



**PIRELLI**

**1Q 07 Group Results**  
**Milan, 10<sup>th</sup> May 2007**

## DISCLAIMER

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

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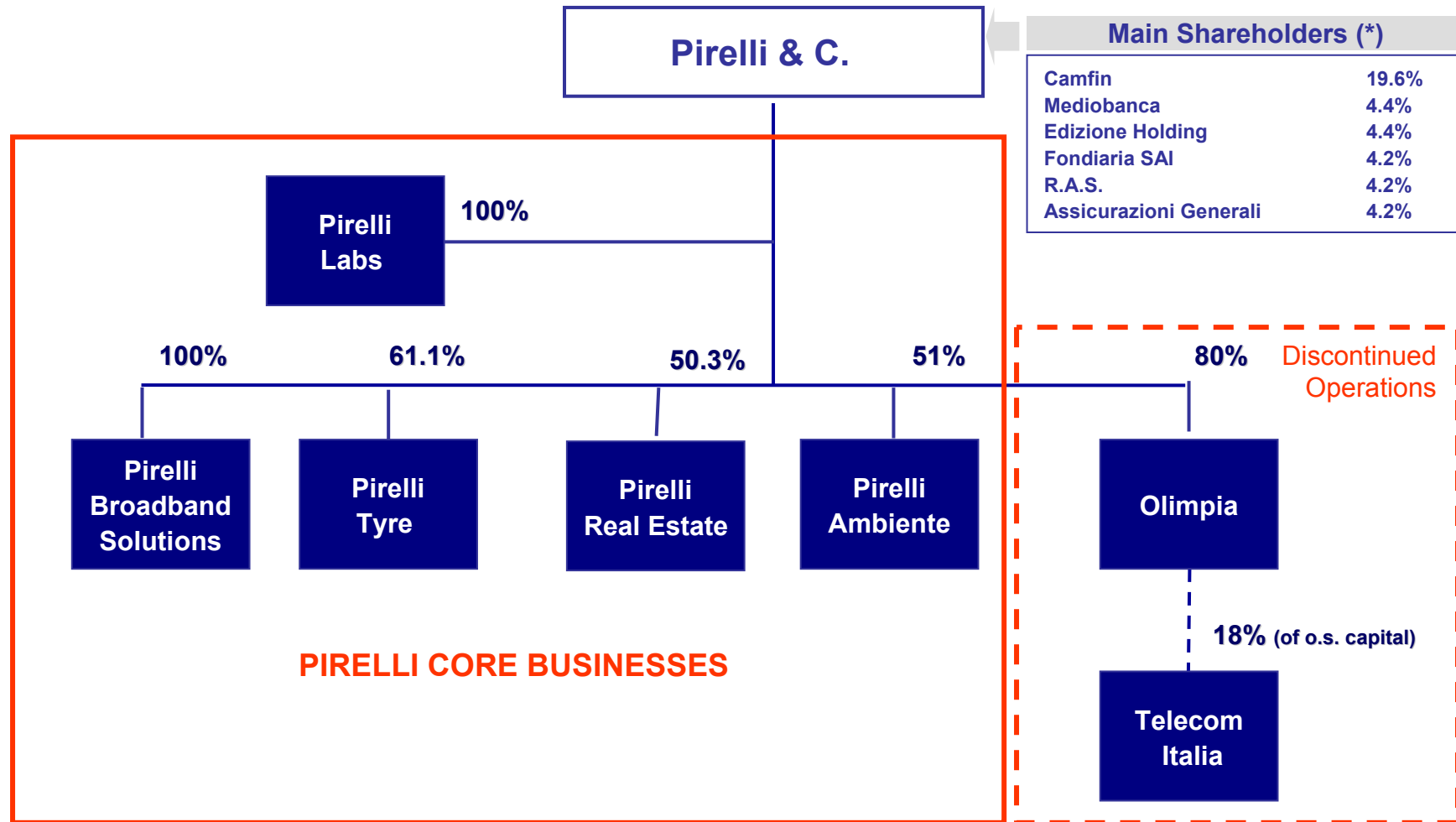
## KEY EVENTS – AFTER 1Q 2007

- **2<sup>nd</sup> April 2007 - Financial instruments from disposal of cables sold to Goldman Sachs for an amount of approximately € 246 mn**
- **28<sup>th</sup> April 2007 - Pirelli and Sintonia agreement for sale of 100% of Olimpia for more than € 4 bn**
- **4<sup>th</sup> May 2007 - Pirelli sells 3% of Intek to Quattrodue due for € 8.3 mn**

## **OLIMPIA DEAL**

- On 28<sup>th</sup> of April 2007, Pirelli and Sintonia signed an agreement for the disposal of the 100% of Olimpia to primary institutional financial investors and industrial operators for an amount of more than € 4 bn
- The amount to be received by Pirelli is around € 3.3 bn, equal to 80% of the overall
- Closing of the deal is expected by the end of October 2007, subject to the approval and authorization by competent authorities

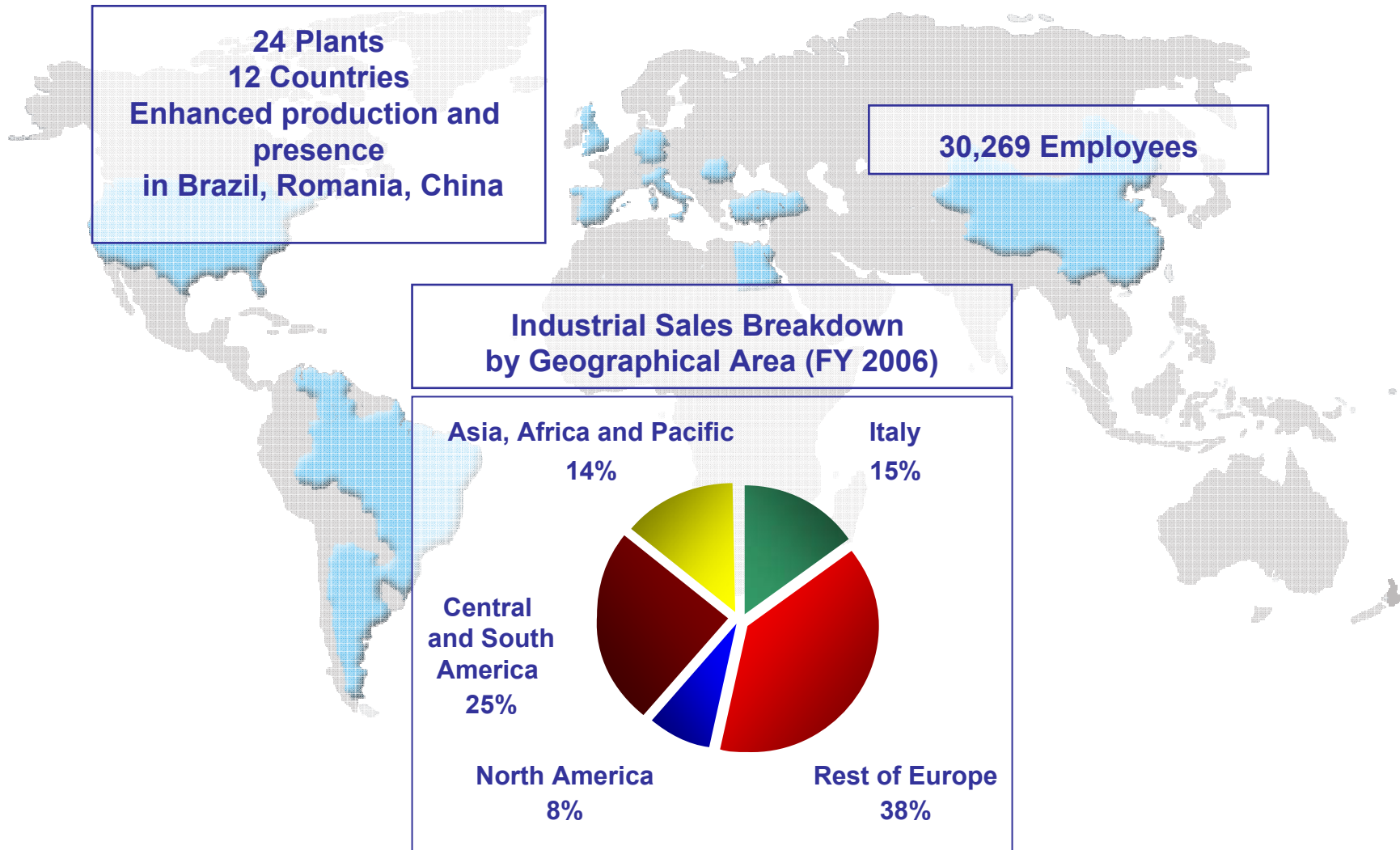
# PIRELLI GROUP STRUCTURE



(\*) The stakes above are only the ones belonging to the Shareholders Agreement of 19th January 2007, which regroups 46.2% of the ordinary share capital



# PIRELLI WORLDWIDE PRESENCE



# 1Q 07 PIRELLI GROUP RESULTS

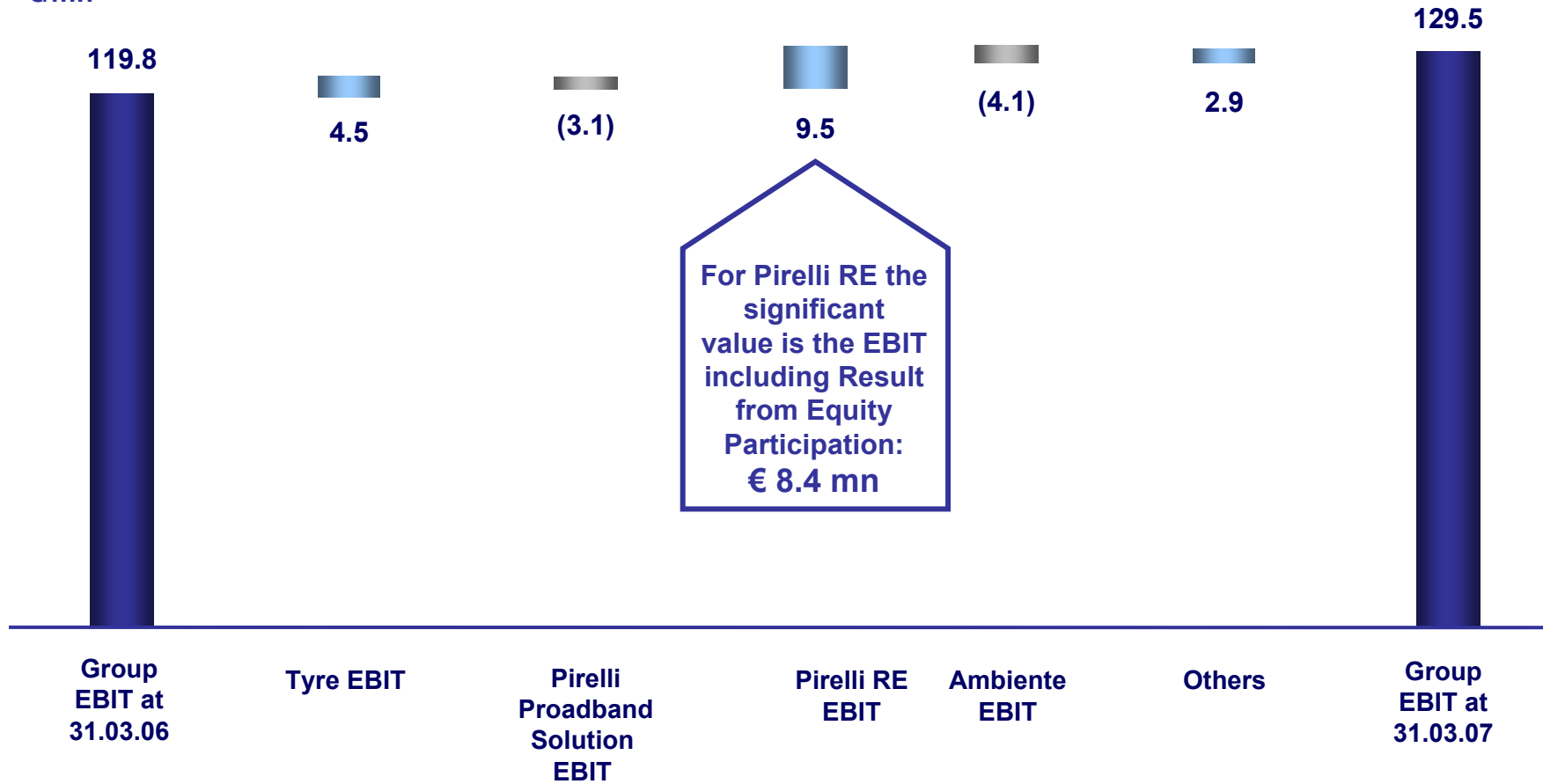
€/mn	1Q 07 IAS/IFRS	1Q 06 IAS/IFRS	Δ 07/06
Net Sales (as reported)	1,811.3	1,206.1	+50.2%
Net Sales (2007 excluding DGAG effect) (*)	1,303.7	1,177.1	+10.8%
EBITDA	181.6	174.1	+4.3%
<i>EBITDA margin (2007 excluding DGAG effect)</i>	13.9%	14.4%	
EBIT	129.5	119.8	8.1%
<i>EBIT margin (2007 excluding DGAG effect)</i>	9.9%	9.9%	
Result from Equity Participations	13.7	14.2	
EBIT including Results from Equity Part.	143.2	134.0	6.9%
Financial Income/Charges	(46.4)	(40.3)	
Tax Charges	(41.5)	(36.9)	
Net Income (Loss) before Discontinuing Operations	55.3	56.8	-2.6%
<i>% on sales</i>	3.1%	4.7%	
Discontinued Operations (**)	1	35.0	
Total Net Income (Loss)	56.3	91.8	-38.7%
Attributable Net Income	24.2	74.8	-67.6%
Net Financial Position (**)	3,073.8	1,494.7	
of which DGAG (Pirelli RE)	981.0		
Net Equity	4,608.8	5,862.7	
Attributable Net Equity	3,764.2	5,451.2	

 (\*) Same exchange rate

(\*\*) 2007 includes € 91 mn of proceeds from Pysmian warrants and € -90 mn estimate impact of Olimpia disposal

# 1Q 2006 – 1Q 2007: GROUP EBIT VARIATION

€/mn







**PIRELLI**

**1Q 2007 Pirelli Tyre Results**

# 1Q 07 PIRELLI TYRE RESULTS

€/mn

	1Q 07 IAS/IFRS	1Q 06 IAS/IFRS	Variation	
Net Sales	1,060.0	1,000.4	+6.0%	ΔPrice/mix: +5.2% ΔVolumes: +3.9% <b>ΔActual Variation: +9.1%</b> ΔExch. Rates: -3.1% <b>ΔTotal: +6.0%</b>
EBITDA	150.9	148.7		
EBITDA margin	14.2%	14.9%		
EBIT	103.7	99.2	+4.5%	ΔCommercial Variations: € 27.8 mn ΔEfficiencies: € 4.1 mn ΔUnit Costs/Other: € (27.4) mn <b>ΔTotal: € 4.5 mn</b>
EBIT margin	9.8%	9.9%		
Net Income	58.1	61.5		

- Net Sales organic growth (+9.1%) from both Consumer and Industrial segments
- Volumes up 3.9% with growth in all major markets, OE and Replacement
- Price/mix up 5.2% only partially offsetting year on year increase of raw materials and energy costs
- EBITDA and EBIT improve while ratios slightly decrease
- 2007 Net Income lowered by higher financial costs linked to 2006 financial restructuring

# 1Q 07 PIRELLI TYRE RESULTS BY BUSINESS SEGMENT

€/mn		1Q 07 IAS/IFRS	1Q 06 IAS/IFRS	Variation
CONSUMER	Sales	740.3	699.0	+5.9%
	EBIT	77.6	71.7	+8.2%
	ROS	10.5%	10.3%	
INDUSTRIAL	Sales	319.7	301.4	+6.1%
	EBIT	26.1	27.5	-5.1%
	ROS	8.2%	9.1%	

- Consumer sales organic growth up 8.4% driven by volumes mainly in the Americas (OE and Repl.) and price /mix everywhere
- Industrial sales organic growth up 10.8% 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



## 1Q 2007 Pirelli Broadband Solutions Results

# 1Q 07 PIRELLI BROADBAND SOLUTIONS RESULTS

€/mn

	1Q 07 IAS/IFRS	1Q 06 IAS/IFRS	Variation
Net Sales	25.1	38.5	-34.8%
EBITDA	(3.4)	(0.4)	<i>n.m.</i>
EBITDA margin	<i>n.m.</i>	<i>n.m.</i>	
EBIT	(3.8)	(0.7)	<i>n.m.</i>
EBIT margin	<i>n.m.</i>	<i>n.m.</i>	
Net Income	(4.2)	(1.7)	<i>n.m.</i>

- Product-mix and different purchasing planning of the telecom operators have influenced 1Q 07 sales
- R&D costs and sales contraction have impacted EBIT

# PIRELLI BROADBAND SOLUTIONS: FIELDS OF ACTIVITY

## BBA: ENLARGING CLIENTS PORTFOLIO AND PRODUCTS

- ADSL2/2+ deployment on track
- SET-TOP-BOX start-up sales



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





## 1Q 2007 Pirelli Ambiente Results

# PIRELLI AMBIENTE: ENVIRONMENTAL GROUP'S SOLUTIONS

PIRELLI AMBIENTE  
ECO TECHNOLOGY

Gecam <sup>TM</sup>, Filters



Reducing the  
emissions of  
particulate in  
Diesel Engines

PIRELLI AMBIENTE  
RENEWABLE ENERGY

Energy recovery from  
municipal solid waste  
(SRF-P)



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

PIRELLI AMBIENTE  
SITE REMEDIATION

Environmental  
Reclamation



Global solutions for  
reclamation and  
redevelopment of  
contaminated sites

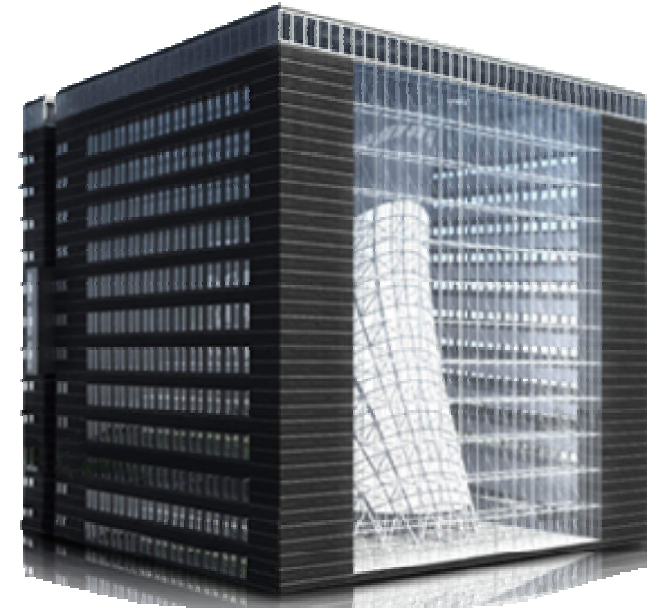


## 1Q 2007 PIRELLI AMBIENTE RESULTS

€/mn	1Q 07 IAS/IFRS	1Q 06 IAS/IFRS	Variation
Sales	17.4	21.4	-18.7%
EBIT	(1.7)	2.4 (*)	n.m.
Net Income	(1.7)	2.0	n.m.

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

- Sales consolidation of Gecam and start-up business 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



## 1Q 2007 Pirelli Real Estate Results

## PIRELLI RE RECENT ACHIEVEMENTS

- Revenues (Pro –Quota) reached € 405.8m (+38%) vs Q1-06
- EBIT including Income from Equity Participations € 47.3m or 22% increase vs last year, Net Income € 19 mn vs € 30 mn in 1Q 06
- Real Estate Asset sales at 100% amounting to € 641mn (+41%)
- Acquisition (100%) amounting to € 335 mn in real estate and to € 50 mn in facility management; to date, acquisitions and binding agreements for further € 296 mn, mainly in NPLs
- Investment and Asset Management reached a 52% increase in revenues and 39% increase in operating income versus last year. Strong in NPLs with 73% increase at EBIT level.
- Net Debt of € 967 mn of which € 981 mn due to the DGAG acquisitions. Pro Forma Net debt post deconsolidation of DGAG approx. € 76 mn.
- For FY 2007 growth confirmed above the 10-15% target set out in the 2006-2008 plan

## 1Q 07 PIRELLI RE CONSOLIDATED P&L

€/mn	1Q 07 IAS/IFRS	1Q 06 IAS/IFRS	Δ 07/06 %
<b>Pro-quota Aggregate Revenues</b>	405.8	293.4	
<b>Consolidated Revenues (*)</b>	201.0	142.1	
<b>EBIT Incl. Income from Equity Participations</b>	47.3	38.9	+22%
<b>Profit before taxes</b>	32.2	39.2	
<b>Net Attributable Income</b>	19.0	30.1	

(\*) Not including impact of DGAG assets deconsolidation for €507.6m in 1Q07

## 1Q 07 PIRELLI RE CONSOLIDATED BALANCE SHEET

€/mn	1 Q 07 IAS/IFRS	1Q 07 Pro-Forma after DGAG decons.	1Q 06 IAS/IFRS
<b>Fixed Assets</b> <i>(of which Investments in Participated Company and Funds)</i>	598.5 346.5	623 361	435.5 328.9
<b>Net Working Capital</b>	1,182.8	267	199.6
<b>Net Invested Capital</b>	1,781.3	890	635.1
<b>Shareholders' Equity</b> <i>(of which Minority Interests)</i>	725.1 715.5	725 715	585.0 575.9
<b>Funds</b>	89.3	89	45.1
<b>Net Financial Position</b>	966.9	76	5.0
<b>Total</b>	1,781.3	890	635.1
<b>NFP not including Shareholders' Loans</b>	1,299.7	455	363.0
<b>Gearing Financial Position not including Shareholders' Loans</b>	1.79	0.63	0.62

## PIRELLI GROUP OUTLOOK 2007

- **WE CONFIRM 2007 INCREASE IN RESULTS, WITH A SOUND FINANCIAL STRUCTURE**

## BACK-UP SLIDES

# 1Q 2007 – PIRELLI GROUP RESULTS

€/mn	PIRELLI TYRE		PIRELLI BROADB.SOLUT.		PIRELLI REAL ESTATE		PIRELLI AMBIENTE		Other		GROUP PIRELLI & C. CONS.	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
<b>Sales</b>	<b>1,060.0</b>	<b>1,000.4</b>	<b>25.1</b>	<b>38.5</b>	<b>708.6</b>	<b>142.1</b>	<b>17.4</b>	<b>21.4</b>	<b>0.2</b>	<b>3.7</b>	<b>1,811.3</b>	<b>1,206.1</b>
Δ %		6.0%		-34.8%		n.s.		-18.7%		n.s.		50.2%
<b>Organic Sales (*)</b>	<b>1,060.0</b>	<b>971.5</b>	<b>25.1</b>	<b>38.5</b>	<b>201.0</b>	<b>142.1</b>	<b>17.4</b>	<b>21.4</b>	<b>0.2</b>	<b>3.6</b>	<b>1,303.7</b>	<b>1,177.1</b>
Δ %		9.1%		-34.8%		41.4%		-18.7%				10.8%
<b>EBITDA</b>	<b>150.9</b>	<b>148.7</b>	<b>(3.4)</b>	<b>(0.4)</b>	<b>36.9</b>	<b>27.2</b>	<b>(1.5)</b>	<b>2.6</b>	<b>(1.3)</b>	<b>(4.0)</b>	<b>181.6</b>	<b>174.1</b>
EBITDA margin	14.2%	14.9%	n.s.	n.s.							10.0%	14.4%
EBITDA margin (2007 excl. DGAG effect)											13.9%	14.4%
<b>EBIT</b>	<b>103.7</b>	<b>99.2</b>	<b>(3.8)</b>	<b>(0.7)</b>	<b>34.5</b>	<b>25.0</b>	<b>(1.7)</b>	<b>2.4</b>	<b>(3.2)</b>	<b>(6.1)</b>	<b>129.5</b>	<b>119.8</b>
EBIT margin	9.8%	9.9%	n.s.	n.s.							7.1%	9.9%
EBIT margin (2007 excl. DGAG effect)											9.9%	9.9%
Result from Equity Participation					12.8	13.9			0.9	0.3	13.7	14.2
<b>EBIT Result incl. Equity Participation</b>	<b>103.7</b>	<b>99.2</b>	<b>(3.8)</b>	<b>(0.7)</b>	<b>47.3</b>	<b>38.9</b>	<b>(1.7)</b>	<b>2.4</b>	<b>(2.3)</b>	<b>(5.8)</b>	<b>143.2</b>	<b>134.0</b>
Financial Income/Charges	(13.8)	(10.8)	(0.4)	(0.6)	(15.1)	0.3	0.0	0.0	(17.1)	(29.2)	(46.4)	(40.3)
<b>EBT</b>	<b>89.9</b>	<b>88.4</b>	<b>(4.2)</b>	<b>(1.3)</b>	<b>32.2</b>	<b>39.2</b>	<b>(1.7)</b>	<b>2.4</b>	<b>(19.4)</b>	<b>(35.0)</b>	<b>96.8</b>	<b>93.7</b>
Tax Income/Charges	(31.8)	(26.9)	0.0	(0.4)	(12.4)	(8.6)	0.0	(0.4)	2.7	(0.6)	(41.5)	(36.9)
<b>Net Result Continuing Operations</b>	<b>58.1</b>	<b>61.5</b>	<b>(4.2)</b>	<b>(1.7)</b>	<b>19.8</b>	<b>30.6</b>	<b>(1.7)</b>	<b>2.0</b>	<b>(16.7)</b>	<b>(35.6)</b>	<b>55.3</b>	<b>56.8</b>
% on sales	5.5%	6.1%	n.s.	n.s.							3.1%	4.7%
<b>Net Result from Discontinued Operations (**)</b>									<b>1.0</b>	<b>35.0</b>	<b>1.0</b>	<b>35.0</b>
<b>Net Income</b>	<b>58.1</b>	<b>61.5</b>	<b>(4.2)</b>	<b>(1.7)</b>	<b>19.8</b>	<b>30.6</b>	<b>(1.7)</b>	<b>2.0</b>	<b>(15.7)</b>	<b>(0.6)</b>	<b>56.3</b>	<b>91.8</b>
% on sales	5.5%	6.1%									3.1%	7.6%
<b>Attributable Net Income</b>											<b>24.2</b>	<b>74.8</b>
<b>Net Financial Position (***)</b>	<b>734.7</b>	<b>719.9</b>	<b>20.5</b>	<b>2.2</b>	<b>966.9</b>	<b>5.0</b>	<b>3.0</b>	<b>(3.6)</b>	<b>1,348.7</b>	<b>771.2</b>	<b>3,073.8</b>	<b>1,494.7</b>

(\*) Organic exchange rates and disposal for deconsolidation of DGAG activity (2007 Pirelli Real Estate)

(\*\*) 2007 includes € 91 mn of disposal of Prysman warrants and € -90 mn of estimate impact of Olimpia disposal

(\*\*\*) At 31.03.07 includes impact DGAG in in Pirelli Real Estate for € 981mn