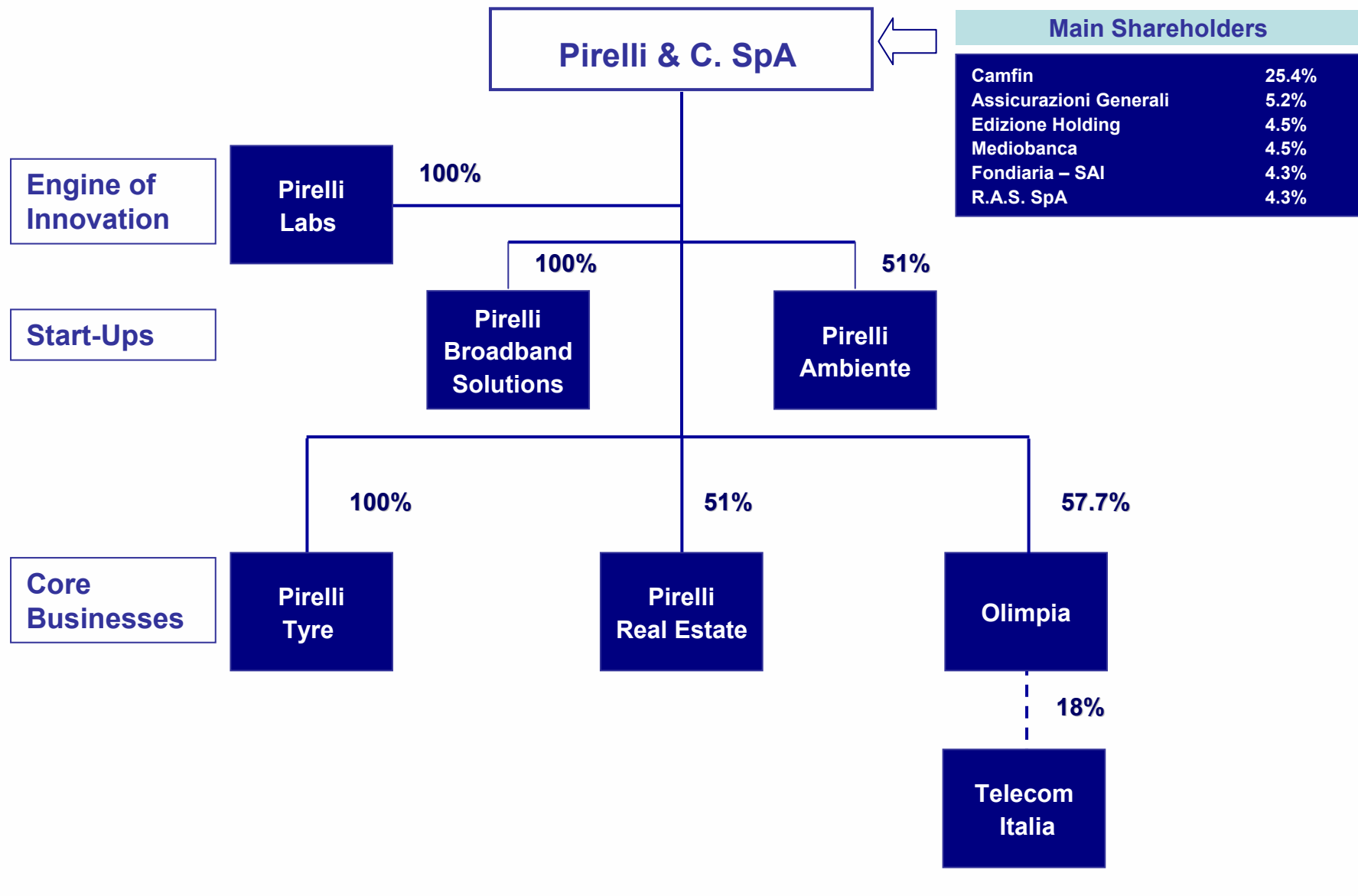
	9M 05 IAS/IFRS	9M 04 IAS/IFRS	Δ 05/04 %
Aggregate Revenues	2,381.1	1,584.5	+50%
EBIT Incl. Income from Equity Participations	104.5	79.6	+31%
Profit Before Taxes	105.3	83.7	+25%
Net Attributable Income	78.0	62.4	+25%

- **Ebit including Income from equity participations increase by 31% to Euro 104.5 mn, with greater contribution of services, distribution network and asset and fund management fees (from 25% to above 40%)**
- **Long term portfolio increased its weight on total Asset Under Management from 28% at the end of 2004 to around 40% as of September 2005 thanks to Berenice office fund contribution**
- **Specialised Services posted a significant increase at EBIT level (+26% over the same period of 2004) and ROS reached 18% (14% as at Sept. 2004)**
- **As at September 2005, Pirelli Re Franchising competed 803 affiliations (444 shops are already operating through the country)**

- **Pirelli Tyre:**
  - 9% FY 2005 ROS confirmed
- **Pirelli Broadband Solutions:**
  - 2005 Sales target confirmed
  - confident on growing Photonics contribution on Sales in 2006
- **Pirelli RE:**
  - committed to deliver 06-08 Growth Targets

# BACKUP SLIDES

# PIRELLI GROUP STRUCTURE



# 9M 2005 GROUP RESULTS

€/mn	Pirelli Tyres			Pirelli Broadband Solutions			Pirelli RE			Others			PIRELLI GROUP		
	9M 2005	9M 2004	Δ 05/04	9M 2005	9M 2004	Δ 05/04	9M 2005	9M 2004	Δ 05/04	9M 2005	9M 2004	Δ 05/04	9M 2005	9M 2004	Δ 05/04
	Net Sales (as reported)	2,707	2,466	9.8%	81	39	107.7%	459	392	17.1%	75	35		3,322	2,932
Net Sales (organic)		2,530	7.0%								74			3,035	9.5%
EBITDA	412	350	17.7%	(6)	(7)		48	34	41.2%	(18)	(2)		436	375	16.3%
EBITDA margin	15.2%	14.2%											13.1%	12.8%	
EBIT	271	217	24.9%	(6)	(7)		42	27	55.6%	(29)	(13) (*)		278	224	24.1%
EBIT margin	10.0%	8.8%											8.4%	7.6%	
Result from Equity Participations (included Dividends) <i>Olimpia</i>							63	52		2	54		65	106	
										130	8		130	8	
EBIT including Result from Equity Participations	271	217	24.9%	(6)	(7)		105	79	32.9%	103	49		473	338	39.9%
Financial Charges	(30)	(27)		(1)	(4)			4		(79)	(47)		(110)	(74)	
EBT	241	190	26.8%	(7)	(11)		105	83	26.5%	24	2		364	264	37.9%
Fiscal Charges	(76)	(71)		-	-		(26)	(21)		5	9		(97)	(83)	
Net Income (loss) before Discontinued Operations	165	119	38.7%	(7)	(11)		79	62	27.4%	29	11		266	181	47.0%
Discontinued Operations										15			50	53	
Net Income (loss) Attributable Net Income	165	119	38.7%	(7)	(11)		79	62	27.4%	44	11		316	234	35.0%
							78	62	25%				276	206	
NET FINANCIAL POSITION of which Discontinued operations	385	340		3	16		29	43		819	998		1,236	2,046	
														649	

(\*) after €14 mn positive contribution from disposed submarine TLC cables activities IPR