PRESS RELEASE

THE BOARD OF DIRECTORS OF PIRELLI & C. SPA APPROVES FINANCIAL STATEMENTS AS OF 30 JUNE 2009:

SECOND QUARTER OPERATING RESULTS IMPROVED OVER THE FIRST QUARTER;

OPERATING TREND IN LINE WITH OVERALL TARGETS OF 2009-2011 INDUSTRIAL PLAN;

TARGET FOR FINANCIAL POSITION IMPROVES: NET DEBT FORECAST FOR YEAR END AT APPROXIMATELY 800 MILLION EUROS

NEW MODEL OF RISK MONITORING AND MANAGEMENT INTRODUCED: BROADENS FUNCTIONS AND NUMBER OF COMPONENTS OF INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE; COMPLIANCE FUNCTION INTRODUCED, SEPARATE FROM INTERNAL AUDIT FUNCTION; RISK OFFICER INSTATED

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PIRELLI & C. GROUP

- **REVENUES: 2,137.6 MILLION EUROS (2,454.8 MILLION EUROS AS OF 30 JUNE 2008)**

- **EBIT 101.1 MILLION EUROS (180.9 MILLION EUROS AS OF 30 JUNE 2008) AFTER RESTRUCTURING CHARGES OF 21.2 MILLION EUROS; INCIDENCE ON REVENUES OF 4.7% IN LINE WITH INDUSTRIAL PLAN TARGETS**

- **ATTRIBUTABLE CONSOLIDATED NET RESULT: 6.3 MILLION EUROS (-36.2 MILLION EUROS AS OF 30 JUNE 2008; TOTAL CONSOLIDATED NET RESULT NEGATIVE FOR 12.4 MILLION EUROS (-9.5 MILLION EUROS AS OF 30 JUNE 2008), POSITIVE NET OF FURTHER 19.8 MILLION EURO WRITEDOWN OF TELECOM ITALIA STAKE**

- **NET FINANCIAL POSITION NEGATIVE FOR 1,107.6 MILLION EUROS, IMPROVED FROM 1,278.9 MILLION EUROS AS OF 31 MARCH 2009**

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PIRELLI TYRE

- **REVENUES 1,915.9 MILLION EUROS (-9.3% ON A LIKE-FOR-LIKE BASIS, NET OF EXCHANGE RATE EFFECTS, COMPARED WITH FIRST HALF 2008); EBIT BEFORE RESTRUCTURING COSTS: 146.5 MILLION EUROS, OR 7.6% OF REVENUES;**

- **SECOND QUARTER REVENUES UP 6.7% COMPARED WITH THE FIRST QUARTER OF 2009; SECOND QUARTER EBIT MARGIN BEFORE RESTRUCTURING CHARGES ROSE TO 8.6% FROM 8.1% IN THE SECOND QUARTER OF 2008**

Milan, 29 July 2009 – The Board of Directors of Pirelli & C. SpA, which met today, reviewed and approved the **intermediate financial statements as of 30 June 2009**.

The Pirelli & C. Group closed the **second quarter of 2009 with a progressive improvement in overall operating results compared with the first quarter,** especially due to restructuring measures begun last year and continued in the first half of 2009 in order to contrast a scenario characterized still today by a slowdown in the automotive industry and in real estate, where the Group operates. The benefits deriving from these measures allowed the Group to close the **first half with positive operating indicators overall in line with forecasts made in the 2009-2011 industrial plan,** even if down from a year ago, when the economic crisis had not yet made a significant impact on the industries in which the Group operates.
Overall, the Group closed the half with revenues of 2,137.6 million euros and EBIT of 101.1 million euros, with an EBIT margin of 4.7%, after 21.2 million euros of restructuring charges. The attributable consolidated net result was positive for 6.3 million euros, while the total net consolidated result was negative for 12.4 million euros, weighed down in part by the further writedown of the stake in Telecom Italia following alignment of its book value to the market price on 30 June 2009 (0.99 euros per share), with a negative impact of 19.8 million euros.

The Group's **net financial position** as of 30 June 2009 was negative for 1,107.6 million euros, an improvement over the -1,278.9 million euros on 31 March 2009 (-823 million euros on 30 June 2008), thanks to the first positive effects of measures taken on Pirelli Tyre working capital, as well as to income of about 46 million euros from sale of Telecom Italia shares last April, and of 25 million euros from the sale of the second tranche of Alcatel-Lucent Submarine Networks shares.

Pirelli Tyre, after a first quarter conditioned by a marked contraction of the Industrial segment in both sales channels (orginal equipment and replacement) and accentuation of the crisis in orginal equipment in the Consumer segment, began to benefit in the second quarter from the positive impact of falling raw materials prices, from efficiencies carried out thanks to restructuring measures underway, and from the first signals of recovery in the market, though still in a scenario characterized by negative growth in major markets. Restructuring begun in Europe is proceeding with the expected results, and will be fundamental in the future as well, in order to guarantee competitiveness through optimization of industrial, product and structural costs.

From an operational point of view, all this brought in the second quarter **results which, though in absolute value terms lower than a year ago, show improved profitability: the EBITDA margin stood at 13.4% in the second quarter compared with 12.4% in the second quarter of 2008, and the EBIT margin before charges stood at 8.6% compared with 8.1% in the second quarter of 2008.** Overall the first half of 2009 closed with sales down by 9.3% on a like-for-like basis compared with the corresponding period of 2008, and profitability (the ratio between EBIT and sales, or EBIT margin), equal to 7.1%, in line with the targets in the industrial plan for 2009.

Particularly thanks to greater efficiency in management of working capital, the **second quarter also registered positive operating cashflow of 130 million euros** compared with the first quarter, and the **net financial position,** negative, improved from 1,521.8 million euros on 31 March 2009 to 1,467.0 million euros at the end of the first half of 2009, after payment of dividends of 67 million euros in April (64 million euros of which to the parent company), and restructuring charges of 8 million euros.
In the first half, finally, efficiencies on the cost of labor, the use of materials, and purchasing processes, in addition to advantages obtained from the lower cost of raw materials including exchange rate effects, **made it possible to include 45% of the 2009 industrial plan target of 200 million euros of cost-cutting (at same exchange rate levels) for Pirelli Tyre, already in the current financial statements.**

Pirelli Eco Technology, the Group company operating in sustainable mobility, continued in the half to develop its particulate filters business, strengthening its commercial presence internationally. During the period, the company obtained homologation for its filters in China, where it began selling the filters, and received provisory approval for its first homologation in Germany, which became definitive in mid July for Euro 3 light commercial vehicles.

Sales volumes rose to 1,948 units from 396 in the corresponding period of 2008, despite delays in the application of existing regulations regarding limitation of polluting traffic, as well as long homologation procedures. The operating result continued to be negative due to start-up costs for the factory in Romania, structuring the commercial side of the business, and pre-marketing in markets of reference.

Pirelli RE is completing the reorganization begun last year in a context which continues to be difficult for the real estate sector, including in light of the reduced credit capacity. The company has nonetheless managed to complete real estate transactions at values that are generally in line with appraised values. The new management has outlined a strategic approach designed to further recover efficiency and achieve a greater balance between ordinary revenues and structural costs including by confirming the strategic importance of the Pirelli RE SGR and the real estate services provided by the Pirelli RE group. Measures in the first half of the year have helped save around 29 million euros in overheads, ahead of the annual target of 50 million euros which has nonetheless been raised to 55/60 million euros, while the service business, including holding company costs, are close to break-even (with an EBIT of -3.2 million euros). The company confirms the target of 1 billion euros in asset sales by the end of 2009, involving receipt of its related share of benefit.

Following the close of the first half, Pirelli RE also concluded a capital increase of approximately 400 million euros which was totally subscribed by the market and which made it possible to strengthen the capital structure and increase the flexibility needed to achieve the targets indicated in the Industrial Plan. As part of the strengthening of the capital structure, the company also reached an agreement with a pool of banks for the provision of a credit facility for a total of 320 million euros expiring in July 2012 which will make 470 million euros in committed credit facilities whose average residual duration will increase from the current level of 9 months to 29 months available.

In **other businesses** the good performance of **Pirelli Broadband Solutions** should be noted; partly thanks to a process of diversificiation towards new operators and new markets, the company closed the period with revenues up nearly 15%, net income of 4.1 million euros and a positive net financial position of 31.9 million euros, in line with March 2009 and improved over the December 2008 figure.

Pirelli & C. SpA Group

At consolidated level, **revenues** as of 30 June 2009 amounted to 2,137.6 million euros, down 12.9% compared with 2,454.8 million euros in the first half of 2008. In the second quarter, in particular, revenues amounted to 1,094.6 million euros, up 4.9% from 1,043.0 million euros in the first quarter of 2009; in the second quarter of 2008 revenues amounted to 1,256.9 million euros.

EBIT including restructuring charges amounted to 101.1 million euros, or 4.7% of revenues, in line with 2009-2011 industrial plan targets, and compared with a first half 2008 result of 180.9 million euros. Restructuring charges in the half amounted to 21.2 million euros (of which 9.7 million euros for Pirelli Tyre and 11.5 million euros for Pirelli Real Estate) in line with the figure as of 30 June 2008. In the second quarter, in particular, **EBIT including restructuring charges** was equal to 54.3 million euros, compared with 65.8 million euros in the second quarter of 2008, but 16% higher than in the first quarter of 2009.

Consolidated attributable net income of Pirelli & C. SpA was positive for 6.3 million euros, compared with a negative result of 36.2 million euros in the first half of 2008, while the **total consolidated net result** was negative for 12.4 milion euros (-9.5 million euros as of 30 June 2008). The results were influenced by (in addition to operating results of the various businesses) the writedown of the Telecom Italia stake, whose book value was aligned to its market value on 30 June (0.99 euros per share), with a negative impact of 19.8 million euros.

Consolidated shareholders' equity as of 30 June 2009 was 2,369.6 million euros compared with 2,374.4 million euros at the end of 2008 and 2,302.4 million euros as of 31 March 2009. **Consolidated net shareholders' equity attributable to Pirelli & C. SpA** amounted to 2,202.1 million euros compared with 2,171.8 million euros at the end of 2008 and 2,129 million euros as of 31 March 2009.

The **net financial position** of the Group on 30 June 2009 was negative for 1,107.6 million euros, an improvement over the negative net financial position of 1,278.9 million euros as of 31 March 2009 (negative for 823 million euros as of 30 June 2008), thanks to the first positive effects of measures on the working capital of Pirelli Tyre, as well as income of about 46 million euros from the sale of Telecom Italia shares last April, and 25 million euros from the sale of a second tranche Alcatel Lucent Submarine Networks shares.

Employees of the Group counted 29,525, compared with 31,056 as of 31 December 2008 and 29,662 as of 31 March 2009.

Pirelli Tyre

Revenues of **Pirelli Tyre** as of 30 June 2009 amounted to 1,915.9 million euros, down 11.6% from 2,166.3 million euros in the corresponding period of 2008. Net of the effect of exchange rates, a negative effect of 2.3%, the organic variation amounted to a 9.3% decline, with a negative variation in volumes of 15.7% and a positive price/mix variation of 6.4%.

In the second quarter, in particular, sales amounted to 989 million euros, an increase of 6.7% over the 926 million euros of the first quarter of 2009. Thanks to the slower decline in sales in the quarter, in addition, the organic decline in sales compared with the same period of 2008 amounted to 7.7%, compared with 11.2% in the first quarter, both due to a less negative decline in volumes (-13.3% in the second quarter compared with -18.1% in the first quarter) and thanks to the positive price/mix variant (+5.6%).

EBITDA before restructuring charges stood at 240.8 million euros (286.5 million euros in the first half of 2008), or 12.6% of revenues. In the second quarter, in particular, EBITDA amounted to 133.0 million euros (135.5 million euros in the second quarter of 2008), with an improvement in the EBITDA margin to 13.4% compared with 12.4% in the corresponding period of 2008.

EBIT before restructuring charges stood at 146.5 million euros compared with 191.0 million euros in the first half of 2008, or 7.6% of revenues. In the second quarter, in particular, the EBIT margin before restructuring charges stood at 8.6% compared with 8.1% in the second quarter of 2008.

EBIT after restructuring charges amounted to 136.8 million euros compared with 186.0 million euros in the first half of 2008, or 7.1% of revenues, in line with the targets in the 2009-2011 industrial plan.

Net income as of 30 June 2009 amounted to 54.2 million compared with 101.7 million euros in the first half of 2008.

The **net financial position** was negative for 1,467.0 million euros, an improvement over the -1,521.8 million euros as of 31 March 2009 (-1,266.8 million euros at the end of 2008). Net of dividends of 67 million euros paid in April (of which 64 million euros to the parent company) and restructuring charges of 8 million euros, the **second quarter registered cash generation of 130 million euros** compared with the first quarter, mainly due to greater efficiency in management of working capital. The variation in cash generation in the first half of 2009 registered overall an absorption of cash of 97 million euros, particularly concentrated in the seasonal nature of working capital which, in any case, rose less than in the first half of 2008 both because of business volumes and, above all, because of an already significant reduction in the level of stock thanks to improvement in rotation in the second quarter. Outgoing cash (47 million euros) related to restructuring actions reported in the 2008 results also weighed on the overall financial position in the first half of 2009.

In the ***Consumer*** business ***(Car/Light Truck and Motorcycle tyres)***, revenues in the half amounted to 1,372 million euros, with an 8.2% decline (-6.4% organic decline, net of exchange rate effects) compared with the first half of 2008 (1,494.3 million euros), while the operating result before restructuring charges amounted to 96.5 million euros, or 7% of revenues, compared with 126.3 million euros in the corresponding period of 2008.
In the second quarter, in particular, revenues amounted to 701.5 million euros, down 6% (net of exchange rate effects, an organic decline of 4.7%) compared with the corresponding period of 2008, but with an improvement in profitability both in absolute value (EBIT before restructuring charges up to 54.6 million euros from 53.8 million euros) and in percentage terms (EBIT margin before restructuring

charges rising to 7.8% from 7.2%). The improvement was due to lower raw materials costs, to the price/mix component, to actions optimizing the industrial structure, and to an improvement in the mix of sales channels.

In the ***Industrial*** business ***(Industrial Vehicle tyres and Steelcord)*** revenues amounted overall to 543.9 million euros, down 19.1% compared with the corresponding period in 2008 (672 million euros), while EBIT before restructuring charges amounted to 50.1 million euros, or 9.2% of revenues, compared with 64.7 million euros in the first half of 2008, or 9.6% of revenues.
The Industrial business, more cyclical because it is correlated with macroeconomic trends generally as well as specific areas such public works and large construction projects, saw a slowdown in both sales channels in the half. The strategic positioning of Pirelli Tyre, focused on fast growing economies both for production and for sales, made it possible to maintain relatively good levels of profitability, in the presence of unfavorable trends in sales volumes, down 23.1% and in part counterbalanced by the positive variation in price/mix (+7.4%) which, net of a negative exchange rate effect of 3.4%, meant an organic decline in sales of 15.7%.
Second quarter sales amounted to 287.5 million euros (343.4 million euros in the second quarter of 2008) with EBIT before restructuring charges of 31.0 milioni (34,5 milioni nel secondo trimestre 2008), up as a percentage of revenues to 10.8% from 10% in the second quarter of 2008, again thanks to lower raw materials costs, growth in price/mix (+6.8%), and a focus on business lines in emerging markets less exposed to the global crisis.

Employees as of 30 June 2009 counted 27,241, down by 1,360 compared with 31 December 2008, in line with the restructuring plan illustrated on the occasion of the presentation of the three-year plan last February.

Pirelli Eco Technology

Pirelli Eco Technology closed the first half of 2009 with **revenues** of 28.3 million euros compared with 33.4 million euros in the corresponding period of 2008. **EBIT** was negative for 5.5 million euros, compared with a negative figure of 3.9 million euros in the first half of 2008, while the **net result** was a loss of 6.6 million euros (-4.7 million euros in the first half of 2008).

The results registered in the half were attributable both to a decline in revenues from white diesel fuel Gecam – which had a decline in average unit sales due to a fall in the price of diesel – and to structural costs linked to expansion of the particulate filters business and the start-up of a a new manufacturing site in Romania, where the new Bumbesti Jiu factory will allow the company to serve already active markets, as well as markets where homologation is underway or expected. Among the factors influencing the business in the first half were delays in operational execution of existing laws limiting polluting traffic, and in the extension of homologations of systems to different categories of vehicles.

In the first six months of 2009, the company completed the **process of homologation of particulate filters in China.** In addition, temporary homologation was obtained in Germany for Euro 3 light commercial vehicles, after which in July definitive homologation was obtained. In the next few months, homologation is expected to be extended to the Euro 1 and Euro 2 applications, with consequent full commercial launch.

The slowdown in demand in markets of reference correlated both with the macroeconomic trend and with the above-mentioned delay in application of regulations, will have an impact on 2009 results which should close with EBIT close to break-even (indicated last February as more than 10% of revenues, expected to be greater than 100 million euros).

Pirelli RE

Assets under management had a market value of 16.8 billion euros (1) as of 30 June 2009, of which 15.1 billion euros in real estate (15.4 billion euros as of 31 December 2008) and 1.7 billion euros in non performing loans (1.9 billion euros as of 31 December 2008).

[1] Market values at 30 June 2009 are based on appraisals by independent experts, except for NPLs which are stated at book value.

Real estate sales amounted to 351.9 million euros in the half year (527.6 million euros in the first half of 2008). The sales margin was 15% (20.7% in the first half of 2008). Taking account of contracts already exchanged, offers received and negotiations in progress, Pirelli RE confirms the target of 1 billion euros in asset sales by the end of 2009, involving receipt of its related share of benefit.

Consolidated revenues were 115.8 million euros (192.8 million euros in the first half of 2008): the 2008 figure benefited from around 49 million euros in revenues from the sale of just one asset in Poland.

EBIT, including net income from investments but before restructuring costs and asset writedowns/revaluations, reported an improvement in the second quarter on the first quarter (-8.2 million euros versus -14.7 million euros). Despite this improvement, the overall first half figure was a negative 22.9 million euros compared with a positive 37.7 million euros in the first half of 2008, representing a shortfall of 60.6 million euros.

Part of this difference is due to more than 30 million euros in non-recurring income from which the company benefited in 2008 on the sale of just one asset in Poland and for indemnity received upon replacing Pirelli RE SGR as the manager of the Berenice fund. In addition, the fair value measurement of hedging derivatives had a positive impact of 10.9 million euros on the income statement in the first half of 2008, but a negative one of 7.4 million euros in the first half of 2009 due to movements in interest rates.

When EBIT including net income from investments before restructuring costs and writedowns/revaluations is summed with income from shareholder loans, first-half EBIT comes down to a loss of 9.2 million euros. Two-thirds of this loss is attributable to the results of funds and vehicle companies (-6 million euros), while one-third is attributable to the service business (-3.2 million euros, including holding company costs): net of the non-recurring income mentioned earlier, the latter business improved its results by more than 12 million euros on the first half of 2008 thanks to cuts in overheads.

The net balance of **revaluations and writedowns** is a negative 4.8 million euros in the first half of the year. The revaluations are the result of formalizing the 'hold" strategy already announced for most of the residential real estate in Germany and for selected prestige assets in Italy, involving their medium-term retention in the portfolio: the carrying amount of these assets has been revalued under IAS 40 with a positive economic impact of 45.5 million euros. However, these revaluations have been more than offset by writedowns of 50.3 million euros against other portfolios (of which 28.1 million euros relating to the investment in the German Highstreet portfolio).

Attributable net income (loss) was -42.3 million euros (+9 million euros in the first half of 2008, when discontinued operations contributed a positive 4.4 million euros), after booking gross losses of 16.3 million euros for restructuring costs and the negative balance for revaluations/writedowns.

Real estate NAV amounted to 1.2 billion euros, staying in line with the figure at 31 December 2008: this value is the difference between the Pirelli RE share of the market value of participated assets (3.9 billion euros) and its share of the net bank debt of funds and vehicle companies (2.7 billion euros).

Attributable shareholders' equity was 302.3 million euros as of 30 June 2009 compared with 317.1 million euros as of 31 March 2009 (361.7 million euros as of 31 December 2008). Taking account of the capital increase completed at the start of July, the half-year figure would increase to 701.6 million euros.

The **net financial position** reports net debt of 337.3 million euros as of 30 June 2009 compared with net debt of 309.3 million euros as of 31 March 2009 and of 289.5 million euros as of 31 December 2008. The net financial position, excluding shareholder loans granted, reports net debt of 828.5 million euros compared with 898.4 million euros as of 31 March 2009 and 861.8 million euros as of 31 December 2008. Taking account of the capital increase completed at the start of July, the half-year figure would come down to -429.2 million euros.

Gearing (given as the ratio between net financial position, excluding shareholder loans granted, and shareholdlers' equity) was 2.69 at the end of June compared with 2.81 as of 31 March 2009 (2.35 on 31 December 2008). Taking account of the capital increase completed at the start of July, the half-year figure would come down to 0.61.

Other businesses

Pirelli Broadband Solutions, the company in the group operating in broadband access solutions, registered **revenues** as of 30 June 2009 amounting to 72.8 million euros, **up 14.8%** compared with the first six months of 2008 (63.4 million euros). **Net income** stood at 4.1 million euros compared with net income of 0.2 million euros in the corresponding period of 2008. The improvement was linked to greater sales volumes, anticyclical trends in the market the company operates in, and acontinuous process of diversification towards other operators and markets, in particular in South America. The **net financial positiion** was a positive one of 31.9 million euros, further improved over the positive figure of 15 million euros as of 31 December 2008, and compared with a negative figure of 26.7 million euros in the first half of 2008.

Prospects for the current year

The Group's results in the first half of 2009 were in line with overall targets announced at the time of presentation of the 2009-2011 industrial plan on 11 February. In particular, revenues of approximately 4.3 billion euros are expected for the year, as well as an EBIT margin of 4.5%-5%. The net financial position at the end of 2009, forecast at the time of presentation of the industrial plan to be negative for about 1 billion euros, is now expected to stand at about 800 million euros of net debt, in part due to the full success of the Pirelli RE capital increase.

Relevant facts which occurred after 30 June 2009

- On 23 July 2009 Pirelli RE's capital increase, resolved upon by the extraordinary shareholders' meeting of 17 April 2009, came to a successful conclusion. All the 798,574,545 new-issue ordinary shares were underwritten, corresponding to a total value of 399,287,272.50 euros. Pirelli RE's new share capital is 420,585,888.50 euros, divided into 841,171,777 ordinary shares with a par value of 0.50 euros each. At the close of the capital increase, Pirelli & C. therefore owns 487,798,972 shares, corresponding to around 57.99% of Pirelli RE's share capital. The value of the portion underwritten by third party shareholders amounted 167,411,002.50 euros.

- As part of measures to redefine the structure of the Company's financing, the Board of Directors of Pirelli RE approved the terms of an agreement with a pool of eight leading financial institutions for the provision of a credit facility for a total of 320 million euros expiring in July 2012. Once this agreement is finalized, Pirelli RE will have available 470 million euros in committed credit facilities compared with a current level of 380 million euros, with an average residual duration that will increase from the current 9 months to 29 months.

- During the month of July 2009, 84,767,885 ordinary shares of Telecom Italia SpA were sold on the market, for a total of approximately 87.4 million euros. As of today, therefore, the Pirelli Group holds 39,155,300 ordinary shares of Telecom Italia SpA, or 0.29% of the voting share capital.

Corporate governance

Acceleration of economic change, complexity of management, and recent regulatory evolution in corporate governance and internal auditing, call for a structured process of corporate risk management that allows for rapid and complete identification and adoption of appropriate measures to prevent such risk, avoid it, and manage it, in ways that anticipate risk and are proactive, rather than simply reactive. It is therefore opportune to identify risk before it presents itself, and adopt corporate decisions and instruments best suited to avoid it, reducing the impact and, more in general, "governing" it. For this purpose, in line with best practices, the Board of Directors of Pirelli & C. introduced a new model for monitoring and management of risk, first of all redefining functions and composition of the Committee for Internal Control and Corporate Governance. This committee, renamed for the purpose "Committee for Internal Control, Risk, and Corporate Governance," also has the duty to assist the Board in identifying, evaluating and managing the most significant risks.

In addition, the figure of *Risk Officer* was created, in charge of collection and analysis of information on existing and prospective risk the Group is exposed to. The aim is to acquire full awareness of risks that are existing or potential as a consequence of management decisions on corporate operations, as well as to identify the best instruments for containment and, in general, "management" of risk.

Finally, a *Group Compliance* function was introduced, separately from the *Internal Audit* function. Group Compliance will collaborate with the other Group functions in order to guarantee constant alignment of internal regulations, process and in general, corporate activities, with applicable rules.

In addition to the three board members already serving (Carlo Secchi, Carlo Angelici, and Franco Bruni), directors Cristiano Antonelli and Luigi Roth will also join the new Committee for Internal Control, Risk, and Corporate Governance. The Board of Directors also resolved to increase the Remuneration Committee, adding Umberto Paolucci in addition to the three members already serving (Berardino Libonati, Alberto Bombassei, and Giampiero Pesenti). The Committees will continue to be exclusively composed of independent directors.

Following the scheme of risk analysis and management introduced by Pirelli & C., the unit Pirelli Real Estate will also instate a Risk Committee within the Board of Directors, composed of Claudio De Conto, Giulio Malfatto, Claudio Recchi and Dario Trevisan.

The measures adopted confirm the attention that the Pirelli Group is giving to its *corporate governance,* which always makes national and international *best practices* its own.

Finally, it should be noted that in the proceedings pending before the Milan Tribunal that involve two former heads of the security department of the company, Pirelli was admitted by the judge as "parte civile" (damaged party) vis a vis all those charged with crimes for which Pirelli is a damaged or offended party: the company's role as *parte civile* was admitted in particular with regard to the crimes of embezzlement and money laundering. Against the company, meanwhile, only the "Avvocatura dello Stato" (state legal representative) was admitted as *parte civile,* in the interest of the prime minister's office and the offices of the ministries of public officials involved in the proceedings for corruption. The company also took note of the request, by the parties asserted to be damaged by the behaviour of its former employees, of the citation as "civil responsible party". This legal action has its basis in the Italian legal codes whereby the employer, regardless of his fault, must respond financially to illegal deeds committed by his employees. Pirelli, therefore, would be called to respond only in terms of objective liability. The company is pursuing the civil cases opened vis a vis suppliers of security services involved in the investigation, asking for return of payments for services recognized as not performed, or else illegal.

Conference call

The results of operations as of 30 June 2009 will be illustrated today at 6:00 p.m. during aconference call in which the Chairman of Pirelli & C. SpA, Marco Tronchetti Provera, 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 Manager mandated to draft corporate accounting documents of Pirelli & C. S.p.A., Claudio De Conto, 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.*

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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.

Results from participations: results from participations consists of all the effects recorded in the income statement referring to investments that are not consolidated line-by-line. These include dividends, the share of the earnings (losses) of companies accounted for using the equity method, impairment losses of available-for sale financial assets and gains (losses) on the disposal of available-for-sale financial assets.

Movements in the fair value of assets available-for-sale that are recognized directly in equity are excluded.

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 performance measure is represented by the gross financial debt less cash and cash equivalents as well as other interest-earning financial receivables.

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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)

	06/30/2009	06/30/2008	12/31/2008
. Net sales	**2,137.6**	2,454.8	4,660.2
. Gross operating profit before restructuring expenses	**226.1**	305.8	396.1
% on sales	**10.6%**	12.5%	8.5%
. **Operating profit before restructuring expenses**	**122.3**	202.1	187.4
% on sales	**5.7%**	8.2%	4.0%
. Restructuring expenses	**(21.2)**	(21.2)	(144.2)
. **Operating profit**	**101.1**	180.9	43.2
% on sales	**4.7%**	7.4%	0.9%
. Earnings (losess) from investments	**(28.6)**	(95.5)	(366.5)
. **Operating profit (loss) including earnings (losess) from investments**	**72.5**	85.4	(323.3)
. Financial income (expenses)	**(39.4)**	(22.5)	(80.0)
. Income taxes	**(45.5)**	(64.7)	(72.6)
. **Income (loss) from continuing operations**	**(12.4)**	(1.8)	(475.9)
% on sales	**(0.6%)**	(0.1%)	(10.2%)
. **Income (loss) from discontinued operations**	**-**	(7.7)	63.4
. **Total income (loss)**	**(12.4)**	(9.5)	(412.5)
. Income (loss) attributable to the equity holders of Pirelli & C. S.p.A.	**6.3**	(36.2)	(347.5)
. Earnings per share (in euro)	**0.001**	(0.007)	(0.065)
. Fixed assets	**3,581.9**	3,910.0	3,665.4
. Net working capital	**627.3**	616.4	418.4
. Net invested capital	**4,209.2**	4,526.4	4,083.8
. **Equity**	**2,369.6**	3,002.4	2,374.4
. Provisions	**732.0**	701.0	681.7
. **Net financial (liquidity)/debt position**	**1,107.6**	823.0	1,027.7
. Equity attributable to the equity holders of Pirelli & C. S.p.A.	**2,202.1**	2,608.1	2,171.8
. Equity per share (in euro)	**0.410**	0.486	0.405
. Headcount (number at period-end)	**29,525**	31,368	31,056
. Factories	**23**	24	23
Pirelli & C. shares			
. ordinary shares (number in millions)	5,233.1	5,233.1	5,233.1
of which treasury shares	*3.9*	*2.6*	*3.9*
. savings shares (number in millions)	134.8	134.8	134.8
of which treasury shares	*4.5*	*4.5*	*4.5*
. Total shares	5,367.9	5,367.9	5,367.9

Data by business sector

(in million of euro)

	06/30/2009					
	Tyre	Eco Technology	Real Estate	Broadband Access	Other (*)	TOTAL
Net sales	1,915.9	28.3	115.8	72.8	4.8	**2,137.6**
Gross operating profit (loss) before restructuring exp.	240.8	(4.4)	(2.6)	3.2	(10.9)	**226.1**
Operating profit (loss) before restructuring exp. (EBIT)	**146.5**	**(5.5)**	**(6.2)**	**2.7**	**(15.2)**	**122.3**
Restructuring expenses	(9.7)		(11.5)	-	-	**(21.2)**
Operating profit (loss) (EBIT)	136.8	(5.5)	(17.7)	2.7	(15.2)	**101.1**
Earnings (losses) from investments	3.8	-	(21.6)	-	(10.8)	**(28.6)**
Operat. profit (loss) incl. earnings (losses) from investments before restructuring expenses	**150.3**	**(5.5)**	**(27.8)**	**2.7**	**(26.0)**	**93.7**
Operat. profit (loss) incl. earnings (losses) from investments	**140.6**	**(5.5)**	**(39.3)**	**2.7**	**(26.0)**	**72.5**
Financial income (expenses)	(43.0)	(1.1)	(1.0)	0.7	5.0	**(39.4)**
Income taxes	(43.4)	-	(2.4)	0.7	(0.4)	**(45.5)**
Income (loss) from continuing operations	**54.2**	**(6.6)**	**(42.7)**	**4.1**	(21.4)	**(12.4)**
Income from discontinued operations					-	-
Income (loss)	**54.2**	**(6.6)**	**(42.7)**	**4.1**	**(21.4)**	**(12.4)**
Net financial (liquidity) / debt position	1,467.0	32.8	337.4	(31.9)	(697.7)	**1,107.6**

(in million of euro)

	06/30/2009					
	Tyre	Eco Technology	Real Estate	Broadband Access	Other (*)	TOTAL
Net sales	2,166.3	33.4	192.8	63.4	(1.1)	**2,454.8**
Gross operating profit (loss) before restructuring exp.	286.5	(3.3)	24.3	3.6	(5.3)	**305.8**
Operating profit (loss) before restructuring exp. (EBIT)	**191.0**	**(3.9)**	**20.0**	**3.2**	(8.2)	**202.1**
Restructuring expenses	(5.0)	-	(16.2)	-	0.0	**(21.2)**
Operating profit (loss) (EBIT)	186.0	(3.9)	3.8	3.2	(8.2)	**180.9**
Earnings (losses) from investments	0.3	-	16.9	-	(112.7)	**(95.5)**
Operat. profit (loss) incl. earnings (losses) from investments before restructuring expenses	**191.3**	**(3.9)**	**36.9**	**3.2**	**(120.9)**	**106.6**
Operat. profit (loss) incl. earnings (losses) from investments	**186.3**	**(3.9)**	**20.7**	**3.2**	(120.9)	**85.4**
Financial income (expenses)	(29.7)	(0.8)	(7.2)	(2.8)	18.0	**(22.5)**
Income taxes	(54.9)	-	(6.5)	(0.2)	(3.1)	**(64.7)**
Income (loss) from continuing operations	**101.7**	**(4.7)**	**7.0**	**0.2**	(106.0)	**(1.8)**
Income from discontinued operations	-	-	4.4	-	(12.1)	**(7.7)**
Income (loss)	**101.7**	**(4.7)**	**11.4**	**0.2**	(118.1)	**(9.5)**
Net financial (liquidity) / debt position	773.4	7.1	270.5	26.7	(254.7)	**823.0**

(*) the item includes Environmental businesses, Pzero Moda, all financial companies (including the Parent Company), the other services companies and,

for the sales item, amounts that cancel eachother out for consolidation purposes

EBIT trend

(million euros)	1 quarter 2009	2 quarter 2009	1 quarter 2008	2 quarter 2008
Tyre	**61.0**	**85.5**	**102.8**	**88.2**
Eco Technology	**(2.8)**	**(2.7)**	**(2.1)**	**(1.8)**
Real Estate	**(2.2)**	**(4.0)**	**22.7**	**(2.7)**
Broadband access	**2.5**	**0.2**	**1.1**	**2.1**
Others	**(8.2)**	**(7.0)**	**(4.6)**	**(3.6)**
Operating income before restructuring expenses	**50.3**	**72.0**	**119.9**	**82.2**
Restructuring expenses	**(3.5)**	**(17.7)**	**(4.8)**	**(16.4)**
OPERATING PROFIT	**46.8**	**54.3**	**115.1**	**65.8**

Cashflow

(in million of euro)

	1 quarter 2009	2 quarter 2009	1 Half 2009	1 Half 2008
Operating profit (EBIT)	46.8	54.3	101.1	180.9
Amortization	51.4	52.4	103.8	103.7
Net Investments	(42.9)	(37.4)	(80.3)	(128.1)
Variation working capital/other	(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)
Income taxes	(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)**
Impact of Speed SpA acquisition	-	-	-	(835.5)
Financial Investments/divestments	37.9	78.1	116.0	92.4
Dividends paid out	-	(2.4)	(2.4)	(167.9)
Cash Out for restructuring	(45.8)	(25.1)	(70.9)	(12.8)
Exchange rate differences/other	7.2	(24.6)	(17.4)	(7.6)
NET CASH FLOW	**(251.2)**	**171.3**	**(79.9)**	**(1,125.1)**