

42. Dividends per share

The company has not distributed dividends.

43. Related party disclosures

Related party transactions, including intragroup transactions, are neither unusual nor exceptional but fall under the ordinary course of business of the companies of the Group. Such transactions, when not concluded at standard conditions or dictated by specific laws, are in any case conducted at arm's length.

The following table summarizes the balance sheet and income statement captions which include related party transactions and the relative percentage of the total:

(in thousands of Euros)

	Total in financial statements 2007	of which related parties	% of total	Total in financial statements 2006	of which related parties	% of total
BALANCE SHEET						
Non-current assets						
Other receivables	672.9	520.8	77.4%	705.8	334.2	47.4%
Current assets						
Trade receivables	1,098.9	123.7	11.3%	999.7	168.1	16.8%
Other receivables	241.5	22.1	9.1%	356.2	11.9	3.3%
Current liabilities						
Borrowings from banks and other financial institutions	871.8	2.9	0.3%	1,562.3	0.2	-
Trade payables	1,323.6	29.1	2.2%	1,102.5	25.1	2.3%
Other payables	1,394.7	21.5	1.5%	536.9	3.4	0.6%
Tax payables	45.7	-	-	48.8	0.7	1.4%
INCOME STATEMENT						
Revenues from sales and services	6,504.5	298.6	4.6%	4,841.2	371.4	7.7%
Other income	286.4	72.7	25.4%	292.8	104.1	35.6%
Personnel costs	(1,156.2)	(8.1)	0.7%	(1,075.8)	(5.5)	0.5%
Other expenses	(2,048.7)	(116.1)	5.7%	(1,683.9)	(111.1)	6.6%
Financial income	340.4	31.2	9.2%	876.4	17.3	2.0%
Financial expenses	(416.2)	(4.5)	1.1%	(342.6)	-	0.0%
Dividends	34.5	6.6	19.2%	65.9	26.3	40.0%

The income statement and balance sheet effects of transactions with related parties on the consolidated financial statements of the Pirelli Group for the year ended December 31, 2007 are as follows.

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES:

(in millions of Euros)

Revenues for goods and services	201	These mainly refer to the supply of services to associates and joint ventures of Pirelli & C. Real Estate
Other expenses	45	These principally refer to various amounts recharged of Pirelli & C. Real Estate, connected, among other things, also with consortium expenses
Financial income	31	This includes mainly interest income relating to financial receivables from associates and joint ventures of Pirelli & C. Real Estate
Share of earnings (losses) of associates and joint ventures	117	This refers to the earnings or losses of the investments accounted for by the equity method
Financial expenses	4	These mainly refer to the acquisition of DGAG by Pirelli & C. Real Estate
Trade receivables	123	These mainly refer to receivables from associates and joint ventures of Pirelli & C. Real Estate
Non-current other receivables	1	These refer to the receivables of Pirelli & C. Real Estate
Non-current financial receivables	520	These mainly refer to loans made for real estate initiatives managed by the individual companies of the Pirelli & C. Real Estate Group
Other current receivables	6	These refer to Pirelli & C. Real Estate and mainly include a receivable to be collected for dividends declared
Current financial receivables	16	These mainly refer to the temporary inclusion of the companies of the DGAG Group in the scope of consolidation
Current trade payables	24	These refer mainly to various amounts recharged, connected, among other things, with consortium expenses of Pirelli & C. Real Estate
Other current payables	22	The mainly include various amount recharged of the companies of Pirelli & C. Real Estate
Current borrowings from banks and other financial institutions	3	These mainly include the liability balances on the intercompany current accounts of the companies of Pirelli & C. Real Estate

TRANSACTIONS WITH PARTIES RELATED TO PIRELLI THROUGH DIRECTORS

Subsequent to the sale of Olimpia S.p.A., the Telecom Italia Group is no longer a related party of the Pirelli Group. Therefore, only the transactions affecting the income statement are reported for the period to September 30, 2007.

Subsequent to the sale of Shared Service Center S.c.r.l., the company is no longer a related party of the Pirelli Group. Therefore, only the transactions affecting the income statement are reported for the period to September 30, 2007.

(in millions of Euros)

Revenues for goods and services	98	These refer to services rendered by Pirelli & C S.p.A. and Pirelli & C. Real Estate S.p.A. to the Telecom Italia group (Euros 94 million); services rendered by Pirelli Ambiente Tecnologie S.p.A. to the Camfin group (Euros 2 million) and services rendered to F.C. Internazionale Milan S.p.A. (Euros 2 million)
Other income	73	These refer to services rendered by Shared Service Center s.c.r.l. to the Telecom Italia group
Other expenses	60	These refer to telephone, computer and power services by the Telecom Italia group (Euros 18 million); the supply of natural gas and fuel by the Camfin group (Euros 34 million) and costs for the sponsorship of F.C. Internazionale Milano S.p.A. (Euros 8 million)
Dividends	7	Dividends received from Telecom Italia S.p.A.
Current trade receivables	1	These refer to receivables for the supply of the above services to the Camfin group
Current trade payables	5	These refer to payables for the supply of the above services (to the Camfin group Euros 3 million and FC Internazionale S.p.A. Euros 2 million)

For purposes of full disclosure, during 2007, the Pirelli & C. Real Estate Group disposed of investments to the related parties Gruppo Partecipazioni Industriali S.p.A. and Roev Italia S.p.A..

Specifically, on March 22, 2007, Pirelli RE Netherlands B.V. sold a 31.6 percent stake in the company S.I.G. RE B.V. to Gruppo Partecipazioni Industriali S.p.A. and a 15.8 percent stake to Roev Italia S.p.A..

Moreover, on March 31, 2007, S.I.G. RE B.V. purchased 94.8 percent of the share capital of the German-registered company Resident Baltic GmbH, of which a 90 percent interest was acquired from Pirelli RE Residential Investments GmbH. Again on March 31, 2007, S.I.G. RE B.V. purchased 94.8 percent of the share capital of the German-registered company Resident Sachsen P&K GmbH, of which a 79.8 percent interest was acquired from Pirelli RE Residential Investments GmbH (formerly P&K Real Estate GmbH). At the time of the purchase, the two companies held a total of about Euros 7 million in real estate assets in residential property located in Germany purchased during the previous months.

At December 31, 2007, there were no balance sheet or income statement positions recorded in the consolidated financial statements relating to the above.

BENEFITS TO KEY EXECUTIVES

At December 31, 2007, the compensation to key executives, that are, those who have the power and the responsibility, directly or indirectly, for the planning, direction and control of the activities of Pirelli & C. S.p.A., including executive and non-executive directors, amounts to Euros 26,505 thousand (Euros 17,201 thousand at December 31, 2006). The part relating to the payment of employee benefits was charged to the income statement in "Personnel costs" for Euros 14,504 thousand, of which the part relating to employees' leaving indemnity amounts to Euros 490 thousand (Euros 5,417 thousand in 2006, of which the part relating to employees' leaving indemnity amounted to Euros 361 thousand), and the part relating to the compensation to directors was charged to the income statement in "Other expenses" for Euros 12,001 thousand (Euros 11,784 thousand at December 31, 2006).

44. Significant subsequent events

On January 16, 2008, Acea and Pirelli Ambiente announced that the 50-50 A.P.I.C.E. joint venture will operate in the sector of sources of renewal energy from waste and will combine Acea's expertise and territorial roots with Pirelli Ambiente's experience and technology to carry out projects aimed at the manufacture of CDR-Q, a fuel derived from quality waste which will be used in thermo-electric plants and cement factories.

On January 17, 2008, Pirelli unveiled the new Cinturato Pirelli. The tire that set the pace for traveling in style in Italy and in the world starting from the mid-fifties has been reproposed in a new version which combines all of the very best in state-of-the-art technologies, safety and ecosustainability.

On February 1, 2008, the new Group company PGT Photonics was formed. It will operate in the sphere of second-generation photonics based on nanotechnologies.

This company is the result of the integration of the photonics business unit of Pirelli Broadband Solutions and the Pirelli Labs Optical Innovation Division. The aim is to create ever-greater synergies between research and business development activities. The company will focus on the areas of innovative optical components, optical modules and transport systems. At the same time, Pirelli Broadband Solutions will concentrate its business activities on broadband access, which increasingly involves market dynamics and technological dynamics which are different from photonics.

On February 22, 2008, the Piedmont Region, the Province of Turin, the City of Settimo Torinese, the Politecnico University of Turin and the Pirelli Group sealed a collaboration agreement aimed at developing research and innovation programs under the project to build a new