PRESS RELEASE

THE BOARD OF DIRECTORS OF PIRELLI & C. SPA APPROVES 2009 FINANCIAL STATEMENTS

2009 TARGETS FOR THE GROUP EXCEEDED
Pirelli Tyre beats targets for the year, already raised at the end of Q3
Pirelli RE reaches financial targets

PIRELLI & C. SPA

- PARENT COMPANY RETURNS TO PROFIT WITH 112.6 MILLION EUROS IN NET PROFIT (NET LOSS OF 189.5 MILLION EUROS IN 2008)

- BOARD TO PROPOSE DISTRIBUTION OF A DIVIDEND OF 0.0145 EUROS PER ORDINARY SHARE AND 0.0406 EUROS PER SAVINGS SHARE

PIRELLI & C. GROUP

- 2009 REVENUES: 4,462.2 MILLION EUROS (-3.3% ON A LIKE-FOR-LIKE BASIS), COMPARED WITH A TARGET OF MORE THAN 4.3 BILLION EUROS

- EBIT POST RESTRUCTURING CHARGES QUINTUPLED TO 217.4 MILLION EUROS, (43.2 MILLION EUROS IN 2008);
EBIT MARGIN 4.9%, BETTER THAN TARGET OF 4.5% DESPITE THE IMPACT OF ADDITIONAL RESTRUCTURING CHARGES OF APPROX. 50 MILLION EUROS COMPARED WITH 30 MILLION EUROS INITIALLY FORECAST IN 2009-2011 PLAN

- ATTRIBUTABLE NET RESULT RETURNS TO PROFIT OF 22.7 MILLION EUROS, COMPARED WITH A LOSS OF 347.5 MILLION EUROS IN 2008; TOTAL NET RESULT NEGATIVE FOR 22.6 MILLION EUROS, SIGNIFICANTLY IMPROVED OVER 2008 LOSS OF 412.5 MILLION EUROS

- NET DEBT NEARLY HALVED: 528.8 MILLION EUROS (1,027.7 MILLION EUROS IN 2008) COMPARED WITH THE INITIAL TARGET OF 1 BILLION EUROS, WHICH HAD ALREADY BEEN IMPROVED AT THE END OF Q3 TO 700 MILLION EUROS

PIRELLI TYRE

- 2009 REVENUES: 3,992.9 MILLION EUROS (-1.6% ON A LIKE-FOR-LIKE BASIS COMPARED WITH 4,100.2 MILLION EUROS IN 2008) COMPARED WITH A TARGET OF 3,900 MILLION EUROS (ALREADY IMPROVED AT THE END OF Q3)

- EBIT POST RESTRUCTURING CHARGES: 308.5 MILLION EUROS, MORE THAN DOUBLE THE 150.7 MILLION EUROS OF 2008;
EBIT MARGIN 7.7% (3.7% IN 2008), HIGHER THAN THE TARGET OF AT LEAST 7% (WHICH HAD BEEN IMPROVED AT THE END OF Q3)

- IN 2009 OPERATING CASH FLOW POSITIVE FOR 561.5 MILLION EUROS (-18.1 MILLION EUROS IN 2008)

- NET DEBT APPROX. 1 BILLION EUROS POST DIVIDENDS, COMPARED WITH A TARGET OF 1.3 BILLION EUROS BEFORE DIVIDENDS

2010 TARGETS

- **PIRELLI & C. GROUP: REVENUES 4.7/4.8 BILLION EUROS, EBIT MARGIN 6.5%/7%**
- **PIRELLI TYRE: REVENUES +6%/+8%, EBIT MARGIN TENDENTIALLY IN LINE WITH 2009**

NEW 2011-2013 THREE-YEAR PLAN TO BE PRESENTED BEFORE THE END OF 2010

Milan, 10 March 2010 - The Board of Directors of Pirelli & C. SpA, which met today, reviewed and approved **2009 draft financial statements.**

The restructuring begun in 2008, which continued into 2009, to counteract the effects of the international crisis, made it possible for the Pirelli Group to close the year with significantly improved overall results, thanks to effectiveness of the measures adopted to protect the efficiency and competitiveness of the Group, as well as of the strategy set forward in the 2009-2011 three-year industrial plan.

The Group thus managed to **close the year with results that were an improvement over its 2009 targets**, which had already been raised last November, at the time of announcement of third quarter results.

With reference to **Group targets**, the following should be noted:

- **revenues: 4,462.2 million euros, compared with a target of "greater than 4.3 billion euros", which had already been increased at the end of the third quarter. Of these, 25% were derived from "green" activities (20% at end 2008), in line with the objectives of the plan**
- **EBIT margin post restructuring charges: 4.9%, compared with the target of "approximately 4.5%" announced at the end of the third quarter, despite the impact of additional restructuring charges of more than 50 million euros compared with the 30 million euros in charges initially expected**
- **net debt: 528.8 million euros, compared with an initial target of 1 billion euors, already improved to "about 700 million euros" at the end of the third quarter.**

Overall, the **Pirelli Group** closed the year with attributable net profit of 22.7 million euros, compared with a loss of 347.5 million euros in 2008. The total consolidated net result was a loss of 22.6 million euros, a significant improvement over the loss of 412.5 million euros the previous year. EBIT after restructuring charges, which amounted to 79.6 million euros in 2009 (144.2 million euros in 2008), stood at 217.4 million euros, five times the figure of 43.2 million euros in 2008, or 4.9% of sales compared with 0.9% of sales in 2008. Revenues as of 31 December 2009 amounted to 4,462.2 million euros, down 3.3% on a like-for-like basis net of the exchange rate effect (4,660.2 million euros in 2008). The Group's net financial position as of 31 December 2009 was a negative figure of 528.8 million euros, almost half of the figure of – 1,027.7 million euros on 31 December 2008 (691.4 million euros as of 30 September 2009), due to a positive contribution from Pirelli Tyre cash flow, income from sales of non-strategic assets, and the success of the Pirelli RE capital increase.

Performance of the core tyre business at **Pirelli Tyre** was especially positive, with results significantly better than targets:

- **revenues: 3,992.9 million euros compared with a target of "approximately 3,900 million euros", already improved at the end of the third quarter**
- **EBIT margin post restructuring charges: 7.7%, significantly improved with respect to the target of "equal to or greater than 7%", which had already been improved at the close of the third quarter**
- **net debt of about one billion euros (1,027.3 million euros) after dividends, compared with a target of 1.3 billion euros before dividends.**

Efficiencies reached through restructuring actions, the signals of recovery in the market (in particular in the 'Consumer' segment) and the positive impact of lower raw materials costs made it possible for **Pirelli Tyre** to close the year with a moderate reduction in revenues (-1.6% organic reduction) and a significant improvement in all indicators of profitability: the **2009 EBITDA margin before restructuring charges stood at 13.5% compared with 10.8% in 2008, the EBIT margin before restructuring charges stood at 8.7% compared with 6.1% in 2008, and the EBIT margin post restructuring charges stood at 7.7% compared with 3.7% in 2008.**

In the **fourth quarter, the best in the whole year, EBITDA at Pirelli Tyre more than doubled to 155.2 million euros** (62.9 million euros in the corresponding period of 2008), with a margin that rose to 15% from 7.2%, and EBIT before restructuring charges that grew to a record level of 104.7 million euros (18.9 million euros in the corresponding period of 2008), with a margin of 10.1% (2.2% a year earlier). Sustained by a recovery in volumes, **revenues exceeded the ceiling of one billion euros**, with organic growth of 13.9% to 1.03 billion euros.

In 2009, continuous improvement in efficiency in working capital management also made it possible to register **positive operating cash flow of 561.5 million euros (negative for 18.1 million euros in 2008)**; the net financial position improved to a negative 1,027.3 million euros from a negative 1,266.8 million euros in 2008.

Efficiencies in the cost of labour, the use of materials, purchasing, and savings on raw materials costs, net of exchange rate effects, made it possible in the year to **cut costs by approximately 200 million euros (of which approximately 100 million euros linked to lower raw materials costs, net of exchange rate effects), in line with the target for 2009, 200 million euros at same exchange rates, set for Pirelli Tyre in the Group's 2009-2011 industrial plan.**

It should be noted that during a year that imposed severe attention to costs, Pirelli Tyre reduced its **research and development** investments as a percentage of sales from 3.5% to 3.3%, though **this ratio still confirms the company at the top** of its sector worldwide in terms of process and product innovation, which have always been key elements in maintaining the competitive position of the company in the industry.

During the year, **Pirelli Eco Technology** consolidated its important position in particulate filters. The homologations obtained, particularly in key markets such as Germany and China, as well as the recent relaunch of programs for introduction of low emissions zones, place the company among those with the greatest growth prospects in the industry. In 2009, however, the difficult economic scenario, delays in putting into effect existing regulations in terms of traffic pollution, and longer than expected waiting periods for homologations in new markets had negative effects on performance and on timing of execution of plans compared with original projections. The 2009 net result was a loss of 13.7 million euros, essentially in line with 2008 (a loss of 13.2 million euros).

In the real estate sector, **Pirelli RE** carried on during the year with its turnaround process, involving a plan to reduce costs and regain efficiency, an organizational overhaul, and a strengthening of the equity structure, combined with a refocusing of the business model towards assets and fund management activities and specialized services, with the goal of increaseing the level of recurring results. As confirmation of the validity of actions taken thus far, the cost-reduction plan generated around 68 million euros in structural savings in 2009, well above the original target of 50 million euros, while on the equity front, the gearing ratio improved to 0.7 (from 2.4 as of 31 December 2008) thanks to success of the capital increase carried out during the course of the year.

The main economic and financial indicators improved significantly even amid the heavy influence of the international recession: the net loss as of 31 December 2009 was nearly halved (- 104.3 million euros, compared with a net loss of 195 million euros in 2008), while EBIT, including net income from equity participations and before restructuring costs and property writedowns/revaluations, also including income from shareholder loans, stood at -26.1 million euros with a loss more than halved in comparison with that of 59.7 million euros in 2008, and in line with the better range (-25/-35 million euros) communicated to the market.

In terms of other businesses, the positive performance of Pirelli Broadband Solutions should be noted in particular. The company closed the year with revenues up 6% to 132.1 million euros and net profit of 4.6 million euros compared with 2 million euros in 2008.

As per the guidelines set forth in the 2009-2011 industrial plan, during the year the Group concentrated on:

- focus on core business:
  with the aim of strengthening its position among the leaders in the automotive sector, the Group focused more on the core business of tyres and the related business of particulate filters, grouped together in the "Tyre and Parts" division. With this in mind, the Group proceeded with sales of non-strategic assets, among which the stake it held in Alcatel Lucent Submarine Networks, announced in March 2009 and, through progressive sales over the course of the year ending in the third quarter, the Telecom Italia stake.

- "Green perfomance":
  during the course of the year, the Group focused on developing innovative porducts and solutions in the "green" economy, reaching its target of increasing the percentage of green business on the total to 25% from 20% in 2008 (the goal for 2011 is 40%).
  All the new tyres in the Cinturato product range, a historic brand name for Pirelli Tyre that the company recently relaunched, are in line with the "Green performance" strategy, along with the highly advanced winter tyres in the product range entitled "Winter". In sustainable mobility and reduction of air pollution, Pirelli Eco Technology supplies technology for containment of noxious diesel emissions. Pirelli Eco Technology particulate filters can reduce particulate matter by more than 90% and nitrogen dioxide by more than 50%, with significant reductions in the smallest particles. The business carried out by Pirelli Ambiente, the Group company specialized in technology and solutions for sustainable development active in renewable energy, environmental reclamation, and energy efficiency in buildings, as well as, in the real estate industry, the solutions offered by Pirelli RE to reduce potential environmental impact deriving from building conduction, in particular with the launch of eco-sustainable construction program "Ecobuilding".

Pirelli & C. SpA Group

At consolidated level, revenues as of 31 December 2009 amounted to 4,462.2 million euros, down 3.3% on a like-for-like basis net of exchange rate effects and the accounting impact of hyper-inflation in Venezuela (-4.2% including such effects) compared with 4,660.2 million euros in 2008. In the fourth quarter, in particular, revenues amounted to 1,154.8 million euros, up 16.4% compared with 992.2 million euros in the corresponding period of 2008.

EBITDA before restructuring charges amounted to 508.1 million euros compared with 396.1 million euros in 2008. In the fourth quarter, in particular, EBITDA before restructuring charges was 146.9 million euros compared with 5.1 million euros in the fourth quarter of 2008.

EBIT before restructuring charges was 297 million euros, compared with 187.4 million euros in 2008. In the fourth quarter, in particular, EBIT before restructuring charges amounted to 91.9 million euros, compared with a negative figure of 44.9 million euros in the corresponding period of 2008.

Considering also the restructuring charges for the whole year, amounting to 79.6 million euros (144.2 million euros in 2008), EBIT stood at 217.4 million euros (43.2 million euros in 2008), with a margin on sales increasing to 4.9% from 0.9% in 2008. In the fourth quarter, EBIT amounted to 53.6 million euros, compared with a negative figure of 139.8 million euros a year earlier. Restructuring charges were linked to reorganization of the parent company, rationalization of the staff structures and of the manufacturing base in Europe of Pirelli Tyre, as well as rationalization of Pirelli RE structures.

Attributable net profit of Pirelli & C. SpA stood at 22.7 million euros, compared with a loss of 347.5 million euros in 2008. **The total net result** was a loss of 22.6 million euros, significantly improved with respect to the negative figure of 412.5 million euros of 2008. In the fourth quarter, attributable net profit stood at 4.5 million euros (compared with a loss of 296.2 million euros in the fourth quarter of 2008), while the total net result was a loss of 13.9 million euros (-376.2 million euros in the corresponding period of 2008).

Consolidated net equity as of 31 December 2009 was 2,494.7 million euros, compared with 2,374.4 million euros at the end of 2008. **Net equity attributable to Pirelli & C. SpA** on the same date was 2,175 million euros (0.405 euros per share) compared with 2,171.8 million euros (0.405 euros per share) a fine 2008.

The **net financial position of the Group** as of 31 December 2009 was negative for 528.8 million euros, compared with 1,027.7 million euros as of 31 December 2008.
The **net financial position at corporate level** as of 31 December 2009 was positive for 598.8 million euros (537 million euros in 2008).

As of 31 December 2009 committed, non-utilized credit lines amounted to 819 million euros.

Employees of the Group as of 31 December 2009 counted 29,570 compared with 31,056 as of 31 December 2008.

The **parent company, Pirelli & C. SpA,** closed the year with a net profit of 112.6 million euros, compared with a net loss of 189.5 million euros in 2008.

The Board of Directors will propose to the Shareholders' meeting distribution of a **dividend of 0.0145 per ordinary share and 0.0406 euros per savings share.** The dividend will be paid starting from 27 May 2010.

Pirelli Tyre

Revenues of **Pirelli Tyre** as of 31 December 2009 amounted to 3,992.9 million euros, down 2.6% compared with 2008 (revenues stood at 4,100.2 million euros). The organic variation (net of exchange rate effects and the accounting impact of hyper-inflation in Venezuela) was equal to a decline of 1.6%, with a positive price/mix variation (+4.2%) which in part compensated the decline in volumes (-5.8%), deriving from the continued greater focus on higher end product segments. The positive performance was particularly notable in the fourth quarter, a period in which sales exceeded the ceiling of one billion euros, reaching 1,034.3 million euros, with an increase of 18.7% in absolute terms and organic growth of 13.9%.

EBITDA before restructuring charges amounted to 538 million euros, up 21.9% compared with 441.2 million euros in 2008, or 13.5% of sales, compared with 10.8% of sales in 2008. In the fourth quarter, EBITDA before restructuring charges stood at 155.2 million euros compared with 62.9 million euros in the corresponding period of 2008, with the sales margin rising to 15% from 7.2% in the same period of 2008.

EBIT before restructuring charges was 345.5 million euros, or 8.7% of sales (6.1% in 2008) representing an increase of 37.8% compared with 250.7 million euros in 2008. In the fourth quarter, EBIT before restructuring charges amounted to 104.7 million euros (10.1% of sales) compared with 18.9 million euros (2.2% of sales) in the corresponding period of 2008.

The strong improvement in 2009 results compared with the previous year was due to the price/mix variation, to efficiencies realized - despite an operating scenario characterised by periods of overcapacity – as well as the good performance of industrial factors, in particular falling raw materials costs which during the year, before a new increase was in sight (in particular in the cost of natural rubber), had an overall positive impact (net of exchange rate effects) of 98.7 million euros. These factors more than compensated the negative aspects deriving from lower sales volumes.

Restructuring actions begun in 2008 and continued in 2009 in the context of the process of improving and making more efficient the industrial organization, and the process of adapting the fixed cost structure to a changed market scenario, brought about charges of 37 million euros during the year (100 million euros in 2008).
Including these restructuring charges, 2009 EBIT was 308.5 million euros, more than double the 150.7 million euro figure in 2008, with a margin of 7.7% (3.7% in 2008). In the fourth quarter, EBIT post restructuring charges amounted to 85.8 million euros, compared with a negative figure of 49.4 million euros in the same period of 2008.

Net profit as of 31 December 2009 amounted to 146.6 million euros, compared with 25.6 million euros at the end of 2008. In the fourth quarter, net profit stood at 55.7 million euros compared with a loss of 82.7 million euros in the fourth quarter of 2008.

The **net financial position** as of 31 December 2009 was negative for 1,027.3 million euros, compared with 1,298.6 million euros as of 30 September 2009. The improvement was due in particular to the continuing efficiency in working capital management, which allowed for **positive operating cashflow of 561.5 million euros** (compared with a negative figure of 18.1 million euros in 2008), and careful selection of investment activities in a year partly characterized by low use of manufacturing capacity.

Net **investments** amounted to 217 million euros (285 million euros in 2008) and were mainly focused on increasing manufacturing capacity in emerging markets offering greater growth rates and lower industrial costs, in development of innovative processes, in launching new “Green Performance” products, and in the area of workers’ health and safety, as well as environmental factory management.

Efficiencies on labour costs, use of materials, purchasing, and savings on raw materials costs net of exchange rate effects, allowed for cost reduction of about **200 million euros (of which approximately 100 million euros linked to lower raw materials costs, net of exchange rate effects).**

Research and Development spending stood at 133 million euros (145 million euros in 2008), or 3.3% as a percentage of sales (3.5% in 2008), confirming the company’s place at the top in the industry worldwide in terms of commitment to product and process innovation.

In the *Consumer* business *(Car/Light Truck and Motorcycle tyres),* 2009 revenues amounted overall to 2,827.8 million euros, up 0.9% compared with 2,801.5 million euros in 2008. Net of exchange rate effects, organic growth of Consumer revenues was 1.2%. EBITDA before restructuring charges amounted to 379.7 million euros, up 34.7% compared with the previous year, or 13.4% of sales.

In the *Industrial* business *(tyres for Industrial Vehicles and Steelcord)* 2009 revenues amounted overall to 1,165.1 million euros, compared with 1,298.7 million euros in 2008. Sales volumes showed a 12.6% decline compared with 2008, narrowing to an organic decline of 7.6% thanks to the positive impact (+5%) of price/mix.

EBITDA before restructuring charges amounted to 158.3 million euros, practically in line with 2008 (159.3 million euros), while EBIT before restructuring charges was 111.8 million euros, aligned with 2008 in absolute value (111.6 million euros), but representing an improvement to 9.6% from 8.6% in 2008 in terms of profitability.

Employees of Pirelli Tyre as of 31 December 2009 counted 27,481, compared with 28,601 at the end of 2008.

Pirelli Eco Technology

During the course of the year, **Pirelli Eco Technology** consolidated its leading position in the particulate filters market, partly thanks to new homologations obtained, in particular in key markets like Germany and China. The difficult macroeconomic scenario, the delay in operational implementation of existing regulations on traffic pollution, and longer than expected processes for obtaining homologations to develop new markets, have all had negative effects on performance and timing of execution of growth plans of the company, compared with what was initially projected.

The company closed 2009 with a net loss of 13.7 million euros, essentially in line with 2008 (-13.2 million euros) and revenues down 10% to 56.6 million euros, due to declining sales in the white diesel fuel business, Gecam. Filter sales, on the other hand, increased from 5.5 million euros to 18.5 million euros in value terms. Homologations obtained, and the recent restart of national and international programs for introduction of low emissions zones, put Pirelli Eco Technology among the companies with the best prospects for growth in the filter industry.

Pirelli RE

For further information on the performance of Pirelli RE, please consult the press release issued on 9 March 2010.

Other businesses

In “other businesses”, 2009 revenues of **Pirelli Broadband Solutions** should be noted. These amounted to 132.1 million euros, up 6% from 124.6 million euros in 2008 thanks to enrichment of the product mix. EBITDA stood at 5.3 million euros, or 4% of sales, and net profit at 4.6 million euros compared with 2 million euros in 2008. Thanks to improvement in working capital management, the net financial position was positive for 35.7 million euros, compared with a financial surplus of 15 million euros in 2008. The company thus **achieved and exceeded its targets for the first year of the 2009-2011 industrial plan**, which had forecast revenues between 130 million euros and 140 million euros, an EBITDA margin between 3% and 3.5%, and a net financial position of around 15 million euros, in line with the previous year.

Shareholders’ meeting

The Board of Directors resolved to call the Shareholders’ meeting for approval of the financial statements for the 2009 fiscal year on 20 April 2010 (first call) and 21 April 2010 (second call).

With a view towards a corporate governance structure that is ever more attentive to needs of investors, and in order to facilitate presentation of lists for renewal of the Board of Statutory Auditors, the Board of Directors resolved to propose to the Shareholders’ meeting reduction of the threshold required by the By-laws for presentation of same lists, to 1.5%. The threshold proposed is lower than the one fixed by Consob for the current year (2% of share capital). This confirms a path begun in 2004 with the introduction in a self-disciplinary way of the system of presenting and voting on lists, for renewal of boards, as well as confirming the importance the Company attributes to giving a real possibility to minority shareholders to participate in corporate boards.

On the same occasion, in line with recently approved legislation, the Board will propose to the Shareholders introduction into the By-laws of the possibility for the Company to call Shareholders’ meetings for approval of annual financial statements within 180 days of the closing of the fiscal year, rather than 120 days as currently required.

Prospects and guidelines for the current year

During the course of 2010 the Group will focus further on its core business, becoming more of a pure tyre company with a position of absolute leadership in ‘Green Performance’.

- The **'Tyre and Parts'** (tyres and filters) business will be strengthened further, on the basis of what has been achieved during the course of 2009. For the **Tyre** business in particular the Company expects continuous growth, with a differentiated approach between Consumer and Industrial segments, further improvement in cost competitiveness and an acceleration of investments, in order to increase manufacturing capacity in particular in emerging markets which present higher growth rates and lower industrial costs. During the year **investments are planned for more than 300 million euros with a ratio of investments to amortization of 1.6 (from 1.1 in 2009)**. On the cost front, the plan for greater efficiencies already begun last year is set to continue, with a target of savings for 2010 of more than 60 million euros (before the impact of higher raw materials costs). Signs of recovery in the market, especially in the Consumer segment, allow the company to forecast **an increase in revenues of between 6% and 8% and an EBIT margin tendentially in line with 2009,** taking into account the impact of higher raw materials costs, in particular of natural rubber. For the **Filters** business (Pirelli Eco Technology), geographical diversification and especially application of more severe rules in terms of limiting polluting traffic are good premises to aim for **double digit revenue growth, breakeven at operating (EBIT) level, and positive cash flow generation**.

- For "**other businesses**", mainly Pirelli Ambiente and Pzero, the intention is to take advantage of new growth opportunities. In particular, the Pzero project offers an opportunity to further increase the value of the brand. For 2010, these businesses aim to **reach operating breakeven.**

- **Pirelli RE** expects further consolidation of its leadership in fund management in Italy in 2010, a continued focus on services in order to increase recurring revenues, and maintenance of careful financial discipline. For **services activities the company forecasts EBIT of between +20 million and + 30 million euros.** The target for real estate sales in 2010 is between 1.3 billion and 1.5 billion euros, basically keeping total assets under management stable. The company also confirms the targets for 2011, and particularly the achievement of a result of 50 million euros from services.

At Group level revenues of about 4.7 to 4.8 billion euros are expected, and an EBIT margin between 6.5% and 7%. Actions for rationalization and simplification of the corporate organizational structure, announced last September, will allow the Group to achieve savings of about 10 million euros at EBITDA level, after financing of previously announced management incentive plans. **The target for consolidated net debt at end 2010 is approximately 700 million euros** after payment of 81.1 million euros for dividends to be attributed to the 2009 fiscal year.

Pirelli will present the new 2011-2013 three-year plan to the financial community before the end of the 2010 fiscal year.

Transfer of registered office

With effect from 15 March 2010, Pirelli & C. S.p.A. will transfer the address of its registered office from Via Gaetano Negri no. 10 to **Viale Piero e Alberto Pirelli no. 25**, still in Milan.

Events subsequent to 31 December 2009

- On 29 January 2010 Pirelli & C., Pirelli RE and Fimit announced the suspension of their joint feasibility study for the industrial integration between Pirelli RE and Fimit announced last November. The Pirelli Group, as announced to the market, is continuing in any case in the process of focusing the business on industrial activities, proceeding with the plan to separate out the real estate businesses, which should be completed by year end, once the specific plans, with defined terms and conditions, have been reviewed and approved by the appropriate boards.
- On 19 January 2010 renewal of the Pirelli & C. SpA shareholders' agreement was announced. The shareholders' agreement, binding on approximately 46.22% of the ordinary share capital of the company, thus remains in force with the same composition, until its new expiration on 15 April 2013.

Conference call

Results of the year ended on 31 December 2009 will be illustrated today at 6 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.

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The financial statements as of 31 December 2009 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 2 April 2010.

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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 as sets".
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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Prospectuses relating to the consolidated income statement, synthesized balance sheet data and cash flow statements are all appended to this press release. In compliance with CONSOB Communication 6064291 of July 28th, 2006, you are advised that these tables are not subject to review by the auditing company.

PIRELLI & C. S.p.A. GROUP

(million euros)

	12/31/2009	12/31/2008
. **Net sales**	**4,462.2**	4,660.2
. **Gross operating profit before restructuring expenses**	**508.1**	396.1
of which real estate writedowns/revaluations	***(7.9)***	*(9.3)*
% on sales	11.4%	8.5%
. **Operating profit before restructuring expenses**	**297.0**	187.4
of which real estate writedowns/revaluations	***(7.9)***	*(9.3)*
% on sales	6.7%	4.0%
. Restructuring expenses	**(79.6)**	(144.2)
. **Operating profit**	**217.4**	43.2
of which real estate writedowns/revaluations	***(7.9)***	*(9.3)*
% on sales	4.9%	0.9%
Earnings (losess) from investments	**(56.7)**	(366.5)
of which real estate writedowns/revaluations	***(23.5)***	***(126.5)***
. Financial income (expenses)	**(85.4)**	(80.0)
. Income taxes	**(97.9)**	(72.6)
. **Income (loss) from continuing operations**	**(22.6)**	**(475.9)**
% on sales	(0.5%)	(10.2%)
. Income (loss) from discontinued operations	**-**	63.4
. **Total income (loss)**	**(22.6)**	(412.5)
. **Income (loss) attributable to the equity holders of Pirelli & C. S.p.A**	**22.7**	(347.5)
. Earnings per share (in euro)	**0.004**	(0.065)
. Fixed assets	**3,596.2**	3,686.7
. Net working capital	**203.1**	397.1
. Net invested capital	**3,799.3**	4,083.8
. **Equity**	**2,494.7**	2,374.4
. Provisions	**775.8**	681.7
. **Net financial (liquidity)/debt position**	**528.8**	1,027.7
. **Equity attributable to the equity holders of Pirelli & C. S.p.A.**	**2,175.0**	2,171.8
. Equity per share (in euro)	**0.405**	0.405
. Investments in material goods	**225**	311
. . R&D investments	**137**	156
% on sales	3.1%	3.3%
. Headcount (number at period-end)	**29,570**	31,056
. Factories	**21**	21
Pirelli & C. shares		
. ordinary shares (number in millions)	5,233.1	5,233.1
of which treasury shares	*3.9*	*3.9*
. savings shares (number in millions)	134.8	134.8
of which treasury shares	*4.5*	*4.5*
. Total shares	5,367.9	5,367.9

Data by business sector

12.31.2009 (million euros)	Tyre	Eco Technology	Real Estate	Broadband Access	Other (*)	TOTAL
. Net sales	3,992.9	56.6	271.7	132.1	8.9	**4,462.2**
. Gross operating profit (loss) before restructuring exp.	538.0	(9.1)	(5.0)	5.3	(21.1)	**508.1**
of which real estate writedowns/revaluations	-	-	*(7.9)*	-	-	***(7.9)***
. **Operating profit (loss) before restructuring exp.**	**345.5**	**(10.8)**	**(12.4)**	**4.5**	**(29.8)**	**297.0**
of which real estate writedowns/revaluations	-	-	*(7.9)*	-	-	*(7.9)*
. Restructuring expenses	(37.0)	-	(23.9)	(0.5)	(18.2)	**(79.6)**
. **Operating profit (loss) (EBIT)**	**308.5**	**(10.8)**	**(36.3)**	**4.0**	**(48.0)**	**217.4**
of which real estate writedowns/revaluations	-	-	*(7.9)*	-	-	*(7.9)*
Earnings (losses) from investments	4.2	-	(45.1)	-	(15.8)	**(56.7)**
of which real estate writedowns/revaluations	-	-	*(23.5)*	-		*(23.5)*
. **Operat. profit (loss) incl. earnings (losses) from investments before restructuring expenses**			**(26.1)**			
. Financial income (expenses)	(76.1)	(2.5)	(15.6)	0.3	8.5	**(85.4)**
. Income taxes	(90.0)	(0.4)	(7.8)	0.3	-	**(97.9)**
. **Income (loss) from continuing operations**	**146.6**	**(13.7)**	**(104.8)**	**4.6**	**(55.3)**	**(22.6)**
. Income from discontinued operations	-	-	-	-	-	-
. **Income (loss)**	**146.6**	**(13.7)**	**(104.8)**	**4.6**	**(55.3)**	**(22.6)**
. Net financial (liquidity) / debt position	1,027.3	47.2	41.3	(35.7)	(551.3)	**528.8**

12.31.2008 (million euros)	Tyre	Eco Technology	Real Estate	Broadband Access	Other (*)	TOTAL
. Net sales	4,100.2	62.9	365.1	124.6	7.4	**4,660.2**
. Gross operating profit (loss) before restructuring exp.	441.2	(11.0)	(17.6)	4.8	(21.3)	**396.1**
of which real estate writedowns/revaluations	-	-	*(9.3)*	-	-	***(9.3)***
. **Operating profit (loss) before restructuring exp.**	**250.7**	**(11.8)**	**(27.0)**	**3.9**	(28.4)	**187.4**
of which real estate writedowns/revaluations	-	-	*(9.3)*	-	-	*(9.3)*
. Restructuring expenses	(100.0)	-	(44.2)	-	-	**(144.2)**
Operating profit (loss) (EBIT)	**150.7**	**(11.8)**	**(71.2)**	**3.9**	**(28.4)**	**43.2**
of which real estate writedowns/revaluations			*(9.3)*	-	-	*(9.3)*
Earnings (losses) from investments	27.8	-	(168.5)	-	(225.8)	**(366.5)**
of which real estate writedowns/revaluations	-	-	*(126.5)*	-		*(126.5)*
. **Operat. profit (loss) incl. earnings (losses) from investments before restructuring expenses**			**(59.7)**			
. Financial income (expenses)	(82.8)	(1.6)	(26.0)	(2.6)	33.0	**(80.0)**
. Income taxes	(70.1)	0.2	(1.9)	0.7	(1.5)	**(72.6)**
. **Income (loss) from continuing operations**	**25.6**	**(13.2)**	**(267.6)**	**2.0**	(222.7)	**(475.9)**
. Income from discontinued operations	-	-	74.6	-	(11.2)	**63.4**
. **Income (loss)**	**25.6**	**(13.2)**	**(193.0)**	**2.0**	(233.9)	**(412.5)**
. Net financial (liquidity) / debt position	1,266.8	19.0	289.5	(15.0)	(532.6)	**1,027.7**

(*) this item includes Pirelli Ambiente (2009 EBIT negative for 3.7 million euros, compared with a loss of 2.6 million euros in 2008), Pzero Moda (2009 EBIT a loss of 3.8 million euros compared with a loss of 3.9 million euros in 2008), all financial companies (including the parent company), the other services companies and, for the sales item, figures eliminated in consolidation of group figures

Cash flow

(in millions of euros)

(million euros)	1st Q 2009	2nd Q 2009	3rd Q 2009	4th Q 2009	2009	2008
Operating profit (EBIT)	50.3	72.0	82.8	91.9	297.0	43.2
Amortization	51.4	52.4	52.3	55.0	211.1	208.7
Material and non material investments	(42.9)	(37.4)	(32.0)	(115.5)	(227.8)	(378.2)
Variation working capital/other	(262.8)	96.7	84.4	357.5	275.8	(3.3)
FREE CASH FLOW	**(204.0)**	**183.7**	**187.5**	**388.9**	**556.1**	**(129.6)**
Financial income/expenses	(20.2)	(19.2)	(13.6)	(32.4)	(85.4)	(80.0)
Income taxes	(26.3)	(19.2)	(36.1)	(16.3)	(97.9)	(72.6)
OPERATING CASH FLOW	**(250.5)**	**145.3**	**137.8**	**340.2**	**372.8**	**(282.2)**
Impact of Speed SpA acquisition	-	-	-	-	-	(835.5)
Financial Investments/divestments	37.9	78.1	129.4	(26.3)	219.1	(11.7)
Dividends paid out	-	(2.4)	-	-	(2.4)	(168.0)
Cash Out for restructuring	(45.8)	(25.1)	(15.7)	(19.6)	(106.2)	(28.1)
PRE rights underwritten by third party s/hs		-	167.4	-	167.4	-
Exchange rate differences/other	7.2	(24.6)	(2.7)	(131.7)	(151.8)	(4.3)
NET CASH FLOW	**(251.2)**	**171.3**	**416.2**	**162.6**	**498.9**	**(1,329.8)**