



PRESS RELEASE

THE BOARD OF DIRECTORS OF PIRELLI & C. SPA APPROVES FINANCIAL STATEMENTS AS OF 31 MARCH 2010: FIRST QUARTER SHOWS SIGNIFICANT IMPROVEMENT

- THANKS TO THE GOOD PERFORMANCE OF PIRELLI TYRE, 2010 GROUP REVENUE TARGET RAISED, NOW FORECAST BETWEEN 4.9 AND 5 BILLION EUROS COMPARED WITH 4.7-4.8 BILLION EUROS PREVIOUSLY FORECAST, WITH EBIT OF AT LEAST 6.5%; NET FINANCIAL POSITION TARGET CONFIRMED NEGATIVE FOR 700 MILLION EUROS
- PIRELLI TYRE: 2010 REVENUE TARGET RAISED, FORECAST TO GROW MORE THAN 10% COMPARED WITH +6%/+8% FORECAST PREVIOUSLY; EBIT FLOOR IN ABSOLUTE VALUE AT LEAST IN LINE WITH PREVIOUS PROFITABILITY TARGET (320-330 MILLION EUROS)

FINANCIAL RESULTS AS OF 31 MARCH 2010

PIRELLI & C. SPA

- REVENUES: 1,212.0 MILLION EUROS, +16.2% COMPARED WITH 1,043.0 MILLION EUROS AS OF 31 MARCH 2009
- EBIT: 91.7 MILLION EUROS, DOUBLE (+95.9%) THE FIGURE OF 46.8 MILLION EUROS AS OF 31 MARCH 2009, UP TO 7.6% AS A PERCENTAGE OF REVENUES FROM 4.5 %
- TOTAL CONSOLIDATED NET PROFIT: 38.9 MILLION EUROS (1.1 MILLION EUROS AS OF 31 MARCH 2009). ATTRIBUTABLE CONSOLIDATED NET PROFIT: 39.2 MILLION EUROS (9.5 MILLION EUROS AS OF 31 MARCH 2009)
- NET FINANCIAL POSITION NEGATIVE FOR 678.4 MILLION EUROS (528.8 MILLION EUROS AT THE END OF 2009)

PIRELLI TYRE

- REVENUES 1,110.0 MILLION EUROS, +19.8% COMPARED WITH 926.9 MILLION EUROS AS OF 31 MARCH 2009
- EBIT 95.5 MILLION EUROS, +66% COMPARED WITH 57.5 MILLION EUROS AS OF 31 MARCH 2009, UP TO 8.6% AS A PERCENTAGE OF REVENUES FROM 6.2%

Milan, 4 May 2010 – The Board of Directors of Pirelli & C. SpA, which met today, reviewed and approved the intermediate report on operations as of 31 March 2010.

Overall, the Group closed the quarter with significantly improved operating indicators, showing revenues up 16.2% to 1,212.0 million euros and an EBIT margin of 7.6% (4.5% at the end of the first

quarter of 2009). **Net profit stood at 38.9 million euros, compared with 1.1 million euros in the first quarter of 2009.**

In the tyre sector, in particular, the recovery in volumes already underway in the last months of 2009 was confirmed during the first three months of 2010 in all geographical areas and in the various segments and sales channels, allowing **Pirelli Tyre** to close the quarter with sales growing 19.8% to 1,110 million euros and EBIT post restructuring charges of 95.5 million euros, with the EBIT margin rising to 8.6% from 6.2% in the first three months of 2009.

Net operating cash flow was particularly improved compared with the first quarter of 2009, with net working capital nearly cutting in half the amount of cash absorbed, compared with in the first three months of 2009.

Pirelli Eco Technology, the company operating in the field of sustainable mobility, reported revenue growth of 37% to 19.6 million euros in the quarter, and operating breakeven (-0,8 million euros compared with an operating loss of 2.8 million euros in the first quarter of 2009).

In real estate, **Pirelli RE** reported strong improvement in all its main economic indicators compared with the same period in 2009, confirming the validity of the business model adopted and the efficiency actions carried out. The attributable net result was a return to profit of 0.4 million euros (-15.8 million euros in March 2009) and given the first quarter performance, the company confirmed all the targets already communicated to the market for year end, at operating and financial level.

Pirelli & C. SpA Group

At consolidated level, **revenues** as of 31 March 2010 amounted to 1,212.0 million euros, up 16.2% compared with 1,043.0 million euros in the first quarter of 2009 (+15.3% organic increase, net of exchange rate effects).

EBIT, amounting to 91.7 million euros, practically doubled (+95.9%) from 46.8 million euros in the first quarter of 2009 and showed a margin on revenues rising to 7.6% from 4.5% in the corresponding period of 2009.

Total consolidated net profit stood at 38.9 million euros, compared with 1.1 million euros in the first quarter of 2009, while **consolidated net profit attributable** to Pirelli & C. SpA amounted to 39.2 million euros compared with 9.5 million euros in the same period of 2009.

Consolidated net equity as of 31 March 2010 stood at 2,596.0 million euros compared with 2,494.7 million euros at the end of 2009. **Consolidated net equity attributable to Pirelli & C. SpA** amounted to 2,271.8 million euros compared with 2,175.0 million euros at the end of 2009.

The **net financial position** of the Group as of 31 March 2010 was negative for 678.4 million euros, compared with a negative net financial position of 1,278.9 million euros at the end of the first quarter of 2009 and a negative net financial position of 528.8 million euros at the end of 2009. The difference compared with this latter figure was due to the normal seasonal effect of variation of working capital in the businesses.

There were 30,054 **employees of the Group**, compared with 29,570 on 31 December 2009.

Pirelli Tyre

Pirelli Tyre revenues as of 31 March 2010 amounted to 1,110.0 million euros, up 19.8% from 926.9 million euros in the same period of 2009. Net of exchange rate effects, which in the quarter had a positive impact of 1%, the organic variation was an increase of 18.8%, with a positive change in volumes of 17.4% (-18.1% in the corresponding period of 2009) and a positive price/mix variation of 1.4%.

EBIT before restructuring charges amounted to 98.1 million euros (8.8% of revenues), a 60.8% increase over the 61.0 million euros (6.6% of revenues) of the first quarter of 2009, while **EBIT post**

restructuring charges stood at 95.5 million euros (8.6% of revenues), up 66% over the 57.5 million euro (6.2% of revenues) figure in the first quarter of 2009. The result benefited from significant growth in sales volumes in both business areas (+14.9% Consumer and +24.1% Industrial), the price/mix component holding well, and efficiencies in industrial activities. The progressive impact of rising raw materials costs, in particular of natural rubber, was softened by reducing stock and effects of this will thus be felt only from the second quarter.

Net profit as of 31 March 2010 amounted to 50.1 million euros, significantly improved over the 14.6 million euro result in the first quarter of 2009.

The **net financial position** was negative for 1,122.5 million euros, with an increase limited to 95.2 million euros despite a negative seasonal phase, compared with 1,027.3 million euros at the end of 2009 (-1,521.8 million euros as of 31 March 2009), thanks to positive net working capital management which nearly halved the amount of cash absorbed compared with the first quarter of 2009.

In the **Consumer business (Car/Light Truck and Motorcycle tyres)**, revenues amounted to 780.9 million euros compared with 670.5 million euros, up 16.5%, with a positive contribution of 14.9% in volumes terms, of 1.2% in terms of price/mix, and of 0.4% from exchange rate effects. EBIT before restructuring charges stood at 69.5 million euros compared with 41.9 million euros in the corresponding period of 2009, with the margin on revenues up to 8.9% from 6.2% in the first quarter of 2009. The quarter was characterized by significant rates of recovery in all geographic areas of reference both in the **Original Equipment** channel and in the **Replacement** channel, compared with the first three months of 2009.

In the **Industrial business (tyres for Industrial Vehicles and Steelcord)** revenues amounted to 329.1 million euros overall, up 28.4% compared with 256.4 million euros in the first quarter of 2009 (with a positive variation of 24.1% in sales volumes, 1.8% in price/mix and 2.5% in exchange rate effects). EBIT stood at 28.6 million euros, 50% higher than the 19.1 million euro figure of the first quarter of 2009, with the EBIT margin rising to 8.7% from 7.5% in the first three months of 2009. In the Industrial segment the market also recovered in both sales channels compared with the first quarter of 2009, in particular in the Mercosur area (+65% in Original Equipment and +26% in Replacement).

Pirelli Eco Technology

Pirelli Eco Technology, the company in the Group operating in the sustainable mobility industry, reported in the quarter an increase in **revenues** of 37% to 19.6 million euros. The particulate filters business contributed to the figure with 9.1 million euros, more than double the 3.7 million euros in revenues in the first quarter of 2009, while 10.5 million euros was from sales of Gecam white diesel fuel, essentially in line with the 10.6 million euros in revenues in the same period of 2009.

EBIT was essentially at break-even level (-0.8 million euros compared with a negative 2.8 million euros in the first quarter of 2009) and a **financial position** improved to debt of 42.0 million euros from a negative 47 million euros at the end of 2009, in line with the targets the company set for itself for 2010 which foresee double digit revenue growth, operating break-even and positive cashflow generation.

Pirelli RE

For further information on the performance of Pirelli RE please refer to the specific press release distributed today.

Prospects for the current year

Taking into account the positive performance of Pirelli Tyre in the first quarter and the current market scenario, it is possible to forecast for the **Group** revenues for the full year of between 4.9 billion euros and 5 billion euros, improved with respect to the 4.7 – 4.8 billion euros indicated at the time of the presentation of 2009 results, and an EBIT margin of at least 6.5%, with confirmation of a negative net

financial position of about 700 million euros, after payment of 81.1 million euros in dividends on 2009 fiscal year accounts.

For **Pirelli Tyre**, in particular, the year to date has been characterized by exceptional growth in volumes in the first quarter and by a strong increase in the cost of raw materials starting in the second quarter. Rising cost competitiveness deriving from restructuring actions, price increases as expected, and the positive contribution of the product mix deriving from “green” products (Cinturato P7, Snowcontrol II, Scorpion Verde) in the Consumer business, allow the company to foresee, if markets maintain their positive trend, 2010 revenue growth of more than 10% and EBIT floor, in absolute value, in line with the profitability target indicated at the time of presentation of the 2009 results (320-330 million euros).

As already announced at the time of presentation of 2009 results, Pirelli will present a new 2011-2013 three-year plan to the financial community before the end of 2010.

Conference call

Results of the period ended on 31 March 2010 will be illustrated tomorrow, 5 May 2010, at 12 p.m. during a conference call, in which the Chairman of Pirelli & C. SpA, Marco Tronchetti Provera, and the top management will intervene. Journalists will be able to follow the presentation by telephone, without the possibility to ask questions, by calling the number **+39.06.3348.5042**. The presentation will also be available via webcast – in real time – on the website www.pirelli.com in the Investor Relations section, where it will be possible to consult the slides.

The intermediary financial statements as of 31 March 2010 will be available to the public at the Company’s headquarters and at Borsa Italiana SpA, and published on the Company’s website www.pirelli.com, by the end of the day on 14 May 2010.

The Manager mandated to draft corporate accounting documents of Pirelli & C. S.p.A., Francesco Tanzi, declares – as per art. 154-bis, comma 2 of the Testo Unico della Finanza – that the accounting information contained in this press release corresponds to the documented results, books and accounting registers.

In this press release, in addition to the financial performance measures established by IFRS, certain non-IFRS measures originated from the latter are presented although they are not required by IFRS (“Non-GAAP Measures”). These performance measures are presented for purposes of a better understanding of the trend of operations of the Group and should not be construed as a substitute for the information required by IFRS. Specifically, the “Non-GAAP Measures” used are described as follows:

Gross operating profit (EBITDA): this financial measure is used by the Group as the financial target in internal business plans and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group as a whole and for each single segment, in addition to EBIT. EBITDA is an intermediate performance measure represented by the Operating Income from which amortization of material and immaterial fixed assets are subtracted.

Fixed assets: this is the sum of the items “material fixed assets”, “immaterial fixed assets”, “investments in related companies and JVs”, and “other financial assets”.

Funds: this is the sum of the items “funds for risks and charges (current and non current)”, “funds for personnel” and “funds for deferred taxes”.

Net working capital: this includes all the other items not included in the two items “net equity” and “net financial position”.

Net financial position: this represents gross financial debt minus cash and other equivalent liquidity, as well as other financial credits.

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PIRELLI & C. S.p.A. GROUP

(million euros)

	03/31//2010	03/31/2009	12/31/2009
Net sales	1,212.0	1,043.0	4,462.2
Gross operating profit before restructuring expenses	147.3	101.7	508.1
<i>of which real estate writedowns/revaluations</i>	-	-	(7.9)
% on sales	12.2%	9.8%	11.4%
Operating profit before restructuring expenses	94.3	50.3	297.0
<i>of which real estate writedowns/revaluations</i>	-	-	(7.9)
% on sales	7.8%	4.8%	6.7%
Restructuring expenses	(2.6)	(3.5)	(79.6)
Operating profit	91.7	46.8	217.4
<i>of which real estate writedowns/revaluations</i>	-	-	(7.9)
% on sales	7.6%	4.5%	4.9%
Income from equity participations	(2.9)	0.8	(56.7)
<i>of which real estate writedowns/revaluations</i>	-	-	(23.5)
Financial income (expenses)	(15.3)	(20.2)	(85.4)
Income taxes	(34.6)	(26.3)	(97.9)
Total net profit	38.9	1.1	(22.6)
Net profit attributable to Pirelli & C. S.p.A.	39.2	9.5	22.7
Attributable net profit per share (in euro)	0.007	0.002	0.004
Fixed assets	3,653.4	3,557.4	3,596.2
Working capital	424.8	730.9	221.8
Net invested capital	4,078.2	4,288.3	3,818.0
Total Shareholders' equity	2,596.0	2,302.4	2494.7
Funds	803.8	707.0	794.5
Net financial position (assets)/liabilities	678.4	1,278.9	528.8
Shareholders' equity attributable to Pirelli & C. S.p.A.	2,271.8	2,129.0	2,175.0
Shareholders' equity per share (in Euro)	0.423	0.397	0.405
Employees n. (at the end of the period)	30,054	29,662	29,570
Number of plants	21	21	21
Pirelli & C. shares			
ordinary (n. million)	5,233.1	5,233.1	5,233.1
<i>of which treasury shares</i>	3.9	3.9	3.9
savings (n. million)	134.8	134.8	134.8
<i>of which treasury shares</i>	4.5	4.5	4.5
Total shares (n. million)	5,367.9	5,367.9	5,367.9

Data by business sector

03/31/2010 (million Euros)

	Tyre	Eco Technology	Real Estate	Broadband Access	Other (*)	Total
Sales	1,110.0	19.6	51.7	27.2	3.5	1,212.0
EBITDA before restructuring charges	146.4	(0.2)	5.1	0.3	(4.3)	147.3
EBIT before restructuring charges	98.1	(0.8)	3.9	0.2	(7.1)	94.3
Restructuring charges	(2.6)	-	-	-	-	(2.6)
EBIT	95.5	(0.8)	3.9	0.2	(7.1)	91.7
Income from equity participations	0.2	-	-	-	(3.1)	(2.9)
Operat. income incl. income from equity part., excluding real estate writedowns/revaluations and before restructuring charges			3.9			
Financial charges/income	(16.4)	(0.5)	1.2	1.1	(0.7)	(15.3)
Tax charges	(29.2)	(0.1)	(4.1)	(0.1)	(1.1)	(34.6)
Total net profit	50.1	(1.4)	1.0	1.2	(12.0)	38.9
Net financial position (assets)/liabilities	1,122.5	42.0	55.3	(23.6)	(517.8)	678.4

03/31/2009 (million Euros)

	Tyre	Eco Technology	Real Estate	Broadband Access	Other (*)	Total
Sales	926.9	14.3	53.8	44.0	4.0	1,043.0
EBITDA before restructuring charges	107.8	(2.3)	(0.5)	2.7	(6.0)	101.7
EBIT before restructuring charges	61.0	(2.8)	(2.2)	2.5	(8.2)	50.3
Restructuring charges	(3.5)	-	-	-	-	(3.5)
EBIT	57.5	(2.8)	(2.2)	2.5	(8.2)	46.8
Income from equity participations	3.5	-	(12.5)	-	9.8	0.8
Operat. income incl. income from equity part., excluding real estate writedowns/revaluations and before restructuring charges			(14.7)			
Financial charges/income	(23.1)	(0.6)	0.2	0.4	2.9	(20.2)
Tax charges	(23.3)	-	(2.1)	(0.1)	(0.8)	(26.3)
Total net profit	14.6	(3.4)	(16.6)	2.8	3.7	1.1
Net financial position (assets)/liabilities	1,521.8	26.8	309.3	(32.3)	(546.7)	1,278.9

(*) The item includes Pirelli Ambiente, Pzero, all financial companies (including the parent company), the other services companies, and, for the "sales" item, elements which cancel each other out in balance sheet consolidation

Cash Flow

(million Euros)

	1° Q 2010	1° Q 2009
Operating profit (EBIT) before restructuring charges	94.3	50.3
Amortization	53.0	51.4
Net Investments	(50.1)	(42.9)
Variation working capital/other	(155.9)	(262.8)
Free Cash Flow	(58.7)	(204.0)
Financial income/expenses	(15.3)	(20.2)
Income taxes	(34.6)	(26.3)
OPERATING CASH FLOW	(108.6)	(250.5)
Financial Investments/divestments	-	37.9
Cash Out for restructuring	(38.3)	(45.8)
Exchange rate differences/other	(2.7)	7.2
NET CASH FLOW	(149.6)	(251.2)