



PRESS RELEASE

**PIRELLI: 2009-2011 INDUSTRIAL PLAN PRESENTED;
PRELIMINARY 2008 FINANCIAL DATA REVIEWED**

PRELIMINARY CONSOLIDATED 2008 FIGURES

- CONSOLIDATED REVENUES IN LINE WITH 2007,
POSITIVE OPERATING RESULT, THOUGH DOWN COMPARED WITH 2007 FIGURE DUE
TO HIGHER RAW MATERIALS COSTS, FALLING DEMAND AND RESTRUCTURING
EXPENSES;
NET FINANCIAL POSITION IN LINE WITH Q3 2008;
NEGATIVE 2008 ECONOMIC RESULT FOR PIRELLI RE, MAINLY DUE TO WRITEDOWNS
AND RESTRUCTURING

2009-2011 INDUSTRIAL PLAN

- THE GROUP RESTRUCTURES AND REORGANIZES ITS BUSINESSES;
TRANSFORMATION PROCESS FOR THE THREE-YEAR PERIOD LAUNCHED, WITH
FOCUS ON CORE BUSINESSES (TYRES AND PARTICULATE FILTERS);
 - TECHNOLOGY AND INNOVATION PUSH;
THE GROUP AIMS TO BE A "GREEN PERFORMER"
 - REORGANIZATION OF PIRELLI RE ACCELERATED:
CAPITAL INCREASE PROPOSED FOR A MAXIMUM OF 400 MILLION EUROS
PIRELLI TO UNDERWRITE PRO-QUOTA, AVAILABLE TO TAKE UP ANY
SHARES NOT UNDERWRITTEN;
CONCENTRATION OF ITALIAN REAL ESTATE MANAGEMENT AND SERVICES UNDER THE
GROUP'S ASSET MANAGEMENT COMPANY ("SGR");
IN THE THREE-YEAR PERIOD POSSIBLE STRATEGIC PARTNERSHIPS FOR PIRELLI RE FOR
MANAGEMENT OF ITALIAN AND GERMAN REAL ESTATE PATRIMONY

Milan, 11 February 2009 – The Board of Directors of Pirelli & C SpA and the Board of Directors of Pirelli & C. Real Estate SpA:

- reviewed the preliminary unaudited 2008 financial statements;
- approved the 2009-2011 industrial plan

The Board of Directors of Pirelli RE also reviewed a proposal for a capital increase to strengthen the equity structure and sustain the new business model, and took note of the full agreement on the transaction expressed by the Board of Directors of Pirelli & C.

Consolidated preliminary 2008 data, Pirelli & C SpA Group

For the Pirelli Group, the 2008 fiscal year was heavily conditioned by the international financial crisis, which determined a major slowdown in the world economy with a severe impact on both the automotive industry and the real estate sector.

In order to confront that negative scenario, during the year the group began a profound **restructuring action**. In particular, in the fourth quarter, in consideration of economic prospects for 2009 as well, which impose measures that can guarantee conditions of maximum efficiency and competitiveness, the group felt it was opportune to accelerate these measures, with consequent further effects on economic results.

Taking into account the impact of this restructuring, the group closed the year with a slight decline in revenues, a positive operating result, though lower than in 2007, and a net financial position substantially in line with the figure for the first nine months of 2008.

Consolidated revenues amounted to 4,648 million euros, in line with the previous year(-0.5%) on a like-for-like basis, and net of the exchange rate effect (-3% inclusive of that effect), compared with 4,780 million euros in 2007 net of the sales relating to deconsolidation of real estate assets of DGAG. Considering the DGAG effect, sales as of 31 December 2007 amounted to 6,075.6 million euros.

EBITDA before restructuring charges amounted to 397 million euros, compared with 573.6 million euros in 2007. **EBIT before restructuring charges** stood at 188 million euros compared with 363.9 million euros in 2007. Considering **restructuring charges for the whole year, amounting to 144 million euros**, EBIT was 44 million euros. Restructuring charges were related to rationalization of staff structures and the manufacturing base in Europe for Pirelli Tyre, and to structural rationalization for Pirelli RE.

The **consolidated net financial position** as of 31 December 2008 was **negative for 1,028 million euros** (down slightly from 1,055.7 million euros as of 30 September 2008). The **net financial position at corporate level** was **positive for 536 million euros**. Among the elements affecting it during the year was the repurchase of 38.9% of Pirelli Tyre (835.5 million euros) and the purchase of Turkish minority shareholdings as part of the strategy to strengthen the tyre business (43.3 million euros), and the payment of dividends (168 million euros). As of 31 December 2007, the consolidated net financial position was positive for 302.1 million euros.

It should be noted that the photonics business, and the Integrated Facility Management business of Pirelli RE, sold during the course of the year, are considered "discontinued operations" and are therefore only part of the net result. For homogeneous representation, the comparison with 2007 data is done on a like-for-like basis.

Pirelli Tyre

Pirelli Tyre closed 2008 with revenues slightly up despite a heavily negative economic scenario. Margins suffered from the **increase in raw materials prices, which in 2008 brought about greater costs of about 200 million euros**, as well as from the **crisis in the auto industry** which affected the original equipment channel.

In order to counter that scenario, the company undertook **restructuring actions**, accelerated in the fourth quarter against further deterioration of the market, in order to strengthen the competitiveness of the industrial organization in Europe and reduce costs of central structures.

2008 **revenues** were 4,100 million euros, up 1.3% on a like-for-like basis, net of exchange rates (-1.5% including the exchange rate effect). **EBITDA before restructuring charges** stood at 443 million euros, down 19% compared with 548.6 million euros in 2007. **EBIT before restructuring charges** was 250 million euros, down 30% from 358.1 million euros in 2007. Considering **restructuring charges for the entire year, equal to 100 million euros**, EBIT was 150 million euros. The **net financial position** was **negative** for **1,266 million euros** (559.6 million euros at the end of 2007) following the repurchase of minority stakes in the Turkish subsidiaries and the merger of Speed into Pirelli Tyre.

The **fourth quarter**, in particular, registered **revenues of 870 million euros, down 5%** on a like-for-like basis, and **EBIT before restructuring charges – which in the fourth quarter alone amounted to 68 million euros – of 18 million euros compared with 71.9 million euros in the year earlier period.**

Pirelli RE

In real estate, the market was in its second consecutive year of international crisis. The decline in prices, the slowdown in transactions and credit access difficulties penalized all the companies in the sector. In order to counter the changed scenario, **Pirelli RE** announced at the end of the year a **process of cost cutting and reorganization** focused on the two territorial macro-areas of Italy and Germany/Poland, aiming at relaunching the business activities and bringing out the value of the quality of assets in the portfolio.

Pro-quota aggregate revenues of Pirelli RE in 2008 amounted to approximately 776 million euros, down 18% compared with 2007 (they stood at 949 million euros net of the component relating to the deconsolidation of DGAG). **Consolidated revenues** were about 365 million euros (in 2007 they stood at 334.1 million euros net of DGAG). **EBIT including the results of equity participations, before restructuring and revaluations/writedowns**, was negative for about 60 million euros compared with a positive figure of 83.6 million euros in 2007 (net of DGAG).

EBIT including results of equity participations, restructuring and revaluations/writedowns, was negative for about 240 million euros (compared with a positive figure of 151.1 million euros in 2007 net of DGAG), of which about 136 million euros were writedowns and about 44 million restructuring costs; in 2007 there were revaluations for 67.5 million euros.

The **net financial position** at the end of 2008 was negative for about 289 million euros, in line with 289.7 million euros at the end of 2007 (as of 30 September 2008 it was negative for about 324 million euros). The **net financial position, including shareholders' loans**, was negative for about 862 million euros as of 31 December 2008, with an improvement of about 73 million euros compared with 30 September 2008 and about 46 million euros worse compared with 31 December 2007. **The debt with controlling shareholder Pirelli & C SpA was reduced to about 490 million euros**, compared with about 700 million euros as of 30 September 2008 and about 526 million euros as of 31 December 2007.

It should be noted that the activities of Integrated Facility Management of Pirelli RE, sold during the course of the year, are considered "discontinued operations" and therefore are only part of the net result. For homogeneous representation, the comparison with 2007 figures is on a like-for-like basis.

2009-2011 Industrial Plan

The Pirelli Group

In a macroeconomic scenario that continues to present critical elements and uncertainty, the Pirelli Group has already begun, and will continue to develop, the measures necessary to increase its competitiveness and improve its efficiency in the different sectors where it is present. The group will continue and intensify the actions of **restructuring, reorganization and rationalization of the businesses**, focusing on **development of solutions** that anticipate market demand, in particular in all the businesses related to definition and evolution of **“green” technologies and products**, in line with new environmental standards.

Through **cost cutting, optimization of geographical presence, reorganization and rationalization of existing business activity and continuous attention to research and technology innovation**, the **solidity and flexibility of the group** will be strengthened. The group will therefore be able to not only face the current economic crisis, but also to **take advantage of new growth and development opportunities**.

The objective for the three-year period is one of **transformation**, bringing the group to greater **focus on its core businesses (Pirelli Tyre and the particulate filters of Pirelli Eco Technology)**, to be a **“green performer”** in its areas of activity and to have the **financial flexibility** to be able to **sustain growth**.

Thanks to skills already acquired, Pirelli will continue to **develop products and solutions on the cutting edge in the “green economy”**, which offers important **development opportunities** in various sectors: sustainable mobility, eco-compatible building construction, renewable energy. At the end of the three-year period the **incidence of the “green” component on revenues is expected to rise to about 40% of the total compared with about 20% today**.

The reorganization and restructuring actions already begun by **Pirelli Tyre** will increase competitiveness of its industrial structure. The measures foreseen for the three-year period will allow the company to improve its profitability and continue to generate liquidity, making the most of a competitive advantage arising from a manufacturing presence in emerging markets that present higher growth rates and lower industrial costs.

Pirelli Eco Technology will leverage its technology to capture an important position in the particulate filter market both for commercial vehicles already in circulation and for new vehicles and, thanks in part to synergies with Pirelli Tyre, will develop within a rapidly growing market.

In the **real estate** sector the reorganization plan already launched at the end of 2008 will continue, with the adoption of a leaner structure concentrated on the geographical areas of Italy and Germany/Poland, capable of making the value of the assets in the portfolio emerge. The reorganization of **Pirelli RE** also foresees concentrating all Italian real estate services and portfolio management under the company’s fund management company (“SGR”). The actions and the strategies adopted, together with know-how matured in the industry, will open the way for **strategic partnerships for management of the Italian real estate patrimony**. The proposed capital increase will allow for strengthening the equity structure and sustaining the new business model, protecting the value of the assets, which is currently unexpressed, while awaiting a recovery of the market, now heavily weighed down by the economic crisis.

Pirelli Labs will continue with **advanced research** in support of all the industrial activities of the group with an **essential role in launching start-ups** in business areas of interest which, thanks to the **strength and value of the Pirelli brand**, will be able to increase their value both through autonomous development projects and through aggregations with other market players.

An example of development of innovative businesses supported by the research at Pirelli Labs is the **photovoltaic business of Pirelli Ambiente**, with the opportunities offered by the growth of the renewable energy market.

The group will also continue to develop broadband access systems, to give **Pirelli Broadband Solutions** a portfolio of more and more innovative and complete products and services, and will be open to **opportunities for aggregation with third parties** that may arise which may further increase the value of the business.

The group has a **solid financial structure**, with a net financial position as of 31 December 2008 that was negative for 1,028 million euros and **available, unutilized credit lines worth about 800 million euros and expiration dates allowing the company to have no need for debt refinancing for the next two years.**

During the course of 2008 the group strengthened its core business with the repurchase of the 38.9% of Pirelli Tyre held by Speed for 835.5 million euros and the purchase of minority shares in Pirelli Tyre's Turkish subsidiaries for 43.3 million euros.

At corporate level the group has a positive net financial position of 536 million euros, the balance between debt of 511 million euros, available liquidity of about 110 million euros and credits with business units of about 930 million euros (in particular approximately 490 million euros with Pirelli RE and about 430 million euros with Pirelli Tyre, mainly attributable to the purchase of Speed). Thanks to that solidity, the group will be able to on the one hand contribute to strengthening the equity structure of Pirelli RE, and on the other hand have flexibility, taking into account Pirelli Tyre's capacity to generate liquidity.

In the three-year period covered by the plan, a progressive improvement of the net financial position is expected: after a 2009 in which the NFP is expected to be in line with 2008, the group expects for the end of the period **net debt, before any dividends, of less than 800 million euros**, in part thanks to expected **net cash generation of 250 million euros.**

Pirelli Chairman Marco Tronchetti Provera said:

"The coming three years for Pirelli will be three years of transformation, which the group is prepared for thanks to acceleration of restructuring already begun in 2008. Today we can count on significant solidity of our equity base and on the efficiency of Pirelli Tyre, which will increase its profitability and continue to generate liquidity. The strengthening of Pirelli RE will help bring out the value of its assets, not expressed today. Our course of growth will be ensured by further rationalization and focus on core businesses, with an increase in the "green" component of the business."

Group targets

2009:

Revenues: approximately 4.3 billion euros (of which 25% "green")

EBIT margin: 4.5 to 5%

Net financial position: negative for approximately 1 billion euros

2011:

Revenues: 4.7 to 4.8 billion euros (of which 40% "green")

EBIT margin: approximately 8%

Net financial position: negative for less than 800 million euros (before any dividends, if any)

Pirelli Tyre

In a macroeconomic context where the tyre business is penalized by the effects of the international crisis, reorganization and restructuring actions already underway will allow Pirelli Tyre to improve the competitiveness of its industrial structure. The actions to be carried out in the three-year period will allow the company to improve profitability and continue to generate liquidity, using the competitive advantage of a manufacturing presence in emerging markets which present greater growth rates and lower industrial costs.

The company has responded rapidly to the unfavorable economic scenario, starting up and accelerating a restructuring plan which in 2008 brought about financial charges of 100 million euros and whose benefits will allow the company to meet the continued challenges in market conditions, already this year.

The strategy that will allow the company to reach its objectives includes:

Actions on costs

- continuation of the plan already begun in 2008, with the goal of **saving over 300 million euros in the three-year period**. This will be through:
 - **rationalization of manufacturing structures and staff** in Europe;
 - **renegotiation of raw materials purchasing agreements** in order to take advantage of a phase of falling prices, following an increase in these costs of about 200 million euros in 2008;
 - **savings from lower energy costs** and on logistics.
- **growth of manufacturing capacity in emerging markets**, where the greatest demand and the lowest industrial costs (logistics, energy, cost of labour) are located. Examples are the Group's factories in China, where the start-up phase has been concluded, in Latin America, in Egypt, in Turkey and in Romania, and the presence in Russia.
 - **Industrial:** Pirelli Tyre has 87% of its total production today in low-cost countries, where the company associates cost-competitive structures with the use of cutting-edge technology. This represents a unique competitive advantage with respect to the 50% average figure of Pirelli's four major competitors.
 - **Consumer:** rationalization of geographical distribution, focusing high value added production in high-cost countries. This occurs already in Germany (Ultra High Performance – UHP, Winter, Runflat) and in the UK (SUV) and will be applied in the new high-tech production facility in Settimo Torinese (Turin) in Italy, where 155 million euros in investments are confirmed.

Actions on revenues

- Skill in **responding to demand in high growth markets**, taking advantage of the **competitive leverage of local presence and brand strength**;
- **Development and launch of new products: premium, green performance and Cyber Tyre**
 - **Industrial:** new product launches aim to increase market share (with particular attention to Russia, China and the Far East) and to confirm the leadership position in Latin

America and the Mediterranean area. In addition the company aims to take advantage of opportunities offered by the Agro segment.

- **Consumer:** the goal is to create value by confirming the selective partnership strategy in original equipment, which focuses on quality and profitability more than volumes, and reinforcing, in the replacement channel, **Pirelli's leadership in the high performance segment**. In addition, the company aims to take advantage of opportunities offered by the evolution of the market with **'green' products developed ad hoc in the various market segments, under the umbrella of the Cinturato brand and with innovative solutions for the auto industry, like the Cyber Tyre**. In the motorcycle sector, essentially non-cyclical and representing a significant contribution to the profitability of the consumer sector, Pirelli expects to further consolidate its leadership position.

R&D and technology

The actions delineated above will be supported by R&D, with continuous technological evolution of products and manufacturing processes. In particular, with:

- **evolution of MIRS**, Pirelli's robotized system for manufacturing tyres;
- **new ecological materials**, among which silica derived from **rice husk**, with benefits both on the environmental front and on the cost front. Development of "green performance" products is foreseen for the various segments, strengthening in particular the leadership Pirelli already holds in the Premium segment;
- technological **partnerships** with other actors in the sector. An example is the recent agreement signed with Brembo and Magneti Marelli for the Cyber Tyre, the tyre with an integrated chip which will make a significant contribution in terms of safety and reduction of fuel consumption. Pirelli has been working for some time with the contribution of some of the most prestigious research institutions, including Ispra, Milan's Politecnico University, Turin's Politecnico University, UC Berkeley, the University of Craiova, and Shandong University;
- development of the **technological and manufacturing facility in Settimo Torinese** (Turin), to build a factory for production of the company's most technologically advanced and efficient 'green' tyres, within the context of a process that guarantees the highest standards of efficiency and productivity of the factory.

Targets

2009:

Revenues: - 6 to -7% compared with 2008

EBIT margin: 6.5 to 7%

Net financial position: negative for 1.2 billion euros (before dividends, if any)

2011:

Revenues: +9 to +10% compared with 2009

EBIT margin: 8 to 8.5%

Net financial position: negative for approximately 1 billion euros (before dividends, if any)

Pirelli Eco Technology

Pirelli Eco Technology aims to achieve a leadership position in the field of technology for control of diesel vehicle emissions with the use of **particulate filters**. This goal will be pursued in part thanks to synergies with Pirelli Tyre, in particular relating to use of its commercial network. The use of such filters is constantly increasing as international regulations become more and more stringent, and due to incentives for their use in some countries and the low cost of their application.

In particular, the company holds proprietary technology called **Feelpure**, which is a **filter system based on silicon carbide, which can reduce particulate emissions of diesel engines by more than 95%**.

The **'retrofit'** technology used by Pirelli Eco Technology, destined for commercial vehicles and buses already in circulation:

- **allows for access to city center areas with limits on vehicles with high polluting levels, respecting the most recent European legislation;**
- **is the only one to have obtained homologation in Italy;**
- **is certified for access to limited traffic areas in Switzerland, Denmark, Sweden, Norway, the Netherlands, and the United Kingdom. In the first half of 2009 homologation is expected in key markets such as Germany and China.**

In a market phase favorable to the widespread use of particulate filters, Pirelli Eco Technology intends to capitalize on the competitive advantage it enjoys, based on:

- **an increase in manufacturing capacity.** The company is moving in this direction with the startup of the new totally automated factory in Romania (with annual manufacturing capacity of about 50,000 units) and the manufacturing facility in Arese (Italy, with capacity of around 30,000 units);
- **greater commercial presence in key markets,** with a focus in 2009 on Italy and Germany that will extend in 2009-2011 to other parts of Europe and China and, later, to other parts of the world;
- **strengthening both in the retrofit segment and, in the medium term, in original equipment;**
- **research and innovation,** in part thanks to collaboration with international universities, as well as with Pirelli Labs, for development of new applications and continuous improvement of manufacturing processes. Today the new totally automated filter factory in Romania, developed as part of Pirelli's industrial aggregation there, is an example.

The goal is to become, within 3-5 years, leader in the 'retrofit' market in Europe.

Targets

2009:

Revenues: more than 100 million euros (approximately 60 million euros in 2008)

EBIT margin: more than 10%

2011:

Revenues: more than 200 million euros

EBIT margin: more than 20%

Pirelli RE

The objective of Pirelli RE is to **increase efficiency of management of the assets in its portfolio, cut costs and adapt its internal organization** to the changed scenario in the real estate market, accelerating the turnaround the company has already begun. Penalized by a phase in the market that renders the real value of its assets unexpressed, the company will go into the three-year period strengthened from an equity point of view thanks to the proposed capital increase.

Pirelli RE will continue **restructuring and rationalization** actions already begun, with the new organizational structure based on two territorial areas, Italy and Germany/Poland, less exposed than others to the volatility in the real estate market. The aim of the restructuring, whose benefits will be manifested already in 2009, is to rationalize intermediary organizational levels and reduce operating costs thanks to downsizing of personnel and a clear simplification of corporate structures.

The business units, organized by product specialization (Residential and Commercial), allow the company to combine local market knowledge and specialized product know-how. In Italy in particular it is foreseen that **all real estate services and portfolio management will be concentrated in the Group's asset management company ("SGR")**, which will become the main real estate asset manager in Italy, open to possible strategic partnerships.

Actions taken aim towards clearer **highlighting of the high quality of the assets in the portfolio**.

Sale of non-strategic assets such as the 'Non Performing Loans' (NPL) business will be part of the rationalization of the company's activities.

The **new business model** also aims at:

- progressive **reduction of debt**;
- reaching economic and financial equilibrium in real estate management through a **better balance between recurring revenues and structural costs**;
- progressive **reorientation from an approach characterized by rapid portfolio rotation to one more focused on quality and profitability**;
- **selective management of real estate development projects**, based on trends in demand.

The strategy for reaching these goals includes:

Actions on costs

- **rationalization of the number of employees in real estate**, with the goal of reaching a headcount of about 800 people at the end of 2009, net of already expected outsourcing of activities;
- **reduction of the number of corporate vehicles and cutbacks in other fixed costs**.

These actions will allow for **savings of 50 million euros already in 2009**.

Actions on revenues

- **Area: ITALY**
 - **Preside efficiently over all the phases in the value chain**, responding to demand for services both in Residential and in Commercial (stores, offices, logistics).
 - Focus the business on the following activities:
 - **sales of non-strategic real property** and of the current **Residential portfolio**;
 - selective development of **real estate initiatives** in Residential, realizing products with distinctive characteristics such as eco-compatibility, at sustainable prices;
 - **increase profitability in Commercial**, bringing occupation rates of rental properties to above 95% in 2011, and improving profitability indicators on properties (such as the Yield/Cost ratio on investment and NOI (net operating income, the balance between gross income from properties and cost of managing the same properties));
 - **partnerships in the public and private sectors** for management of large real estate portfolios, as already experimented in Milan and Turin.

- **Area: GERMANY/POLAND**
 - Focus the business on the following activities:
 - in **Residential**: improvement of **asset management**, with the goal to increase profitability of assets, and administrative services for property in the portfolio (**property management**); concentration of Agency services on single unit sales;
 - in **Commercial**: improvement of **asset management**, with the goal to increase profitability of assets, and focus on reconversion of properties (**development management**); reallocation of part of the Karstadt (Arcandor Group) portfolio properties; further development of the shopping center management activity.

Financial structure

At the close of 2008, Pirelli RE had a negative net financial position of about 289 million euros, in line with previous year. **The net financial position including debt owed to shareholders was, at the end of 2008, negative for approximately 862 million euros. This figure, thanks to the actions foreseen by the plan and in particular sales of assets and non-strategic activities – is expected to fall significantly during the three-year period to about 350 million euros at the end of 2009 and about 200 million euros at the end of 2011 (figures after proposed capital increase).**

The company, whose **debt owed to controlling shareholder Pirelli & C has been reduced** to about 490 million euros from about 714 million euros as of 30 September 2008, can count on **bank credit lines amounting to about 400 million euros.**

The **quota pertaining to Pirelli RE of total debt of real estate funds and vehicles it owns stakes in amounts to about 3 billion euros** (3.6 billion euros including the 0.4 billion euros of shareholder financing relating to real estate activities and 0.2 billion euros of shareholder financing relating to NPL activities), divided between 2.6 billion euros in real estate and 0.4 billion euros in the NPL

activities. That debt, which has an average residual life of approximately 3.6 years, is guaranteed by real property and by NPL credits behind the loans.

The net asset value (NAV) of real estate assets pertaining to Pirelli RE, following writedowns, amounts to approximately 800 million euros, the balance between the pro-quota market value of assets managed by Pirelli RE (approximately 3.8 billion euros) and the pro-quota debt owed by investment funds and vehicles to banks plus debt owed by Pirelli RE to Pirelli & C.

Refinancing needs of vehicles (average pro-quota share pertaining to Pirelli RE is 24%) amount to approximately **154 million euros for 2009 and approximately 176 million euros for 2010. Refinancing needs for 2011 amount to approximately 778 million euros**, of which approximately **425 million euros related to Highstreet**, the investment company which holds in its portfolio the buildings leased to Karstadt (Arcandor Group), the German department store chain, and which Pirelli RE owns 12% of, alongside shareholders like Deutsche Bank, Assicurazioni Generali and Goldman Sachs.

Targets

In 2009 the company aims for a turnaround, from a loss of 60 million euros in 2008 (EBIT including results from equity participations and before revaluations/writedowns and restructuring costs) to a profit of 20/30 million euros, thanks to actions on costs and on increasing the value of the asset management company (“SGR”). One billion euros in sales are foreseen this year, from which Pirelli RE will benefit pro-quota, and no acquisitions are foreseen.

As a trend, **the goal for 2011 is one of stability of assets managed compared with 2008**, in part thanks to management of new third party portfolios, and **EBIT close to 100 million euros** (including results from equity participations and before revaluations/writedowns and restructuring costs).

Proposed capital increase

Within the context of the three-year plan, the Board of Directors of Pirelli RE reviewed a transaction aimed at strengthening the equity structure and sustaining the new business model, approving **a proposal for a capital increase, with shareholders’ pre-emption right, up to a maximum amount of 400 million euros.**

In terms of the conditions for the capital increase, it is foreseen that the shareholders give a mandate to the Board to set, among other things, the issue price, taking as a point of reference the theoretical ex-rights price (“TERP”) of Pirelli RE ordinary shares and applying a discount in line with the conditions, and best practices, applied on the market in similar transactions.

The capital increase transaction has received the full support of controlling shareholder Pirelli & C., which has committed itself to underwrite the quota pertaining to it and has declared its willingness to underwrite any shares which, at the end of the offer procedure, are not underwritten. Pirelli & C. will fulfill its commitment by converting part of its financial credit vis a vis Pirelli RE into equity.

The documentation legally required to formulate the capital increase proposal to the extraordinary shareholders’ meeting will be examined by the Board of Directors’ meeting of Pirelli RE scheduled for 5 March. The Board meeting will also call the extraordinary shareholders’ meeting which, presumably, will be scheduled to coincide with the ordinary shareholders’ meeting called to approve the financial statements for the year that closed on 31 December 2008.

It is foreseeable that the transaction may be completed in the first half of the current year, assuming approval by the extraordinary shareholders’ meeting and necessary authorizations from competent authorities.

Pirelli Ambiente

Pirelli Ambiente is the company in the Pirelli Group specialized in technologies for sustainable development, renewable energy sources including photovoltaic, and environmental site remediation.

In the three-year period, the Group foresees a redefinition of the **assets in the company's portfolio, with a strong imprint in the direction of photovoltaic energy** in a scenario that offers excellent opportunities for development. In this area the company operates with Solar Utility, the 50/50 joint venture with Global Cleantech Capital.

The strategy outlined for reaching objectives includes:

- **Technological leverage:** thanks to collaboration with Pirelli Labs, Pirelli Ambiente has developed a **solar tracker** with low visual impact, high wind resistance and reduced installation and maintenance costs. The company has also recently realized a **photovoltaic concentrator**, a highly innovative solar panel with reduced costs thanks to reduced use of silicon, greater efficiency per solar cell, and lower cost manufacturing processes;
- **Increase in energy generation capacity**, to reach up to about 50 MegaWatts at the end of 2010, in particular thanks to 10 systems now awaiting authorization, whose construction will begin in the second quarter of 2009.

Pirelli Broadband Solutions

Pirelli Broadband Solutions is the company in the Pirelli Group which operates in **broadband access solutions**, offering a range of products for domestic and small business solutions, with access gateways, IPTV set-top boxes, remote management systems and fixed-mobile convergence solutions for the digital home. The company addresses a market whose potential value is estimated at 2.5 billion euros today, and is growing rapidly thanks to development of the 'quadruple play', to incentives for new generation network construction, and to progressive diffusion of IPTV.

In the three-year period the company plans:

- constant focus on technological innovation;
- completion and broadening of the product portfolio, with consequent diversification and growth of the customer base;
- strengthening of its commercial presence internationally, with particular attention to Latin America, Asia Pacific, and North Africa;
- possible strategic partnerships to sustain further development.

Targets

2009:

Revenues: 130 to 140 million euros

EBIT margin: 3 to 3.5%

Net financial position: stable (negative for approximately 15 million euros in 2008)

2011:

Revenues: 140 to 150 million euros

EBIT margin: 4 to 4.5%

Net financial position: stable

The manager mandated to draft corporate accounting documents of Pirelli & C. SpA, Claudio De Conto, and the manager mandated to draft corporate accounting documents of Pirelli RE, Gerardo Benuzzi, declare – 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 of the above mentioned companies.

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