



FY 2005 Group Results  
13 March 2006

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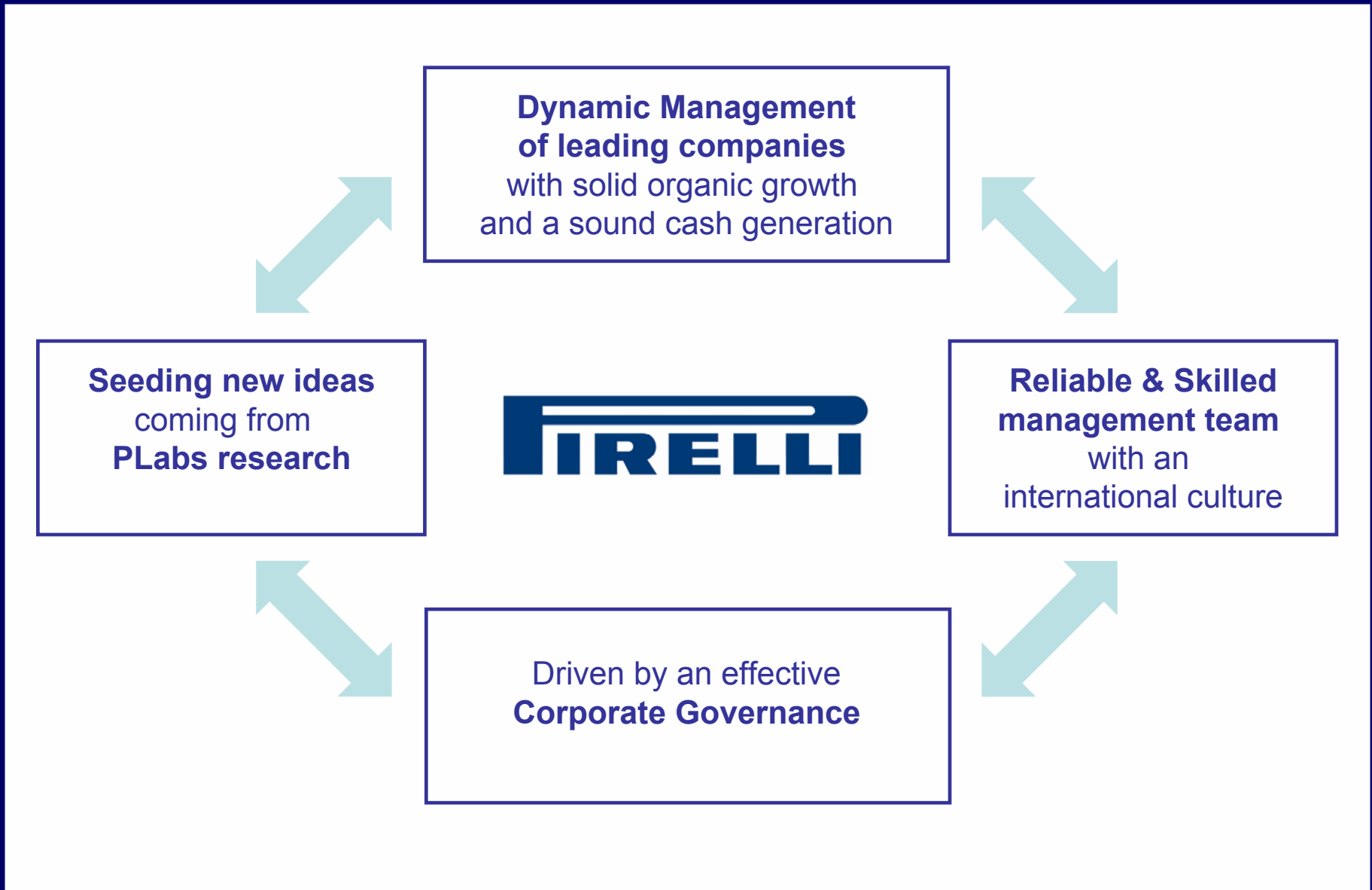
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# GROUP MISSION: EXPLOITING VALUE



- **PIRELLI TYRE:** IPO of a minority stake of the share capital on the Milan Stock Exchange; Pirelli & C. will maintain the control
- **FINANCIAL ASSETS:** disposals for approximately €0.4 bn (current market values)

Proceeds will be reinvested in **CORE BUSINESSES**

## EXPLOITING VALUE: 2005 PIRELLI ACHIEVEMENTS

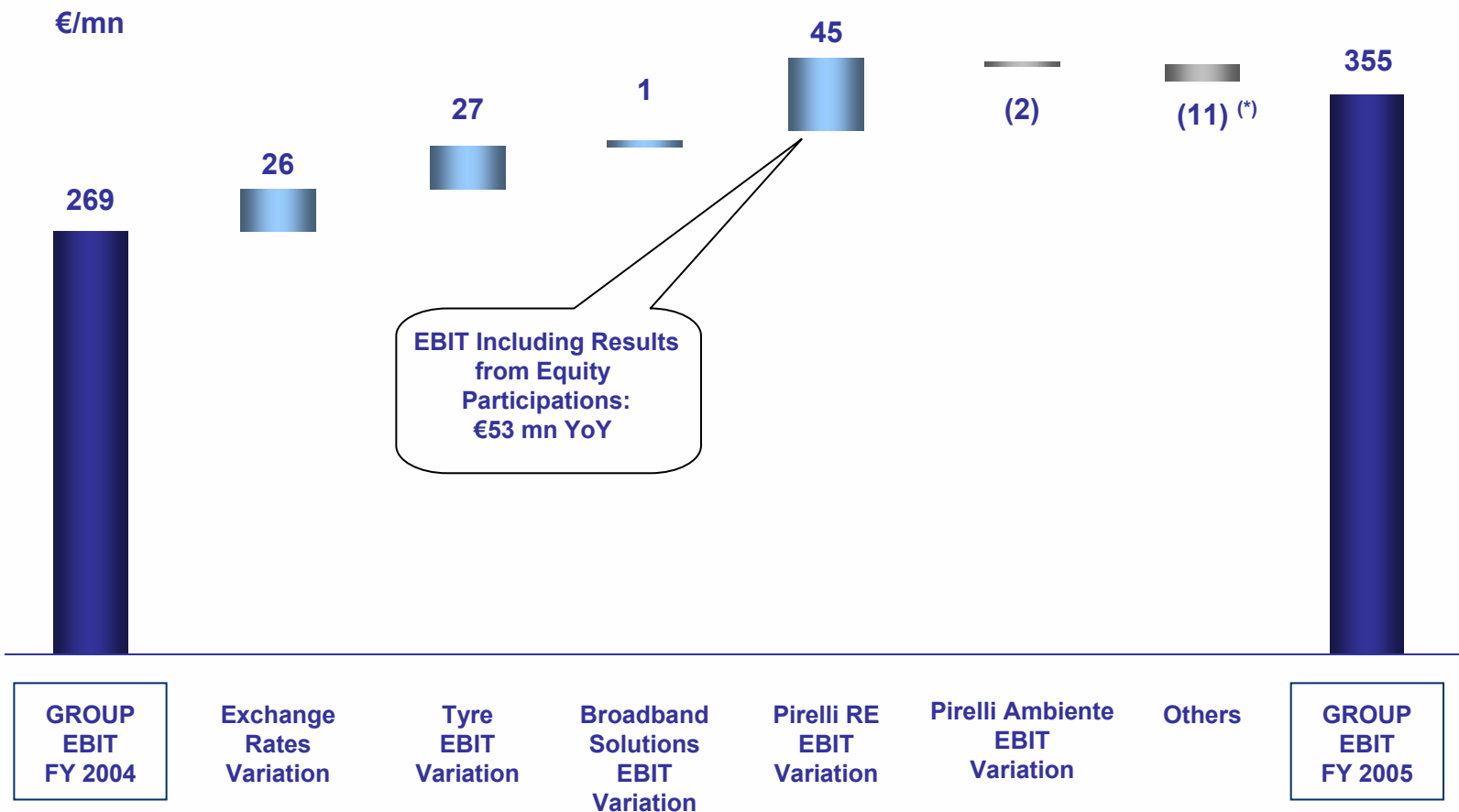
- **Energy and Telecom Cables and Systems deal completed on July 2005:  
€1.2 bn positive financial effect**
- **Olimpia: €152 mn increased contribution on P&L**
- **Pirelli Tyre: Sales at €3,633 mn (+11.7% YoY), EBIT at €329 mn (+19.6% YoY)  
9% ROS target achieved with one year advance  
China JV for truck radial tyres (€30 mn investment for 60% stake)**
- **Pirelli Broadband Solutions: Sales at €112 mn**
- **Pirelli RE: 2003-2005 3YP targets fully achieved with a 22% CAGR in EBIT including  
Income from Equity Participations**
- **Pirelli Environment: Start-up of Particulate Filters Business  
Licence agreement with ReEnergy LLC for the use of Pirelli's  
refuse-derived fuel**

# FY 05 PIRELLI GROUP RESULTS

€/mn	FY 05 IAS/IFRS	FY 04 IAS/IFRS	Δ 05/04
Net Sales (as reported)	4,546	3,967	14.6%
Net Sales (organic) (*)		4,153	9.5%
EBIT	355	269	32.0%
EBIT margin	7.8%	6.8%	
Result from Equity Participations (included dividends)	115	149	
<i>Olimpia</i>	152	7	
EBIT including Result from Equity Participations	622	425	46.4%
Net Income (Loss) from Continuing Operations	349	217	60.8%
Discontinued Operations	50	87	
Net Income (Loss)	399	304	31.3%
Attributable Net Income	327	251	
NET FINANCIAL POSITION	1,177	1,601	
of which Discontinued Operations		456	

(\*) constant exchange rates and perimeter

# FY 2004 – FY 2005: GROUP EBIT VARIATION

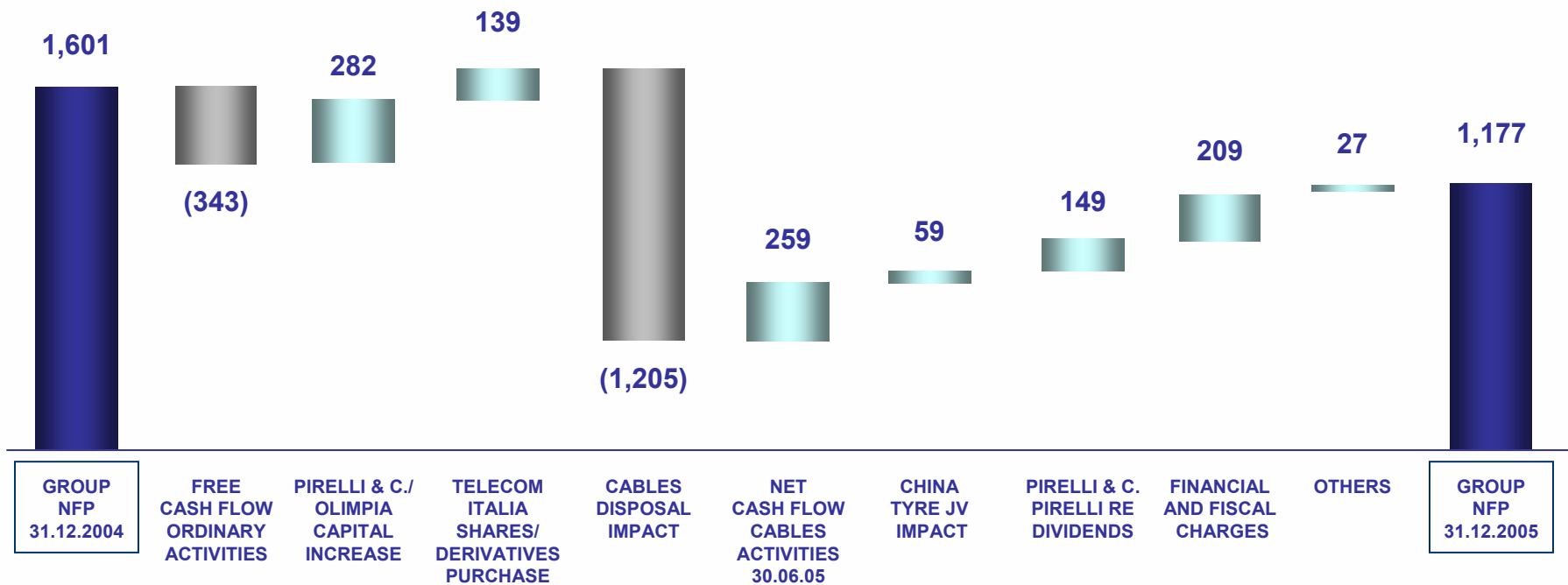


(\*) in FY 04, €14 mn positive contribution from disposed submarine TLC cables activities IPR

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

€/mn

Pirelli & C. Capital Increase €(1,062) mn  
 Olimpia Capital Increase €1,344 mn



# FY 05 PIRELLI TYRE RESULTS

€/mn	FY 05 IAS/IFRS	FY 04 IAS/IFRS	Variation
Net Sales	3,633	3,253	+11.7%
EBITDA	518	452	+14.6%
EBITDA margin	14.3%	13.9%	
EBIT	329	275	+19.6%
EBIT margin	9.1%	8.4%	
Net Income	198	167	+18.6%
R&D Costs	140	120	+17%
% on Net Sales	3.9%	3.7%	

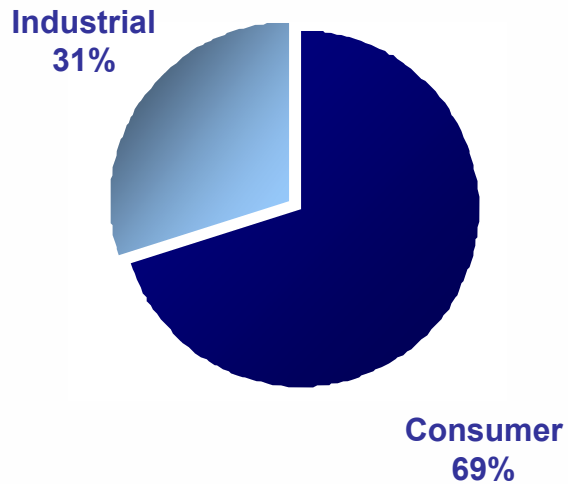
ΔPrice/mix:	+5.6%
ΔVolumes:	+1.8%
ΔActual Variation:	+7.4%
ΔExch. Rates:	+4.3%
ΔTotal:	+11.7%

ΔCommercial Variations:	€126 mn
ΔEfficiencies:	€6 mn
ΔUnit Costs/Other:	€(78) mn
ΔTotal:	€54 mn

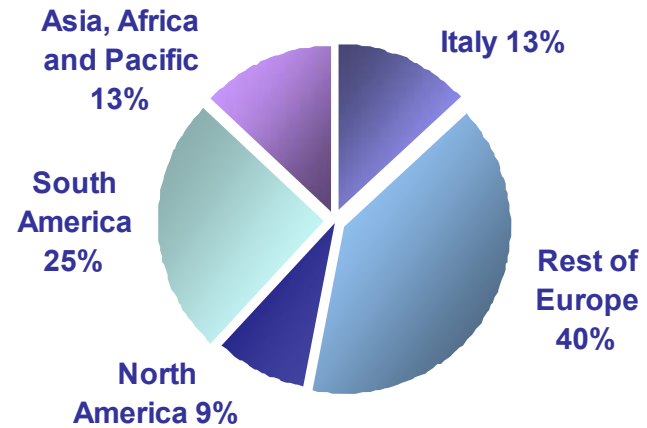
- Net Sales organic growth in 2005 from both Consumer and Industrial segments up beating an overall weak demand in Western markets
- Price & Mix improvements offsetting 2005 raw materials and energy costs increase
- Pirelli two digit Winter Tyre Sales stronger than market growth in Europe
- Fourth Quarter EBIT affected by minor restructurings (€8 mn)

# FY 05 TYRE SECTOR SALES

## FY 2005 Sales Breakdown by Business Segments



## FY 2005 Sales Breakdown by Geographic Area



- Sustained growth also in 2006 coming from Premium Consumer segments (therein NAFTA) and emerging Industrial markets (therein China)
- High pressure on raw materials and energy costs in 2006 necessarily asking for new additional price increases
- Incremental investments in building low cost capacity (Brazil, Romania, China) still on the high side
- Business seasonality moving towards 2<sup>nd</sup> half in 2006 in view of growing Winter and OE sales in Germany

Enhancing brand name...



...with an impressive advertising campaign

# FY 05 PIRELLI BROADBAND SOLUTIONS RESULTS

€/mn	FY 05 IAS/IFRS	FY 04 IAS/IFRS	Variation
Net Sales	112	63	+77.8%
EBITDA	(6)	(8)	<i>n.m.</i>
EBITDA margin	<i>n.m.</i>	<i>n.m.</i>	
EBIT	(7)	(8)	<i>n.m.</i>
EBIT margin	<i>n.m.</i>	<i>n.m.</i>	
Net Income	(8)	(12)	<i>n.m.</i>

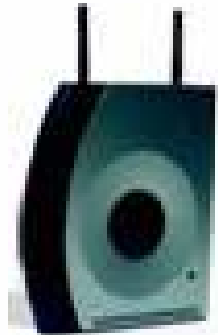
- Further Sales growth driven by Broadband Access

- FY 2005 EBIT improved, as a result of:

positive contribution of Broadband Access...  
...and Photonic development costs (acceleration in qualification tests)

- 3YP06 Sales targets should be fully achieved

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

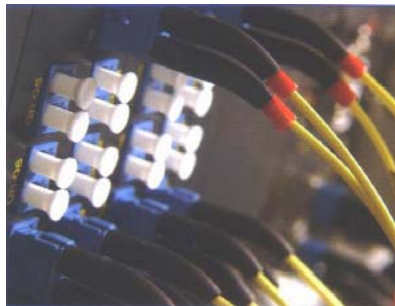


Discus<sup>TM</sup>  
Multiplay Access  
Gateway



Discus<sup>TM</sup> MultiMediaGate  
Hybrid-STB

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



CWDM City 8™



Dynamically  
Tunable Laser

- Revenues growth >30% vs 2005
- EBIT close to breakeven
- Internationalization of Broadband Access
- Switch from accessories to modules in Photonics offer

# PIRELLI ENVIRONMENT: GROUP'S SOLUTIONS

**PIRELLI AMBIENTE  
TECNOLOGIE**

**Gecam™, Filters**



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

**PIRELLI AMBIENTE**

**Energy recovery from  
municipal solid waste  
(SRF-P)**



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

**PIRELLI AMBIENTE  
BONIFICHE**

**Environmental  
Reclamation**



**Reclamation and  
complete  
Redevelopment of  
contaminated  
sites**

## FY 2005 PIRELLI RE ACHIEVEMENTS AT A GLANCE

- **Ebit Including Income from Equity Participations grew by 40%(\*) to €186 mn**
- **Net profit increase by 24% to €145.4 mn**
- **PRE completed acquisitions for €3.2 bn and sales for approx €2.5 bn with a 27% gross capital gain vs 25% in 2004**
- **Asset Under Management increased from €10.7 bn in 2004 to €13 bn (Market Value) of which 62% opportunistic and 38% core/core plus**
- **Direct services activity reached 18% ROS (16% in 2004) while franchising network achieved €1.3 mn at EBIT level (better than the forecasted break even)**

(\*) IAS accounting principles basis

# FY2005 PIRELLI RE CONSOLIDATED P&L

€/mn	Actual December 2005	Actual December 2004	Growth (%)
Aggregate Production Value Net of Acquisitions	3.507,2	2.714,0	29
Consolidated Production Value	700,2	586,2	
EBIT Incl. Income from Equity Participations	186,1	133,0	40
Profit before Extraordinary Items	187,4	148,0	
Net Attributable Income	145,4	117,1	24

# FY 2005 PIRELLI RE CONSOLIDATED BALANCE SHEET

€/mn	Actual December 2005	Actual December 2004
Fixed Assets	410,7	375,7
<i>Of which investments in participated companies</i>	303,3	241,5
Net Working Capital	215,9	204,6
Net Invested Capital	626,6	580,3
Shareholders' Equity	552,1	491,9
<i>Of which minority interests</i>	535,4	485,5
Funds and Provisions	44,0	48,2
NFP	30,5	40,2
Total	626,6	580,3
Shareholders' Loans		
Total Investments in Equity Participations		
"Adjusted" NFP (not including Shareholders' Loans)	292,5	250,0
"Adjusted" Gearing	0.53	0.51

# FY 2005 PIRELLI RE NET ASSET VALUE

€/mn	Book-Value 100%	Book-Value Pro-quota	Market Value 100%	Market Value Pro-quota	UCG Pro-quota December 2005
RESIDENTIAL	1.186,3	441,1	1.475,8	558,5	117,4
COMMERCIAL	7.051,0	1.277,3	8.617,7	1.584,4	307,1
LAND	135,7	55,9	163,3	68,0	12,1
NPL	1.192,7	363,3	1.263,0	385,0	22,0
A.U.M.	9.565,6	2.137,4	11.519,8	2.596,0	458,5
Third parties funds	1.261,8		1.413,4		
Total A.U.M.	10.827,4		12.933,2		
Attributable Shareholders' Equity Dec. 2005					535,4
Treasury Shares+ UCG on Treasury Shares					63,6
NAV Pirelli RE Not incl. Fund Management, Asset Management, Service Provider, Franchising Network					1.057,5

## Strategic guidelines 2006-2008

## KEY INDICATORS 2006 - 2008

- |  |   |  |
|--|---|--|
| • EBIT incl. IEP growth target   | ➔ | CAGR 10-15%  |
| • Increase of the contribution of Services, Franchising Network and Fee Income | ➔ | Up to 50% on total Operating results                 |
| • Increase of Asset Under Management   | ➔ | From € 10.8 Bn (Dec 2005) to € 16-18 Bn (Book Value) |
| • Increase of Long Term portfolio  | ➔ | To 43% of total AUM, and 53% in Italy                |
| • International Expansion: Germany and New Europe                              | ➔ | 20% on total AUM: opportunistic approach             |
| • Increase in the contribution of the NPL business                             | ➔ | EBIT incl. IEP CAGR 30-35%                           |
| • Specialised Service and Franchising Network                                  | ➔ | Ros over 20%<br>1,750 agencies by 2008               |

# STATUTORY ACCOUNTS

**Pirelli & C. S.p.A. Net Profit**

**140 €/mn**

**Dividend Proposed**

**Ordinary Shares**

**0.0210 €**

**Savings Shares**

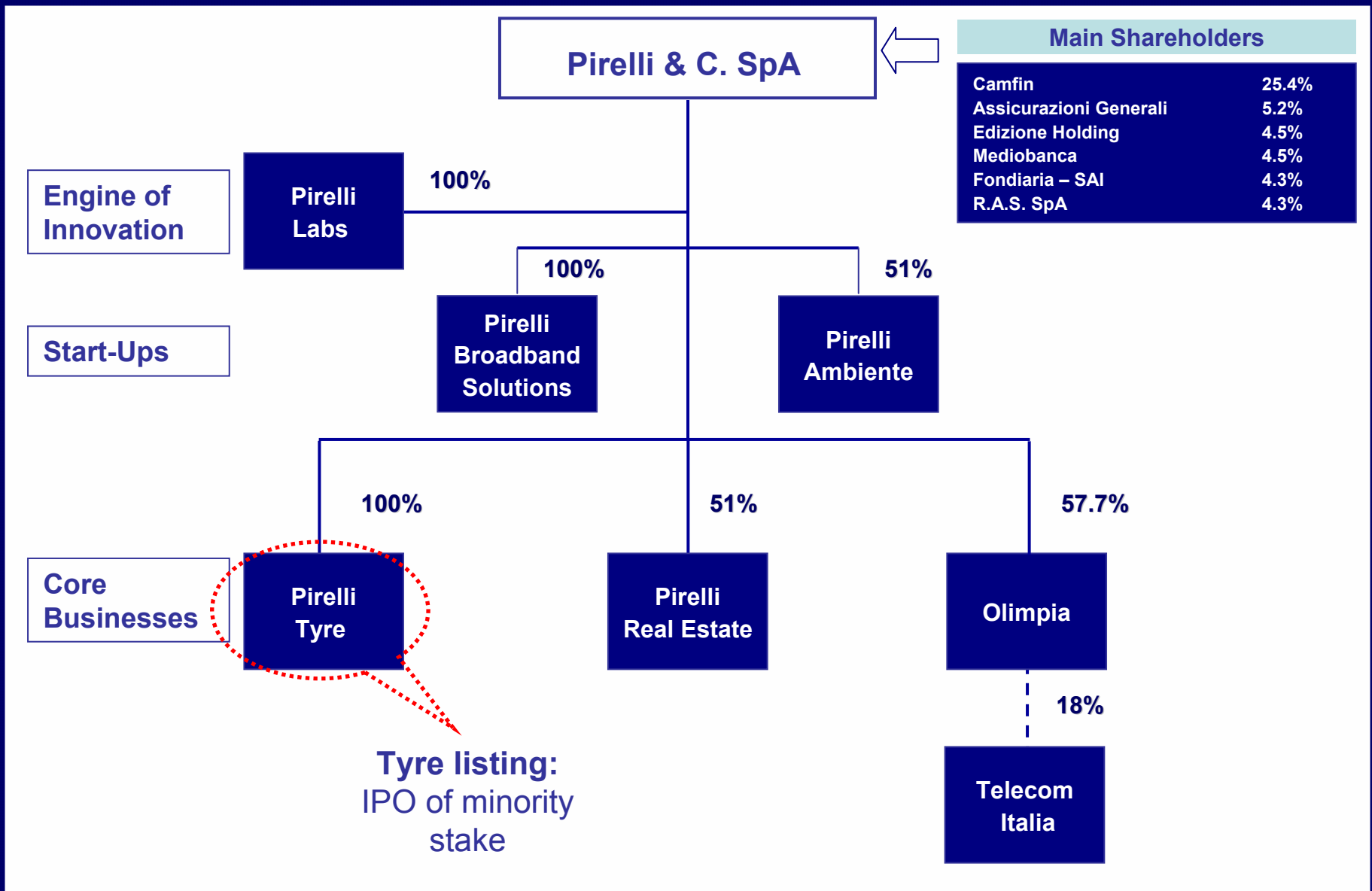
**0.0364 €**

**Pirelli confirms its policy of dividend distribution,  
in line with 2004**

**Growth in sales and operating results is reasonably  
expected in 2006**

**BACKUP**

# PIRELLI GROUP STRUCTURE



# FY 2005 GROUP RESULTS

€/mn	Pirelli Tyres			Pirelli Broadband Solutions			Pirelli RE			Pirelli Environment		Others		PIRELLI GROUP		
	FY 05	FY 04	Δ 05/04	FY 05	FY 04	Δ 05/04	FY 05	FY 04	Δ 05/04	FY 05	FY 04	FY 05	FY 04	FY 05	FY 04	Δ 05/04
Net Sales (as reported)	3,633	3,253	11.7%	112	63	77.8%	700	586	19.5%	62	2	39	63	4,546	3,967	14.6%
Net Sales (organic) (*)			7.4%													9.5%
EBITDA	518	452	14.6%	(6)	(8)		93	50	86.0%	(2)	(2)	(35)	(22)	568	470	20.9%
EBITDA margin	14.3%	13.9%												12.5%	11.8%	
EBIT	329	275	19.6%	(7)	(8)		84	39	115.4%	(4)	(2)	(47)	(35) (**)	355	269	32.0%
EBIT margin	9.1%	8.5%												7.8%	6.8%	
Result from Equity Participations (included Dividends) <i>Olimpia</i>	(1)	(2)					102	94				14	57	115	149	
EBIT including Result from Equity Participations	328	273	20.1%	(7)	(8)		186	133	39.8%	(4)	(2)	119	29	622	425	46.4%
Financial Charges	(33)	(31)		(1)	(4)		1	15				(111)	(101)	(144)	(121)	
EBT	295	242	21.9%	(8)	(12)		187	148	26.4%	(4)	(2)	8	(72)	478	304	57.2%
Fiscal Charges	(97)	(75)					(40)	(31)				8	19	(129)	(87)	
Net Income (loss) before Discontinued Operations	198	167	18.6%	(8)	(12)		147	117	25.6%	(4)	(2)	16	(53)	349	217	60.8%
Discontinued Operations														50	87	
Net Income (loss) Attributable Net Income	198	167	18.6%	(8)	(12)		147	117	25.6%			16	(53)	399	304	31.3%
NET FINANCIAL POSITION of which Discontinued operations	237	214		7	27		31	40		1	(2)	901	866	1,177	1,601	456

(\*) constant exchange rates and perimeter

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