



1Q 2006 Group Results  
11 May 2006

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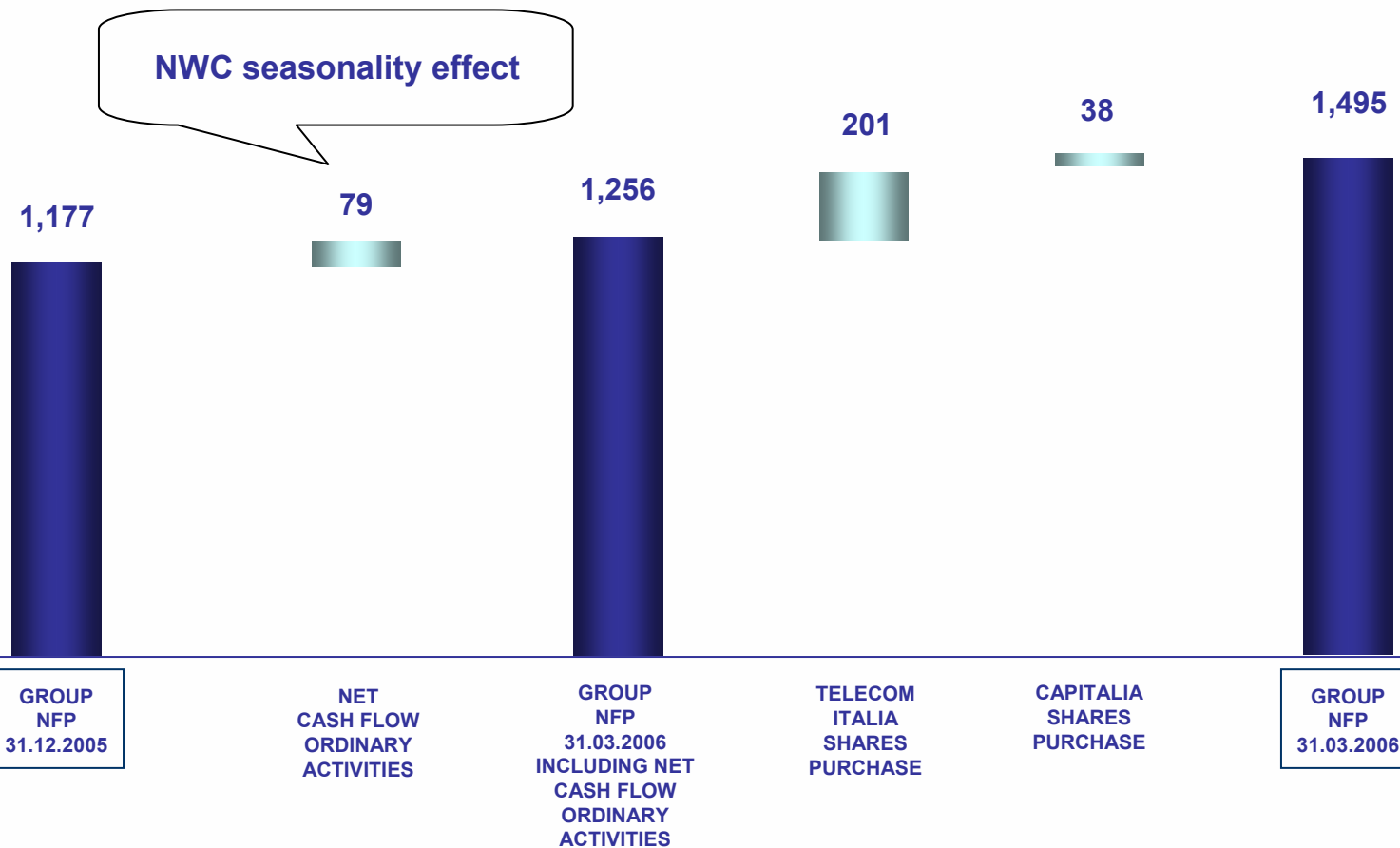
# 1Q 06 PIRELLI GROUP RESULTS

€/mn	1Q 06 IAS/IFRS	1Q 05 IAS/IFRS	Δ 06/05
Net Sales (as reported)	1,206	1,029	17.2%
Net Sales (organic) (*)		1,093	10.4%
EBITDA	174	144	21.0%
EBITDA margin	14.4%	14.0%	
EBIT	120	93	29.2%
EBIT margin	9.9%	9.0%	
Result from Equity Participations (included dividends)	14	20	
<i>Olimpia</i>	35	30	
EBIT including Result from Equity Participations	169	143	18.6%
Net Income (Loss) from Continuing Operations	92	75	22.4%
Discontinued Operations		8	
Net Income (Loss)	92	83	10.9%
Attributable Net Income	75	70	

(\*) constant exchange rates

# FY 2005 – 1Q 2006: GROUP NET FINANCIAL POSITION VARIATION

€/mn



# 1Q 06 PIRELLI TYRE RESULTS

€/mn	1Q 06 IAS/IFRS	1Q 05 IAS/IFRS	Variation											
Net Sales	1,000	862	+16.1%	<table border="1"> <tr> <td>ΔPrice/mix:</td> <td>+4.3%</td> </tr> <tr> <td>ΔVolumes:</td> <td>+3.8%</td> </tr> <tr> <td><b>ΔActual Variation:</b></td> <td><b>+ 8.1%</b></td> </tr> <tr> <td>ΔExch. Rates:</td> <td>+8.0%</td> </tr> <tr> <td><b>ΔTotal:</b></td> <td><b>+16.1%</b></td> </tr> </table>	ΔPrice/mix:	+4.3%	ΔVolumes:	+3.8%	<b>ΔActual Variation:</b>	<b>+ 8.1%</b>	ΔExch. Rates:	+8.0%	<b>ΔTotal:</b>	<b>+16.1%</b>
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ΔExch. Rates:	+8.0%													
<b>ΔTotal:</b>	<b>+16.1%</b>													
EBITDA	149	133	+12.1%											
EBITDA margin	14.9%	15.4%												
EBIT	99	88	+13.1%	<table border="1"> <tr> <td>ΔCommercial Variations:</td> <td>€12 mn</td> </tr> <tr> <td>ΔEfficiencies:</td> <td>€5 mn</td> </tr> <tr> <td>ΔUnit Costs/Other:</td> <td>€(6) mn</td> </tr> <tr> <td><b>ΔTotal:</b></td> <td><b>€11 mn</b></td> </tr> </table>	ΔCommercial Variations:	€12 mn	ΔEfficiencies:	€5 mn	ΔUnit Costs/Other:	€(6) mn	<b>ΔTotal:</b>	<b>€11 mn</b>		
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EBIT margin	9.9%	10.2%												
Net Income	62	53	+15.4%											

- Strong Net Sales organic growth (+8.1%) from both Consumer and Industrial segments
- Volumes up 3.8%, with new Chinese operations contributing +1.6%
- Price/Mix up 4.3% partially offsetting continuing increases of raw materials and energy costs
- Positive EBIT development (+13.1%) slightly deteriorates ROS (-0.3%) due to China start up

# 1Q 06 PIRELLI TYRE RESULTS BY BUSINESS SEGMENT

€/mn

	FY 05 IAS/IFRS	1Q 06 IAS/IFRS	1Q 05 IAS/IFRS	Variation
<b>CONSUMER</b>				
Sales	2,524	699	611	+14.4%
EBIT	202	72	59	+21.3%
ROS	8.0%	10.3%	9.7%	
<b>INDUSTRIAL</b>				
Sales	1,109	301	251	+20.2%
EBIT	127	28	29	-3.8%
ROS	11.4%	9.1%	11.4%	
<b>TOTAL</b>				
Sales	3,633	1,000	862	+16.1%
EBIT	329	99	88	+13.1%
ROS	9.1%	9.9%	10.2%	

# 1Q 06 PIRELLI BROADBAND SOLUTIONS RESULTS

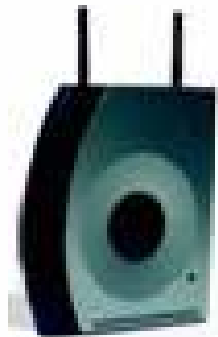
€/mn	1Q 06 IAS/IFRS	1Q 05 IAS/IFRS	Variation
Net Sales	38.5	31.0	+24.2%
EBITDA	(0.4)	(0.5)	<i>n.m.</i>
EBITDA margin	<i>n.m.</i>	<i>n.m.</i>	
EBIT	(0.7)	(1.2)	<i>n.m.</i>
EBIT margin	<i>n.m.</i>	<i>n.m.</i>	
Net Income	(1.7)	(1.5)	<i>n.m.</i>

- Sales of Photonic products at €4.2 mn. Positive BBA volume increase

- First quarter EBIT improved due to positive impact of photonics' sales and continuous positive contribution of BBA, despite higher fixed costs for the development of the commercial structure

## BROADBAND ACCESS

- Final step of development of STB and new residential products ADSL 2, ADSL 2+
- Constant and continuous effort on the market in order to get new customers

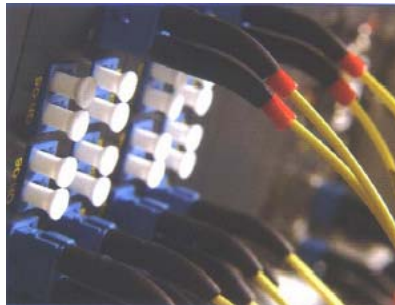


Discus<sup>TM</sup>  
Multiplay Access  
Gateway



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

- 1Q06 sales confirming CWDM appeal for major clients
- Final test of the DTL product with the most important costumers, and sales of the first prototypes
- Continuous strategy implementation from components to modules



CWDM City 8™



Dynamically  
Tunable Laser

# PIRELLI & C. AMBIENTE: ENVIRONMENTAL GROUP'S SOLUTIONS

Total Net Sales: 21 €/mn  
Net Result: 2 €/mn

PIRELLI AMBIENTE  
ECO TECHNOLOGY

PIRELLI AMBIENTE  
RENEWABLE ENERGY

PIRELLI AMBIENTE  
SITE REMEDIATION

Gecam <sup>TM</sup>, Filters

Energy recovery from  
municipal solid waste  
(SRF-P)

Environmental  
Reclamation



Reducing the  
emissions of  
particulate in  
Diesel Engines

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

Reclamation and  
complete  
Redevelopment of  
contaminated  
sites

- **EBIT including Income from Equity Participations grew by 15% at 38.9 mn Euros while Net Profit reached 30.1 mn Euros, a 12% increase over the same period of 2005**
- **In the Fund & Asset Management aggregate sales of 456.1 mn Euros generated 135 mn Euros of gross capital gains with a 30% gross margin vs 26% of last year**
- **Acquisitions of assets 362.5 mn Euros (in line with the same period of 2005) while as of today PRE signed acquisition agreements for further 410 Euros (average PRE stake is around 39%)**
- **Services posted 86.7 mn Euros of Revenues (+6% over last year) while EBIT grew by 27% to 15.6 mn Euros. ROS moved to 18% from 15% over the same period of 2005**
- **Franchising Network reached 1028 affiliates with 536 opened shops. Breakeven at operating level was reached vs a loss of 2.1 mn Euros over the same period of 2005**

# 1Q 06 PIRELLI RE CONSOLIDATED P&L

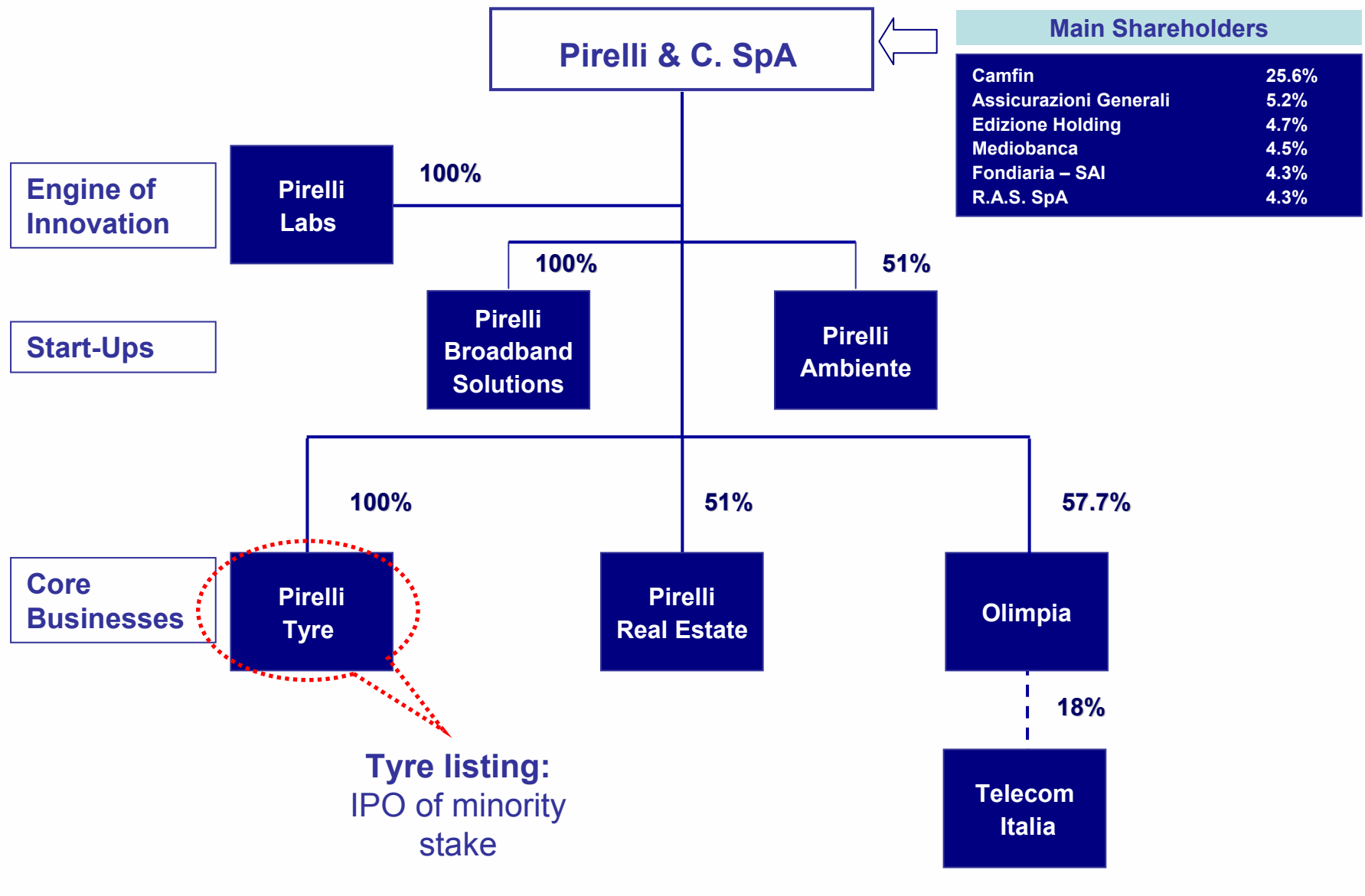
€/mn	1Q 06 IAS/IFRS	1Q 05 IAS/IFRS	Δ 05/06 %
<b>Aggregate Revenues</b>	717.8	689.6	+4%
<b>Consolidated Revenues</b>	142.1	113.3	
<b>EBIT Incl. Income from Equity Participations</b>	38.9	33.8	+15%
<b>Profit before taxes</b>	39.2	34.1	
<b>Net Attributable Income</b>	30.1	26.9	+12%

# 1Q 06 PIRELLI RE CONSOLIDATED BALANCE SHEET

€/mn	1Q 06 IAS/IFRS	1 Q 05 IAS/IFRS
<b>Fixed Assets</b> <i>(of which Investments in Participated Company and Funds)</i>	435.5 328.9	343.9 241.6
<b>Net Working Capital</b>	205.5	211.6
<b>Net Invested Capital</b>	641.0	555.5
<b>Shareholders' Equity</b> <i>(of which Minority Interests)</i>	585.0 575.9	496.5 490.0
<b>Funds</b>	51.0	46.6
<b>Net Financial Position</b>	5.0	12.4
<b>Total</b>	641.0	555.5
<b>NFP not including Shareholders' Loans</b>	363.0	200.1
<b>Gearing Financial Position not including Shareholders' Loans</b>	0.62	0.40

**BACKUP**

# PIRELLI GROUP STRUCTURE



# 1Q 06 GROUP RESULTS

€/mn	Pirelli Tyres			Pirelli Broadband Solutions			Pirelli RE			Pirelli Environment			Others		PIRELLI GROUP		
	1Q 06	1Q 05	Δ 06/05	1Q 06	1Q 05	Δ 06/05	1Q 06	1Q 05	Δ 06/05	1Q 06	1Q 05	Δ 06/05	1Q 06	1Q 05	1Q 06	1Q 05	Δ 06/05
	Net Sales (as reported)	1,000	862	16.1%	39	31	24.2%	142	113	25.4%	21	16	31.3%	4	7	1,206	1,029
Net Sales (organic) (*)		925	8.1%		31			113			16			7		1,093	10.4%
EBITDA	149	133	12.1%	(0)	(1)		27	16	68.8%	3	0		(5)	(4)	174	144	21.0%
EBITDA margin	14.9%	15.4%													14.4%	14.0%	
EBIT	99	88	13.1%	(1)	(1)		25	14	78.6%	2	(1)		(6)	(7)	120	93	29.2%
EBIT margin	9.9%	10.2%													9.9%	9.0%	
Result from Equity Participations (included Dividends) <i>Olimpia</i>							14	20					0	0	14	20	
													35	30	35	30	
EBIT including Result from Equity Participations	99	88	13.1%	(1)	(1)		39	34	14.7%	2	(1)		29	23	169	143	18.6%
Financial Charges	(11)	(8)		0	(1)		0	0		0	0		(29)	(29)	(40)	(36)	
EBT	88	80	10.0%	(1)	(2)		39	34	14.7%	2	(1)		0	(6)	129	106	21.7%
Fiscal Charges	(27)	(27)		(1)			(9)	(7)		0	0		(1)	3	(37)	(31)	
Net Income (loss) before Discontinued Operations	62	53	15.4%	(2)	(2)		31	27	14.8%	2	(1)		(1)	(3)	92	75	22.4%
Discontinued Operations														(2)		8	
Net Income (loss) Attributable Net Income	62	53	15.4%	(2)	(2)		31	27	14.8%				(1)	(5)	92	83	10.9%
															75	70	
NET FINANCIAL POSITION of which Discontinued operations	720	313		2	27		5	12		(4)	(1)		771	1,129	1,495	2,120	640

(\*) constant exchange rates