PIRELLI

1H 07 Group Results
11 September 2007

STATEMENT

The Manager mandated to draft corporate accounting documents of Pirelli & C. S.p.A., Claudio De Conto, attests – as per art.154-bis, comma 2 of the Testo Unico della Finanza (D.Lgs. 58/1998) – that all the accounting information contained in this presentation correspond to the documented results, books and accounting of the Company

KEY EVENTS AFTER 30 JUNE 2007

- New geographical developments for Pirelli Tyre:
    - in Romania new high-technology industrial pole for the automotive sector
    - building new factory in China (Car/SUV)
    - screening new business opportunities in India and Russia

- Public Offer on Tecla listed fund by Gamma RE

- Completed by Pirelli RE and the real estate investment funds of RREEF (DB) the purchase of 100% of BauBeCon, real estate group active primarily in the residential segment

- Acquisition of 2% of Pirelli RE ordinary shares for €34.4 mn

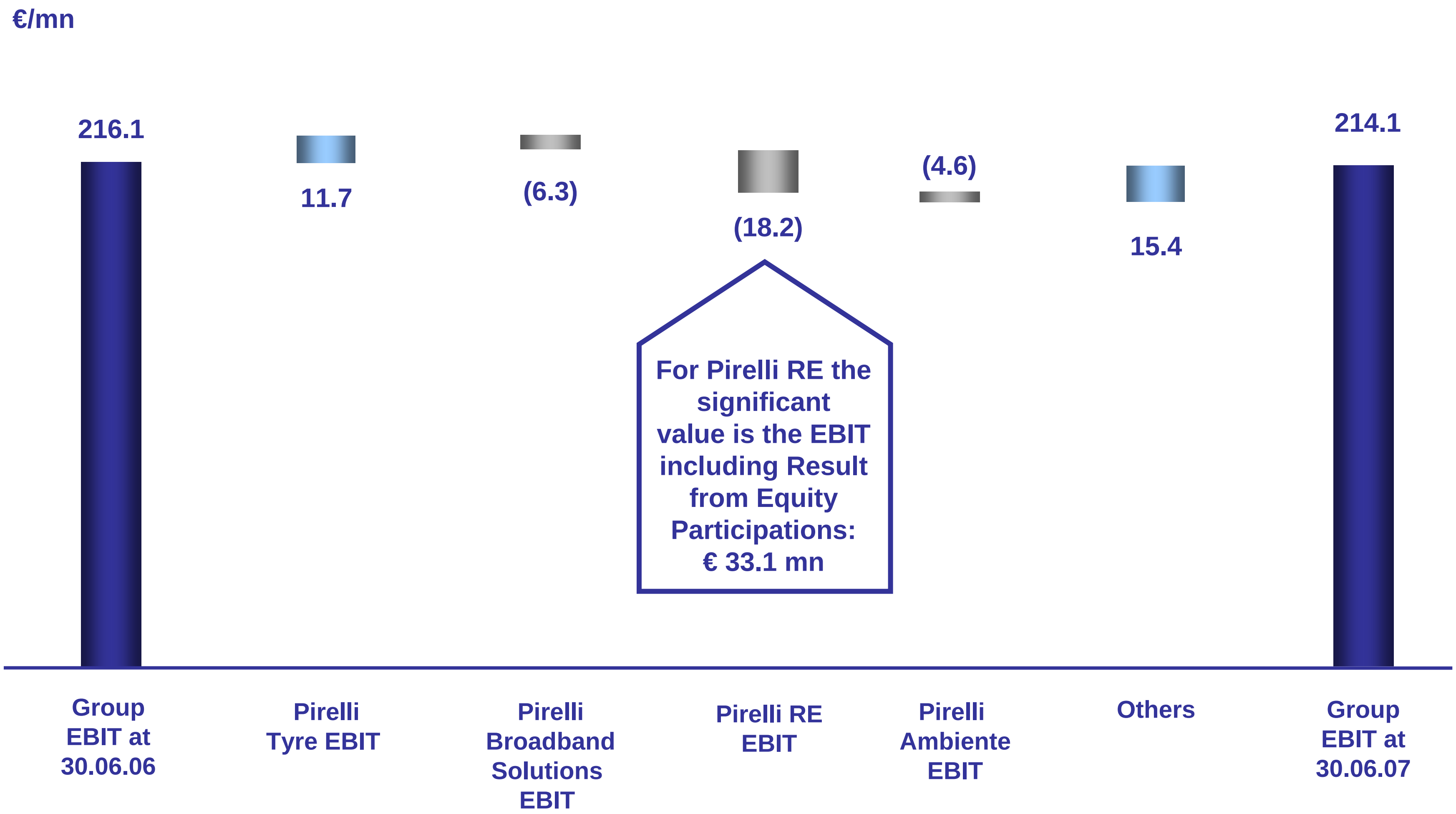
- JV signed between Global Cleantech Capital and Pirelli Ambiente in photovoltaic sector

1H 07 PIRELLI GROUP RESULTS

€/mn	1H 07 IAS/IFRS	1H 06 IAS/IFRS	Δ 07/06
Net Sales (as reported)	3,196.7	2,445.9	+30.7%
Net Sales (2007 excluding DGAG effect) (*)	2,666.8	2,412.1	+10.6%
EBITDA	319.7	324.2	-1.4%
EBITDA margin (2007 excluding DGAG effect)	*12.0%*	*13.3%*	
EBIT	214.1	216.1	-0.9%
EBIT margin (2007 excluding DGAG effect)	*8.0%*	*8.8%*	
Result from Equity Participations (incl. dividends)	127.5	94.0	
EBIT including Result from Equity Part.	341.6	310.1	+10.2%
Financial Income/Charges	(81.2)	(110.7)	
Tax Charges	(79.2)	(77.5)	
Net Income (Loss) before Discontinued Operations	181.2	121.9	+48.6%
% on sales (2007 excluding DGAG effect)	*6.8%*	*5.0%*	
Discontinued Operations	17.1	71.2	
Total Net Income (Loss)	198.3	193.1	+2.7%
Attributable Net Income	108.2	153.0	-29.2%
Net Financial Position	2,969.2	1,574.9	
of which DGAG (Pirelli RE)	979.0		
Net Equity	4,692.3	4,686.6	
Attributable Net Equity	3,859.2	3,879.6	

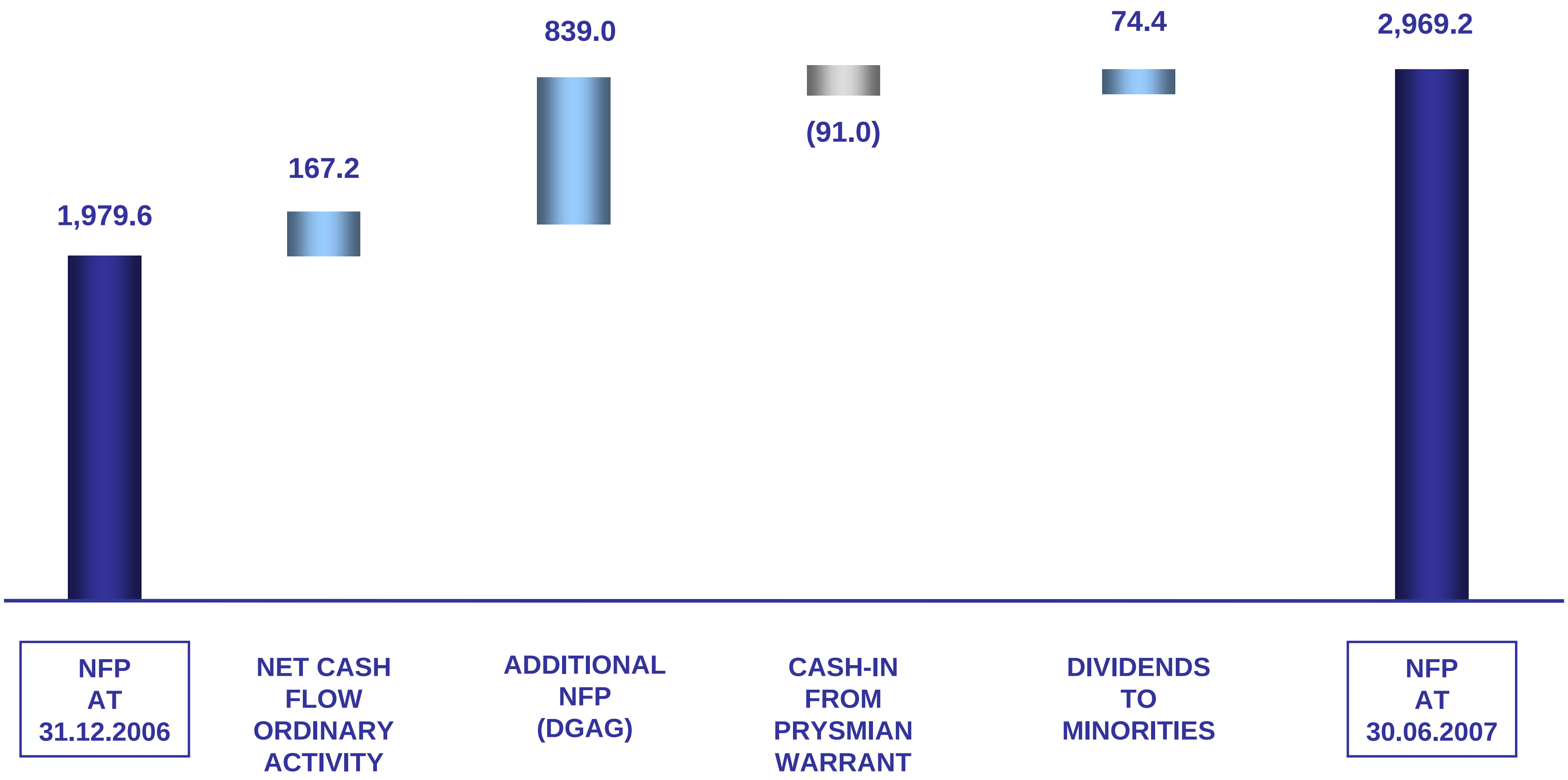
(*) Same exchange rate and disposal for deconsolidation of DGAG activities in Pirelli RE in 2007

1H 2006 – 1H 2007: GROUP EBIT VARIATION



FY 2006 – 1H 2007: GROUP NFP VARIATION

€/mn



1H 2007 Pirelli Tyre Results

1H 07 PIRELLI TYRE RESULTS

€/mn

	1H 07 IAS/IFRS	1H 06 IAS/IFRS	Variation
Net Sales	**2,151.4**	**2,018.4**	**+6.6%**
EBITDA	**301.7**	**292.6**	**+3.1%**
EBITDA margin	***14.0%***	***14.5%***	
EBIT	**206.3**	**194.6**	**+6.0%**
EBIT margin	***9.6%***	***9.6%***	
Net Income	**117.4**	**118.3**	

ΔPrice/mix:	+5.5%
ΔVolumes:	+2.9%
ΔActual Variation:	**+ 8.4%**
ΔExch. Rates:	-1.8%
ΔTotal:	+6.6%

ΔCommercial Variations:	€ 67.8 mn
ΔEfficiencies:	€ 7.7 mn
ΔUnit. Costs/Other:	€ (63.8) mn
ΔTotal:	**€ 11.7 mn**

- **Net Sales organic growth (+8.4%) from both Consumer and Industrial segments**
- **Volumes up 2.9% driven by successful OE achievements**
- **Price/mix up 5.5% only partially offsetting year on year increase of raw materials and energy costs**
- **EBITDA and EBIT improve with stable ratios at EBIT level**
- **2007 Net Income lowered by higher financial costs linked to 2006 financial restructuring**

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1H 07 PIRELLI TYRE RESULTS BY BUSINESS SEGMENT

€/mn

		1H 07 IAS/IFRS	1H 06 IAS/IFRS	Variation
CONSUMER	Sales	1,492.1	1,402.7	+6.4%
	EBIT	149.1	137.4	+8.5%
	EBIT margin	*10.0%*	*9.8%*	
INDUSTRIAL	Sales	659.3	615.7	+7.1%
	EBIT	57.2	57.2	
	EBIT margin	*8.7%*	*9.3%*	

- Consumer sales organic growth 8.1% driven by volumes mainly in the Americas (OE and Repl.) and price/mix everywhere
- Industrial sales organic growth 9.2% driven by volumes mainly in emerging markets and price/mix everywhere
- EBIT development is positive on Consumer while still suffering from raw materials higher costs on Industrial

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1H 2007 Pirelli Broadband Solutions Results

1H 07 PIRELLI BROADBAND SOLUTIONS RESULTS

€/mn	1H 07 IAS/IFRS	1H 06 IAS/IFRS	Variation
Net Sales	55.8	72.7	-23.2%
EBITDA	(5.9)	(0.1)	*n.m.*
EBITDA margin	*n.m.*	*n.m.*	*n.m.*
EBIT	(6.9)	(0.6)	*n.m.*
EBIT margin	*n.m.*	*n.m.*	*n.m.*
Net Income	(7.9)	(3.3)	*n.m.*

- Sales contraction mainly ralated to a different yearly distribution vs prior year of the purchase planning of main customers

- Photonics market in contraction, as a cosequence of the worlwide slowdown of telecom operators investments

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PIRELLI BROADBAND SOLUTIONS: FIELDS OF ACTIVITY

BBA: ENLARGING CLIENTS PORTFOLIO AND PRODUCTS

- ADSL2/2+ deployment on track
- SET-TOP-BOX sales and new tenders

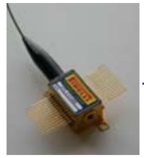

Access Gateway


Set Top Box

PHOTONICS: BECOMING A REALITY

- CWDM City 8™ enhancement to 10 Gbits
- DTL and ITLA market sales
- Launch of Transponder MSA300 expected


CWDM City 8 ™


Dynamically Tunable Laser

EXPANDED CUSTOMER BASIS

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1H 2007 Pirelli Ambiente Results

PIRELLI AMBIENTE: ENVIRONMENTAL GROUP'S SOLUTIONS

PIRELLI AMBIENTE ECO TECHNOLOGY	PIRELLI AMBIENTE RENEWABLE ENERGY	SOLAR UTILITY SpA (50% STAKE)
Gecam TM, Filters	Energy recovery from municipal solid waste (SRF-P)	Energy recovery from municipal solid waste (SRF-P)

Reducing the emissions of particulate in Diesel Engines

Reducing CO_2 emissions, developing use of Renewable Energy Sources

1H 07 PIRELLI AMBIENTE RESULTS

€/mn	1H 07 IAS/IFRS	1H 06 IAS/IFRS	Variation
Net Sales	35.0	39.3	-10.9%
EBIT	(3.1)	1.5 (*)	*n.m.*
Net Income	(3.2)	1.1	*n.m.*

(*) Including €2.9 mn of agreement with RE Energy for CDR

- Sales consolidation of Gecam and start-up of anti-particulate filters for industrial vehicles' diesel
- Set up of industrial production platform for the filters start-up
- Production of high-quality fuel (CDR-P) through a company related to I.D.E.A. Granda project
- Engineering services, due diligence and project management mainly captive

PIRELLI

1H 2007 Pirelli Real Estate Results

PIRELLI RE RECENT ACHIEVEMENTS

- Assets under Management (Real Estate and NPLs) €15.5 bn, with 73% of Real Estate AUM in Italy and 27% outside of Italy

- EBIT including Income from Equity Participations at €125.4 mn, +36% compared with first half 2006

- Acquisition of DGAG and Baubecon
    - achieved in less than one year a €3 bn portfolio in Germany, positioning PRE among the top 5 real estate players in the German market

- Set up of two JVs with Unicredit Group in Romania and Bulgaria
    - launch of operations in the two countries, following the success in Poland

- Set up of a JV with Banca Intesa in Integrated Facility and Project Management:
    - purpose to create, with the support of a financial partner, a European leader with target revenues of €1 bn and EBITDA of €60 mn in the mid-term

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1H 07 PIRELLI RE CONSOLIDATED P&L

€/mn	1H 07 IAS/IFRS	1H 06 IAS/IFRS	Δ 07/06 %
Pro-quota Aggregate Revenues	811.9	673.5	+21%
Consolidated Revenues (*)	421.8	308.4	
EBIT Incl. Income from Equity Participations	125.4	92.3	+36%
Profit before taxes	101.9	91.7	
Net Attributable Income	80.1	70.0	+14%

(*) Not including impact of DGAG assets deconsolidation for €529.9m in 1H07

1H 07 PIRELLI RE CONSOLIDATED BALANCE SHEET

€/mn	1 H 07 IAS/IFRS	1H 07 Pro-Forma after DGAG decons.	FY 06 IAS/IFRS
Fixed Assets *(of which Investments in Participated Company and Funds)*	745.2 *460.9*	757 *473*	581.7 *426.1*
Net Working Capital	1.147.0	246	283.3
Net Invested Capital	1.892.2	1.003	865.0
Shareholders' Equity *(of which Group Shareholders' Equity)*	704.9 *694.9*	705 *695*	708.7 *700.3*
Funds	92.5	93	59.9
Net Financial Position *(of which DGAG NFP)*	1.094.8 *979.0*	206 *90*	96.4
Total	1.892.2	1.003	865.0
NFP not including **Shareholders' Loans** *(of which DGAG NFP not incl. Shareholders' Loans)*	1.428.4 *997.4*	571 *140*	430.5
Gearing Financial Position not including **Shareholders' Loans**	2.03	0.81	0.61

PIRELLI

PIRELLI GROUP OUTLOOK 2007

- **CONFIRMED IMPROVEMENT IN 2007 RESULTS**
- **FINANCIAL STRUCTURE WILL BENEFIT FROM THE CASH IN COMING FROM THE CLOSING OF OLIMPIA DEAL (€3.3 bn cash expected for Pirelli)**

DISCLAIMER

This presentation contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation.

Pirelli & C. SpA undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Pirelli & C. SpA business or acquisition strategy or to reflect the occurrence of unanticipated events.

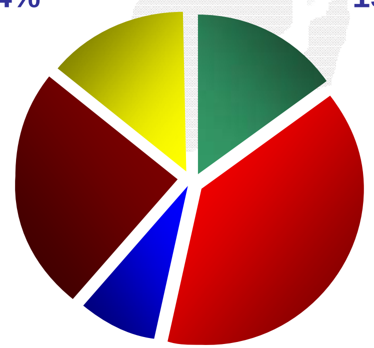
BACK-UP SLIDES

PIRELLI WORLDWIDE PRESENCE

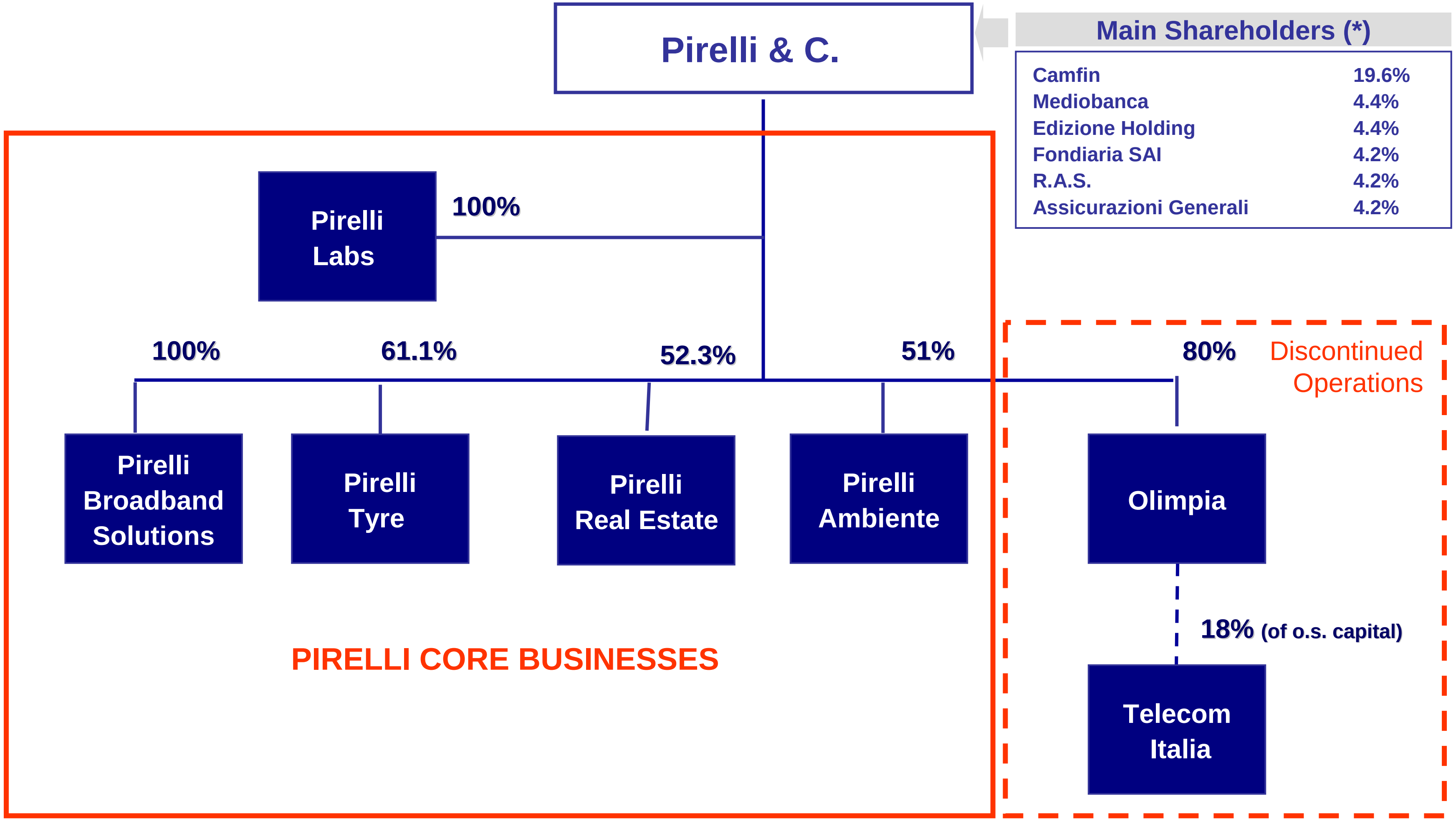
24 Plants
12 Countries
Enhanced production and presence in Brazil, Romania, China

31,270 Employees (1H 2007)

Industrial Sales Breakdown by Geographical Area (FY 2006)



PIRELLI GROUP STRUCTURE



Main Shareholders (*)

Camfin	19.6%
Mediobanca	4.4%
Edizione Holding	4.4%
Fondiaria SAI	4.2%
R.A.S.	4.2%
Assicurazioni Generali	4.2%

(*) The stakes above are only the ones belonging to the Shareholders Agreement of 4th July 2007, which regroups 46.2% of the ordinary share capital

1H 2007 – PIRELLI GROUP RESULTS

€/mn	PIRELLI TYRE		PIRELLI BROADB.SOLUT.		PIRELLI REAL ESTATE		PIRELLI AMBIENTE		OTHERS		GROUP PIRELLI & C. CONS.	
	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06
Net Sales	**2,151.4**	**2,018.4**	**55.8**	**72.7**	**951.7**	**308.4**	**35.0**	**39.3**	**2.8**	**7.1**	**3,196.7**	**2,445.9**
Δ %		*6.6%*		*-23.2%*		*208.6%*		*-10.9%*		*n.s.*		*30.7%*
Organic Sales (*)	**2,151.4**	**1,984.6**	**55.8**	**72.7**	**421.8**	**308.4**	**35.0**	**39.3**	**2.8**	**7.1**	**2,666.8**	**2,412.1**
Δ %		*8.4%*				*36.8%*						*10.6%*
EBITDA	**301.7**	**292.6**	**(5.9)**	**(0.1)**	**24.2**	**41.9**	**(2.8)**	**1.9**	**2.5**	**(12.1)**	**319.7**	**324.2**
EBITDA Margin (2007 excluding DGAG effect)	*14.0%*	*14.5%*									*12.0%*	*13.3%*
EBIT	**206.3**	**194.6**	**(6.9)**	**(0.6)**	**19.5**	**37.7**	**(3.1)**	**1.5**	**(1.7)**	**(17.1)**	**214.1**	**216.1**
EBIT Margin (2007 excluding DGAG effect)	*9.6%*	*9.6%*									*8.0%*	*8.8%*
Results from Equity Participations	0.1	0.1			104.0	52.8			9.5	(4.0)	113.6	48.9
Dividends	0.3	0.3			1.9	1.8			11.7	43.0	13.9	45.1
EBIT post Equity Participations	**206.7**	**195.0**	**(6.9)**	**(0.6)**	**125.4**	**92.3**	**(3.1)**	**1.5**	**19.5**	**21.9**	**341.6**	**310.1**
Financial Income/Charges	(28.3)	(24.6)	(1.0)	(2.3)	(23.5)	(0.6)	(0.1)	0.0	(28.3)	(83.2)	(81.2)	(110.7)
EBT	**178.4**	**170.4**	**(7.9)**	**(2.9)**	**101.9**	**91.7**	**(3.2)**	**1.5**	**(8.8)**	**(61.3)**	**260.4**	**199.4**
Tax Income /Charges	(61.0)	(52.1)		(0.4)	(16.6)	(21.1)		(0.4)	(1.6)	(3.5)	(79.2)	(77.5)
Net Result before Discontinued Operations	**117.4**	**118.3**	**(7.9)**	**(3.3)**	**85.3**	**70.6**	**(3.2)**	**1.1**	**(10.4)**	**(64.8)**	**181.2**	**121.9**
% on sales (2007 excluding DGAG effect)	*5.5%*	*5.9%*									*6.8%*	*5.0%*
Discontinued Operations									**17.1**	**71.2**	**17.1**	**71.2**
Net Result	**117.4**	**118.3**	**(7.9)**	**(3.3)**	**85.3**	**70.6**	**(3.2)**	**1.1**	**6.7**	**6.4**	**198.3**	**193.1**
% on Sales	*5.5%*	*5.9%*									*7.4%*	*7.9%*
Attributable Net Result											***108.2***	***153.0***
Net Financial Position	**695.5**	**739.6**	**22.3**	**(1.0)**	**1,094.8**	**82.3**	**6.3**	**(1.6)**	**1,150.3**	**755.6**	**2,969.2**	**1,574.9**

(*) same exchange rate and diposal for deconsolidation of DGAG activities in Pirelli RE in 2007