MILAN – JULY 29, 2009

PIRELLI GROUP 1H'09 FINANCIAL RESULTS

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Statement

The Manager mandated to draft corporate accounting documents of Pirelli & C. SpA, 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.

Agenda

- **Pirelli Group 1H'09 Key Messages**
- Pirelli Group Financial Review
- Pirelli Tyre Results
- Eco Technology Results
- Pirelli Real Estate Results
- Appendix

Pirelli Group 1H'09 Key Messages

- Our target markets are still "difficult", there are modest signs of recovery, while the drivers Pirelli formulated in its '09-'11 Industrial Plan are realistic

- The Group is more competitive also thanks to the powerful restructuring program started in 2008. Approximately 48% of the Group savings plan has been achieved

- An incisive marketing strategy, the internal efficiency as well as the effect of raw materials cost reduction lead to a Tyre reported EBIT margin of 7.1% which exceeded the top range value of the '09 target

- Eco-Technology: full commitment in the filters business, homologations obtained in the main markets (Italy, Germany Euro3 and wip, China). Demand slackened because of bureaucracy

- Real Estate: Pirelli RE is now based on sound financials and the turnaround plan is fully in progress

- The "Portfolio Reshaping Plan" implementation continues: ~200 € mln cashed in (from Jan 1, 2009 to July 28, 2009) due to the sale of stakeholdings (1% of Telecom Italia; Alcatel).

Pirelli Group results 1H'09 vs 2009 targets

€/bln

	1H09	2009 Targets (Feb.'09)	2009 revised Target (July '09)
Group revenues	2.1	~4.3	-
EBIT %	4.7%	4.5-5.0%	-
After continuous restructuring			
NFP	1.1	1.0	~ 0.8

(*) Green revenues and Capex information will be completed at year end

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Pirelli Group Key Financial Results

€/mln

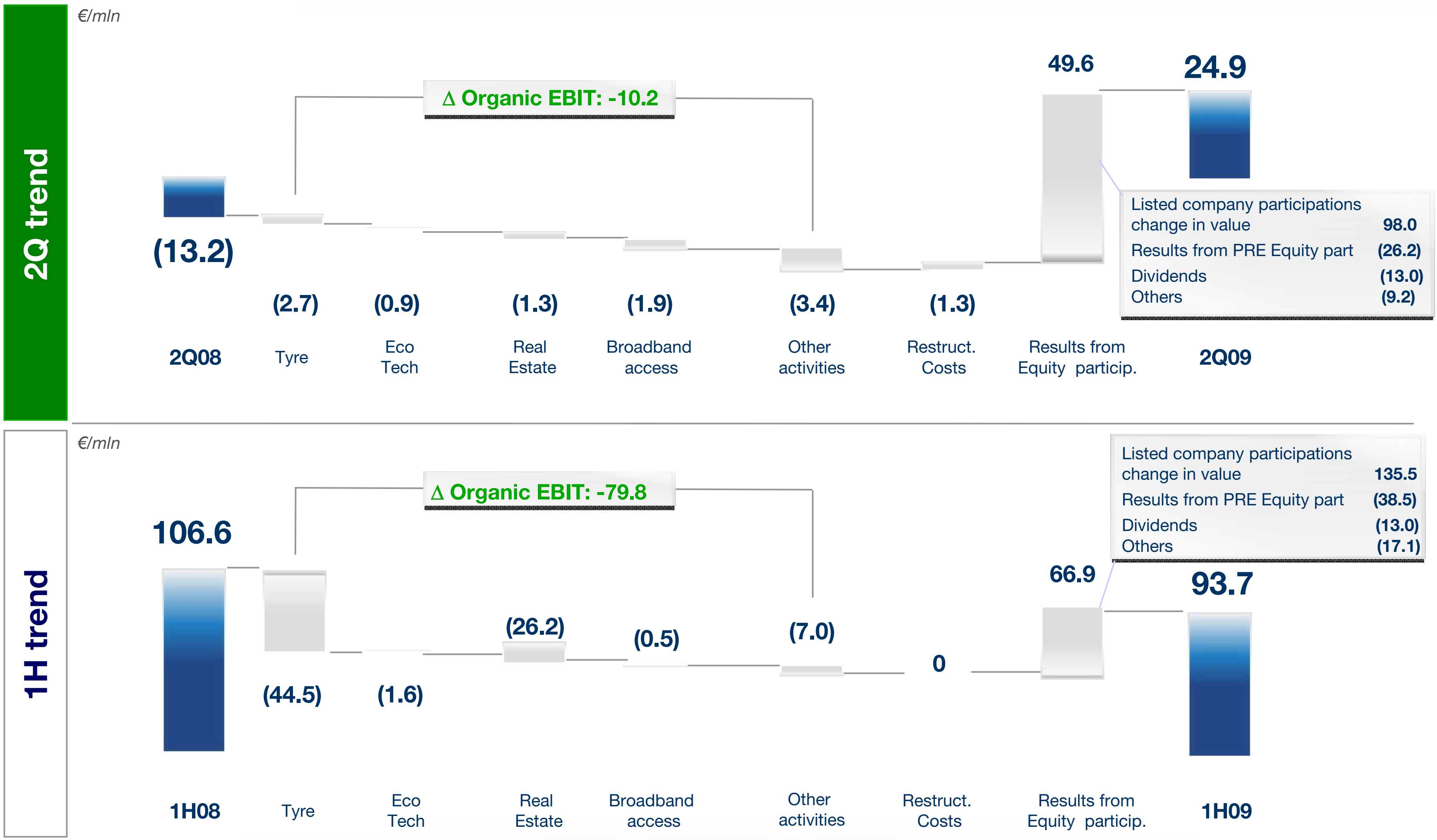
	1H'09	YoY %	2Q'09	YoY %
Revenues *(organic*)*	**2,137.6**	**-11.1%**	**1,094.6**	**-11.7%**
EBITDA before Restructuring Costs	226.1	-26.1%	124.4	-6.9%
Margin	*10.6%*	*-1.9pp*	*11.4%*	*+0.8pp*
EBIT before Restructuring Costs	*122.3*	-39.5%	72.0	-12.4%
Margin	*5.7%*	*-2.5pp*	*6.6%*	*+0.1pp*
Restructuring Costs	(21.2)	0%	(17.7)	(16.4) in 2Q08
EBIT	**101.1**	**-44.1%**	**54.3**	**-17.5%**
Margin	*4.7%*	*-2.7pp*	*5.0%*	*- 0.2pp*
Results from equity participations	***(28.6)***	**(95.5) in 1H08**	**(29.4)**	**(79.0) in 2Q08**
o/w Telecom Italia	(19.8)	(155.3) **in 1H08**	(19.8)	(117.8) **in 2Q08**
EBIT post results from equity participations	72.5	-15.1%	24.9	*n.m.*
Total Net Income	(12.4)		(13.5)	
Net Income post minorities	**6.3**	**(36.2) in 1H08**	**(3.2)**	**(70.0) in 2Q08**
Net Financial Position	**1,107.6**	*+79.9* **vs. 2008 y.e.**	**- 171,3** €/mln **vs. March 31, 2009**	
Capex	**80.3**	**-37.3%**	**37.4**	**-53.8%**
Employees (no. as of June 30, 2009)	**29,525**	**-1,531 vs 2008 ye.**		

2Q'09 Results Drivers

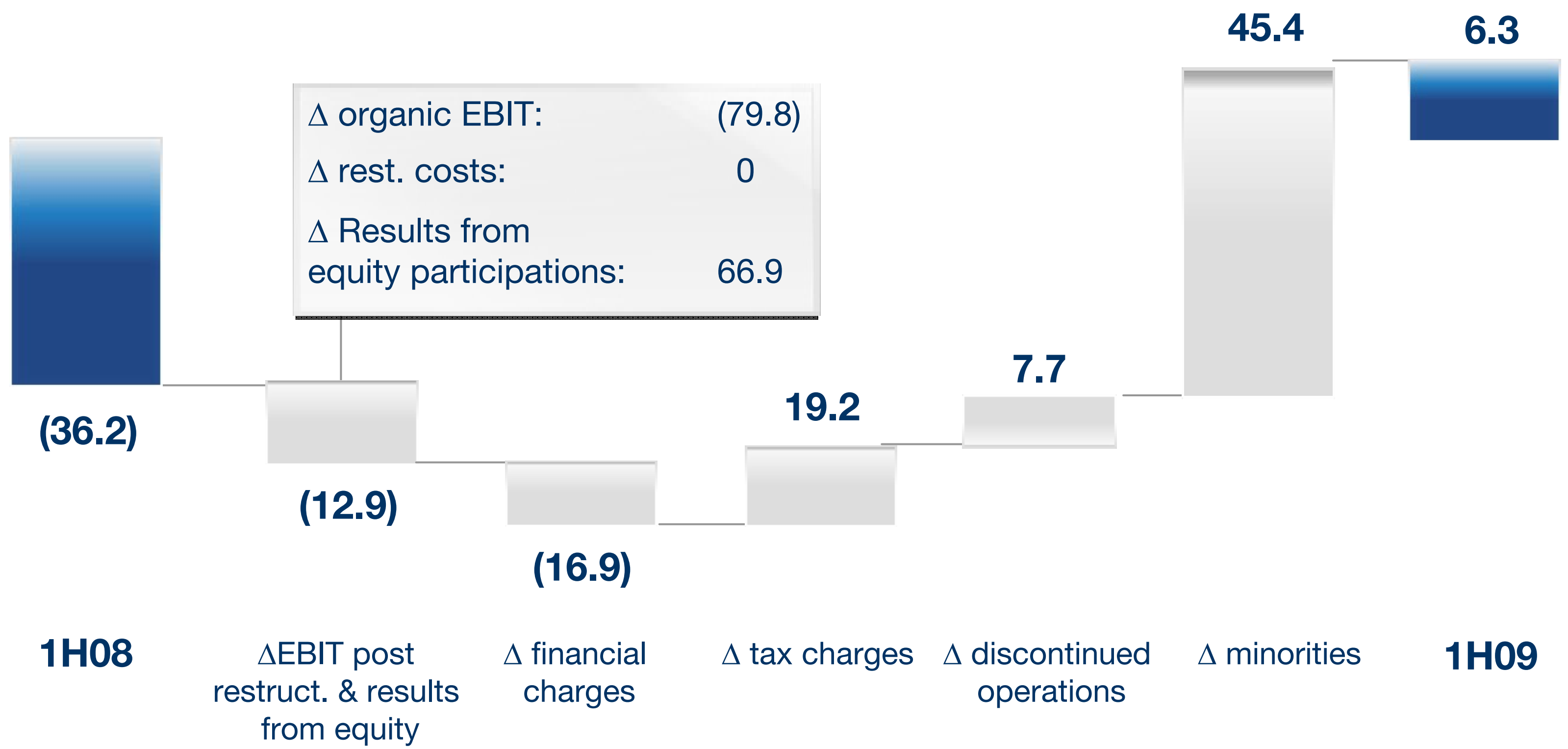
- **Market conditions** still bearish for both Tyre and Real Estate Businesses
- margin rebound driven by Pirelli Tyre (top line improvement, raw materials positive impact, restructuring program benefits)
- PRE's efficiency programs ahead vs 2009 targets
- Telecom Italia stake writedown (123.9 mln shares at 0.99€) impacted on 2Q'09 net income
- **Solid cash flow generation** thanks to **Pirelli Tyre working capital management** and **cash-in from disposals** (46,7 €/mln for 44.7 mln of TI shares in April; 25 €/mln as a second tranche of Alcatel Submarine sale)

(*) Homogeneous terms variations, not including exchange rate effects

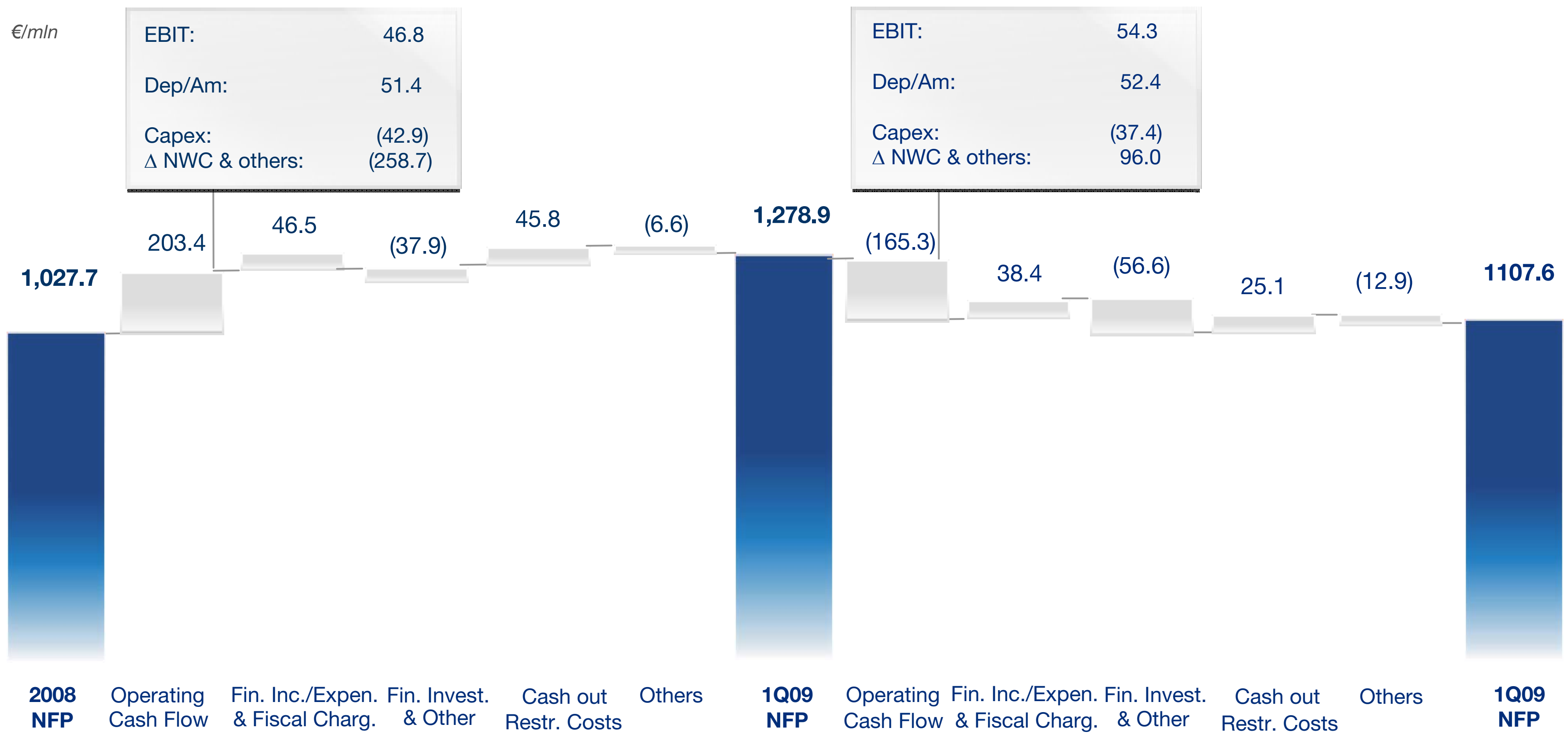
Pirelli Group: EBIT trend
(post restructuring costs and results from equity participations)



Pirelli Group: attributable net income 1H'09 vs 1H'08



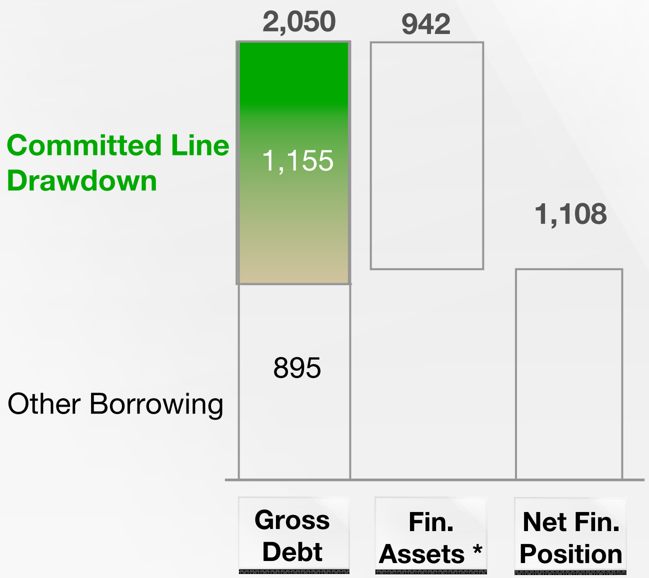
Pirelli Group: 1H'09 net financial position



Pirelli Group: Debt Structure as of June 30, 2009

Net Financial Position

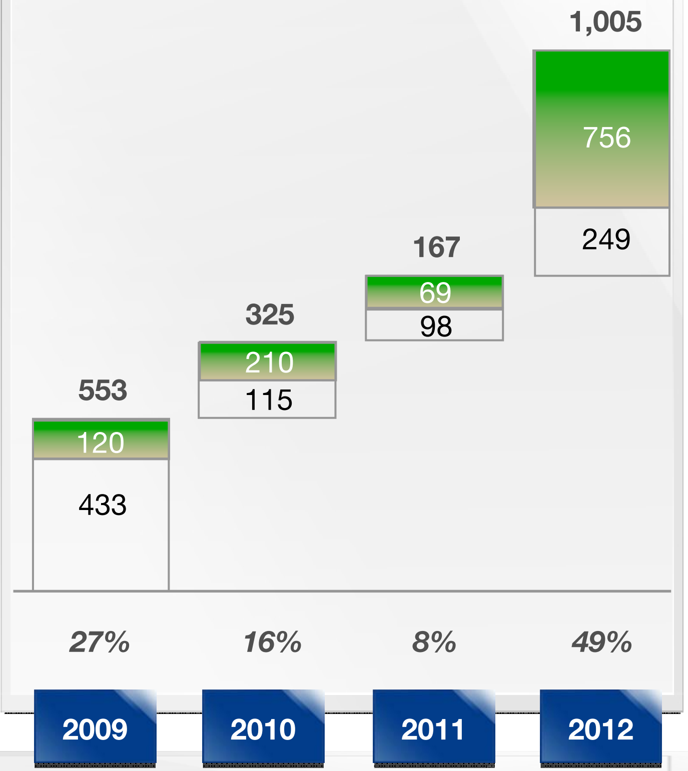
€/mln



Gross Debt maturity as of June 30, 2009

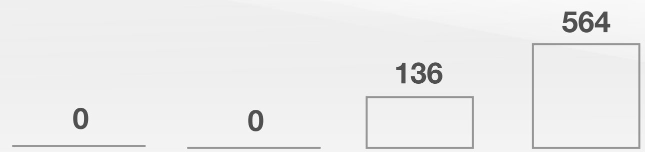
1Q09

Gross Debt Maturity



Total Committed Lines not drawn

Total
700



*Financial receivables, cash and cash equivalents

Strong improvement in Group NFP after the complete success of Pirelli Re Capital Increase

The complete success of Pirelli RE Capital Increase

	Shares (mln)	€/mln
Newly issued shares	**798.6**	**399.3** (gross of closing costs)
o/w Pirelli subscription	463.8	231.9
Retail & Institutional investors	334.8	167.4
New share capital	**841.1**	**420.6** (nominal share value 0.5€ each)
Final P&C ownership	**57.99%**	

The '09 Group PFN will benefit from third parties subscription:

PFN '09 new target: ~ 800 €/mln

2012 Group Gross Debt maturity will improve after Pirelli RE 320€/mln "Club deal"

- **An agreement was reached with a pool of 8 leading financial institutions to set up a 320 €/mln credit line maturing in July 2012**
- **With this deal, Pirelli RE will have 470 €/mln committed bank lines with a residual average maturity mooving from 9 to 29 months**
- **Also, the Group average maturity of committed bank lines goes up from 30 to 34 months and in 2012 the percentage of gross debt maturity will shift from 49% to 66%.**

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2Q'09 Pirelli Tyre performance: Key Messages

- **Top line QoQ improvement in a still recessive market environment: +6.7% 2Q revenues vs. 1Q09**
  - **Price/mix holding well in both Industrial and Commercial Segments**
  - **Market share increase in all major markets**
- **Profitability trend rebound in 2Q09 in both Consumer & Industrial segments:**
  - **raw materials price reduction** (raw material price index: -10% QoQ, -16% yoy)
  - **increasing cost efficiencies** (45% of 200 €/mln 2009 gross savings achieved in 1H09)
  - **1H09 margins in line with 3Y plan targets**
- **Solid cash generation: 130 €/mln of net cash flow before dividends in 2Q09 (+50 mln € yoy) thanks to:**
  - **effective inventory reductions and working capital tight control**
  - **lower investments (Capex/Depreciation = 0.7 in 1H)**

Pirelli Tyre quarterly performance

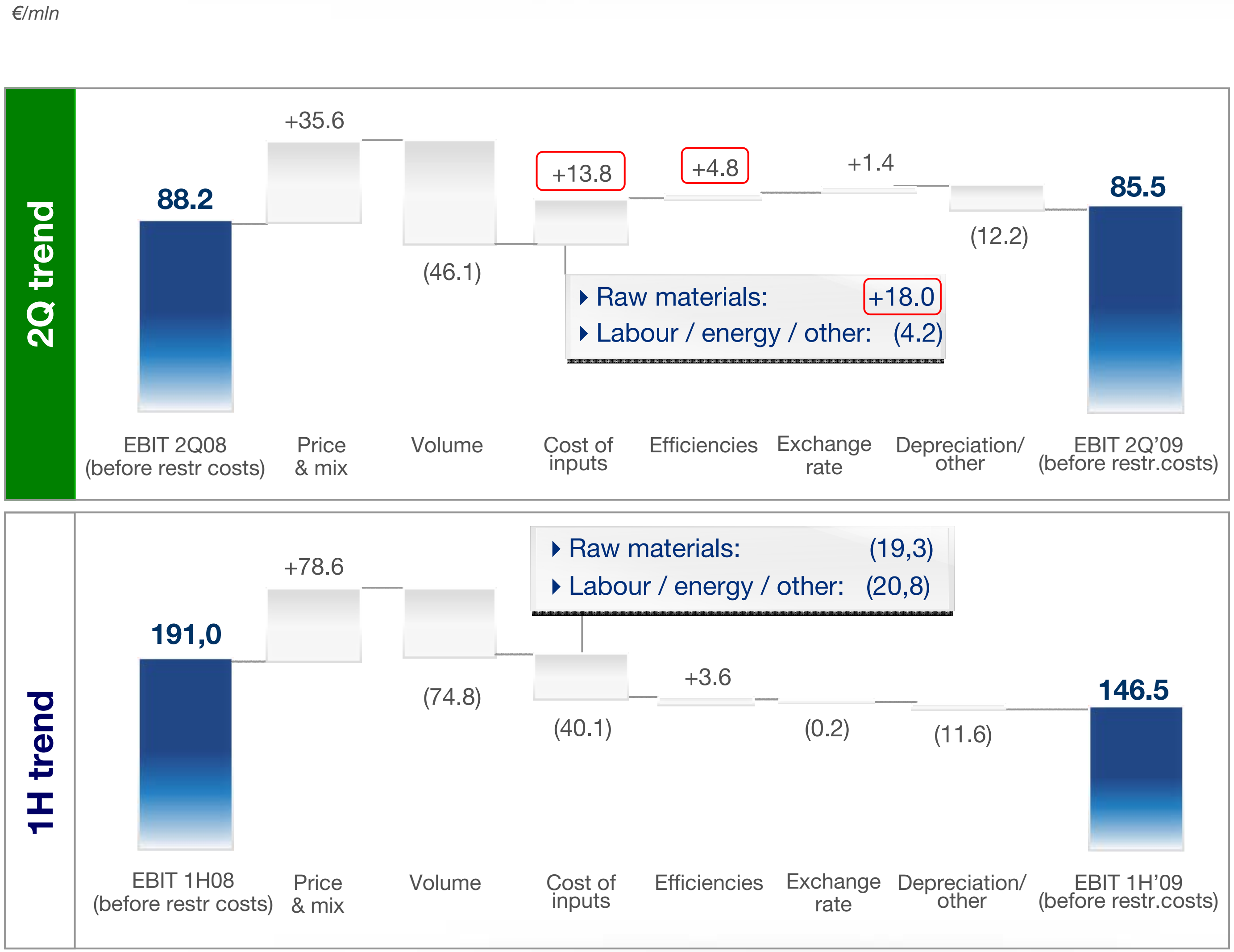
€/mln, Percent

Profit & Loss	1Q'09	YoY%	2Q '09	YoY%	1H '09	YoY%
Revenues	926.9	*-13.9%*	989.0	*-9.2%*	1,915.9	*-11.6%*
EBITDA (before restructuring costs)	107.8	*-28.6%*	133.0	*-1.8%*	240.8	*-16.0%*
margin	*11.6%*	*-2.4 p.p.*	*13.4%*	*+1.0 p.p.*	*12.6%*	*-0.6 p.p.*
EBIT (before restruct.costs)	61.0	*-40.7%*	85.5	*-3.1%*	146.5	*-23.3%*
margin	*6.6%*	*-2.9 p.p.*	*8.6%*	*+0.5 p.p.*	*7.6%*	*-1.2 p.p.*
EBIT (after restruct.costs)	57.5	*-42.7%*	79.3	*-7.5%*	136.8	*-26.5%*
margin	6.2%	*-3.1 p.p.*	8.0%	*+0.1p.p.*	7.1%	*-1.5 p.p.*
Net Income	14.6		39.6		54.2	

Revenues drivers	1Q'09	2Q '09	1H '09
∆ **Price/Mix**	+6.9%	+5.6%	+6.4%
∆ **Volume**	-18.1%	-13.3%	-15.7%
∆ **Rev.** (*before Exch. rate impact*)	**-11.2%**	**-7.7%**	**-9.3%**
∆ **Exch. Rate**	-2.7%	-1.5%	-2.3%

- **Q2 Ebitda and Ebit** (before restructuring costs) higher respectively **by 1.0 and 0.5 points** when compared to 2Q '08

Pirelli Tyre operating performance



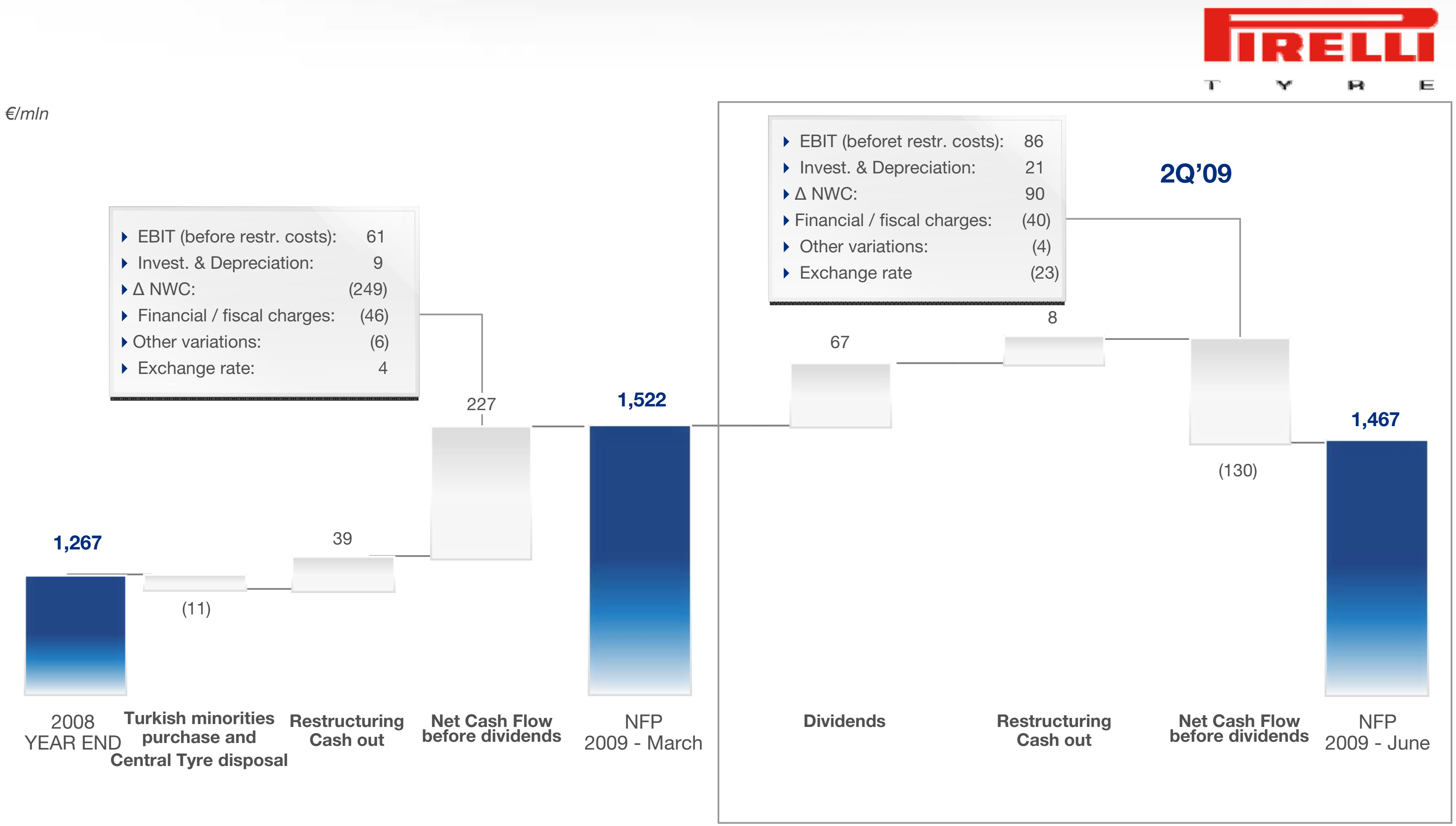
- Nothwistanding raw materials cost reduction in 2Q'09, the positive Price/mix variation is maintained year over year
- Raw materials price index trend -10% Q2 on Q1 '09 and -16% vs Q2 '08, equal to +18 € mln
- Positive cost efficiencies reduced by production slowdown

Pirelli Tyre 2009 Cost reduction program update

	COST REDUCTION PROGRAMS	1H'09 ACHIEVEMENTS
Labour	**15% rightsizing** in high-cost countries; bonus and pay freeze for management and staff in 2009	**82% of the target** (over 1,200 headcount)
Raw materials	360° purchasing **contracts renegotiation** Selective adoption of "**spot purchases**" to best capture the benefits of price decrease Reduction of **usage and weight**	**-10% Q0Q** Raw Material Price Index (-16% yoy)
Other Costs	Crash program for the reduction of **discretionary / indirect expenses** (except R&D and marketing) Savings from **lower energy** costs, lower transportation / **logistic** rates	**>50% vs. '09 target**

45% of 200 € mln of 2009 gross savings already achieved in 1H09

Pirelli Tyre NFP evolution



- Effective Inventory reductions and working capital tight control, together with lower investments, result in a positive NCF generation before dividends in Q2 '09, higher than NCF before dividends in Q2 '08 by 50 € mln

Consumer Business: market trends in 1H'09

Car tyre shipments, % (yoy)

Market trends		Q1'09 *	Q2'09	1H'09
Europe	OE	-34%	-19%	-27%
Europe	Replacement	-5%	-8%	-6%
North America	OE	-49%	-50%	-49%
North America	Replacement	-13%	-10%	-11%
Mercosur	OE	-18%	-10%	-14%
Mercosur	Replacement	-4%	+2%	-1%

**Updated figures*
Sources: main external data provider for each country and Pirelli estimates

- **OE:** Light Vehicle (and Motorcycle) production negative trend in Q2 improves by 50% vs Q1 '09; Nafta remains flat
- **Replacement:** Still negative trends in all mature replacement markets, both car and motorcycle, driven by de-stocking at trade and by lower end-user demand. Mercosur slightly positive.Mileage driven in US recently showing some improvements

Consumer Business: Pirelli economics in 1H'09

€/mln, %

Profit & Loss	1Q'09	Δ%	2Q '09	Δ%	1H '09	Δ%
Revenues	670.5	*-10.4%*	701.5	*-6.0%*	1,372.0	*-8.2%*
EBITDA (before restructuring costs)	77.4	*-28.8%*	90.4	*+1.1%*	167.8	*-15.3%*
margin	*11.5%*	*-3.0 p.p.*	*12.9%*	*+0.9 p.p.*	*12.2%*	*-1.1 p.p.*
EBIT (before restruct.costs)	41.9	*-42.6%*	54.6	*+1.5%*	96.5	*-23.6%*
margin	*6.2%*	*-3.5 p.p.*	*7.8%*	*+0.6 p.p.*	*7.0%*	*-1.5 p.p.*

Revenues drivers	1Q'09	2Q '09	1H '09
Δ **Price/Mix**	+6.6%	+5.1%	+5.9%
Δ **Volume**	-14.7%	-9.8%	-12.3%
Δ **Rev.** *(before Exch. rate impact)*	**-8.1%**	**-4.7%**	**-6.4%**
Δ **Exch. Rate**	-2.3%	-1.3%	-1.8%

- **Price/mix still holding well**
- **Pirelli volumes better than market trends in all regions except Russia**, where credit risk remains high
- **Ebit margin rebound thanks to raw materials price reduction and cost efficiencies**

Industrial Business: market trends in 1H'09

Car tyre shipments, % (yoy)

Market trends		Q1'09 *	Q2'09	1H'09
Europe	OE	-62%	-72%	-67%
	Replacement	-33%	-25%	-29%
Mercosur	OE	-26%	-29%	-27%
	Replacement	-22%	-17%	-19%

*Updated figures
Sources: main external data provider for each country and Pirelli estimates

- **Original Equipment**: still on-going dramatic reductions in medium-heavy vehicle production worldwide, except China
- **Replacement**: still negative trends in all mature markets and Latin America, while China and MEA markets show some improvements

Industrial Business: Pirelli economics in 1H'09

€/mln, *Percent*

PIRELLI TYRE

Profit & Loss	1Q'09	Δ%	2Q'09	Δ%	1H'09	Δ%
Revenues	256.4	*-22.0%*	287.5	*-16.3%*	543.9	*-19.1%*
EBITDA (before restructuring costs)	30.4	*-28.1%*	42.6	*-7.6%*	73.0	*-17.4%*
margin	*11.9%*	*-1.0 p.p.*	*14.8%*	*+1.4 p.p.*	*13.4%*	*+0.2 p.p.*
EBIT (before restruct.costs)	19.1	*-36.8%*	31.0	*-10.1%*	50.1	*-22.6%*
margin	*7.5%*	*-1.7 p.p.*	*10.8%*	*+0.8 p.p.*	*9.2%*	*-0.4 p.p.*

Revenues drivers	1Q'09	2Q'09	1H'09
Δ **Price/Mix**	+ 7.2 %	+6.8%	+7.4%
Δ **Volume**	- 25.7 %	-20.9%	-23.1%
Δ **Rev.** *(before Exch. rate impact)*	**-18.5%**	**-14.1%**	**-15.7%**
Δ **Exch. Rate**	-3.5%	-2.1%	-3.4%

- **Price/Mix holding well**
- **Increasing market share in all regions**
- **Double digit margin confirmed in a difficult market scenario thanks to the exposure to the rapid developing countries**
- **Positive impact from raw materials price decrease**

Recent Pirelli Tyre Highlights:

April 6, 2009

Pirelli Tyre introduces Cinturato P7, the first green-performance tyre for medium and high-powered cars

May 20, 2009

Pirelli Tyre introduces the R:01 Series. The new regional tyre for medium heavy trucks offers higher mileage, reduced consumption, better retreading potential

May 21, 2009

Pirelli wins the 2009 Tyre of the Year Award of the English magazine Auto Express. Pzero beats three other competitor brands in several areas, including braking and handling in wet and dry, aquaplaning, rolling resistance and price

May 22, 2009

Gettyre.it has gone live, making it the first site dedicated to shopping for motorcycle tyres and related services

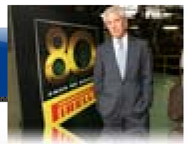
May 2009

Pirelli tyre keeps winning both in Superbike and world and national Rallys

June 9, 2009

Pirelli Tyre wins the "2009 National Award for Innovation" promoted by Confindustria. Chairman Marco Tronchetti Provera receives the award from the President of Italy, Giorgio Napolitano

July 2, 2009



Pirelli celebrates its 80th anniversary of its industrial and commercial presence in Brazil while announcing that will invest another 200 million Dollar in Brazil between 2009 and 2011

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Pirelli Eco Technology: Key market factors and accomplishments

PIRELLI ECO TECHNOLOGY

Key Market Factors

- **Demand slow down in existing Diesel Particulate Filter markets** due to economical downturn
- **Delay** in Low Emission Zones and traffic restrictions enforcement to kick off **new Diesel Particulate Filter markets**

'09 EU expected market ~ **50.000 retrofit systems**

[1] Commercial Vehicles to be retrofitted in compliance with local air quality regulations.
Source: KBA (Germany), PRA (Italy), Anfac, Pirelli estimates

- Cost reduction policies **from main Diesel Particulate Filter manufacturers**

Pirelli Eco Technology accomplishments

- **Pirelli technology "proof of principle"** achieved in all Diesel Particulate Filters markets and application fields
- **Homologation obtained in China (May'09),** expected in **Germany** in 2H'09 (first approval on Euro 3 Light Duty Vehicle issued July '09)
- **Solid growth in retrofit systems sales, (**1948 systems in 1H'09 vs. 396 in 1H'08) mainly in Italy and The Netherlands
- **Pirelli EU Market share 1H'09: > 15% as per plan**
- **First batch supplied to FIAT** for Original Equipment on the Croma platform
- **Relocation of production site** from Italy **to Romania** and optimization of Italian site for systems assembly operations

Pirelli Eco Technology: Expected scenario 2H'09

PIRELLI
ECO TECHNOLOGY

Market Evolution

- **New government programmes aiming at improving air quality to be rolled out in Autumn 2009**:
  - **Italy: stricter traffic restrictions** will be enforced as of mid October
  - **Germany: most cities** with Low Emission Zones **will adopt Euro 4(PM) standards by Jan '10**
  - **China: extension of traffic restrictions** to new regions beyond Beijing

Pirelli Eco Technology Plan

- **Italy:** opportunity to **exploit as "first mover" the** relevant **demand growth** expected for 4Q'09
- **Germany:** Pirelli to be **"first technology homologated" for all Light Duty Vehicles applications** (from Euro 1 to Euro 3) sales expected for campers and city vans
- **China: Commercial network setup** to closely follow the first homologation; **sales ramp up** driven by Pirelli **filters technology robustness** and on site after sales support service
- **Consolidation of FIAT supplies and on-going contacts with main European OEMs** (both for Passengers and Heavy Duty Vehicles)

Pirelli Eco Technology: 1H'09 Key Financial Results

€/mln

PIRELLI ECO TECHNOLOGY

	1H'09	1H'08	YoY
Volumes			
Filters	*1,948*	*396*	+391.9%
Gecam (l/mln)	*37.4*	*43.8*	-14.6%
Revenues	**28.3**	**33.4**	**-15.3%**
Filters	*8,2*	*1.7*	
Gecam	*20,1*	*31,7*	
Ebitda	**(4.4)**	**(3.5)**	**n.m.**
Margin	*n.m*	*n.m*	
Ebit	**(5.5)**	**(3.9)**	**n.m.**
Margin	*n.m.*	*n.m.*	
Net income	**(6.6)**	**(4.7)**	
NFP	**32.8**	**7.1**	

Negative effect from:
-Oil price: -6.2 €/mln;
- EU Transport Business contraction: -6.5 l/mln

An 8 to 10 months delay**, due to the economic downturn with delayed filters fitting in some low emission zones and restriction to none retrofitted vehicles will impact '09 results: **PBIT approx. breakeven

***2010** will confirm the expected **"growth trend"** driven by sales in Italy, Germany, China and incremental opportunities on new uprising Diesel Particulate Filters markets in EU and RoW*

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Pirelli RE Key Messages

PIRELLI RE
BUILDING THE FUTURE

- The complete success of the capital increase as well as the extension of the average corporate debt maturity have significantly strenghtened the company and its financial structure allowing it to implement the Business Plan

- The Real Estate market is still critical and access to credit is still difficult causing longer negotiations. Still, prices in Pirelli RE markets (Italy and Germany) remain stable

- We confirm the 1 € /bln sales this year with stable margins

- In 2Q'09, the negative trend of operating loss including losses from investments before restructuring expenses and property writedowns/revaluations is slowing down:

    - Services platform including holding cost: close to operating breakeven with signs of improvement by '09YE

    - Investment: losses are decreasing and are related to specific areas of business for which we are working on

- The cost savings plan exceeds expectations with a new year end target of 55/60 € mln

- For 2009 Pirelli RE confirms a -25/-35 €/mln operating income including income from equity participations before restructuring costs and property writedowns/revaluations

Consolidated Profit and Loss

€/mln

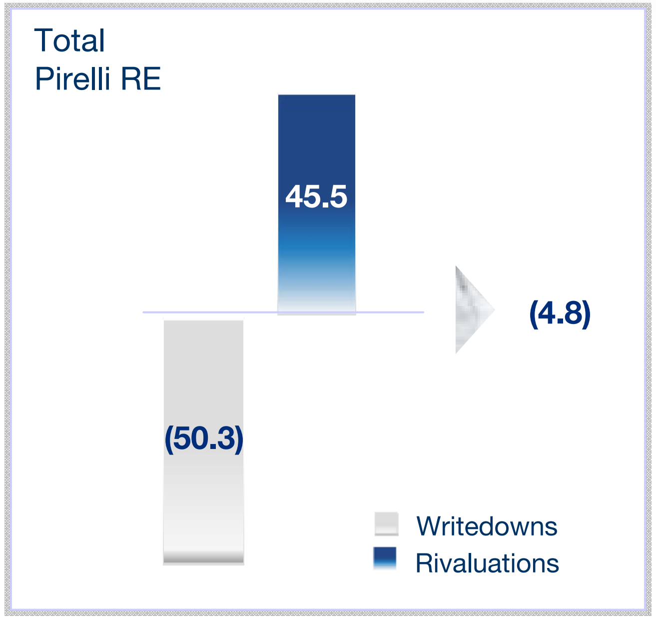
PIRELLI RE
BUILDING THE FUTURE

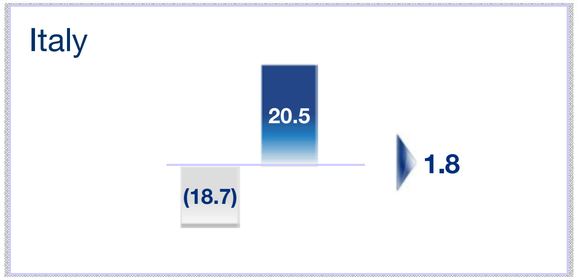
		1H'09	1Q'09	1H'08
	Revenues	**115.8**	**53.8**	**192.8**
	of whch services	*94.7*	*47.7*	*115.0*
	of which other revenues	*21.1*	*6.1*	*77.8*
	EBIT before restructuring costs	(2.0)	(2.2)	20.3
	Income from Equity Participations	(20.9)	(12.5)	17.4
A	**EBIT inl. Inc. From Equity Part. Before Restructuring costs, writedowns/revaluations**	**(22.9)**	**(14.7)**	**37.7**
	Restructuring Costs	(11.5)	0.0	(16.2)
	Real Estate writedowns/revaluations	(4.8)	0.0	(0.8)
	EBIT inl. Inc.From Equity Part. After Restructuring costs, writedowns/revaluations	**(39.3)**	**(14.7)**	**20.7**
B	Interest Income from Participations	13.7	8.5	13.6
	EBIT incl. Income from Equity Part. & Interest Income from Part.	**(25.6)**	**(6.2)**	**34.3**
	Financial Charges	(14.7)	(8.3)	(20.9)
	Profit Before taxes	**(40.3)**	**(14.5)**	**13.4**
	Income Taxes	(2.4)	(2.1)	(6.4)
	Net Income before discontinued operations	(42.7)	(16.6)	7.0
	Discontinued Operations	0.0	0.0	4.4
	Net Income	(42.7)	(16.6)	11.4
	Minority Interests	0.4	0.8	(2.4)
	Net Income after minority interests	**(42.3)**	**(15.8)**	**9.0**
	A + B	**(9.2)**	**(6.2)**	**51.3**

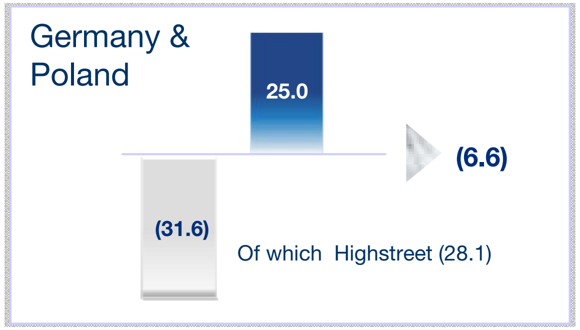
(*) Related to revenues on controlled initiatives

Writedowns and Revaluations

€/mln







Based on independent appraisals, on **a like for like basis**, **market value of real estate participated assets were written down by 2.3%**

- **In Italy the writedowns were -1.7%**
- **In Germany we had writedowns of ca. -2.8% (of which 257 €/mln with a pro quota Pirelli Re economic impact of 28.1 €/mln) and in Poland of -6%**
- With the application of the announced *hold strategy*, a large part of the German residential portfolio and the trophy assets in Italy of the *Retail and Entertainment* funds, have been accounted according to IAS 40 with a revaluation in the Book Value

Update on Headcount and on Cost savings

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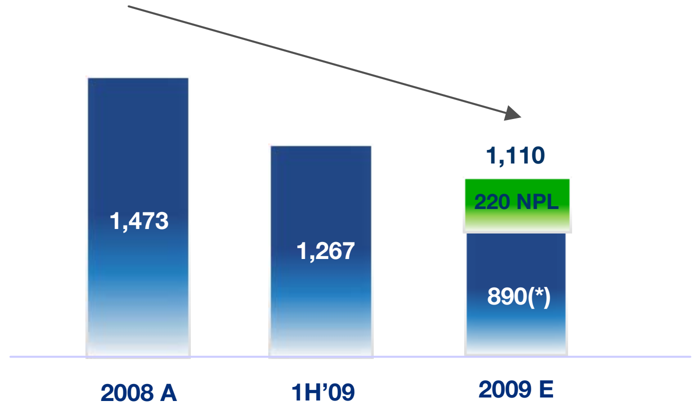
(€/mln)

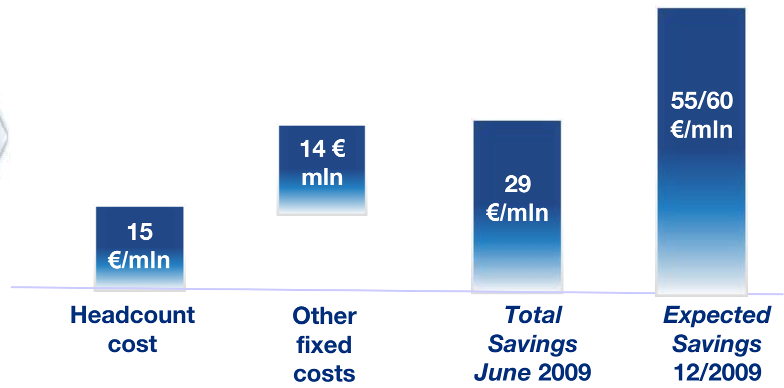
Headcount reduction



Reduction from 2,956 in 2007 to 1,267 as of June. New targets confirmed

(*) Not Including possible outsourcing for 160 FTE

Cost Savings



29 € mln *savings* as of 2009 (of which approx. 50% related to headcount). Year end target improved compared to the 50 € mln forecast

PIRELLI

Details on Service Platform & on Vehicles /Funds

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(€/mln)

Service Platform & Holding	1H'09	1Q'09	1H'08
Consolidated Revenues	94.7	47.7	115.0
Other Revenues (*)	2.0	0.0	17.6
Total Revenues	**96.7**	**47.7**	**132.6**
EBIT (**)	**(3.2)**	**(1.3)**	**1.6**

Net of one-off

1.6	
-17.0	Berenice Fee
-15.4	

Vehicles & Funds	1H'09	1Q'09	1H'08
Vehicles & funds	(19.8)	(13.4)	36.2
-of which Real Estate	(22.8)	(16.6)	24.5
-of which NPLs	3.0	3.2	11.8
Interests Income from Participations	13.7	8.4	13.6
EBIT(**)	**(6.0)**	**(4.9)**	**49.7**
TOTAL Pirelli RE	**(9.2)**	**(6.2)**	**51.3**

(*) Includes the result from participated companies, success fees, promote and a capital gain from quota disposals

(**) EBIT is referred to operating income results including income from equity participations, before restructuring costs, writedowns / revaluations, but including interest income from equity participations

Economic Results – Italy

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(€/mln)

Service Platform	1H'09	1Q'09	1H'08	Net of one-off	
Consolidated Revenues	50.1	26.2	59.5	16.9	
Other Revenues (*)	0.0	0.0	17.0	-17.0	Berenice Fee
Total Revenues	**50.1**	**26.2**	**76.5**	**-0.1**	
EBIT (**)	**6.7**	**4.9**	**16.9**		

Vehicles & Funds	1H'09	1Q'09	1H'08
Vehicles & funds	(14.6)	(10.7)	4.3
Interests Income from Participations	4.3	2.5	5.0
EBIT(**)	**(10.3)**	**(8.2)**	**9.3**
TOTAL ITALY	**(3.6)**	**(3.3)**	**26.2**

(*) Includes the result from participated companies, success fees, promote and a capital gain from quota disposals

(**) EBIT is referred to operating income results including income from equity participations, before restructuring costs, writedowns / revaluations, but including interest income from equity participations

Economic Results – Germany

Pirelli RE
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(€/mln)

Service Platform	1H'09	1Q'09	1H'08
Consolidated Revenues	28.5	13.5	30.2
Other Revenues (*)	0.0	0.0	0.4
Total Revenues	**28.5**	**13.5**	**30.6**
EBIT (**)	**2.7**	**1.4**	**(2.3)**

Vehicles & Funds	1H'09	1Q'09	1H'08
Vehicles & funds	(8.8)	(6.1)	2.0
Interests Income from Participations	7.9	3.7	4.1
EBIT(**)	**(0.9)**	**(2.4)**	**6.1**
TOTAL GERMANY	**1.8**	**(1.0)**	**3.8**

(*) *Includes the result from participated companies, success fees, promote and a capital gain from quota disposals*

(**) *EBIT is referred to operating income results including income from equity participations, before restructuring costs, writedowns / revaluations, but including interest income from equity participations*

Economic Results – Poland

PIRELLI RE
BUILDING THE FUTURE

(€/mln)

Service Platform	1H'09	1Q'09	1H'08
Consolidated Revenues	3.1	2.1	4.5
Total Revenues	**3.1**	**2.1**	**4.5**
EBIT (**)	**(0.1)**	**0.4**	**0.6**

Vehicles & Funds	1H'09	1Q'09	1H'08
Vehicles & funds	0.6	0.2	18.2
Interests Income from Participations	1.1	0.5	0.5
EBIT(**)	**1.7**	**0.7**	**18.7 (***)**
TOTAL POLAND	**1.6**	**1.0**	**19.2**

(*) *Includes the result from participated companies, success fees, promote and a capital gain from quota disposals*

(**) *EBIT is referred to operating income results including income from equity participations, before restructuring costs, writedowns / revaluations, but including interest income from equity participations*

(***) *Includes result from disposal of one asset*

Economic Results – NPLs

(€/mln)

Service Platform	1H'09	1Q'09	1H'08
Consolidated Revenues	8.7	3.6	18.0
Other Revenues (*)	2.0	0.0	0.0
Total Revenues	**10.7**	**3.6**	**18.0**
EBIT (**)	**(2.4)**	**(2.9)**	**2.3**

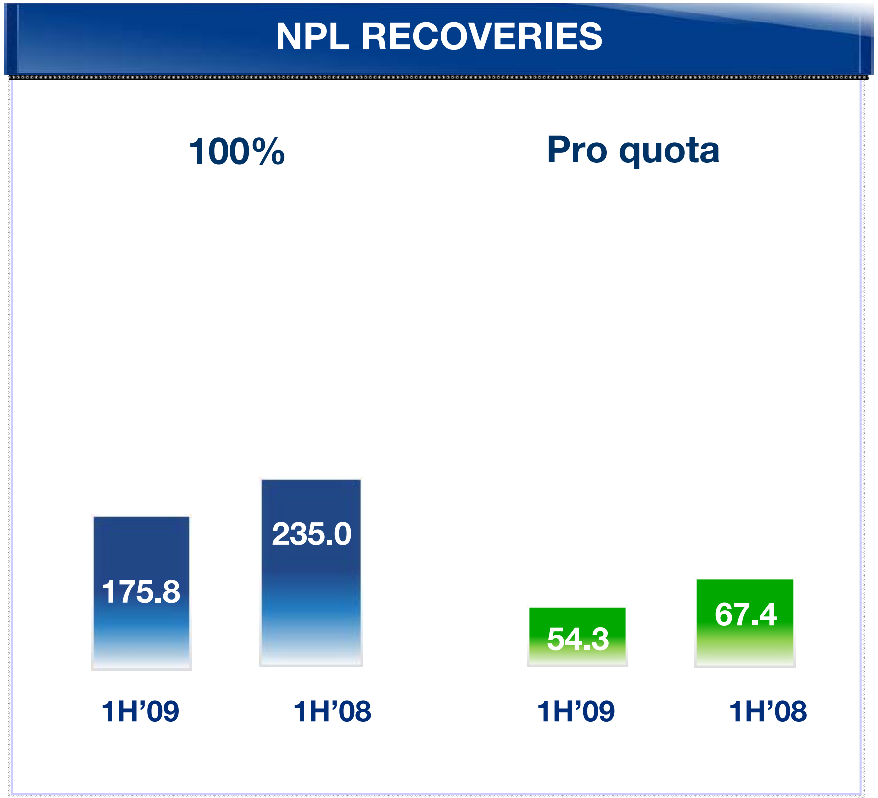
Vehicles & Funds	1H'09	1Q'09	1H'08
Vehicles & funds	3.0	3.2	11.8
Interests Income from Participations	0.4	1.7	4.1
EBIT(**)	**3.4**	**4.9**	**15.8**
TOTAL NPLs	**1.0**	**2.0**	**18.2**

(*) Includes the result from participated companies, success fees, promote and a capital gain from quota disposals

(**) EBIT is referred to operating income results including income from equity participations, before restructuring costs, writedowns / revaluations, but including interest income from equity participations

Evolution of Real Estate sales and NPL recoveries

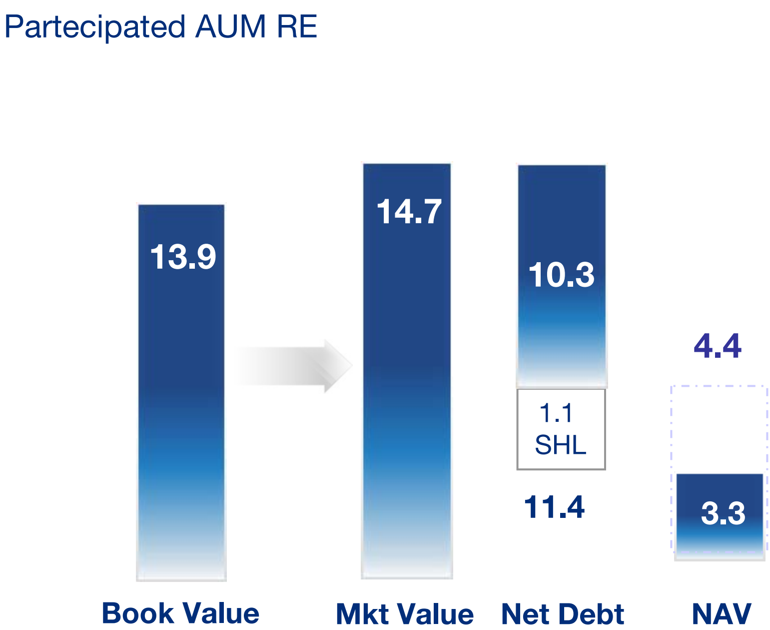
€/mln



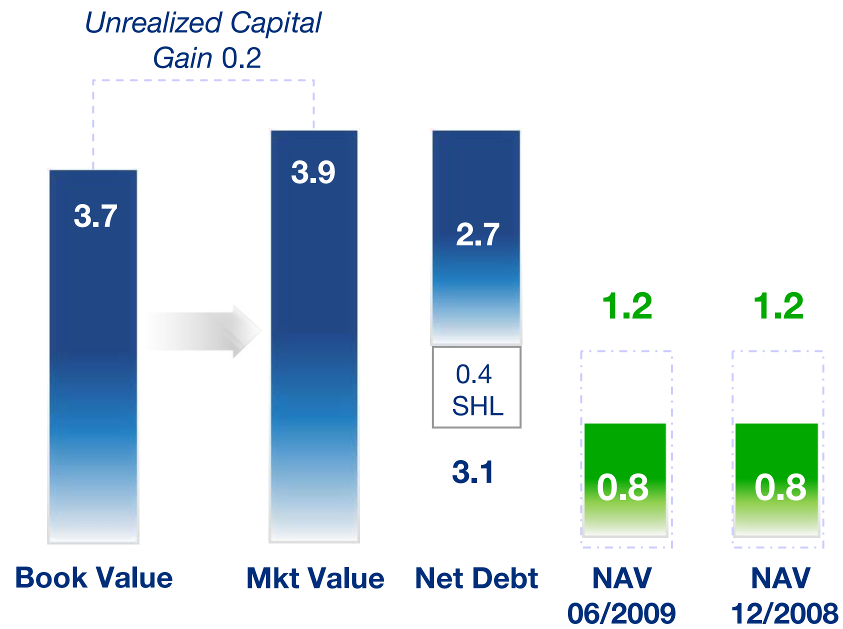
- **Margin on sales is approx. 15%** as of June 2009
- **Confirmed 1 €/bln of real estate sales by year end**, including the preliminary contracts, offers received and undergoing negotiations

Net Asset Value as of June 2009

Real Estate NAV at 100% (€/bn)



Real Estate NAV Pro quota (€/bn)



- As of June 2009, unrealized capital gain (Market Value – Book Value) is approximately 200 €/mln with Real Estate NAV (Market Value – Bank Debt) of approximately 1.2 /bln.

Agenda

- Pirelli Group 1H'09 Key Messages
- Pirelli Group Financial Review
- Pirelli Tyre Results
- Pirelli Eco Technology Results
- Pirelli Real Estate Results
- **Appendix**

Pirelli Group – 1H’09 Results

Profit & Loss and Net Financial Position by Business Unit

€/mln	Pirelli Tyre		Pirelli Eco Technology		Pirelli Real Estate		Broadband Access		Others		Pirelli & C. Cons.	
	1H’09	1H’08	1H’09	1H’08	1H’09	1H’08	1H’09	1H’08	1H’09	1H’08	1H’09	1H’08
Sales	**1,915.9**	**2,166.3**	**28.3**	**33.4**	**115.8**	**192.8**	**72.8**	**63.4**	**4.8**	**(1.1)**	**2,137.6**	**2,454.8**
Δ%		*-11,6%*		*-15.3%*		*-39.9%*		*14.8%*				*-12,9%*
Δ % on organic sales		*-9.3%*		*-15.3%*		*-39.9%*		*-14.8%*				*-11.1%*
EBITDA before Restruct Costs	**240.8**	**286.5**	**(4.4)**	**(3.3)**	**(2.6)**	**24.3**	**3.2**	**3.6**	**(10.9)**	**(5.3)**	**226.1**	**305.8**
% on sales	*12.6%*	*13.2%*	*n.s.*	*n.s.*	*n.s.*	*12.6%*	*4.4%*	*5.7.%*			*10.6%*	*12.5%*
EBITDA	**231.1**	**281.5**	**(4.4)**	**(3.3)**	**(14.1)**	**8.1**	**3.2**	**3.6**	**(10.9)**	**(5.3)**	**204.9**	**284.6**
EBIT before Restruct Costs	**146.5**	**191.0**	**(5.5)**	**(3.9)**	**(6.2)**	**20.0**	**2.7**	**3.2**	**(15.2)**	**(8.2)**	**122.3**	**202.1**
% on sales	*7.6%*	*8.8%*					*3.7%*	*5.0%*			*5.7%*	*8.2%*
Restructuring Costs	(9.7)	(5.0)			(11.5)	(16.2)					**(21.2)**	**(21.2)**
EBIT	**136.8**	**186.0**	**(5.5)**	**(3.9)**	**(17.7)**	**3.8**	**2.7**	**3.2**	**(15.2)**	**(8.2)**	**101.1**	**180.9**
% on sales	*7.1%*	*8.6%*									*4.7%*	*7.4%*
Result from Equity Participation	3.8	0.3			(21.6)	16.9			10.8	(112.7)	**(28.6)**	**(95.5)**
EBIT post Result from Equity Part.	**140.6**	**186,3**	**(5.5)**	**(3.9)**	**(39.3)**	**20.7**	**2.7**	**3.2**	**(26.0)**	**(120.9)**	**72.5**	**85.4**
Financial Income/Charges	(43.0)	(29.7)	(1.1)	(0.8)	(1.0)	(7.2)	0.7	(2,8)	5.0	18.0	**(39.4)**	**(22.5)**
Fiscal Charges	(43.4)	(54.9)	0,0	0,0	(2.4)	(6.5)	0.7	(0,2)	(0,4)	(3.1)	**(45.5)**	**(64.7)**
Net Results before Discont. Oper.	**54.2**	**101.7**	**(6.6)**	**(4.7)**	**(42.7)**	**7.0**	**4.1**	**0.2**	**(21.4)**	**(106.0)**	**(12.4)**	**(1.8)**
% on sales	*2.8%*	*4.7%*									*n.m.*	*n.m.*
Discontinued Operations						**4.4**				**(12.1)**	**0,0**	**(7.7)**
Net income	**54.2**	**101.7**	**(6.6)**	**(4.7)**	**(42.7)**	**11.4**	**4.1**	**0.2**	**(21.4)**	**(118.1)**	**(12.4)**	**(9.5)**
% on sales	*2.8%*	*4.7%*									*n.s.*	*n.s.*
Attributable Net income					**(42.3)**	**9.0**					**6.3**	**(36,2)**
Net Financial Position	**1,467.0**	**773.4**	**32.8**	**7.1**	**337.4**	**270.5**	**(31.9)**	**26.7**	**(697.7)**	**(254.7)**	**1,107.6**	**823**

Pirelli Group – 2Q'09 Results

Profit & Loss and Net Financial Position by Business Unit

€/mln	Pirelli Tyre		Pirelli Eco Technology		Pirelli Real Estate		Broadband Access		Others		Pirelli & C. Cons.	
	2Q'09	2Q'08	2Q'09	2Q'08	2Q'09	2Q'08	2Q'09	2Q'08	2Q'09	2Q'08	2Q'09	2Q'08
Sales	**989.0**	**1,089.4**	**14.0**	**16.8**	**62.0**	**118.1**	**28.8**	**35.1**	**0.8**	**(2.5)**	**1,094.6**	**1,256.9**
Δ%		*-9.2%*		*-16.7%*		*-47.5%*		*-17.9%*				*-12,9%*
Δ % on organic sales		*-7.7%*		*-16.7%*		*-47.5%*		*-17.9%*				*-11.7%*
EBITDA before Restruct Costs	**133.0**	**135.5**	**(2.1)**	**(1.4)**	**(2.1)**	**(0.3)**	**0.5**	**2.3**	**(4.9)**	**(2.4)**	**124.4**	**133.7**
% on sales	*13.4%*	*12.4%*	*n.m.*	*n.m.*	*n.m.*	*n.m.*					*11.4%*	*10.6%*
EBITDA	**126.8**	**133**	**(2,1)**	**(1.4)**	**(13.6)**	**(14.2)**	**0.5**	**2.3**	**(4.9)**	**(2.4)**	**106.7**	**117.3**
EBIT before Restruct Costs	**85.5**	**88.2**	**(2.7)**	**(1.8)**	**(4.0)**	**(2.7)**	**0.2**	**2.1**	**(7.0)**	**(3.6)**	**72.0**	**82.2**
% on sales	*8.6%*	*8.1%*									*6.6%*	*6.5%*
Restructuring Costs	(6.2)	(2.5)			(11.5)	(13.9)					**(17.7)**	**(16.4)**
EBIT	**79.3**	**85.7**	**(2.7)**	**(1.8)**	**(15.5)**	**(16.6)**	**0.2**	**2.1**	**(7.0)**	**(3.6)**	**54.3**	**65.8**
% on sales	*8.0%*	*7.9%*									*5.0%*	*5.2%*
Result from Equity Participation	0.3	0.2			(9.1)	17.1			(20.6)	(96.3)	**(29.4)**	**(79.0)**
EBIT post Result from Equity Part.	**79.6**	**85.9**	**(2.7)**	**(1.8)**	**(24.6)**	**0.5**	**0.2**	**2.1**	**(27.6)**	**(99.9)**	**24.9**	**(13.2)**
Financial Income/Charges	(19.9)	(14.5)	(0.5)	(0.7)	(1.2)	(4.7)	0.3	(0.8)	2.1	0.2	**(19.2)**	**(20.5)**
Fiscal Charges	(20.1)	(27.4)	0,0	0,0	(0.3)	(1.1)	0.8	(0.1)	0.4	(6.1)	**(19.2)**	**(34.7)**
Net Result before Discont. Oper.	**39.6**	**44**	**(3.2)**	**(2.5)**	**(26.1)**	**(5.3)**	**1.3**	**1.2**	**(25.1)**	**(105.8)**	**(13.5)**	**(68.4)**
% on sales	*4.0%*	*4.0%*									*n.m.*	*n.m.*
Discontinued Operations						**3.7**				**(1.2)**	**0.0**	**(3.5)**
Net income	**39.6**	**44**	**(3.2)**	**(2.5)**	**(26.1)**	**(1.6)**	**1.3**	**1.2**	**(25.1)**	**(107.0)**	**(13.5)**	**(71.9)**
% on sales	*4.0%*	*4.0%*									*n.m.*	*n.m.*
Attributable Net income					**(26.5)**	**(2.6)**					**(3.2)**	**(70.0)**
Net Financial Position	**1.467,0**	**773.4**	**32.8**	**7.1**	**337.4**	**270.5**	**(31.9)**	**26.7**	**(697.7)**	**(254.7)**	**1,107.6**	**823.0**

Pirelli Group Balance Sheet

€/mln

	1H'09	2008 Actual
Fixed Assets	3,581.9	3,665.4
Net Working Capital	627.3	418.4
Net Invested Capital	**4,209.2**	**4,083.8**
Equity	2,369.6	2,374.4
Provisions	732.0	681,7
Net Financial Position	1,107.6	1,027.7
Total Assets	**4,209.2**	**4,083.8**
Pirelli & C. attributable Equity	2,202.1	2,171.8
Equity per share	0.410	0.405

% Net Invested Capital

	30.06.2009	31.12.2008
P.Tyre	66.4%	62.7%
P.Eco Tech.	1.0%	0.8%
P.Real Est.	18.3%	18.9%
PBS	0.0%	0.4%
Altro	14.3%	17.2%

Pirelli Group Cash Flow

€/mln	1Q'09	2Q'09	1H'09	1H'08
Operating profit (EBIT)	46.8	54.3	101.1	180.9
Depreciation	51.4	52.4	103.8	103.7
Net investments	(42.9)	(37.4)	(80.3)	(128.1)
Working capital/other variations	(258.7)	96.0	(162.7)	(263.2)
FREE CASH FLOW	**(203.4)**	**165.3**	**(38.1)**	**(106.7)**
Financial income (expenses)	(20.2)	(19.2)	(39.4)	(22.7)
Taxes charges	(26.3)	(19.2)	(45.5)	(64.7)
Other	(0.6)	18.4	17.8	0.4
OPERATING CASH FLOW	**(250.5)**	**145.3**	**(105.2)**	**(193.7)**
Speed SpA acquisition		-	-	(835.5)
Financial investments/divestitures	37.9	78.1	116.0	92.4
Dividends paid		(2.4)	(2.4)	(167.9)
Cash out for restructuring	(45.8)	(25.1)	(70.9)	(12.8)
Exchange rate differentials	7.2	(24.6)	(17.4)	(7.6)
NET CASH FLOW	**(251.2)**	**171.3**	**(79.9)**	**(1,125.1)**

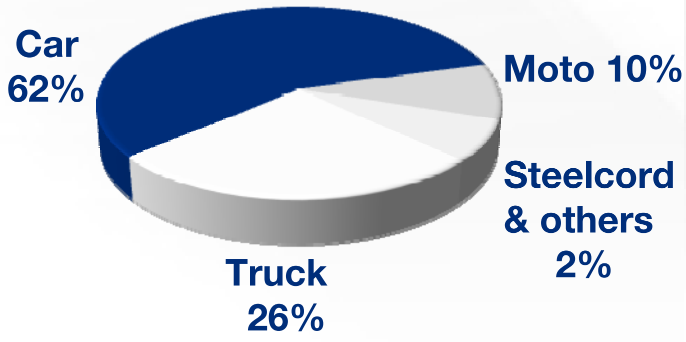
Pirelli Group: Net financial position 1H'09 by Business

€/mln

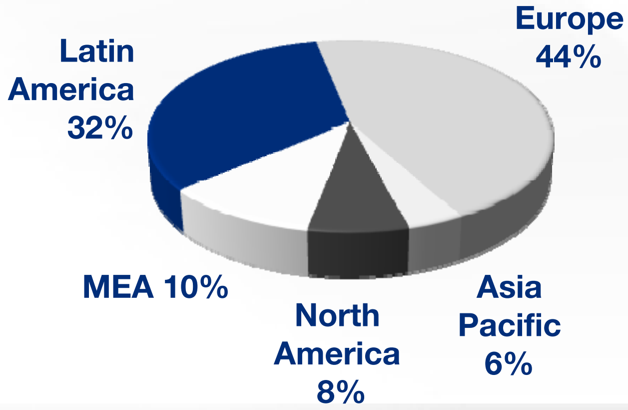
	TYRE	PRE	Other Business	Corporate	Pirelli Group
Gross Debt	**1,726**	**899**	**50**	**394**	**2,050**
to Corporate	502	434	48		
Financial receivables	**(86)**	**(503)**	**(37)**	**(991)**	**(597)**
Cash and cash equivalents	**(173)**	**(59)**	**(4)**	**(109)**	**(345)**
Net Financial Position	**1,467**	**337**	**9**	**(706)**	**1,108**

1H'09 Pirelli Tyre Mix

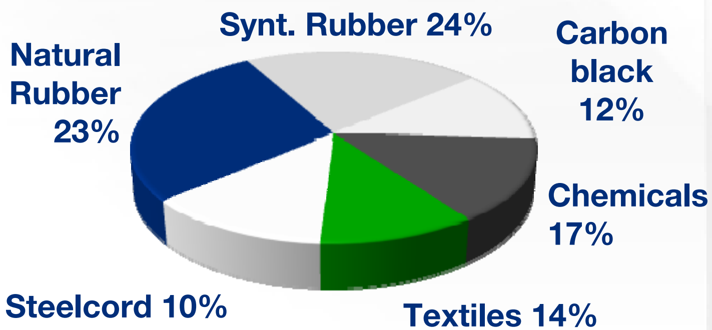
Sales by segment



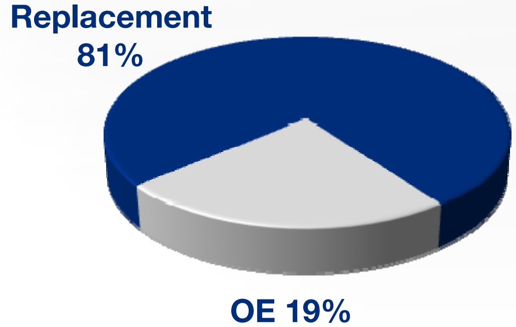
Sales by region



Raw materials mix

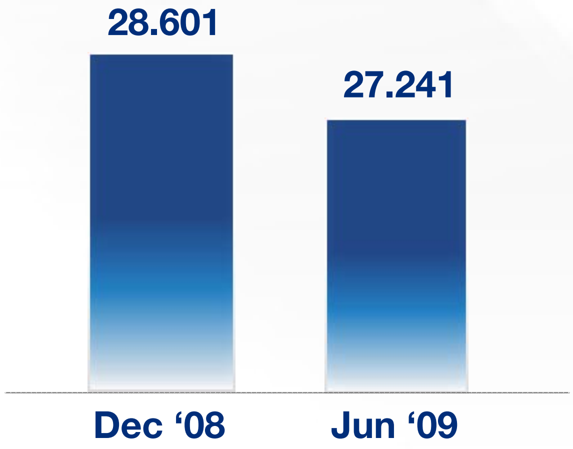


Sales by channel

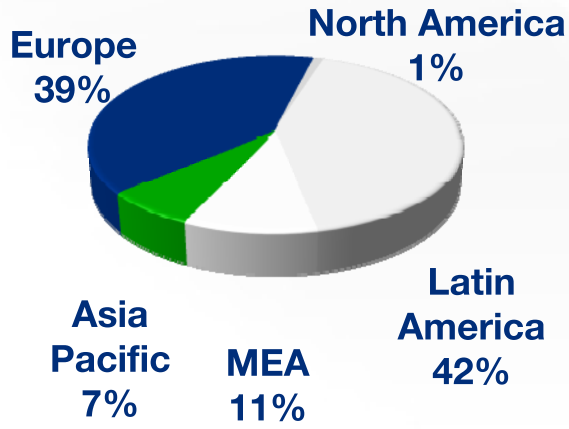


1H'09 Pirelli Tyre People

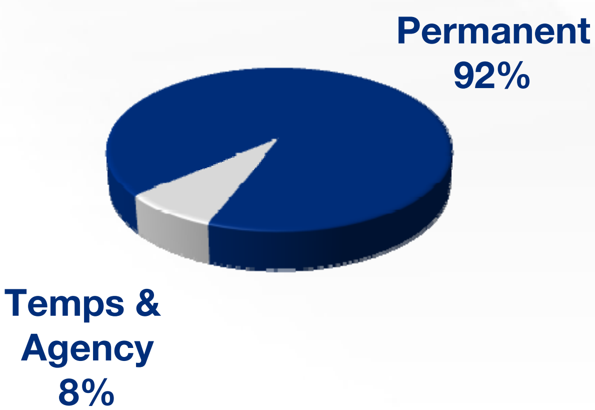
Headcount



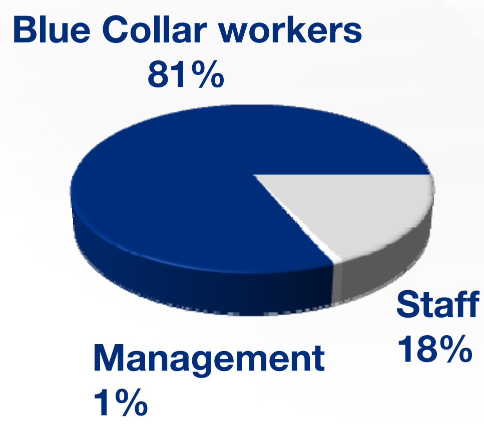
Headcount by region



Headcount by contract



Headcount by cluster



1H'09 Pirelli Tyre factories

U.K.

Burton-on-trent	Car
Carlisle	Car

Italy

Bollate (Mi)	Car
Settimo Torinese	Car
Settimo Torinese	Truck
Figline Valdarno	Steelcord

Germany

Breuberg	Car/Motorcycle
Merzig	Steelcord

Spain

Manresa	Car

Turkey

Izmit	Car/Truck
Izmit	Steelcord

U.S.A.

Rome (GA)	Car

Romania

Slatina	Car
Slatina	Steelcord

Venezuela

Guacara	Car

China

Yanzhou	Car/Truck

Brazil

Campinas	Car
Feira de Santana	Car/Truck
Santo André	Truck/Agro
Gravatal	Motorcycle/Truck
Sumaré	Steelcord

Argentina

Merlo	Car

Egypt

Alexandria	Truck

Asset allocation by Products / Countries (Market Value)

PIRELLI RE
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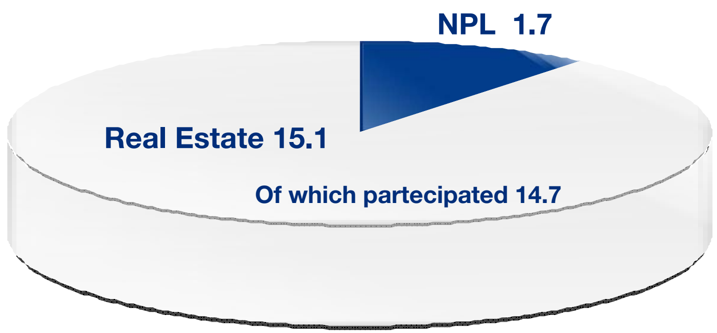
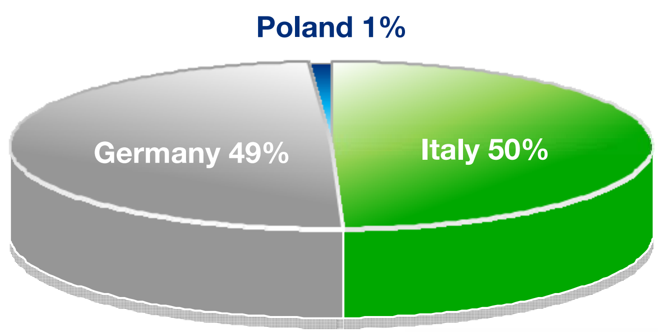
(€/mln)

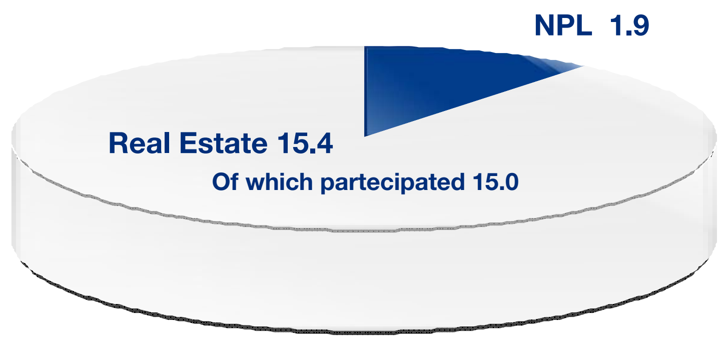
Market Value June 2009: 16.8 € bln



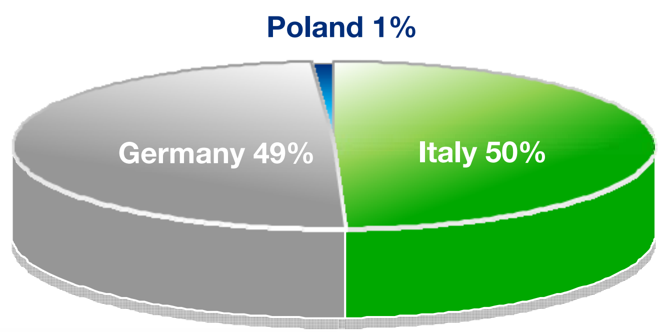
o/w Real Estate



Market Value Dic. 2008: 17.3 € bln



o/w Real Estate



AUM participated Real Estate – 100%

(€/000)

BUILDING THE FUTURE

Jun-09	PRE Quota	Passing Rent	Passing Yield	Vacancy	Book Value	Market Value	Net Financial Position	Of which Net Debt
Commercial Core Italy		**90,758**	**5.7%**	**9.7%**	**1,592,340**	**1,722,030**	**1,132,574**	**1,098,676**
Tecla Fondo Uffici	45.0%	40,499	5.6%	8.6%	725,280	725,280	502,923	502,923
Fondo Cloe	18.6%	26,959	6.9%	11.2%	390,224	500,800	226,804	226,804
Fondo Retail & Entertainm	31.6%	23,300	4.9%	13.1%	476,837	495,950	402,847	368,949
Commercial Yieding Italy		**178,676**	**7.0%**	**6.2%**	**2,549,786**	**2,733,885**	**1,432,114**	**1,367,749**
Fiprs	22.0%	21,249	8.2%	0	259,309	303,300	206,973	193,823
Tiglio 1	12.9%	13,978	6.9%	37.8%	201,999	219,300	121,554	121,554
Raissa	35.0%	23,917	6.8%	0	351,830	359,810	194,115	164,441
Olinda Fondo Shop	11.8%	38,389	6.6%	3.1%	578,870	638,990	293,363	293,363
Dolcetto Tre S.r.l.	33.0%	1,426	10.4%	0.0%	13,675	20,180	9,171	9,171
Progetto Perugia	100.0%	1,587	4.8%	1.7%	33,138	33,700		-
Armilla	2.3%	16,790	7.5%	0.0%	224,970	238,700	133,985	133,985
Spazio Industriale Fondo (Portafoglio)	22.1%	42,330	7.2%	1.9%	585,119	608,020	313,127	313,127
Fo. Hospitality & Leisure	35.0%	9,012	8.3%	0.0%	108,653	114,620	100,646	79,105
Italia Turismo	16.3%	9,998	5.2%	0.0%	192,223	197,265	59,179	59,179
TOTAL Italy		**269,433**	**6.5%**	**6.9%**	**4,142,126**	**4,455,915**	**2,564,688**	**2,466,426**
Commercial Core Germany		**118,690**	**6.2%**	**0.0%**	**1,925,333**	**1,936,809**	**1,336,148**	**1,223,491**
Mistral	35.0%	9,500	6.3%	0.0%	151,479	161,110	114,542	99,655
Highstreet	12.1%	109,190	6.2%	0.0%	1,773,854	1,775,699	1,221,606	1,123,836
Commercial Germany		**169,316**	**7.0%**	**1.3%**	**2,414,096**	**2,421,800**	**2,639,774**	**2,499,478**
Highstreet	12.1%	162,144	7.1%	1.0%	2,280,869.838	2,286,490	2,524,164	2,398,205
Mistral	35.0%	7,172	5.4%	10.8%	133,226.194	135,310	115,609	101,273
Residential Yielding Germany		**190,624**	**6.9%**	**6.0%**	**2,768,410**	**2,833,865**	**2,615,151**	**2,262,949**
DGAG	40.0%	70,429	7.5%	3.6%	934,494.972	979,237	843,268	730,428
BIB	40.0%	102,152	6.6%	7.1%	1,557,380.44	1,565,198	1,534,587	1,335,138
Small Deal	49.9%	18,044	6.5%	9.1%	276,535.011	289,430	237,296	197,382
TOTAL Germany		**478,631**	**6.7%**	**4.0%**	**7,107,839**	**7,192,474**	**6,591,073**	**5,985,918**
INCOME PORTFOLIO		**748,064**	**6.6%**	**5.0%**	**11,249,965**	**11,648,389**	**9,155,761**	**8,452,344**
Residential Small Office House Office ITA		**21,056**	**n.m.**	**n.m.**	**1,057,852**	**1,212,107**	**899,508**	**745,660**
Development ITA		**2,401**			**1,328,085**	**1,418,230**	**1,108,793**	**928,253**
Development Germany		**8,121**			**163,753**	**187,570**	**138,197**	**138,197**
Development Poland		**176**			**140,785**	**182,415**	**122,173**	**62,567**
OTHER PORTFOLIO		**31,755**			**2,690,475**	**3,000,322**	**2,268,671**	**1,874,678**
GRAND TOTAL		**779,819**			**13,940,440**	**14,648,711**	**11,424,433**	**10,327,021**

AUM participated Real Estate – pro-quota

(€/000)

BUILDING THE FUTURE

Jun-09	Passing Rent pro-quota	Passing Yield	Vacancy	Book Value pro-quota	Market Value pro-quota	Net Financial Position	Of which Net Debt Proquota
Commercial Core Italy	**30,602**	**5.6%**	**9.4%**	**549,638**	**576,245**	**410,169**	**389,407**
Tecla Fondo Uffici	18,225	5.6%	8.6%	326,376	326,376	233,452	233,452
Fondo Cloe	5,014	6.9%	11.2%	72,582	93,149	42,185	42,185
Fondo Retail & Entertainm	7,363	4.9%	13.1%	150,680	156,720	134,532	113,771
Commercial Yieding Italy	**35,969**	**7.0%**	**4.0%**	**516,166**	**548,963**	**300,978**	**277,894**
Fiprs	4,675	8.2%	0	57,048	66,726	55,566	50,408
Tiglio 1	1,802	6.9%	37.8%	26,038	28,268	15,959	15,959
Raissa	8,371	6.8%	0	123,140	125,934	67,940	57,554
Olinda Fondo Shop	4,530	6.6%	0.9%	68,307	75,401	34,681	34,681
Dolcetto Tre S.r.l.	471	10.4%	0.0%	4,513	6,659	3,027	3,027
Progetto Perugia	1,587	4.8%	1.7%	33,138	33,700		
Armilla	386	7.5%	0.0%	5,174	5,490	3,028	3,028
Spazio Industriale Fondo (Portafoglio)	9,363	7.2%	1.9%	129,428	134,494	69,278	69,278
Fo. Hospitality & Leisure	3,154	8.3%	0.0%	38,028	40,117	35,226	27,687
Italia Turismo	1,631	5.2%	0.0%	31,352	32,174	16,272	16,272
TOTAL Italy	**66,571**	**6.2%**	**5.5%**	**1,065,804**	**1,125,208**	**711,146**	**667,301**
Commercial Core Germany	**16,434**	**6.2%**	**0.0%**	**266,008**	**269,515**	**253,886**	**214,814**
Mistral	3,240	6.3%	0.0%	51,666	54,951	39,121	24,762
Highstreet	13,194	6.2%	0.0%	214,342	214,565	214,765	190,051
Commercial Germany	**21,468**	**6.5%**	**1.5%**	**328,069**	**329,480**	**320,878**	**274,703**
Highstreet	19,592	7.1%	1.0%	275,607	276,286	276,688	244,848
Mistral	1,875	3.6%	10.8%	52,462	53,194	44,191	29,855
Residential Yielding Germany	**78,044**	**7.0%**	**6.1%**	**1,119,503**	**1,145,958**	**1,056,785**	**904,411**
DGAG	28,172	7.5%	3.6%	373,798	391,695	337,307	280,284
BIB	40,861	6.6%	7.1%	622,952	626,079	613,835	535,524
Small Deal	9,012	7.3%	9.1%	122,753	128,184	105,643	88,603
TOTAL Germany	**115,946**	**6.8%**	**5.2%**	**1,713,579**	**1,744,953**	**1,631,549**	**1,393,928**
INCOME PORTFOLIO	**182,517**	**6.6%**	**5.3%**	**2,779,383**	**2,870,161**	**2,342,695**	**2,061,229**
Residential Small Office House Office ITA	**6,857**	**n.m**	**n.m**	**356,642**	**414,423**	**294,010**	**242,384**
Development ITA	**600**			**428,885**	**456,670**	**368,967**	**297,137**
Development Germany	**3,592**			**70,313**	**81,154**	**59,106**	**59,106**
Development Poland	**60**			**54,058**	**69,136**	**48,968**	**25,017**
OTHER PORTFOLIO	**11,109**			**909,897**	**1,021,382**	**771,051**	**623,644**
GRAND TOTAL	**193,626**			**3,689,280**	**3,891,543**	**3,113,746**	**2,684,873**

Net invested Capital

BUILDING THE FUTURE

Net Invested Capital of 1.2 € bln, of which:

- Approx. 0.8 € bln in *Real Estate* and for 0.3 € bln in the service platform
- Total Net Invested Capital in Italy – NPLs included – is approx. 75% of the total

Consolidated Balance Sheet

€/mln

PIRELLI RE
BUILDING THE FUTURE

	1H'09	2009 Post cap. increase	2008 actual	1H'08
Fixed Assets	**583.0**		**589.1**	**795.3**
- of which participations	*406.7*		**405.7**	*608.5*
- of which goodwill	137.0		*137.8*	*141.7*
Net Working Capital	122.4		133.1	183.1
Net Invested Capital	**705.3**		**722.2**	**978.4**
Net Equity	308.2	707.5	366.4	657.1
- of which Group Net Equity	**302.3**		**361.7**	**650.1**
Funds	59.8		66.3	50.8
Net Financial Position	**337.3**		**289.5**	**270.5**
- of which shareholders' Loans	*(491.1)*		(572.3)	(539.2)
Total Sources	**705.3**		**722.2**	**978.4**
NFP excluding shareholders' Loans	**828.5**	**429.2**	**861.8**	**809.8**
NIC excluding shareholders' Loans	**1,196.4**		**1,294.5**	**1,517.6**
Gearing	**2.69**	**0.61**	**2.35**	**1.23**

(*) Capital Increase of 399,3 €/mln gross of closing costs

PIRELLI

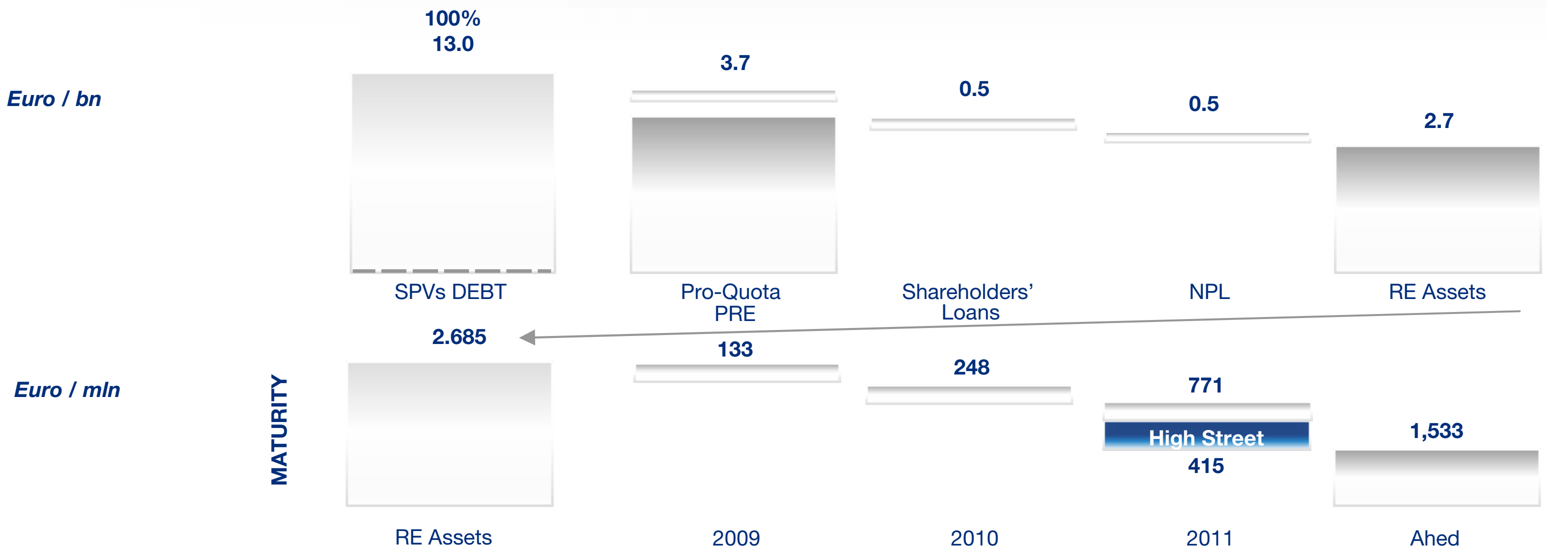
Consolidated Net Cash Flow

PIRELLI RE
BUILDING THE FUTURE

€/mln

	1H'09	1H'08
Ebit before restructuring costs	**(2.0)**	**20.3**
Depreciation	3.6	4.3
Change in investments	(37.5)	9.3
Change in other fixed assets	(0.7)	(15.0)
Change in NWC, Funds and other	15.7	(22.7)
Free Chas Flow	**(20.8)**	**(3.8)**
Impact from Facility Mgm disposal	0.0	102.4
Restructuring costs (provisioned in 2008)	(23.6)	(7.8)
Interest Income /expenses and Taxes	(3.4)	13.5
Cash Flow before dividends	**(47.8)**	**104.3**
Dividend paid	0.0	(85.1)
Net Cash Flow	**(47.8)**	**19.2**
Capital Increase	**0.0**	**0.0**
Treasury shares purchase/sales	**0.0**	**0.0**
Net Cash Flow	**(47.8)**	**19.2**

Financial situation Vehicles and partecipated Funds



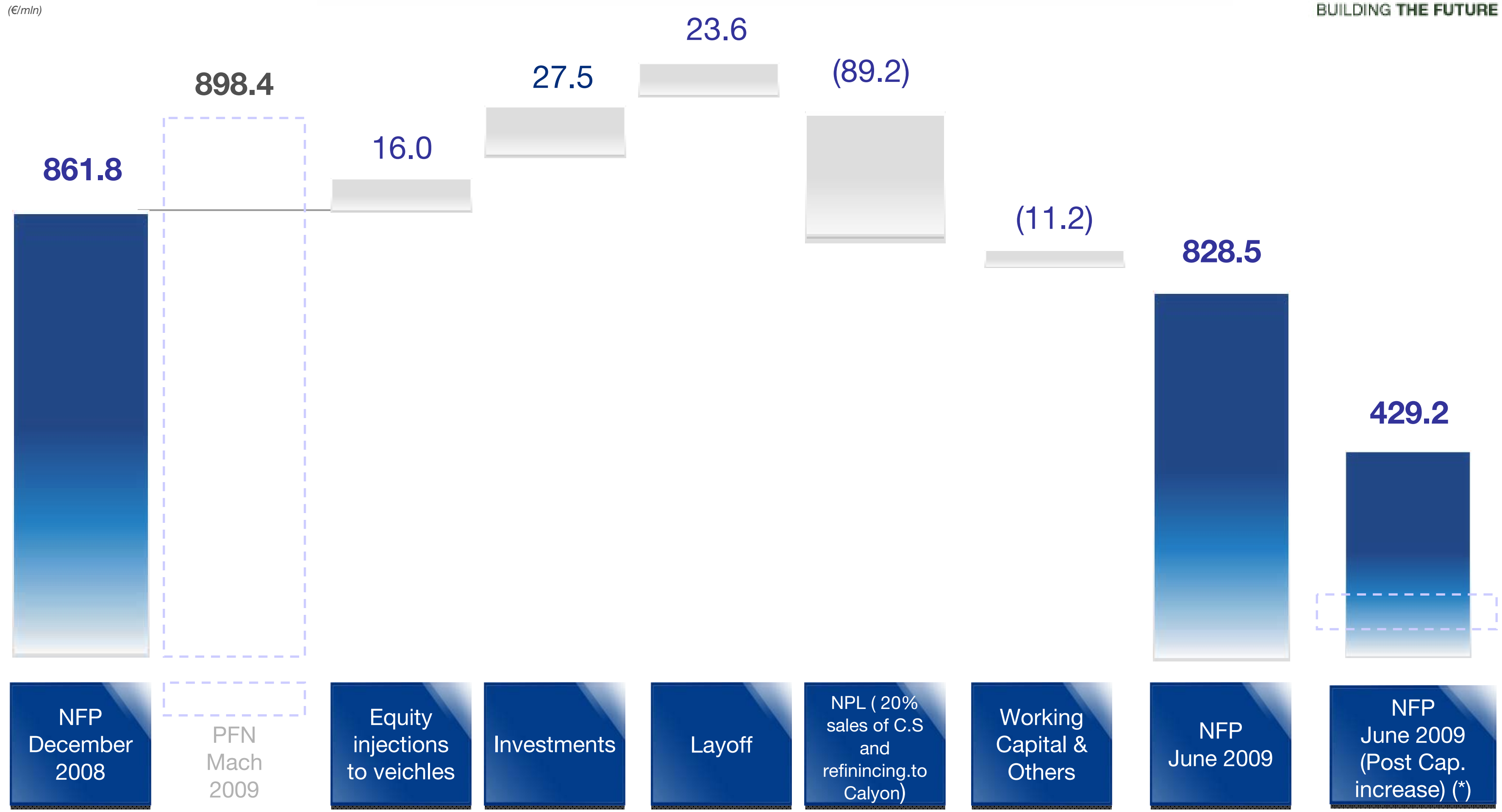
Banks Debt characteristics:

- Average maturities closed to 3.2 years
- Average Spread (*): 178 bps (pro-quota PRE 154 bps)
- 81% hedged against interests rate change
- Average leverage (LTV): Real Estate 69% of which Italy 59% and Germany 80%
- Pro quota *recourse* debt approximately 46.5 mln/€

(*) Excluding NPL e subsidies.

NFP evolution excluding shareholders' loans

PIRELLI RE
BUILDING THE FUTURE



(*) *Capital Increase of 399.3 € mln gross of closing costs*

Pirelli Broadband Solutions

PIRELLI BROADBAND SOLUTIONS

€/mln

	2Q'09	YoY	1H'09	YoY
Volumes	563	-61.5%	1,301	29.6%
Set Top Boxes	57	-19.7%	162	26.6%
Revenues	**28.8**	**-17.9%**	**72.8**	**14.8%**
Ebit	**0.2**		**2.7**	
% on sales	0.7%		3.7%	
Net income	**1.3**		**4.1**	
Net Financial Position	**(32.3)**		**(31.9)**	