Interim Management Statements

at September 30, 2011

PIRELLI & C. Società per Azioni

Head Office in Milan

Viale Piero e Alberto Pirelli, 25

Share Capital euro 1,345,380,534.66

Milan Companies Register No. 00860340157

Administrative Business Register (REA) No. 1055

PIRELLI & C. S.p.A. - MILAN

Interim Management Statements at September 30, 2011

TABLE OF CONTENTS

Board of Directors [1]

Chairman and Managing Director	Marco Tronchetti Provera § #
Deputy Chairman	Vittorio Malacalza § #
Deputy Chairman	Alberto Pirelli
Directors:	Carlo Acutis *^
	Anna Maria Artoni *^
	Gilberto Benetton
	Alberto Bombassei *
	Franco Bruni *°#
	Luigi Campiglio *§
	Enrico Tommaso Cucchiani
	Paolo Ferro Luzzi *°
	Pietro Guindani *^
	Giulia Maria Ligresti
	Elisabetta Magistretti *°
	Massimo Moratti
	Renato Pagliaro #
	Giovanni Perissinotto
	Francesco Profumo * #
	Luigi Roth * °^§
	Carlo Secchi * o #

* Independent Director
o Member of the Internal Control, Risks and Corporate Governance Committee
^ Member of the Remuneration Committee
§ Member of the Appointments and Successions Committee
\# Member of the Strategies Committee

Secretary to the Board	Anna Chiara Svelto

Board of Statutory Auditors [2]

Chairman	Enrico Laghi
Statutory Auditors	Paolo Gualtieri
	Paolo Domenico Sfameni
Alternate Auditors	Franco Ghiringhelli
	Luigi Guerra

General Manager

Francesco Gori

Independent Auditor [3]

Reconta Ernst & Young S.p.A.

Corporate Financial Reporting Manager [4]

Francesco Tanzi

1 Appointment: April 21, 2011. Term: Shareholders' Meeting called to approve the financial statements at December 31, 2013
2 Appointment: April 21, 2009. Term: Shareholders' Meeting called to approve the financial statements at December 31, 2011.
3 Post assigned by the Shareholders' Meeting on April 29, 2008.
4 Appointment: Board of Directors' Meeting on April 21, 2011. Term: Shareholders' Meeting called to approve the financial statements at December 31, 2013.

Mr. Giovanni Pecorella was appointed as the joint Representative of the holders of savings shares for the three-year period 2009/2011; this appointment was made by the meeting of this category of shareholders held on January 28, 2009.

Alternative performance measures which derive from the IFRS are used in this document, in addition to the financial measures envisaged by the International Financial Reporting Standards (IFRS) and aim to provide a better assessment of the group's management performance. These measures correspond to the following: Gross Operating Profit, Fixed assets, Provisions, Net working capital, Net financial (liquidity)/debt position. Please refer to the subsequent paragraph "Alternative performance measures" for a more detailed description of these measures.
Furthermore, it is important to note that the economic data referred to 2010 have been reclassified to highlight the business activities relating to Pirelli RE and Pirelli Broadband Solutions among the discontinued operations, following their transfer completed during 2010.

GROUP PERFORMANCE

On the whole, the **Group** reported a growth for the main economic measures during the first nine months of 2011 compared to the corresponding period in 2010, although the last quarter reflected a general macro-economic scenario showing signs that the Western economies were experiencing a downturn, also in relation to the financial difficulties associated with the debt structure of some member countries of the Euro zone.
Net sales totalled euro 4,265.8 million, reflecting a 17.9% growth, the **operating income** totalled euro 451.2 million, reflecting a 46.8% increase, and the profitability representing the operating income to net sales ratio increased by 2 percentage points and totalled 10.6%.
The **net income (loss)** totalled euro 251.3 million and compares to euro 160.3 million referred to the like-for-like data reported in September 2010 (prior to discontinued operations).

The **Net financial (liquidity)/debt position** was negative and totalled euro 938.3 million, compared to euro 778.9 million in June 2011 and was impacted by the greater investments also to increase the production capacity for the Premium segment and the growth in absolute value of the working capital associated with the increase in business activities also in relation to the growing sales of winter products compared to the previous year, and the respective collection is foreseen in the fourth quarter of the year.

The **third quarter** also reported a growth in values, as did the previous two quarters, with net sales increasing by 18.1% to euro 1,476.5 million and the operating income totalled euro 161.1 million generating a 10.9% impact on net sales (euro 115.4 million corresponding to 9.2% in the third quarter of 2010).

The economic earnings generated by the business activities engaged in by **Pirelli Tyre** that represents the core business and corresponds to 99% of the group's sales, reflected a growth in business volume and profitability as at September 30, 2011, confirming the effectiveness of the strategy that focused on sales in the Premium sector in the Consumer business segment and the predominant localisation in rapidly developing areas for the Industrial business segment, as well as the capacity to use the price leverage to compensate the increase in the cost of raw materials.

Net sales totalled euro 4,225.7 million (+18.7% compared to the first nine months of 2010) and the **operating income** amounted to euro 484.4 million reflecting an 11.5% profitability (euro 334.3 million corresponding to 9.4% in 2010).

The net income in the **third quarter**, when some markets, however, showed signs of a downturn associated with the deteriorated international economic situation, also reflected an increase in net sales which totalled euro 1,464.8 million (+18.7%) and the operating income and profitability which totalled, respectively, euro 171.9 million (+47%) and 11.7% (+2.2 percentage points).

These results demonstrate the efficacy of Pirelli's value strategy, in particular, its focus on the Premium segment (+30% compared with the third quarter 2010) and the use of the price lever to offset the increase in the cost of raw materials. Worth noting is the success of the winter tyre sales (+80% compared with last year, +64% in the third quarter compared with the same quarter last year) which led to an increase in Pirelli's market share in Europe, while there was a continuation of actions aimed at rationalizing the production and sales of products with a lower profitability (–1% non-Premium volumes in the Consumer segment).

In line with the outlook contained in the Industrial Plan presented last year, and for the purpose of increasing production capacity and balance the group's geographic presence in the areas with greater growth prospects, Pirelli has announced plans for the future realization of a new radial truck tyre factory in Argentina. In Mexico, as well, work continues on the construction of a new factory for the production of Premium car tyres. The end of August saw the inauguration of the extension of the car tyre factory in Slatina, Romania, with a planned investment of euro 160 million, which began in 2008 and will end in 2013, with the aim of increasing production capacity by 60% and improving the overall efficiency of Pirelli's European industrial base.

On the new product front, there is the announced launch of the P Zero Silver, the new high performance tyre that broadens the group's Premium range and represents the first road tyre directly derived from Formula 1 tyres, in terms of design modelling, materials technology and production processes. Finally, among the initiatives to support the business, Pirelli opened its first flagship store, Corso Venezia 1, in Milan during the quarter.

The Parent Company Pirelli & C. S.p.A.

Net income (loss) generated by Pirelli & C. S.p.A. as at September 30, 2011 was positive and amounted to euro 160.2 million, compared to the positive net income on a like-for-like basis of euro 134.1 million referred to the first nine months of 2010 (prior to discontinued operations).

The net income as at September 30, 2011 essentially included dividends received from Group companies and also benefited from the revised royalties for Pirelli Tyre S.p.A. to use the brand compared to the prior financial year; the royalties increased progressively during the period from 0.7% to 1.3% of net sales.

Equity as at September 30, 2011 amounted to euro 1,645.0 million (including, euro 1,343.3 million referred to the Share Capital) compared to euro 1,584.6 million as at December 31, 2010.

Pirelli & C. S.p.A. increased the Share Capital in favour of the subsidiary Pirelli Tyre S.p.A. in April by an amount equal to euro 500 million, confirming the central aspect of the tyre business and in order to sustain its investment plans foreseen in the 2011-2013 industrial business plan.

The **Group's consolidated financial position** can be summarised as follows:

(in millions of euro)

	Q 3 2011	Q 3 2010	09/30/2011	09/30/2010	12/31/2010
Net sales	**1,476.5**	**1,249.7**	**4,265.8**	**3,618.7**	**4,848.4**
Gross operating profit before restructuring expenses	220.2	174.9	631.1	480.1	653.7
% of net sales	14.9%	14.0%	14.8%	13.3%	13.5%
Operating income (loss) before restructuring expenses	163.3	119.9	461.1	319.7	432.5
% of net sales	11.1%	9.6%	10.8%	8.8%	8.9%
Restructuring expenses	(2.2)	(4.5)	(9.9)	(12.4)	(24.7)
Operating income	**161.1**	**115.4**	**451.2**	**307.3**	**407.8**
% of net sales	10.9%	9.2%	10.6%	8.5%	8.4%
Net income (loss) from equity investments	2.1	22.1	3.0	18.1	23.4
Financial income/expenses	(19.4)	(14.0)	(64.1)	(54.6)	(65.8)
Net income (loss) before income tax	**143.8**	**123.5**	**390.1**	**270.8**	**365.4**
Income taxes	(51.3)	(40.2)	(138.8)	(110.5)	(137.4)
Tax rate %	35.7%	32.5%	35.6%	40.8%	37.6%
Net income (loss) from continuing operations	**92.5**	**83.3**	**251.3**	**160.3**	**228.0**
Net income (loss) from discontinued operations			**-**	**(261.8)**	**(223.8)**
Net income (loss)			**251.3**	**(101.5)**	**4.2**

	09/30/2011	09/30/2010	12/31/2010
Net income (loss) attributable to Pirelli & C. S.p.A.	255.3	(87.0)	21.7
Net earnings per share attributable to Pirelli & C. S.p.A. (in euro)	0.523	(0.178)	0.044
Fixed assets	3,258.4	2,986.2	3,164.1
Net working capital	499.3	107.7	116.7
Net invested capital	**3,757.7**	**3,093.9**	**3,280.8**
Net invested capital in discontinued operations		**587.6**	**-**
Total net invested capital	**3,757.7**	**3,681.5**	**3,280.8**
Equity	**2,049.9**	**2,132.3**	**2,028.0**
Provisions	769.5	783.9	797.2
Provisions for discontinued operations	-	60.4	-
Net financial (liquidity)/debt position	**938.3**	**629.5**	**455.6**
Net financial (liquidity)/debt position - discontinued operations	**-**	**75.4**	**-**
Equity attributable to Pirelli & C. S.p.A.	2,026.5	1,823.2	1,990.8
Equity per share attributable to Pirelli & C. S.p.A. (in euro)	4.153	3.736	4.080
Investments in tangible and intangible fixed assets	396.2	226.9	438.6
Research and development expenses	126.4	109.3	149.7
% of net sales	3.0%	3.0%	3.1%
Number of employees (at year-end)	31,815	31,050	29,573
Number of industrial sites	20	20	20
Pirelli & C. S.p.A. shares			
Ordinary shares (number in millions)	475.7	475.7	475.7
of which treasury shares	0.4	0.4	0.4
Savings shares (number in millions)	12.3	12.3	12.3
of which treasury shares	0.4	4.5	0.4
Total shares (number in millions)	**488.0**	**488.0**	**488.0**

The economic data and the net financial (liquidity)/debt position are presented below, broken down by business segment, to facilitate a better understanding of the Group's performance.

(in millions of euro)

	Tyre		Other businesses (*)		Total	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Net sales	**4,225.7**	**3,559.1**	**40.1**	**59.6**	**4,265.8**	**3,618.7**
Gross operating profit before restructuring expenses	656.3	496.9	(25.2)	(16.8)	631.1	480.1
Operating income (loss) before restructuring expenses	494.3	346.7	(33.2)	(27.0)	461.1	319.7
Restructuring expenses	(9.9)	(12.4)	-	-	(9.9)	(12.4)
Operating income (loss)	**484.4**	**334.3**	**(33.2)**	**(27.0)**	**451.2**	**307.3**
% of net sales	*11.5%*	*9.4%*			*10.6%*	*8.5%*
Net income (loss) from equity investments	(1.7)	0.4	4.7	17.7	3.0	18.1
Financial income (expenses)	(65.3)	(52.7)	1.2	(1.9)	(64.1)	(54.6)
Net income (loss) before taxes	**417.4**	**282.0**	**(27.3)**	**(11.2)**	**390.1**	**270.8**
Income taxes	(162.0)	(105.4)	23.2	(5.1)	(138.8)	(110.5)
tax rate %	*38.8%*	*37.4%*			*35.6%*	*40.8%*
Net income (loss) from continuing operations	**255.4**	**176.6**	**(4.1)**	**(16.3)**	**251.3**	**160.3**
Net income (loss) from discontinued operations					**-**	**(261.8)**
Net income (loss)					**251.3**	**(101.5)**
Net financial (liquidity)/debt position of continuing operations	**1,095.0**	**1,205.0**	**(156.7)**	**(575.5)**	**938.3**	**629.5**
Net financial (liquidity)/debt position of discontinued operations					-	**75.4**
Net financial (liquidity)/debt position					**938.3**	**704.9**

(*) This item includes the Pirelli Ecotechnology group, the Pirelli Ambiente group, PZero S.r.l., all holding companies (including the Parent Company), the other service companies and the elimination of intercompany transactions for the item "net sales".

Net sales

Net sales as at September 30, 2011 totalled euro 4,265.8 million, of which 99% refer to the Tyre business segment that increased by 17.9 % compared to the same period in 2010.

Net sales in the third quarter of 2011 totalled euro 1,476.5 million, reflecting an 18.1% growth compared to the data reported for 2010 that corresponded to euro 1,249.7 million.

Operating income

The **operating income before restructuring expenses as at September 30, 2011** totalled euro 461.1 million, reflecting a 44.2% growth compared to euro 319.7 million for the corresponding period in 2010.

The **restructuring expenses** (euro 9.9 million compared to euro 12.4 million for the corresponding period 2010), refer to the Tyre business segment and essentially concern the continuation of activities to rationalise operations in Europe.

The **operating income (EBIT) as at September 30, 2011** totalled euro 451.2 million compared to euro 307.3 million reported for September 2010 (+46.8%) with an impact on net sales amounting to 10.6% compared to 8.5% reported for the corresponding period in 2010. The growth is substantially associated with the increase in the net income generated by the Tyre business segment.

The **operating income (EBIT) for the third quarter of 2011** totalled Euro 161.1 million compared to Euro 115.4 million referred to the same period in 2010 (+39.6%) with an impact on net sales amounting to 10.9% compared to 9.2% reported for 2010.

The trend for net sales and the operating income referred to the individual quarters is summarised as follows:

(in millions of euro)

	Q 1		**Q 2**		**Q 3**		**Progressive at 09/30**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Net sales	1,400.9	1,135.0	1,388.4	1,234.0	1,476.5	1,249.7	4,265.8	3,618.7
Operating profit (loss)	143.3	87.6	146.8	104.3	161.1	115.4	451.2	307.3
% of net sales	10.2%	7.7%	10.6%	8.5%	10.9%	9.2%	10.6%	8.5%

<u>Net income (loss) from equity investments</u>

The **net income (loss) from equity investments as at September 30, 2011** was positive totalling euro 3.0 million, and included the capital gains generated by transferring the entire stake held in Gruppo Banca Leonardo S.p.A. (euro 0.9 million), the income from the sale of GP Energia S.r.l. (euro 1.6 million), the dividends collected (euro 1.2 million) and the negative net income of the equity investments in associate companies (euro 1.2 million) valued at equity.

The data during the same period of 2010 essentially included the capital gains generated by transferring the equity investment in Oclaro Inc. (formerly Avanex) amounting to euro 18.4 million.

<u>Net income (loss)</u>

The **net income (loss) as at September 30, 2011** totalled euro 251.3 million compared to the negative net income of euro 101.5 million referred to the first nine months of 2010 that was conditioned by the negative impact of the discontinued operations referred mainly to the transaction to assign the Prelios S.p.A. shares.

The **net income (loss) before discontinued operations as at September 30, 2010** was positive and totalled euro 160.3 million.

Income taxes increased as a result of the increased net income, but the tax rate decreased falling from 40.8% in September 2010 to 35.6%, thanks to an improvement in the mix of countries which generate profits and also in relation to the tax losses carried forward.

Net financial expenses increased from euro 54.6 million as at September 30, 2010 to euro 64.1 million referred to the first nine months of 2011, also impacted by an increase in the average cost of borrowing associated with the 2011-2016 bond issue that, however, improved the Group's financial structure by extending the due dates and diversifying the sources of financing.

The **portion of net income attributable to Pirelli & C. S.p.A. as at September 30, 2011** was positive and totalled euro 255.3 million (euro 0.523 per share) compared to the negative data of euro 87.0 million referred to the same period in 2010 (a negative value of euro 0.178 per share).

Equity

The **equity** increased from euro 2,028.0 million as at December 31, 2010 to euro 2,049.9 million as at September 30, 2011.

The **equity attributable to Pirelli & C. S.p.A.** as at September 30, 2011 totalled euro 2,026.5 million (euro 4.153 per share) compared to euro 1,990.8 million as at December 31, 2010 (euro 4.080 per share).

The change is summarised as follows:

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2010	**1,990.8**	**37.2**	**2,028.0**
Monetary translation differences	(111.5)	0.1	(111.4)
Net income (loss) for the period	255.3	(4.0)	251.3
Adjustment to fair value of other financial assets/derivative instruments	(6.8)	-	(6.8)
Other changes in items recognised in Equity	(16.8)	-	(16.8)
Actuarial profit (losses) benefiting employees	(10.2)	-	(10.2)
Dividends paid	(81.1)	(2.4)	(83.5)
Acquisition of China Tyre minority interests	(10.2)	(17.8)	(28.0)
Venezuela inflation effect	16.2	0.6	16.8
Capital increases	-	9.4	9.4
Other changes	0.8	0.3	1.1
Total changes	**35.7**	**(13.8)**	**21.9**
Equity at 09/30/2011	**2,026.5**	**23.4**	**2,049.9**

Net financial (liquidity)/debt position

The **Group's net negative financial position** increased from euro 455.6 million as at December 31, 2010 to euro 938.3 million as at September 30, 2011, with an overall net negative cash flow totalling euro 482.7 million, after paying dividends amounting to euro 83.5 million (including euro 81.1 million paid by the Parent Company).

The overall net cash flow for the quarter was negative and totalled euro 159.4 million compared to the financial position as at June 30, 2011 (euro 778.9 million) and included euro 28.0 million paid to purchase a further 15.0% stake in the Chinese company (now 90% owned) and euro 19.9 million for the investment by Pirelli Ambiente S.p.A. in GWM RE II S.p.A..

The **net cash flow generated by operations referred to the third quarter of 2011** was negative and totalled euro 42.5 million, with the working capital management absorbing an increased cash amount compared to 2010 as a result of the positive performance of net sales of winter products in Europe and which is expected to be collected in the fourth quarter.

The change for the period is summarised in the following cash flow statement:

(in millions of euro)

	Q 1 2011	Q 1 2010	Q 2 2011	Q 2 2010	Q 3 2011	Q 3 2010	09/30/2011	09/30/2010
Operating income (loss) before restructuring expenses	146.5	90.2	151.3	109.6	163.3	119.9	461.1	319.7
Amortisation and depreciation	56.9	51.7	56.2	53.7	56.9	55.0	170.0	160.4
Investments in tangible and intangible assets	(96.9)	(50.2)	(137.2)	(85.2)	(162.1)	(91.5)	(396.2)	(226.9)
Changes in working capital/other	(313.5)	(143.2)	18.1	42.2	(100.6)	(18.0)	(396.0)	(119.0)
Net operating cash flow	**(207.0)**	**(51.5)**	**88.4**	**120.3**	**(42.5)**	**65.4**	**(161.1)**	**134.2**
Financial income/(expenses)	(14.8)	(17.6)	(29.9)	(23.0)	(19.4)	(14.0)	(64.1)	(54.6)
Income taxes	(47.9)	(30.4)	(39.6)	(39.9)	(51.3)	(40.2)	(138.8)	(110.5)
Net cash flow from ordinary operations	**(269.7)**	**(99.5)**	**18.9**	**57.4**	**(113.2)**	**11.2**	**(364.0)**	**(30.9)**
Financial investments/divestments	24.4	-	-	-	(16.4)	9.8	8.0	9.8
Acquisition of China minority interests	-	-	-	-	(28.0)	-	(28.0)	-
Dividends paid by Parent Company	-	-	(81.1)	(81.1)	-	-	(81.1)	(81.1)
Other dividends paid to minority interests	(0.7)	-	(1.7)	(4.0)	-	-	(2.4)	(4.0)
Cash Out for restructuring expenses	(2.8)	(34.0)	(5.7)	(9.9)	(1.9)	(7.4)	(10.4)	(51.3)
Net cash flow for discontinued operations	-	(26.1)	-	(5.8)	-	(37.9)	-	(69.8)
Exchange rate differences/other	(8.4)	10.0	3.5	24.9	0.1	16.3	(4.8)	51.2
Net cash flow	**(257.2)**	**(149.6)**	**(66.1)**	**(18.5)**	**(159.4)**	**(8.0)**	**(482.7)**	**(176.1)**

The table below illustrates the **breakdown of the net financial (liquidity)/debt position by business segment**:

(in millions of euro)

	Tyre		Other businesses		Corporate		Consolidated	
	09/30/2011	12/31/2010	**09/30/2011**	12/31/2010	**09/30/2011**	12/31/2010	**09/30/2011**	12/31/2010
Gross debt	1,688.0	1,613.6	123.5	83.3	639.5	123.0	1,758.1	1,147.0
of which due to Corporate	565.1	589.6	114.4	83.3				
Financial receivables	(141.8)	(98.3)	(5.8)	(4.8)	(838.9)	(806.7)	(293.6)	(236.9)
of which receivable from Prelios S.p.A.					(150.0)	(140.4)	(150.0)	(140.4)
Cash and cash equivalents and securities held for trading	(451.2)	(405.4)	(2.2)	(6.6)	(72.8)	(42.5)	(526.2)	(454.5)
Net financial (liquidity)/debt position	**1,095.0**	1,109.9	**115.5**	71.9	**(272.2)**	(726.2)	**938.3**	**455.6**

The column "Other businesses" includes Pirelli & C. Eco Technology, Pirelli & C. Ambiente and PZero.

The analysis of the **gross financial debt structure** that has an average due date of approximately 4 years and of which 65% falls due from 2015 is as follows:

(in millions of euro)

	Financial Statements 09/30/2011	**Maturity date**					
		2011	**2012**	**2013**	**2014**	**2015**	**2016 and beyond**
Use of committed credit facilities	370.0	-	-	-		370.0	-
Bond 5.125% - 2011/2016	500.0	-	-	-		-	500.0
Other financing	888.1	187.9	207.6	89.0	127.9	116.7	159.0
Total gross debt	**1,758.1**	**187.9**	**207.6**	**89.0**	**127.9**	**486.7**	**659.0**
		10.7%	11.8%	5.1%	7.3%	27.7%	37.4%

The Group has 31,815 **employees** as at September 30, 2011 compared to 29,573 employees as at December 31, 2010 and 31,643 employees as at June 30, 2011.

PIRELLI TYRE

The consolidated economic and cash flow results achieved as at September 30, 2011 compared to the corresponding period in 2010 are highlighted in the table below:

(in millions of euro)

	Q 3 2011	Q 3 2010	**09/30/2011**	09/30/2010	12/31/2010
Net sales	**1,464.8**	**1,233.8**	**4,225.7**	**3,559.1**	**4,772.0**
Gross operating profit before restructuring expenses	228.4	173.0	656.3	496.9	684.3
% of net sales	15.6%	14.0%	15.5%	14.0%	14.3%
Operating income before restructuring expenses	174.1	121.5	494.3	346.7	476.3
% of net sales	11.9%	9.8%	11.7%	9.7%	10.0%
Restructuring expenses	(2.2)	(4.5)	(9.9)	(12.4)	(23.2)
Operating income	**171.9**	**117.0**	**484.4**	**334.3**	**453.1**
% of net sales	11.7%	9.5%	11.5%	9.4%	9.5%
Net income (loss) from equity investments	(1.0)	0.0	(1.7)	0.4	0.3
Financial income/(expenses)	(18.3)	(14.0)	(65.3)	(52.7)	(66.4)
Net income (loss) before taxes	**152.6**	**103.0**	**417.4**	**282.0**	**387.0**
Income taxes	(60.0)	(36.8)	(162.0)	(105.4)	(134.4)
Tax rate	39.3%	35.7%	38.8%	37.4%	34.7%
Net income (loss)	**92.6**	**66.2**	**255.4**	**176.6**	**252.6**
% of net sales	6.3%	5.4%	6.0%	5.0%	5.3%

Net financial (liquidity)/debt position	**1,095.0**	**1,205.0**	1,109.9
Net operating cash flow	**(119.1)**	**171.6**	368.5
Investments in tangible and intangible assets	**388.6**	**220.2**	405.0
Number of employees (at year-end)	**31,145**	**29,118**	28,865
Number of industrial sites	**19**	**19**	19

Net sales as at September 30, 2011 totalled euro 4,225.7 million, increasing by 18.7% compared to euro 3,559.1 million reported for the same period in the previous year.

The change on a like-for-like basis over the first nine months reported a 20.1% increase compared to the same period in the previous year, with a positive contribution made by the volumes item (+3.3%) and by the price/mix item (+16.8%). The exchange rate effect was negative by 1.4%.

The growth in net sales impacted both business segments: the Consumer segment recorded a 20.4% positive change (including -1.3% referred to exchange rates) and the Industrial segment recorded a 15.0% positive change (including -1.5% referred to exchange rates).

Net sales in the third quarter totalled euro 1.464,8 million, reflecting an 18.7% growth compared to euro 1,233.8 million reported for the same period in 2010. The increase on a like-for-like basis corresponded to 21.4% and highlighted a positive performance for both items analysed: volumes increased by 2.8% and the price/mix item increased by 18.6%.

Whereas, the exchange rate had a negative effect corresponding to 2.7%.

The following table shows a summary of this change compared to the same period in the previous year:

	Q 1		**Q 2**		**Q 3**		**progressive at 30/9**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Volumes	6.1%	17.4%	1.2%	7.5%	2.8%	1.8%	3.3%	8.6%
of wich Premium	*25,2%*		*21,7%*		*17,5%*		*21,5%*	
Prices/Mix	15.9%	1.4%	15.8%	10.1%	18.6%	12.3%	16.8%	8.1%
Change on a like-for-like basis	**22.0%**	**18.8%**	**17.0%**	**17.6%**	**21.4%**	**14.1%**	**20.1%**	**16.7%**
Exchange rate effect	2.7%	1.0%	-3.7%	5.3%	-2.7%	4.2%	-1.4%	3.6%
Total change	**24.7%**	**19.8%**	**13.3%**	**22.9%**	**18.7%**	**18.3%**	**18.7%**	**20.3%**

Net sales increased in all geographical areas, although at a lower rate in the MEA area, also associated with the political crises in North Africa.

The table below shows the **breakdown of net sales by geographical area and by product category**:

Geographical Area	**09/30/2011**			**09/30/2010**
	Euro/mln	**yoy**		
Italy	405.9	*35%*	10%	8%
Rest of Europe	1,333.6	*19%*	31%	32%
Nafta	430.0	*18%*	10%	10%
Central and South America	1,429.5	*17%*	34%	34%
Asia\Pacific	262.2	*24%*	6%	6%
Middle East\Africa	364.5	*7%*	9%	10%
Total	**4,225.7**	**19%**	**100%**	**100%**

Product category	**09/30/2011**			**09/30/2010**
	Euro/mln	**yoy**		
Car tyres	2,628.0	*21%*	62%	61%
Motorcycle tyres	338.5	*13%*	8%	9%
Consumer	**2,966.5**	**20%**	**70%**	**70%**
Industrial vehicle tyres	1,166.0	*15%*	28%	28%
Steelcord	93.2	*15%*	2%	2%
Industrial	**1,259.2**	**15%**	**30%**	**30%**

The **gross operating profit before restructuring expenses as at September 30, 2011** amounted to euro 656.3 million (15.5% of net sales), reflecting a 32.1% increase compared to the corresponding period in 2010 that amounted to euro 496.9 million (representing 14.0% of net sales).

The result for the **third quarter** amounted to euro 228.4 million compared to euro 173.0 million referred to the third quarter of 2010 (+32.0%).

The **operating income before restructuring expenses as at September 30, 2011** totalled euro 494.3 million (11.7% of net sales), representing a 42.6% increase compared to the corresponding period in 2010 that totalled euro 346.7 million (representing 9.7% of net sales).

The result for the **third quarter** amounted to euro 174.1 million, compared to euro 121.5 million reported for the third quarter of 2010.

The **operating income as at September 30, 2011** totalled euro 484.4 million (+44.9% compared to the same period in the previous year) and represented 11.5% of net sales compared to 9.4% referred to September 2010.

The main factors which influenced net income can be summarised as the positive impact of commercial variables, in particular, the prices/mix item, also dependant on the strategy of focusing on the Premium segment, the increased cost of raw materials which worsened the effects starting from the second quarter and produced an overall impact in September corresponding to approximately euro 347 million, and the contribution of the on-going operations to achieve efficiency in the industrial business segment.

In relation to the item associated with the price/mix, it is important to emphasise that this item exceeded the growth in the cost of raw materials during all three quarters.

The **operating income for the third quarter of 2011** amounted to euro 171.9 million, representing 11.7% of net sales, reflecting a growth compared to the two previous quarters.

More in detail, the changes compared to the periods of the previous financial year can be summarised as follows:

(in millions of euro)

	Q 1	Q 2	Q 3	progressive at 09/30
Operating income for 2010	**95.5**	**121.8**	**117.0**	**334.3**
Consolidation exchange rate differences	2.5	(5.5)	(4.2)	(7.2)
Prices/mix	128.1	154.3	177.4	459.8
Volumes	28.7	8.8	13.9	51.4
Cost of production factors (raw materials)	(81.8)	(129.7)	(135.2)	(346.7)
Cost of production factors (labour/energy/other)	(13.4)	(15.8)	(11.5)	(40.7)
Efficiency gains	15.6	22.1	17.3	55.0
Amortisation, depreciation and other	(22.2)	3.3	(5.1)	(24.0)
Restructuring expenses	(0.6)	0.8	2.3	2.5
Change	**56.9**	**38.3**	**54.9**	**150.1**
Operating income for 2011	**152.4**	**160.1**	**171.9**	**484.4**

The trend for the main economic measures during the individual quarters of the financial year, compared to the periods of the previous year are summarised below:

(in millions of euro)

	Q 1		Q 2		Q 3		progressive at 09/30	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Net sales	1,384.5	1,110.0	1,376.4	1,215.3	1,464.8	1,233.8	**4,225.7**	**3,559.1**
D yoy	*24.7%*	*19.8%*	*13.3%*	*22.9%*	*18.7%*	*18.3%*	***18.7%***	***20.3%***
Gross operating profit before restructuring expenses	209.5	146.4	218.4	177.5	228.4	173.0	**656.3**	**496.9**
% of net sales	*15.1%*	*13.2%*	*15.9%*	*14.6%*	*15.6%*	*14.0%*	*15.5%*	*14.0%*
Operating income before restructuring expenses	155.6	98.1	164.6	127.1	174.1	121.5	**494.3**	**346.7**
% of net sales	*11.2%*	*8.8%*	*12.0%*	*10.5%*	*11.9%*	*9.8%*	*11.7%*	*9.7%*
Operating income	152.4	95.5	160.1	121.8	171.9	117.0	**484.4**	**334.3**
% of net sales	*11.0%*	*8.6%*	*11.6%*	*10.0%*	*11.7%*	*9.5%*	*11.5%*	*9.4%*

The **net income as at September 30, 2011** was positive and totalled euro 255.4 million (after net financial expenses totalling euro 67.0 million and tax expenses amounting to euro 162.0 million) and compared to euro 176.6 million (after net financial expenses totalling euro 52.3 million and tax expenses amounting to euro 105.4 million), referred to the same period in 2010.

The **net financial (liquidity)/debt position** was negative and amounted to euro 1,095.0 million compared to euro 1,109.9 million as at December 31, 2010. Dividends amounting to euro 120.0 million were paid to the Parent Company during the period and a capital increase was recorded amounting to euro 500 million also received from the Parent Company in order to sustain the investment plans envisaged in the 2011-2013 industrial business plan.

On the whole, the **net cash flow generated by operations during the nine months** was negative amounting to euro 119.1 million, compared to a positive value amounting to euro 171.6 million referred to September 2010. The 2011 data were impacted by investments totalling euro 388.6 million, reflecting a 76% increase compared to 2010, and mainly directed at increasing the production capacity in the Premium segment. The cash absorbed associated with the working capital management also increased due to an increase in absolute values in relation to the increased business activities also in relation to increased net sales in the winter segment during the last quarter which will be collected in the fourth quarter.

The net cash flow generated by operations during the third quarter of 2011 was negative and amounted to euro 31.6 million.

The change can be summarised as follows:

(in millions of euro)

	Q 1		Q 2		Q 3		progressive at 09/30	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Operating income (EBIT) before restructuring expenses	155.6	98.1	164.6	127.1	174.1	121.5	494.3	346.7
Total amortisation/depreciation	53.9	48.3	53.8	50.4	54.3	51.5	162.0	150.2
Investments in tangible/intangible assets	(94.5)	(47.6)	(133.8)	(84.5)	(160.3)	(88.1)	(388.6)	(220.2)
Changes in working capital/Other	(291.6)	(132.2)	4.5	37.0	(99.7)	(9.9)	(386.8)	(105.1)
Net operating cash flow	**(176.6)**	**(33.4)**	**89.1**	**130.0**	**(31.6)**	**75.0**	**(119.1)**	**171.6**
Financial income/(expenses)	(63.6)	(45.6)	(85.4)	(61.7)	(78.3)	(50.8)	(227.3)	(158.1)
Net cash flow from ordinary operations	**(240.2)**	**(79.0)**	**3.7**	**68.3**	**(109.9)**	**24.2**	**(346.4)**	**13.5**
Dividends paid to minority interests	(0.7)	-	(1.7)	(3.8)	-	-	(2.4)	(3.8)
Acquisition of minority interests (China)	-	-	-	-	(28.0)	-	(28.0)	-
Cash out for restructuring expenses	(1.8)	(22.2)	(5.7)	(8.3)	(1.6)	(7.0)	(9.1)	(37.5)
Exchange rate differences/other	(6.4)	6.0	18.8	9.4	8.4	(9.3)	20.8	6.1
Net Cash Flow before dividends paid to Parent Company	**(249.1)**	**(95.2)**	**15.1**	**65.6**	**(131.1)**	**7.9**	**(365.1)**	**(21.7)**
Dividends paid to Parent Company	-	-	(120.0)	(156.0)	-	-	(120.0)	(156.0)
Capital increase by Parent Company	-	-	500.0	-	-	-	500.0	-
Net cash flow	**(249.1)**	**(95.2)**	**395.1**	**(90.4)**	**(131.1)**	**7.9**	**14.9**	**(177.7)**

The number of **employees** as at September 30, 2011 totalled 31,145, an increase of 2,280 persons (including 948 temporary workers) compared to the position as at December 31, 2010.

Consumer Business segment

The table below illustrates the economic and cash flow results as at September 30, 2011 and their comparison with the corresponding period in 2010:

(in millions of euro)

	Q 1		Q 2		Q 3		progressive at 09/30	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Net sales	983.3	780.9	958.9	835.8	1,024.3	847.1	2,966.5	2,463.8
D yoy	*25.9%*	*16.5%*	*14.7%*	*19.1%*	*20.9%*	*15.1%*	*20.4%*	*16.9%*
Gross operating profit before restructuring expenses	160.6	106.0	169.7	122.4	172.2	118.9	502.5	347.3
% of net sales	*16.3%*	*13.6%*	*17.7%*	*14.6%*	*16.8%*	*14.0%*	*16.9%*	*14.1%*
Operating income (loss) before restructuring expenses	119.7	69.5	128.6	84.7	131.1	80.5	379.4	234.7
% of net sales	*12.2%*	*8.9%*	*13.4%*	*10.1%*	*12.8%*	*9.5%*	*12.8%*	*9.5%*
Operating income (loss)	116.8	67.0	124.3	80.3	129.0	77.2	370.1	224.5
% of net sales	*11.9%*	*8.6%*	*13.0%*	*9.6%*	*12.6%*	*9.1%*	*12.5%*	*9.1%*

The third quarter recorded increases in all areas for the **Original Equipment** channel in relation to the market trend, with downturns in the latter part; a 4% growth in Europe, an 8% growth in the Nafta area and a 6% growth in South America were reported progressively up to September; a 5% increase was reported in Europe for the **Replacement** channel (an improvement compared to June, also thanks to the positive performance of the winter segment), while the situation remained unchanged in the Nafta area (with a negative third quarter of 2%) and in South America (that recovered in the last quarter).

The table below illustrates the **market trend** in detail:

	Q 1	Q 2	Progressive at 06/30	Q 3	Progressive at 09/30
EUROPE (*)					
Original Equipment	+7%	+0%	+5%	+3%	+4%
Replacement channel	+7%	+1%	+4%	+6%	+5%
NAFTA					
Original Equipment	+15%	+2%	+9%	+8%	+8%
Replacement channel	+7%	-5%	+1%	-2%	+0%
SOUTH AMERICA					
Original Equipment	+8%	+7%	+8%	+3%	+6%
Replacement channel	-2%	-1%	-2%	+3%	+0%

On the whole, **net sales as at September 30, 2011** totalled euro 2,966.5 million (+20.4% compared to the corresponding period in 2010); the **third quarter** reported net sales which totalled euro 1,024.3 million (+20.9% compared to the corresponding period in 2010).

A summary of the changes in net sales is illustrated in the table below:

	Q 1		Q 2		Q 3		progressive at 09/30	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Volumes	9.0%	14.9%	2.6%	6.2%	4.3%	0.8%	5.2%	7.1%
of wich Premium	*25,2%*	*0.0%*	*21,7%*	*0.0%*	*17,5%*	*0.0%*	*21,5%*	*0.0%*
Prices/Mix	14.6%	1.2%	16.2%	8.7%	18.4%	10.7%	16.5%	7.0%
Change on like-for-like basis	**23.6%**	**16.1%**	**18.8%**	**14.9%**	**22.7%**	**11.5%**	**21.7%**	**14.1%**
Exchange rate effect	2.3%	0.4%	-4.1%	4.2%	-1.8%	3.6%	-1.3%	2.8%
Total change	**25.9%**	**16.5%**	**14.7%**	**19.1%**	**20.9%**	**15.1%**	**20.4%**	**16.9%**

The volumes variant improved during the third quarter, mainly due to the growth in volumes in the Premium segment (+17.5%) and in particular for the winter product for which the respective net sales in Europe increased progressively in value by 79% compared to 2010, also achieving an increase in market share; the price/mix item continued to increase thanks to this strategic focus and the price-related initiatives.

The **operating income as at September 30, 2011** totalled euro 370.1 million, with a 12.5% Return on Sales (ROS) compared to euro 224.5 million achieved in the corresponding period in 2010, and which reported a 9.1% ROS.

As in the case of the previous quarters, the **third quarter** also reported a profitability that was higher than the previous year in terms of absolute value (operating income totalling euro 129.0 million, compared to euro 77.2 million in 2010), and in percentage terms, corresponding to 12.6% of net sales (+3.5 percentage points compared to the corresponding period in 2010).

<u>Industrial Business segment</u>

The table below shows the economic and cash flow performance as at September 30, 2011 and a comparison with the corresponding period in 2010:

(in millions of euro)

	Q 1		Q 2		Q 3		progressive at 09/30	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Net sales	401.2	329.1	417.5	379.5	440.5	386.7	1,259.2	1,095.3
D yoy	*21.9%*	*28.4%*	*10.0%*	*32.0%*	*13.9%*	*26.1%*	*15.0%*	*28.8%*
Gross operating profit before restructuring expenses	48.9	40.4	48.7	55.1	56.2	54.1	153.8	149.6
% of net sales	*12.2%*	*12.3%*	*11.7%*	*14.5%*	*12.8%*	*14.0%*	*12.2%*	*13.7%*
Operating income (loss) before restructuring expenses	35.9	28.6	36.0	42.4	43.0	41.0	114.9	112.0
% of net sales	*8.9%*	*8.7%*	*8.6%*	*11.2%*	*9.8%*	*10.6%*	*9.1%*	*10.2%*
Operating income (loss)	35.6	28.5	35.8	41.5	42.9	39.8	114.3	109.8
% of net sales	*8.9%*	*8.7%*	*8.6%*	*10.9%*	*9.7%*	*10.3%*	*9.1%*	*10.0%*

With reference to the market trend, the first nine months indicated 45% growth rates in the **Original Equipment** channel in Europe (with the first quarter reflecting +77% growth rates) and 8% growth rates in South America (with the last quarter reflecting +16% growth rates, also thanks to legislative changes which will require vehicles to comply with the Euro4 standard from January 2012); 5% growth rates were reported in Europe, overall, in the **Replacement** channel (but the last quarter reported a 9% downturn) and with a 2% growth rate in South America (however, a 6% downturn was also reported in this area during the last quarter).

The **market trend** is illustrated in the table below:

	Q 1	Q 2	Progressive at 06/30	Q 3	Progressive at 09/30
EUROPE (*)					
Original Equipment	+77%	+42%	+57%	+24%	+45%
Replacement channel	+16%	+11%	+14%	-9%	+5%
SOUTH AMERICA					
Original Equipment	+2%	+4%	+3%	+16%	+8%
Replacement channel	+10%	+3%	+6%	-6%	+2%

(*) excluding Russia

On the whole, **net sales as at September 30, 2011** amounted to euro 1,259.2 million (+15.0% compared to the corresponding period in 2010); the **third quarter** reported net sales totalling euro 440.5 million (+13.9% compared to the corresponding period in 2010).

A summary of the changes in net sales is illustrated in the table below:

	Q 1		Q 2		Q 3		progressive at 09/30	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Volumes	-0.7%	24.1%	-1.9%	10.4%	-0.5%	4.2%	-1.0%	12.3%
Prices/Mix	19.0%	1.8%	14.9%	13.7%	19.0%	16.2%	17.5%	11.0%
Change on like-for-like basis	**18.3%**	**25.9%**	**13.0%**	**24.1%**	**18.5%**	**20.4%**	**16.5%**	**23.3%**
Exchange rate effect	3.6%	2.5%	-3.0%	7.9%	-4.6%	5.7%	-1.5%	5.5%
Total change	**21.9%**	**28.4%**	**10.0%**	**32.0%**	**13.9%**	**26.1%**	**15.0%**	**28.8%**

On the whole, the downturn in volumes was impacted by the decreased business in Egypt and in North Africa in response to the geopolitical crisis, by decreased sales in the conventional segment in the South America and the cooling of demand in the reference markets during the last quarter.

The **operating income as at September 30, 2011** totalled euro 114.3 million, with a 9.1% ROS, compared to euro 109.8 million achieved in the corresponding period in 2010 that reported a 10.0% ROS.

The **third quarter of 2011** recorded a growth in absolute value (operating income totalled euro 42.9 million compared to euro 39.8 million in 2010) corresponding to a slight downturn in percentage terms, and totalling 9.7% in relation to net sales compared to 10.3% for the same period in 2010, and still conditioned by the combined effect of the decreased sales volumes and the increased cost of natural rubber which have a greater impact in this business segment.

OTHER BUSINESSES

The other businesses include Pirelli & C. Eco Technology S.p.A., Pirelli & C. Ambiente S.p.A., PZero S.r.l. and the Group's holding and service companies, including the Parent Company Pirelli & C. S.p.A..

It is important to remember that both Pirelli & C. Eco Technology S.p.A. and Pirelli & C. Ambiente S.p.A. are 51% owned by Pirelli & C. S.p.A. and 49% owned by Cam Partecipazioni S.p.A., a Camfin Group company.

The table below summarises the values broken down by business activity:

(in millions of euro)

	Pirelli Eco Technology		Pirelli Ambiente		Pzero		Other		Total other businesses	
	09/30/2011	09/30/2010	**09/30/2011**	09/30/2010	**09/30/2011**	09/30/2010	**09/30/2011**	09/30/2010	**09/30/2011**	09/30/2010
Net sales	31.8	46.6	0.8	4.3	8.0	6.5	(0.5)	2.2	**40.1**	59.6
Operating income/(loss)	(9.8)	(6.3)	(4.8)	(3.1)	(6.9)	(0.2)	(11.7)	(17.4)	**(33.2)**	(27.0)
Net income/(loss)	(11.4)	(8.3)	(3.9)	(2.2)	(7.1)	(0.3)	18.3	(5.5)	**(4.1)**	(16.3)
Net financial (liquidity)/debt position	59.7	38.8	45.5	25.7	10.4	6.1	(272.3)	(646.1)	**(156.7)**	(575.5)

Net sales as at September 30, 2011 totalled euro 40.1 million, primarily referred to the business activities engaged in by Pirelli & C. Eco Technology (reporting a decrease compared to 2010) and the business engaged in by PZero, while the **operating income** was negative and totalled euro 33.2 million, compared to a negative value of euro 27.0 million for the same period in 2010.

The difficulties encountered to develop the antiparticulate filters market continue, while Pirelli Ambiente is conditioned by some one-off impacts concerning inventories and assets and PZero is sustaining the costs to enhance and develop the business model that envisages developing the retail channel with the opening of the first one-brand store in Milan in September 2011.

The residual portion that includes the Parent Company benefited from the cited review of the brand royalties with reference to Pirelli Tyre compared to the position reported in 2010.

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

On **July 5, 2011,** Pirelli acquired a 15% stake in Pirelli Tyre Co. Ltd. from the minority shareholder in the framework of enhancing its business activities in China; this acquisition corresponded to a counter value of Yuan Renminbi 256 million, equal to approximately euro 28 million and has increased its ownership stake to 90%.

On **July 7, 2011** Pirelli Ambiente S.p.A., through its subsidiary Solar Utility S.p.A. entered the shareholding structure of GWM Renewable Energy II S.p.A. (hereafter, Gwm RE II), with a 16.9% stake; Gwm RE II is the vehicle company that controls the business in the GWM group's renewable energy segment. The other shareholders are Intesa Sanpaolo with a 12.5% stake and GWM Renewable Energy I with the remaining 70.6%.

Accordingly, Pirelli Ambiente will participate in an international project in the renewable energy sector. GWM RE II intends to become a significant European player in the renewable energy field: the Company’s portfolio already includes 42 Megawatt in the photovoltaic sector in Italy and Spain and more than 222 Megawatt are operational in the wind energy sector in 4 European countries, in addition to 52 Megawatt under construction, via the Danish company Greentech.

Solar Utility S.p.A. entered with an overall investment of approximately euro 25 million, in part achieved by reinvesting the revenue generated by selling its shareholding in GP Energia S.p.A, a joint venture established last year together with the same GWM group in which Solar Utility S.p.A. had conferred its business activities in the photovoltaic sector. The agreement forms part of the project to simplify the shareholdings owned by Pirelli Ambiente and to identify strategic partners to develop its business and to enhance its know-how through minority shareholdings.

On **July 25, 2011** Pirelli Tyre, Russian Technologies and Sibur Holding entered into an agreement that identifies the assets to be transferred to the joint venture to be established between Pirelli Tyre and Russian Technologies. This joint venture will be the primary vehicle company to manage the activities which can be reconverted to Pirelli standards in the car and light truck sector in Russia, in harmony with the conditions envisaged in the "Memorandum of Understanding" (hereafter, the MOU) signed last November 26, 2010. In particular, the agreement envisages transferring the Kirov production facility within November 2011, this facility has a current production capacity that corresponds to more than 7 million units in the car and light truck sector, as well as the undertaking to transfer further assets which it is expected will enable the joint venture to achieve a production of 11 million units within 2014. These assets will be transferred against payment of euro 222 million, overall, subject to an undertaking split pro-quota between the partners and a disbursement totalling euro 55 million in 2011 and equal to euro 167 million in 2012. The Pirelli brand product may reach 50% of the installed capacity (approximately 11 million units in total) and the joint venture's reference products will be winter tyres for the replacement market, in particular, the studdable range to meet the demand of the Russian market and the demand in the Cis area. The joint venture will have a market share corresponding to approximately 20%. The joint venture's foreseen turnover will be approximately euro 300 million in 2012, increasing to more than euro 500 million in 2014, also thanks to investments to restructure and increase the production capacity totalling euro 200 million, overall, during the 2012-2014 period. A double-figure profitability is expected starting from 2013, after the start-up phase has been completed. In the framework of the agreements concerning the joint venture to be established between Russian Technologies and Pirelli Tyre it is expected that the latter may increase its shareholding from 50% to 75% over a period of three years based on a put and call option mechanism. The joint venture will be consolidated by Pirelli from the date of acquisition also by virtue of the existence of a management agreement.

On **August 29, 2011** Pirelli & C. S.p.A. completed the transaction to voluntarily reduce the Share Capital at the expiry of the time limits prescribed by law, since the Company's creditors had not raised objections to the transaction resolved last April 21, 2011. The voluntary Share Capital reduction corresponded to euro 32,498,345.12 to be recognised in equity.

This reduction represents the natural completion of the transaction to assign the Prelios S.p.A. (formerly Pirelli RE S.p.A.) shares executed during the 2010 financial year and does not entail any decrease of the Company's equity, since the amount of the reduction is to be recognised in equity in order to clear to zero the negative reserve generated on completion of the assignment transaction. The foregoing Share Capital reduction does not entail any economic effect for the shareholder from the tax aspect. The new Share Capital of Pirelli & C. S.p.A. amounts to euro 1,345,380,534.66, divided into 487,991,493 shares with no par value indicated, including 475,740,182 ordinary shares (euro 1,311,603,971.79) and 12,251,311 savings shares (euro 33,776,562.87).

On **August 30, 2011,** the Prime Minister of Romania, Mr. Emil Boc, accompanied by Pirelli’s Chairman, Mr. Marco Tronchetti Provera, inaugurated the extension of the Slatina tyre production facility.

Pirelli has already invested euro 300 million in Slatina’s large industrial centre between 2005, the year the production facility was inaugurated in Romania and 2010, and this investment will become euro 450 million in 2014. This industrial centre includes a manufacturing facility for car tyres and a facility to produce steelcord (the metal cord used to produce radial tyres).

In particular, euro 160 million were allocated to the project to extend the tyre manufacturing facility (initiated in 2008 and to be completed in 2013) in the framework of these investments with the aim of increasing the production capacity and improving the overall competitiveness of Pirelli's European industrial structure.

The annual production of the Slatina car tyre manufacturing facility will increase from 7 million units foreseen at the end of 2011 to 10 million units per year at the end of the plan, thanks to these additional investments. Today, the Slatina tyre manufacturing plant is already one of the most modern car tyre manufacturing facilities and will become the Pirelli Group's largest car tyre manufacturing facility. This facility has been equipped with the highest non-robotic production technology designed to manufacture Premium tyres, a segment in which Pirelli is the leading company.

Pirelli presented the new PZero Silver tyre on **September 8, 2011**; this is the first road tyre derived directly from Formula 1 tyres, and with which the latest tyre of the PZero range not only shares the name and the aesthetic features, but above all the engineering design models and the technologies of the materials and the production processes.

The PZero Silver tyre transfers to all motorists the main innovations introduced by Pirelli during the development and production process for Formula 1 applications, a process that assured a constant and timely development of the product offered to the Teams during the season.

The latest tyre in the PZero range that assures a combination of performance, greater duration and lower environmental impact will be on sale in a limited edition from spring 2012.

The first Pirelli PZero flagship store opened in Milan, in Corso Venezia 1, on **September 20, 2011**. The store is structured on two levels and has a total floor space of 1,500 square metres, the industrial design was developed by the architect Renato Montagner, the creative director of the PZero collections. The flagship store forms part of the plans to support the business and, in particular, focuses on the premium and prestige segment, where fashion has a special appeal, in addition to sharing the commitment in research, innovation and technology with Pirelli tyres.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On **October 6, 2011** a memorandum of understanding was signed with the Ministry for Internal Affairs and the Ministry of Education, Universities and Research to identify and sustain joint projects and initiatives designed to foster the awareness of Italian motorists, and in particular, new drivers and students attending senior high schools on the subject of road safety, based on information and training campaigns.
The understanding envisages the collaboration among the parties concerned for a duration of at least three years to develop road safety projects. The agreement forms part of the initiatives undertaken by Pirelli in all European countries to contribute to reducing accidents associated with driving vehicles, also in compliance with the principles of the European Road Safety Charter of which Pirelli is a signatory.
The understanding was signed and accompanied by the presentation of the first project to disclose and foster awareness that originated from Pirelli's collaboration with the Italian national police force: an educational video that explains the importance and key function of the tyre in order to travel safely.

On **October 13, 2011** Pirelli illustrated the project to strengthen its presence in Argentina during a meeting held in Buenos Aires with Ms. Cristina Fernández de Kirchner, President of Argentina and with the Minister of Industry, Ms. Débora Giorgi; the project envisages a new production facility for truck radial tyres that aims to rebalance the Company's presence in South America. The project will take into account the macro-economic scenario and the trend of demand and foresees investments of approximately 300 million dollars starting from 2012 intended for an initial development phase that will be completed within 2014. These investments form part of the overall investments for the industrial business segment communicated to the market last year at the time the industrial business plan was presented. A second phase of the project should involve further investments of approximately 200 million dollars.

The Argentinian government, concurrent with Pirelli's commitment, will accompany the project's development by financing part of the investment at a facilitated rate and by assuring the supply of utilities (gas, electric power, etc.).

On **October 28, 2011** Pirelli announced the launch of a Level 1 American Depositary Receipt (ADR) programme for the United States market and appointed JPMorgan as the custodian bank to manage the ADRs. The programme's launch, effective from November 2, 2011, addresses Pirelli's objective of diversifying the shareholding structure by attracting a greater number of American investors. Each Pirelli ADR (CUSIP 724256201) will correspond to one Pirelli & C. S.p.A. ordinary share traded on the Milan Stock Exchange.

2011 OUTLOOK

As a result of the success of the Group's strategic focus on the Premium segment and continuing efficiency actions, Pirelli expects to end 2011 with profitability at the higher end of the targets announced in July with the presentation of the first half results. The Ebit margin is expected to be approximately 10% at consolidated level (target between 9.5% and 10%) and at approximately 11% for Pirelli Tyre (target between 10% and 11%).

The negative impact of exchange rate fluctuations (-3.7% in the second quarter, and -2.7% in the third quarter) and the slowdown in demand for truck products in some markets (particularly in the Emea region) leads Pirelli to forecast revenues of below euro 5.8 billion at consolidated level (target announced in July: above 5.85 billion euros) and of approximately 5.7 billion euros for Pirelli Tyre (target announced in July: above euro 5.8 billion), with growth in the volume component of around 3% (previous estimate: above 5%), reflecting strong growth in Premium volumes (+23%) and a rationalization of standard volumes. The price/mix component is expected to grow by around 18% (previous estimate: above 16%).

The net financial (liquidity)/debt position estimate is confirmed at approximately negative euro 700 million, excluding the investment in Russia.

RELATED PARTY TRANSACTIONS

Related party transactions, including intercompany transactions cannot be qualified as either exceptional or unusual, but are part of the ordinary course of business of the Group companies. Such transactions, when not carried out at standard conditions, or dictated by specific regulatory conditions, are however settled on an arm's length basis and are executed in compliance with the Company's procedures for related party transactions.

The economic and equity effects of related party transactions on the Pirelli & C. Group's consolidated data as at September 30, 2011 are illustrated below.

Transactions with associate companies

(in millions of euro)

Revenues from sales and services	6.7	This amount mainly concerns the services rendered by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd (euro 6.1 million); Pirelli & C. Ambiente S.p.A. to Idea Granda Società Consortile r.l. (euro 0.5 million).
Other costs	2.6	This amount mainly concerns the costs to purchase Pirelli Tyre Co. Ltd. products (euro 1.6 million) and Pirelli Tyre S.p.A. products (euro 0.8 million) paid by Sino Italian Wire Technology Co. Ltd.; and the costs to purchase Pirelli & C. Ambiente S.p.A. products paid by CORIMAV (euro 0.1 million).
Financial income	0.2	
Current trade receivables	6.9	This amount mainly refers to receivables for services provided by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd. (euro 6.2 million) and Pirelli & C. Ambiente S.p.A. to Idea Granda Società Consortile r.l. (euro 0.5 million).
Other current receivables	2.0	This amount concerns the receivables of Solar Utility S.p.A. due from G.P. Energia S.r.l. (euro 2.0 million).
Current financial receivables	13.8	This amount concerns the receivables of: Pirelli International Ltd. due from Sino Italian Wire Technology Co. Ltd. (euro 13.3 million); Pirelli & C. Ambiente S.p.A. due from Serenergy S.r.l. (euro 0.1 million) and due from Green&Co2 S.r.l. (euro 0.3 million).
Non-current financial receivables	5.1	This amount concerns the receivables of Solar Utility S.p.A. due from GWM Renewable Energy II S.p.A. (euro 5.0 million).
Current trade payables	1.0	This amount mainly concerns the payables for services rendered by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd. (euro 0.9 million) and by Pirelli & C. S.p.A. to Corimav (euro 0.1 million).
Other current payables	2.1	This amount mainly concerns the payables of Solar Utility S.p.A. (euro 2.1 million) due to G.P. Energia S.r.l.
Current borrowings from banks and other financial institutions	0.1	

Transactions with parties related to Pirelli through its Directors

(in millions of euro)

Current trade receivables	5.6	This amount refers to receivables related to the services mentioned above rendered to the Camfin Group (euro 0.6 million) and to the Prelios Group (euro 4.9 million) the details are as follows: Pirelli Sistemi Informativi (euro 2.8 million); Pirelli & C. S.p.A. (euro 1.4 million); Pirelli & C. Ambiente Site Remendation S.p.A. (euro 0.4 million).
Other receivables	150.1	This amount refers mainly to the loan given to Prelios S.p.A. in the framework of the spin-off transaction (euro 150 million).
Current trade payables	4.1	This amount refers mainly to the payables due to FC Internazionale Milano S.p.A. (euro 3.2 million), to the Prelios Group (euro 0.6 million) and to the Allianz Group (euro 0.3 million).
Investments in other financial assets (cash flows)	0.6	This amount refers to the capital increase in F.C. Internazionale Milano S.p.A.
Revenues from sales and services	0.2	This amount refers to the services rendered to the Camfin Group (euro 0.1 million) by Pirelli & C. S.p.A. and to the Prelios Group (euro 0.1 million) by Poliambulatorio Bicocca S.r.l.
Other income	2.4	This amount refers mainly to the services rendered by Pirelli Sistemi Informativi S.p.A. to the Prelios Group (euro 1.7 million) and to the Camfin Group (euro 0.2 million), as well as to lease income and related management costs for Pirelli & C. S.p.A. with respect to Prelios S.p.A. (euro 0.3 million) and with respect to the Camfin Group (euro 0.1
Other costs	10.2	This amount refers mainly to advertising costs paid to FC Internazionale Milano S.p.A. (euro 9.1 million), insurance costs of Pirelli Deutschland GmbH paid to the Allianz Group (euro 0.4 million), lease costs of Poliambulatorio Bicocca S.r.l. paid to the Prelios Group (euro 0.2 million).
Financial income	5.5	This amount refers to accrued interest (euro 4.8 million) and to commissions (euro 0.8 million) paid on the loan in place with Prelios S.p.A.

In addition, there were up-front commission payments to other related parties (Mediobanca S.p.A. and Banca Imi S.p.A. - Intesa group) paid by the Parent Company Pirelli & C. S.p.A. amounting to euro 1.1 million for the bond issue placement.

ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial measures envisaged by the International Financial Reporting Standards (IFRS), a number of measures are presented in this document which derive from the latter even though not foreseen by the IFRS (Non-GAAP Measures). These measures are presented to enable a better assessment to be made of the Group's management performance and are not to be considered as an alternative to the measures envisaged by the IFRS.

In particular, the following Non-GAAP Measures are used:

- **Gross Operating Profit:** The gross operating profit is an intermediate economic measure that derives from the operating income and excludes the depreciation of tangible fixed assets and the amortisation of intangible fixed assets;
- **Fixed assets**: this measure comprises the sum of the following items: “property, plant and equipment”, “intangible assets”, “equity investments in associates and joint ventures” and “other financial assets”;
- **Provisions**: this measure comprises the sum of the following items: “provisions for risks and charges (current and non-current)”, “provisions for employees” and “provisions for deferred taxes and non-tax payables”;
- **Net working capital**: this measure comprises all the other items not included in the two measures cited, in “equity” and in the “net (liquidity)/debt position”;
- **Net financial (liquidity)/debt position:** this measure is represented by the gross financial debt reduced by the cash and other cash equivalents, as well as other financial receivables. The “Financial Statements” section includes a table that highlights the items reported in the Balance Sheet adopted for its determination.

The Board of Directors

Milan, November 8, 2011

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (in thousands of euro)

	09/30/2011	**12/31/2010**
Property, plant and equipment	2,101,775	1,977,106
Intangible assets	848,228	848,761
Investments in associates	153,325	152,927
Other financial assets	155,047	185,267
Deferred tax assets	62,108	69,642
Other receivables	182,644	315,531
Tax receivables	9,763	10,755
Non-current assets	**3,512,890**	**3,559,989**
Inventories	890,414	692,259
Trade receivables	1,024,784	676,681
Other receivables	420,854	174,982
Securities held for trading	239,535	209,770
Cash and cash equivalents	286,708	244,725
Tax receivables	28,293	25,235
Derivative financial instruments	95,985	35,159
Current assets	**2,986,573**	**2,058,811**
Total Assets	**6,499,463**	**5,618,800**
Equity attributable to owner of the Parent:	2,026,490	1,990,831
- Share capital	1,343,285	1,375,733
- Reserves	427,858	593,346
- Net income (loss)	255,347	21,752
Equity attributable to non-controlling interests:	23,379	37,152
- Reserves	27,416	54,675
- Net income (loss)	(4,037)	(17,523)
Total Equity	**2,049,869**	**2,027,983**
Borrowings from banks and other financial institutions	1,367,077	894,711
Other payables	52,511	41,664
Provisions for liabilities and charges	153,368	165,732
Provision for deferred tax liabilities	23,733	33,733
Employee benefit obligations	490,933	481,724
Tax payables	4,654	5,547
Non-current liabilities	**2,092,276**	**1,623,111**
Borrowings from banks and other financial institutions	385,494	247,515
Trade payables	1,206,257	1,066,361
Other payables	479,032	403,373
Provisions for liabilities and charges	101,478	115,984
Tax payables	83,319	64,559
Derivative financial instruments	101,738	69,914
Current liabilities	**2,357,318**	**1,967,706**
Total Liabilities and Equity	**6,499,463**	**5,618,800**

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	Q 3 2011	**Q 3 2010**
Revenues from sales and services	4,265,841	3,618,724
Other income	114,159	101,600
Change in inventories of work in progress, semi-finished and finished products	81,321	8,069
Raw materials and consumables (net of change in inventory)	(1,822,465)	(1,414,345)
Personnel expenses	(845,122)	(776,687)
Amortisation, depreciation and impairments	(170,018)	(162,275)
Other costs	(1,174,671)	(1,069,593)
Additions to property, plant and equipment for internal work	2,175	1,831
Operating income	**451,220**	**307,324**
Net income (loss) from equity investments	3,026	18,064
- share of net income (loss) of associates and joint ventures	*(1,166)*	*(1,399)*
- Gains on equity investments	*3,545*	*20,279*
- Losses on equity investments	*(556)*	*(3,743)*
- Dividends	*1,203*	*2,927*
Financial income	414,879	218,407
Financial expenses	(479,016)	(272,980)
Net income (loss) before income tax	**390,109**	**270,815**
Income tax	(138,799)	(110,467)
Net income (loss) from continuing operations	**251,310**	**160,348**
Net income (loss) from discontinued operations	-	(261,828)
Net income (loss)	**251,310**	**(101,480)**

Attributable to:

Owners of the Parent	255,347	(86,964)
Non-controlling interests	(4,037)	(14,516)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)

		September 30, 2011		
		Gross	**Tax effect**	**Net**
A	**Net income (loss) for the period**			**251,310**
	Other components recognised in Equity:			
	(Gains) losses on other financial assets transferred to Income Statement, previously recognised in Equity	(412)	-	(412)
	(Gains) losses on cash flow hedges transferred to Income Statement , previously recognised in Equity	762	(614)	148
B	**(Gains) losses transferred to Income Statement, previously recognised in Equity**	**350**	**(614)**	**(264)**
	Exchange differences from translation of foreign financial statements	(111,462)	-	(111,462)
	Fair value adjustment of other financial assets	(18,259)	-	(18,259)
	Net actuarial gains (losses) on employee benefits	(10,246)	(394)	(10,640)
	Fair value adjustment of derivatives designated as cash flow hedges	(6,796)	1,881	(4,915)
	Share of other components recognised in Equity related to associates and joint ventures	255	-	255
C	**Gains (losses) recognised in Equity for the period**	**(146,508)**	**1,487**	**(145,021)**
B+C	**Total other components recognised in Equity**	**(146,158)**	**873**	**(145,285)**
A+B+C	**Total comprehensive income (losses) for the period**			**106,025**
	Attributable to:			
	- Owners of the Parent			109,981
	- Non-controlling interests			(3,956)

(in thousands of Euro)

		September 30, 2010		
		Gross	**Tax effect**	**Net**
A	**Net income (loss) for the period**			**(101,480)**
	Other components recognised in Equity:			
	Share of (gains) losses on associates and joint ventures transferred to Income Statement, previously recognised in Equity	4,796	-	4,796
	(Gains) losses on other financial assets transferred to Income Statement, previously recognised in Equity	(8,490)	(48)	(8,538)
	(Gains) losses on cash flow hedges transferred to Income Statement, previously recognised directly in Equity	1,991	(1,144)	847
B	**(Gains) losses transferred to Income Statement, previously recognised in Equity**	**(1,703)**	**(1,192)**	**(2,895)**
	Exchange differences from translation of foreign financial statements	74,778	-	74,778
	Fair value adjustment of other financial assets	(30,601)	(81)	(30,682)
	Net actuarial gains (losses) on employee benefits	(25,864)	4,051	(21,813)
	Fair value adjustment of derivatives designated as cash flow hedges	(7,536)	5,609	(1,927)
	Share of other components recognised in Equity related to associates and joint ventures	914	(73)	841
C	**Gains/(losses) recognised in Equity for the period**	**11,691**	**9,506**	**21,197**
B+C	**Total other components recognised in Equity**	**9,988**	**8,314**	**18,302**
A+B+C	**Total comprehensive income (loss) for the period**			**(83,178)**
	Attributable to:			
	- Owner of the Parent			(74,373)
	- Non-controlling interests			(8,805)

(in thousands of euro)

	Attributable to Parent Company						
	Share capital	Translation reserve	Total IAS reserves *	Other reserves/ retained earnings	**Total attributable to owners of the Parent**	Non-controlling interests	**TOTAL**
Total at 12/31/2010	**1,375,733**	**127,427**	**(378,909)**	**866,580**	**1,990,831**	**37,152**	**2,027,983**
Total other components recognised in Equity	-	(111,542)	(33,823)	-	(145,365)	80	(145,285)
Net income (loss) for the period	-	-	-	255,347	255,347	(4,037)	251,310
Total comprehensive income (losses)	**-**	**(111,542)**	**(33,823)**	**255,347**	**109,982**	**(3,957)**	**106,025**
Capital increases/(decreases)	(32,448)	-	-	32,448	-	9,413	9,413
China - acquisition of minority interests				(10,228)	(10,228)	(17,796)	(28,024)
Dividends paid				(81,113)	(81,113)	(2,393)	(83,506)
Venezuela inflation effect				16,179	16,179	636	16,815
Other				839	839	324	1,163
Total at 09/30/2011	**1,343,285**	**15,885**	**(412,732)**	**1,080,052**	**2,026,490**	**23,379**	**2,049,869**

(in thousands of euro)

	Breakdown of IAS reserves*				
	Reserve for fair value adjustment of financial assets available for sale	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	**Total IAS reserves**
Balance at 12/31/2010	**16,131**	**(27,509)**	**(405,889)**	**38,358**	**(378,909)**
Total other components recognised in Equity	(18,671)	(5,779)	(10,246)	873	(33,823)
Balance at 09/30/2011	**(2,540)**	**(33,288)**	**(416,135)**	**39,231**	**(412,732)**

(in thousands of Euro)

	Attributable to Parent Company							
	Share capital	Translation reserve	Total IAS reserves (*)	Other reserves/ retained earnings	Reserves related to assets/ liabilities held for distribution to shareholders	**Total attributable to owners of the Parent**	Non-controlling interests	**Total**
Total at 12/31/2009	**1,554,269**	**25,234**	**(346,227)**	**941,747**		**2,175,023**	**319,648**	**2,494,671**
Total other components recognised in Equity	-	72,374	(59,783)	-		12,591	5,711	18,302
Net income (loss) for the period				(86,964)		(86,964)	(14,516)	(101,480)
Total comprehensive gains/(losses)	-	**72,374**	**(59,783)**	**(86,964)**		**(74,373)**	**(8,805)**	**(83,178)**
Reserves for assets/liabilities held for distribution to shareholders		739	31,504	-	(32,243)	-		
Dividends paid				(81,114)		(81,114)	(3,968)	(85,082)
Reduction for spin-off of Pirelli & C. Real Estate S.p.A	(178,814)			(37,322)		(216,136)		(216,136)
Venezuela inflation effect				12,588		12,588	495	13,083
Other	278		(406)	7,302		7,174	1,720	8,894
Total at 09/30/2010	**1,375,733**	**98,347**	**(374,912)**	**756,237**	**(32,243)**	**1,823,162**	**309,090**	**2,132,252**

(in thousands of Euro)

	BREAKDOWN OF IAS RESERVES (*)					
	Reserve for fair value adjustment of financial assets available for sale	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Reserve for equity settled stock option	Tax effect	**Total IAS reserves**
Balance at 12/31/2009	**57,755**	**(60,778)**	**(383,893)**	**3,500**	**37,189**	**(346,227)**
Total other components recognised in Equity	(39,834)	(2,725)	(25,696)	-	8,472	(59,783)
Reserves for assets/liabilities held for distribution to shareholders	(254)	33,045	-	-	(1,287)	31,504
Other changes	-	(28)	-	(378)	-	(406)
Balance at 09/30/2010	**17,667**	**(30,486)**	**(409,589)**	**3,122**	**44,374**	**(374,912)**

CONSOLIDATED STATEMENT OF CASH FLOWS **(in thousands of euro)**

		September 30, 2011	September 30, 2010
	Net income (loss) from continuing operations before tax	390,109	270,815
	Amortisation, depreciation, impairment and reversal of property, plant and equipment and intangible assets	170,018	162,275
	Reversal of financial expenses	479,016	272,980
	Reversal financial income	(414,879)	(218,407)
	Reversal of dividends	(1,203)	(2,927)
	Gains (losses) on equity investments	(2,989)	(16,536)
	Share of net income from associates and joint ventures	1,166	1,399
	Income tax	(138,799)	(110,467)
	Change in inventories	(235,749)	(52,671)
	Change in trade receivables/payables	(212,233)	(158,830)
	Change in other receivables/payables	18,946	52,527
	Change in provisions for employee benefits and other provisions	(6,939)	20,540
	Other changes	9,529	(12,872)
A	**Net cash flow provided by/(used in) operating activities**	**55,993**	**207,826**
	Investments in property, plant and equipment	(393,902)	(225,789)
	Divestments of property, plant and equipment	16,718	10,150
	Investments in intangible assets	(2,255)	(1,820)
	Disposals/(Acquisitions) of equity investments in subsidiaries	(28,024)	-
	Disposals/(Acquisitions) of equity investments in associates and joint ventures	(2,497)	(2,057)
	Disposals/(Acquisitions) of other financial assets	7,171	8,290
	Dividends received	1,203	2,927
B	**Net cash flow provided by/(used in) investing activities**	**(401,586)**	**(208,299)**
	Capital increases/(reductions) by non-controlling interests	4,740	-
	Change in financial payables	611,051	(127,880)
	Change in financial receivables	(86,360)	(200,614)
	Financial income/(expenses)	(64,137)	(53,618)
	Dividends paid	(83,506)	(85,082)
C	**Net cash flow provided by/(used in) financing activities**	**381,788**	**(467,194)**
	Net cash flow provided by/(used in) operating activities	-	(33,212)
	Net cash flow provided by/(used in) investing activities	-	(21,365)
	Net cash flow provided by/(used in) financing activities	-	11,275
D	**Total cash flow provided by/(used in) discontinued activities**	**-**	**(43,302)**
E	**Total cash flow provided/(used) during the period (A+B+C+D)**	**36,195**	**(510,969)**
F	**Cash and cash equivalents at beginning of the year**	**226,770**	**610,779**
G	Exchange differences on translation of cash and cash equivalents	(5,124)	2,540
H	**Cash and cash equivalents at end of the year (E+F+G) (°)**	**257,841**	**102,350**
(°)	**of which:**		
	Cash and cash equivalents	286,708	141,266
	Bank overdrafts	(28,867)	(38,916)

FORM AND CONTENT

This interim report on operations as at September 30, 2011 was prepared in accordance with Article 154-*ter* of Legislative Decree No. 58/1998, as well as the related Consob provisions.

The International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force at the date this report was approved were applied for the purposes of recognition and measurement of the accounting measures.

The accounting standards and policies are the same as those used to prepare the annual report as at December 31, 2010 to which reference should be made for greater details, with the exception of the following standards and interpretations in force from January 1, 2011 and endorsed by the European Union, however, their application in this report has not had an impact on the Group's accounts:

- Amendments to IAS 32 – Financial instruments: Presentation – Classification of Rights Issues;
- Amendments to revised IFRS 1 – First-time adoption of International Financial Reporting Standards (IFRS) – limited exemptions from comparative IFRS disclosures required under IFRS 7 upon first-time adoption;
- Revised IAS 24 – Related Party Disclosures;
- Amendments to IFRIC 14 – Prepaid contributions of minimum funding requirements;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to the IFRS (issued by the IASB in May 2010).

Net financial (liquidity)/debt position

(Alternative performance measure not envisaged by the accounting standards)

The breakdown of the net financial (liquidity)/debt position is detailed below:

(in thousands of euro)

	09/30/2011	12/31/2010
Current borrowings from banks and other financial institutions	385,494	247,515
Current derivative financial instruments (liabilities)	5,515	4,810
Non-current borrowings from banks and other financial institutions	1,367,077	894,711
Total gross debt	**1,758,086**	**1,147,036**
Cash and cash equivalents	(286,708)	(244,725)
Securities held for trading	(239,535)	(209,770)
Current financial receivables	(182,060)	(13,266)
Current derivative financial instruments (assets)	(19,526)	(915)
Net financial debt *	**1,030,257**	**678,360**

Non-current financial receivables	(91,945)	(222,757)
Net financial (liquidity)/debt position	**938,312**	**455,603**

* Pursuant to Consob notice of July 28, 2006 and in compliance with CESR recommendation of February 10, 2005 "Recommendations for the consistent implementation of the European Commission Regulation on Prospectuses".

Exchange rates

(local currency against euro)

	Period-end		Change in %	Average		Change in %
	09/30/2011	12/31/2010		2011	2010	
British pound	0.8667	0.8608	0.69%	0.8715	0.8577	1.61%
Swiss franc	1.2170	1.2504	(2.67%)	1.2342	1.4008	(11.89%)
American dollar	1.3503	1.3362	1.06%	1.4070	1.3155	6.96%
Canadian dollar	1.4105	1.3322	5.88%	1.3753	1.3622	0.96%
Brazilian real	2.5040	2.2264	12.47%	2.2978	2.3420	(1.89%)
Venezuela bolivar	5.8063	5.7457	1.05%	5.8063	5.8686	(1.06%)
Argentinean peso	5.6780	5.3127	6.88%	5.7578	5.1238	12.37%
Australian dollar	1.3874	1.3136	5.62%	1.3540	1.4663	(7.66%)
Chinese renminbi	8.5810	8.8493	(3.03%)	9.1414	8.9544	2.09%
Singapore dollar	1.7589	1.7136	2.64%	1.7540	1.8197	(3.61%)
Egyptian pound	8.0527	7.7553	3.83%	8.3446	7.3561	13.44%
Turkish lira	2.5278	2.0590	22.77%	2.2883	2.0022	14.29%

Certification pursuant to Article 154-bis (2) of Legislative Decree No. 58 of February 24, 1998 (“Consolidated Finance Law”)

I, Francesco Tanzi the appointed Corporate Financial Reporting Manager for Pirelli & c. S.p.A., registered office at Viale Piero e Alberto Pirelli 25, Milan, Italy, with share capital of euro 1,345,380,534.66 taxpayer identification number, VAT number and registration number with the Milan Company Register 00860340157, hereby

certify

in accordance with Article 154-bis (2) of the Consolidated Finance Law that the accounting information contained in the interim report on relations as at September 30, 2011 corresponds with the company's accounting records.

Milan, November 8, 2011