



Milan, November 7th, 2008

PIRELLI GROUP 9M 2008 FINANCIAL RESULTS

Marco Tronchetti Provera
Pirelli Group Chairman

Agenda

- ▶ **9M'08 highlights** Marco Tronchetti Provera, Chairman
- ▶ Financial Review Claudio De Conto, COO and CFO
- ▶ Pirelli Tyre Results Francesco Gori, Tyre CEO
- ▶ Pirelli Real Estate Carlo Puri Negri, Real Estate CEO
- ▶ Outlook 2008 Marco Tronchetti Provera, Chairman
- ▶ Q&A Chairman and Top Management
- ▶ Appendix

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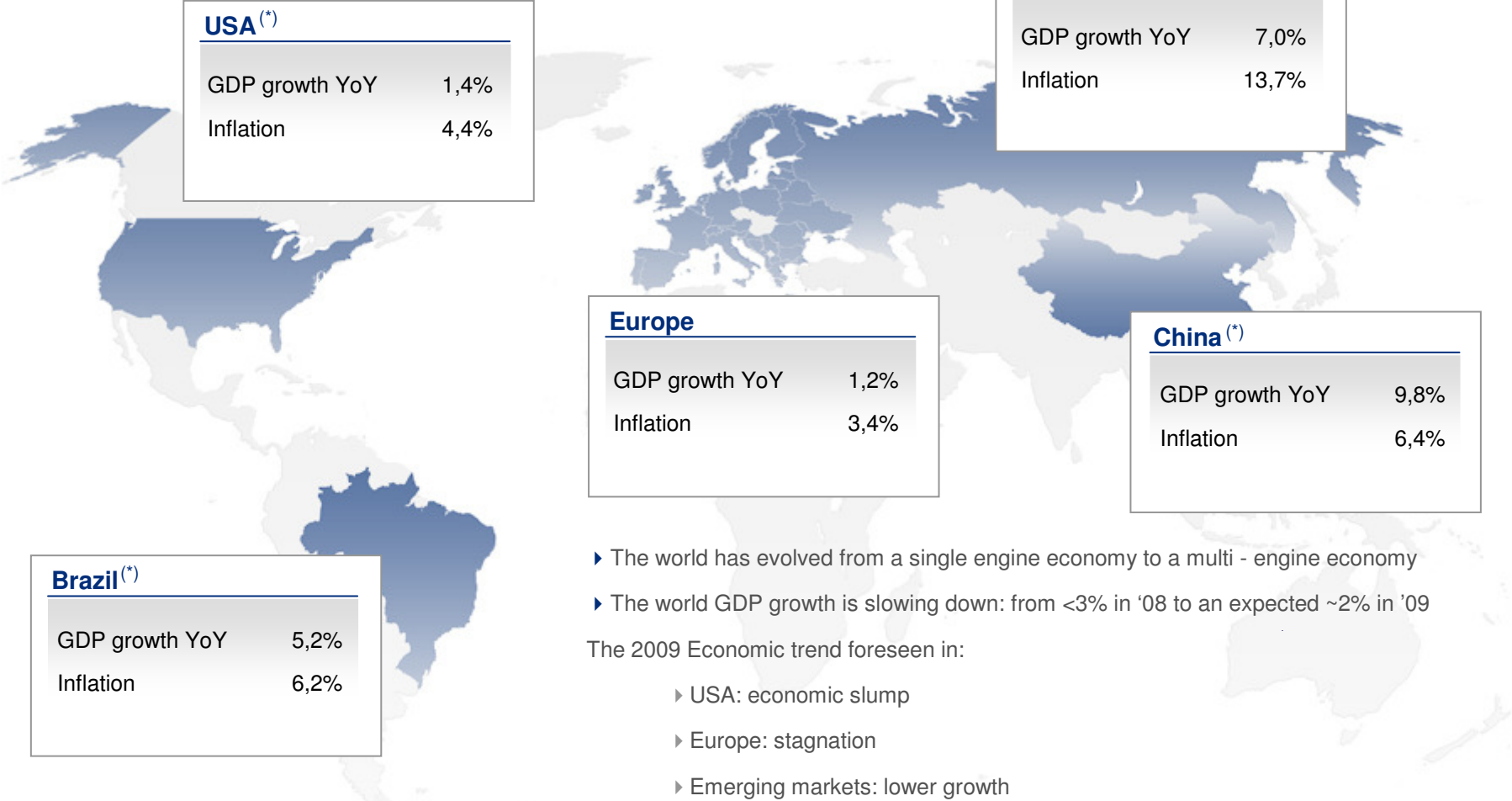
Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors. Consequently it is recommended that they be viewed as indicative only.

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2008 global economic scenario & Pirelli positioning

(1/2)



USA (*)	
GDP growth YoY	1,4%
Inflation	4,4%

Russia (*)	
GDP growth YoY	7,0%
Inflation	13,7%

Europe	
GDP growth YoY	1,2%
Inflation	3,4%

China (*)	
GDP growth YoY	9,8%
Inflation	6,4%

Brazil (*)	
GDP growth YoY	5,2%
Inflation	6,2%

- ▶ The world has evolved from a single engine economy to a multi - engine economy
- ▶ The world GDP growth is slowing down: from <3% in '08 to an expected ~2% in '09

The 2009 Economic trend foreseen in:

- ▶ USA: economic slump
- ▶ Europe: stagnation
- ▶ Emerging markets: lower growth
- ▶ The raw material costs dramatically affected '08 results but are now decreasing

(*) Source of macroeconomic data: Consensus Economics

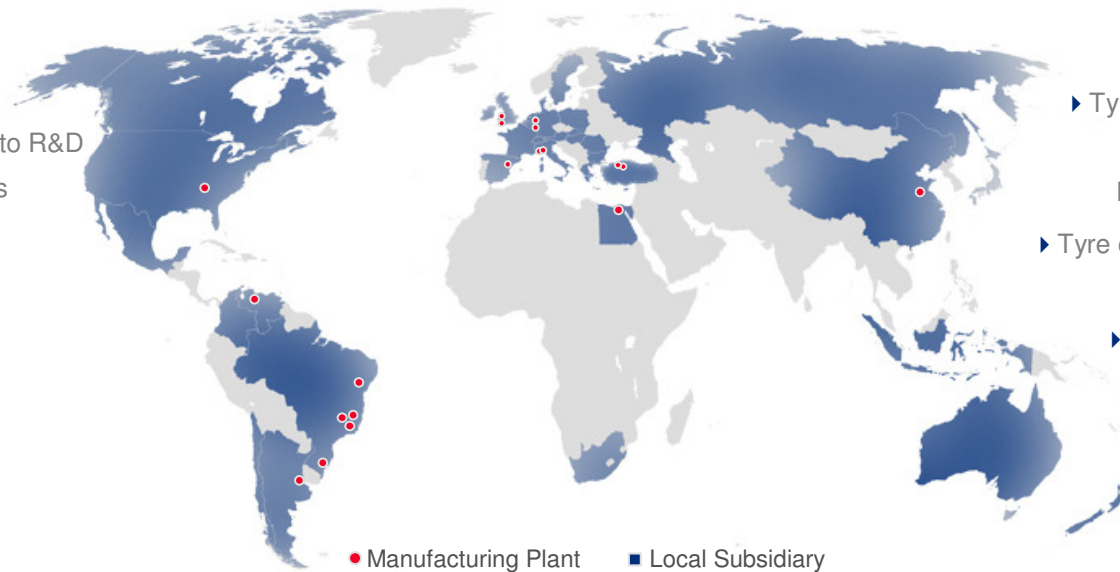
2008 global economic scenario & Pirelli Tyre positioning (2/2)

Pirelli, as a global company, has to face this scenario leveraging on flexibility and innovative capabilities

Pirelli strengths

As of Sept. '08

- ▶ 29,151 Employees
- ▶ Approx. 1000 dedicated to R&D
- ▶ 24 Plants in 12 Countries
- ▶ 160 countries with commercial network
- ▶ Enhanced production in Europe
US and
- ▶ in **Brazil,**
Romania,
China,
Turkey
Egypt
Russia next



As of Sept. '08

- ▶ Tyre Revenues: €/mIn 3.229
of which
Emerging markets: ~ 47%
- ▶ Tyre channel mix (OE/ REPL):
27%-73%
- ▶ Tyre productive structure
over 70% low cost
- ▶ R&D on tyre sales:
~ 4%

Accelerating restructuring and cost cutting plan

Exploiting geographic diversification & investing in new growing areas

Focusing on innovation

Pirelli's immediate reaction to a deep change in 3Q '08 macro scenario

In **TYRE**, a quick short term plan

3 macro actions:

- ▶ Management and staff right sizing in HQ and main European Companies (from now to 1Q 2009)
- ▶ Output reduction in **all** Western European factories, both tactical (4Q) and structural (2009)
- ▶ While keeping investments plans on track and focused on increasing market share in developing economies such as Brazil, Romania, China and Russia, where Tyre Market growth continues

In **Real Estate** a deep evolution...

Real Estate scenario evolution and Pirelli Re positioning

Real Estate Market Scenario



Pirelli RE positioning

Pirelli RE actions

Forward looking business restructuring:

- ▶ New organization model (Integrated BU)
- ▶ Launch of 35 mil € cost reduction program

Pirelli RE Evolution

- ▶ Business model reshaping
- ▶ Group structure simplification
- ▶ De-leveraging program



An updated mission...

- ▶ Continue to play the role of leading **Real Estate Fund & Asset Manager** in Italy, Germany and Poland
- ▶ Shift focus from strong growth to **consolidation** in order to face the new market condition and get ready to capture recovery
- ▶ Maintain the unparalleled **innovation capabilities**

... deployed in the following priorities

Portfolio re-sizing and rebalancing

- ▶ accelerated disposals of smaller and non core / non real estate assets
- ▶ focus on long term (core) portfolio
- ▶ significant increase of third parties' assets under management
- ▶ possible upside from fund raising to catch opportunities regarding "special situations"

Efficiency and solidity improvement

- ▶ de-leveraging through sales
- ▶ reduction of legal entities
- ▶ structural cost savings plan

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Pirelli Group: 9M '08 Key Financial Results

€/mln

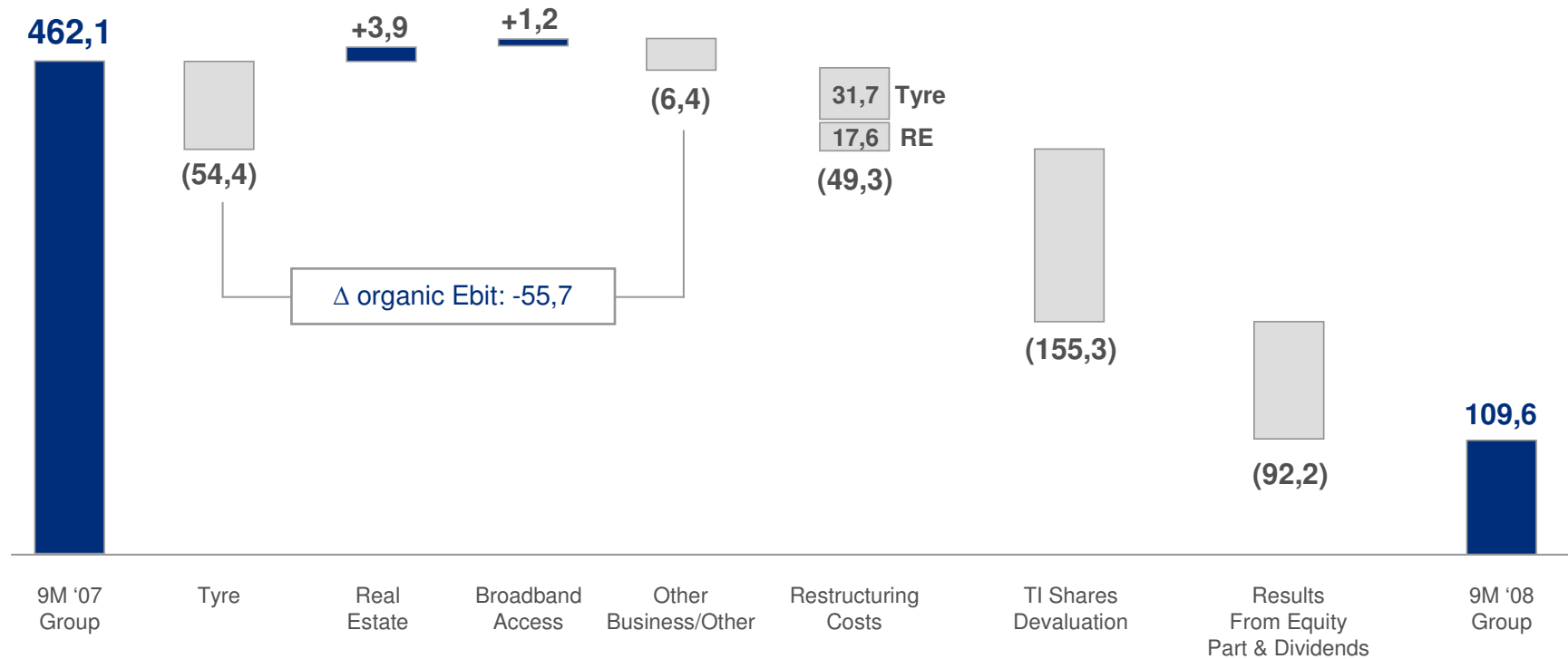
	9M 08	9M 07	YoY	3Q 08	3Q 07	YoY
Net sales (as reported)	3898,6	5229,2	-25,4%	1213,3	2036,6	-40,4%
Net sales (organic) ^(*)	3898,6	3886,1	+0,3%	1213,3	1271,2	-4,6%
EBITDA before restructuring costs	402,0	456,1	-11,9%	85,2	129,6	-34,3%
Ebitda Margin	10,3%	11,6%	-1,3pp	7%	10,1%	-3,1pp
EBIT before restructuring costs	241,6	297,3	-18,7%	30,1	76,0	-60,4%
Ebit Margin	6,2%	7,5%	-1,3pp	2,5%	5,9%	-3,4pp
EBIT after restructuring costs	192,3	297,3	-35,3%	2,0	76,0	-97,4%
Ebit Margin	4,9%	7,5%	2,6pp	0,2%	5,9%	-5,7pp
EBIT post results from equity participations	109,6	462,1		11,7	113,3	
Net Income post minorities	(51,3)	129,8		(15,1)	21,6	
Net Financial Position	1055,7	2328,8				

(*) Net of DGAG deconsolidation and exchange rate effects

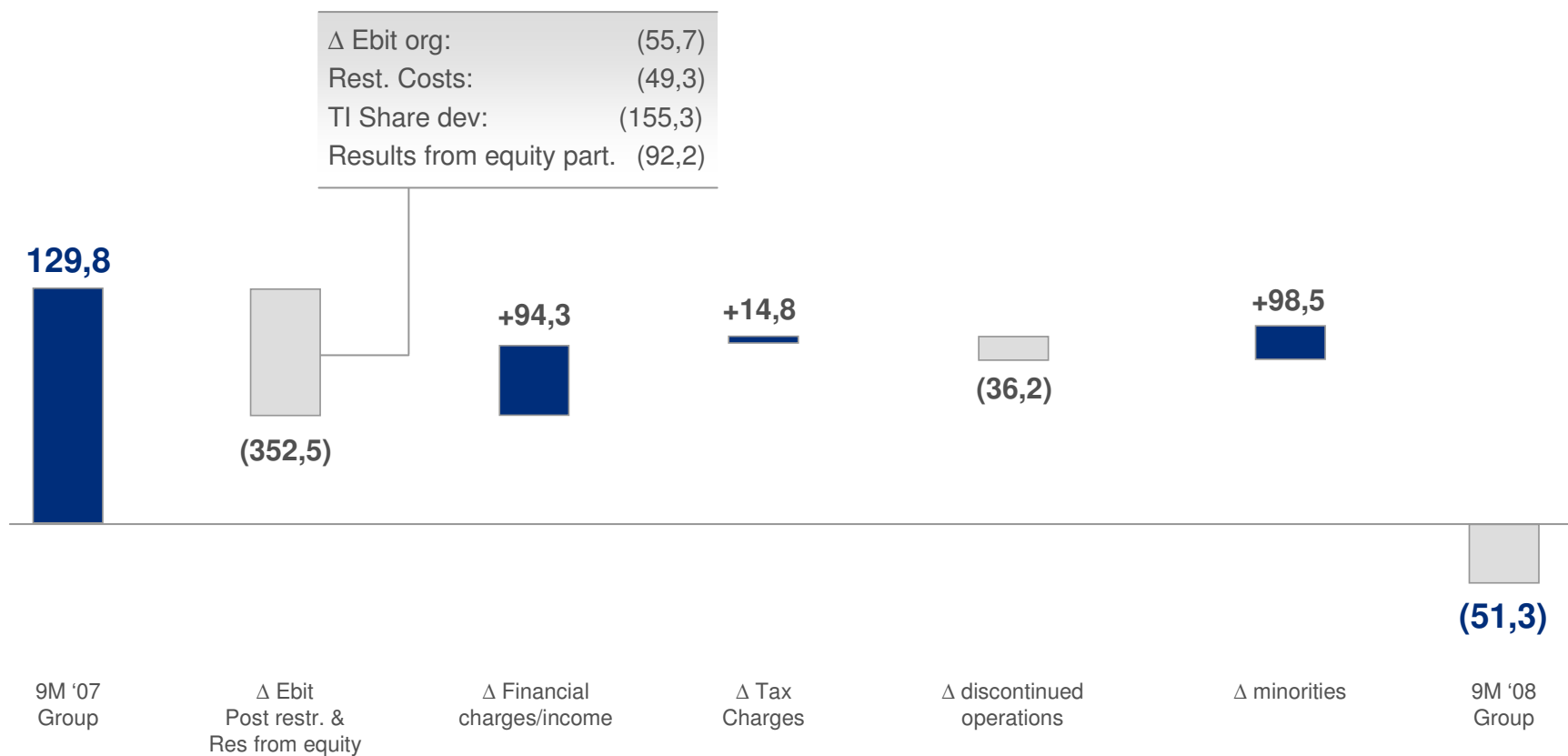
Pirelli Group: Ebit 9M '08 vs 9M '07

(post restructuring costs and Results from equity participations)

€/mln



Pirelli Group: Attributable Net Income 9M '08 vs 9M '07



Pirelli Group: Net Financial position 9M '08 vs YE '07



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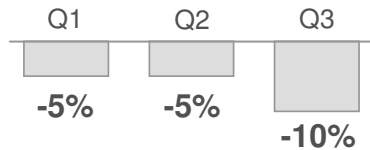
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Quarterly trends for Pirelli major markets

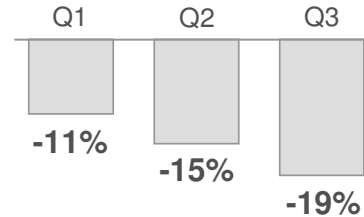


North America Car Repl.

YoY



North America Car OE

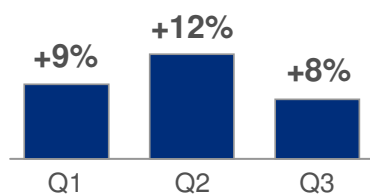


Source: RMA, Pirelli

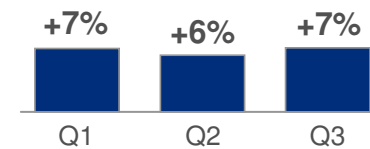


Mercosur Car OE + Repl.

YoY



Mercosur Truck OE + Repl.

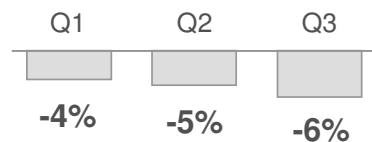


Source: ANIP, Pirelli



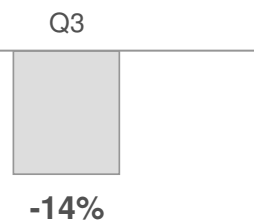
Europe Car Repl.

YoY

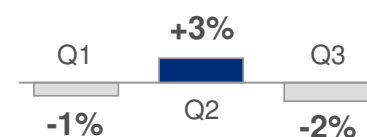


Of which ▶

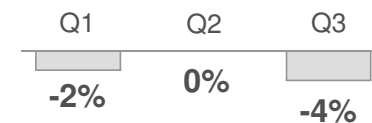
Europe Car Winter



Europe Car OE



Europe Truck OE + Repl.



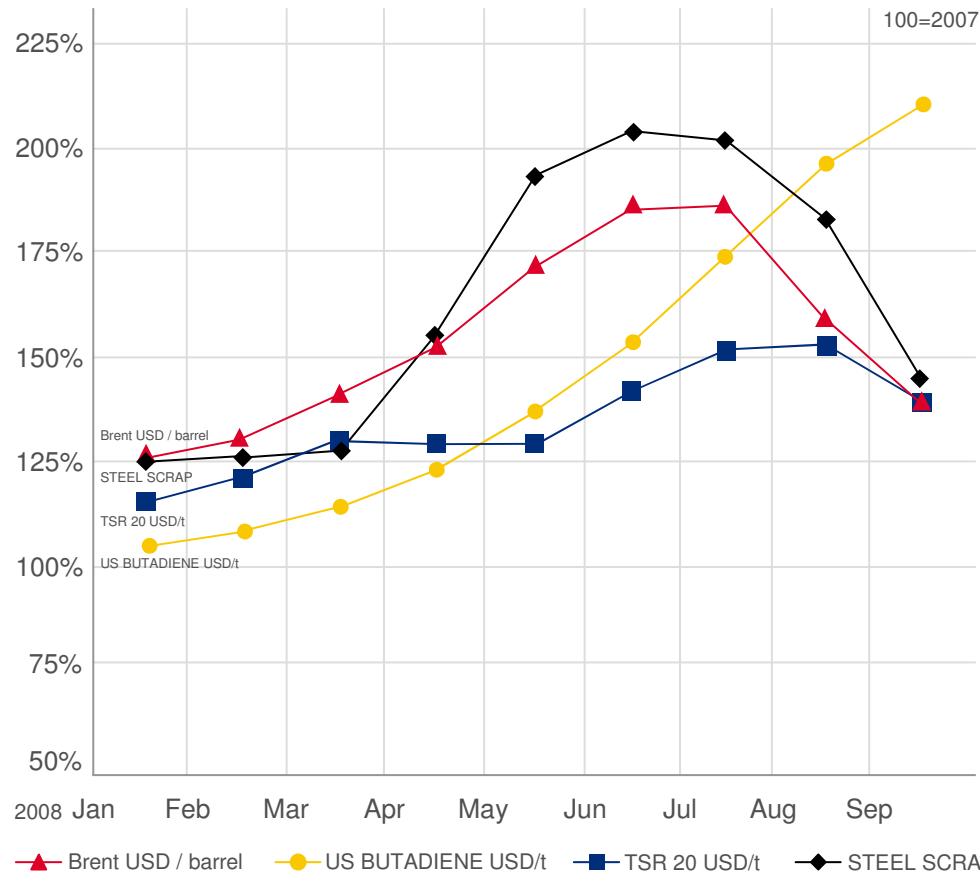
Source: Europool, Pirelli



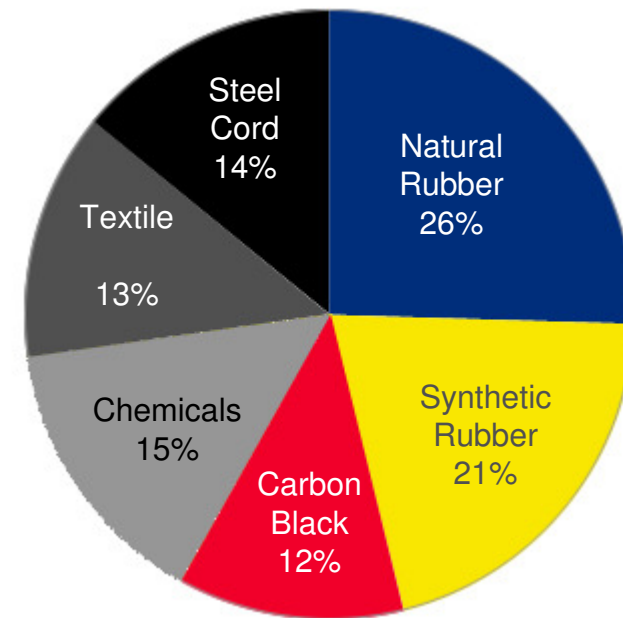
Trends for key tyre raw materials



Drivers

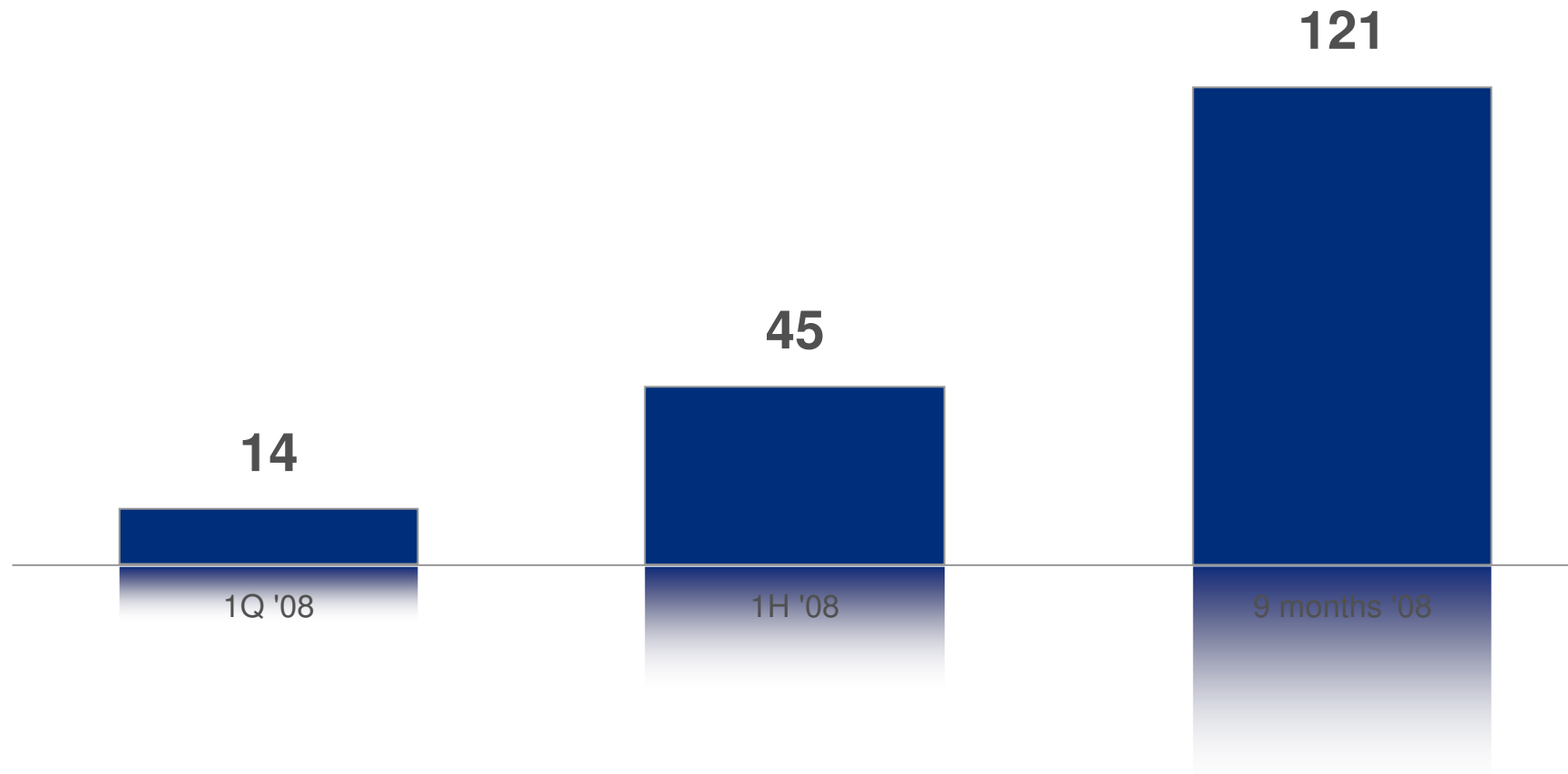


Share Spending (Pirelli 2007)



Pirelli raw material extra cost trend vs 2007

€/mln, net of exchange rates



3Q 08 Pirelli Tyre Results (before restructuring costs)



€/mln

	3Q 08	3Q 07	Variation
Net Sales	1,062.9	1,040.4	+2,2%
EBITDA	91.8	128.9	-28,8%
EBITDA margin	8,6%	12,4%	
EBIT	40.8	79,9	-48,9%
EBIT margin	3,8%	7,7%	

Δ Price/mix:	+7.6%
Δ Volumes:	- 4.2%
Δ Actual Variation:	+3.4%
Δ Exch. Rates:	- 1.2%
Δ Total:	+2.2%

Δ Commercial Variations:	+53.2
Δ Efficiencies:	- 3.9
Δ Unit Costs/Other:	- 88.4
Δ Total:	- 39.1

- ▶ Top line organic growth up 3,4%
- ▶ Volumes down 4,2% due to negative market trends in Europe and North America
- ▶ Price/mix up 7,6% still insufficient to compensate for 3Q increase of raw material and energy costs
- ▶ EBITDA reduced by 29% and EBIT reduced by 49%

Pirelli Tyre 9M Results (before and after restruct. costs)



€/mln

	9M 08	9M 07	Variation
Net Sales	3,229.2	3,191.8	+1,2%
EBITDA Before restructuring costs	378.3	430.6	-12,1%
EBITDA margin Before restructuring costs	11.7%	13.5%	
EBIT Before restructuring costs	231.8	286.2	-19.0%
EBIT margin Before restructuring costs	7.2%	9.0%	
EBIT After restructuring costs	200.1	286.2	
Net Income	108.3	160.0	-32.3%

Δ Price/mix:	+5,3%
Δ Volumes:	- 2,2%
Δ Actual Variation:	+3,1%
Δ Exch. Rates:	- 1,9%
Δ Total:	+1,2%

Δ Commercial Variations:	+114,3
Δ Efficiencies:	- 3,2
Δ Unit Costs/Other:	- 165,5
Δ Total:	- 54,4

- ▶ Top line organic growth up 3,1%
- ▶ Volumes down 2,2% in both Consumer and Industrial businesses
- ▶ Price/mix up 5,3%, stronger in Industrial business
- ▶ Restructuring costs increased up to 31,7 ml/€ to support cost competitiveness mainly in Consumer business
- ▶ EBITDA and EBIT below '07 before and after restructuring costs

9M Pirelli Tyre Results for Consumer Business (before restructuring costs)



€/mln

	9M 08	9M 07	Variation
Sales	2,207.9	2,212.1	-0,2%
EBITDA	249.1	307.3	-18,9%
EBITDA margin	11,3%	13,9%	
EBIT	139.0	201.8	-31,1%
EBIT margin	6,3%	9,1%	

- ▶ Top line organic growth +2.2%, driven by higher sales to OEMs
- ▶ Volumes down 2,3% mainly in European Repl. Winter segments
- ▶ Price/mix up 4,5% still insufficient to compensate for higher input costs
- ▶ EBIT results below '07

9M Pirelli Tyre Results for Industrial Business (before restructuring costs)

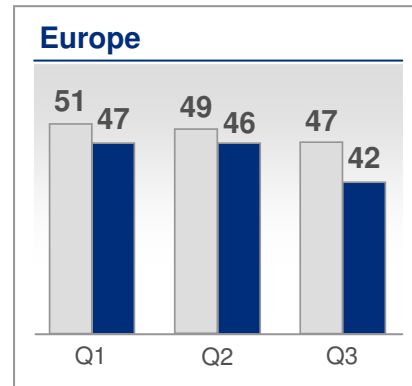
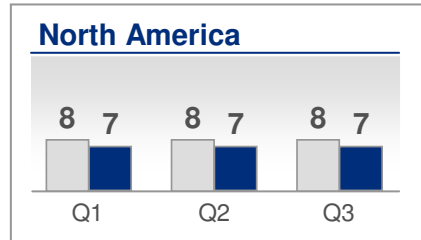


€/mln

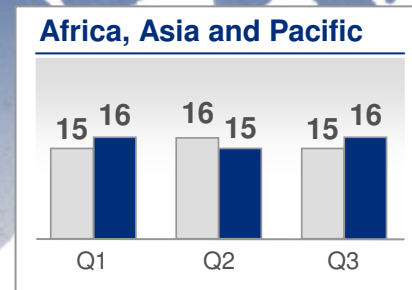
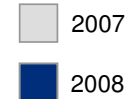
	9M 08	9M 07	Variation
Sales	1,021.3	979.6	+4.3%
EBITDA	129.2	123.3	+4.8%
EBITDA margin	12,7%	12,6%	
EBIT	92.8	84.4	+10.0%
EBIT margin	9,1%	8,6%	

- ▶ Top line organic growth 5.2%, driven by higher sales in Latin America
- ▶ Volumes down 2.0% mainly in Europe
- ▶ Price/mix up 7.2% thus compensating for higher input costs
- ▶ EBIT results above '07

Pirelli Tyre sales by Region



% on total sales



3Q 08 Pirelli Tyre highlights:

(draft)



Pirelli scored above the industry average in the Tire Satisfaction Index 2008 and ranked second among the 14 major brands included in this year's Original Equipment Tire Customer Satisfaction Study



For the seventh year in a row, Pirelli once again confirmed as the most reminded tyre brand in Brazil in the 2008 Top of Mind survey of the prestigious Brazilian research institute *Datafolha*



Winter Tyre Tests

Sottozero Serie II scored as 'exemplary' and 'very recommendable' in recent tests by the German magazines *Auto Motor und Sport*, *Auto Bild*, *Powercar*, *Sport Auto*, *Auto Bild Sportscar*

Cinturato Tests

Cinturato won three summer tyre tests, in particular the test organized by the French magazine *L'Auto Journal*



Paris Motorshow

Pirelli tyres fitted to the most attractive new models: Ferrari California, Lamborghini Estoque, new Maserati Quattroporte, Alfa Romeo Mi.To, 500 Abarth, Volvo XC60, Jaguar XF, Aston Martin DBS, Mercedes CLK, etc.



Rallying

Launch of the Pirelli Star Driver programme that will give five young talents the chance to contest some 2009 WRC rounds



Pirelli Tyre short term action plan



- ▶ Management and staff right sizing in HQ and main European Companies (from now to 1Q 2009)
- ▶ Output reduction in **all** Western European factories, both tactical (4Q) and structural (2009)
- ▶ Focus on inventory reductions by year end
- ▶ Sales of minor non-core assets
- ▶ Re-negotiation of all purchasing contracts (raw materials; energy; transportation; services) to a short term (monthly) or spot-basis
- ▶ Re-design or phase out from portfolio of high cost/high weight products
- ▶ While keeping investments plans on track and focused on increasing market share in rapid developing economies such as Brazil, Romania, China and Russia, where Tyre Market growth continues

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Consolidated Income Statement



(Values in €/ml)

	9 Months		
	2008	2007 net of temporary Consolidation of DGAG	9M '07
1. Aggregated Pro-quota Revenues (*)	938,3	982,8	1071,9
2. Consolidated Revenues (*)	527,1	523,5	612,5
3. EBIT before lay off	30,1	3,3	26,1
4. Income from Equity Participations	3,0	138,0	138,0
5. EBIT incl. Income from Equity Participations before layoff(**)	33,1	141,2	164,0
6. Layoff	(17,6)	0,0	0,0
7. EBIT incl. Income from Equity Participations	15,4	141,2	164,0
8. Interest Income from Equity Participations	24,2	17,2	17,2
9. EBIT incl. Income and Interest from Participations	39,6	158,4	181,3
10. Other Interest Income / (Charges)	(38,0)	(25,4)	(57,8)
11. P.B.T.	1,6	133,1	123,4
12. Taxes	(12,2)	(17,2)	(21,0)
13. Net Income	(10,6)	115,9	102,5
14. Minorities' Interest	(2,3)	(4,2)	(6,7)
15. Group Net Income	(12,9)	111,6	95,8

(*) 2007 values do not include sales at cost of DGAG assets to the JVs with REEF and MSREF for 1.283,2 € mln.

(**) 2007 values include 93 € mln. of assets revaluations and capital gains on the disposal of 49% in the Facility Management

Net Debt



(Values in €/ml)

	9M '08	9M '07	2007 FY
Total Net Debt	323,8	337,4	289,7
Total Shareholders' Loans	610,7	589,5	526,4
Net Debt gross of Sh. Loans	934,5	926,9	816,1
Net Equity	616,7	687,8	720,1
Gearing	1,52	1,35	1,13

Acquisitions and Sales - Real Estate

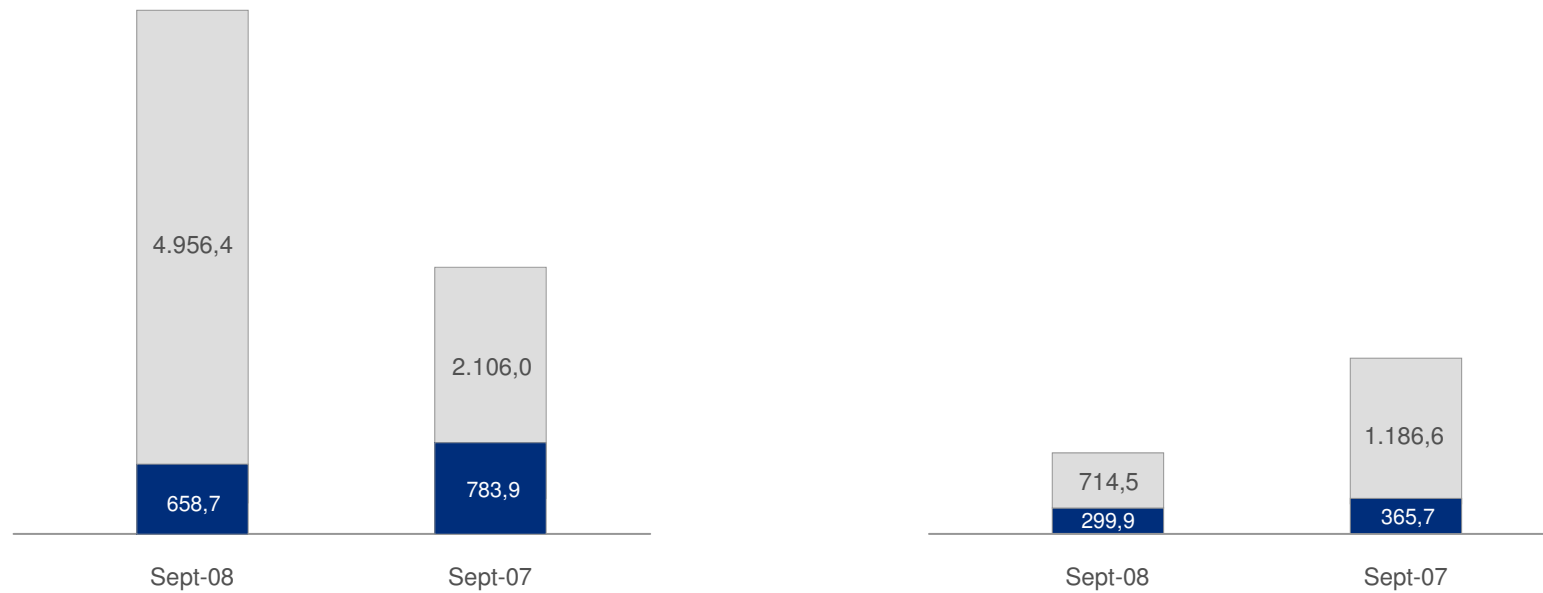


Acquisitions

Sales

(Values in €/ml)

■ Pro quota
■ 100%



Pirelli RE Equity investments €129.5mln. in n 2008 vs € 127.8 mln. in 2007



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Outlook 2008

Pirelli Group

- ▶ For the full year 2008, taking also into account statements made on the occasion of publication of financial statements as of 30 June, the Company confirms its expectations of consolidated EBIT before restructuring charges lower overall than in 2007. The size of the decline will be greater than what had been estimated at the end of the first half, in consideration of the further deterioration of markets of reference in the third quarter '08 also expected for the last part of the year.

Pirelli Real Estate

- ▶ Given the financial crisis, causing a sharp market slowdown, the Company is unable to confirm its full-year EBIT target for 2008. The Company nonetheless expects its consolidated net result, after extraordinary income and expenses, to reach break even.
- ▶ The company is working to adjust to the current market scenario and is committed to achieve an even more solid financial structure, by guaranteeing economic and financial balance, with a clear focus on enhancing recurring income stream and cash generation.

Statement

The Manager mandated to draft corporate accounting documents of Pirelli & C. SpA, Claudio De Conto, attests – as per art.154-bis, comma 2 of the Testo Unico della Finanza (D.Lgs. 58/1998) – that all the accounting information contained in this presentation correspond to the documented results, books and accounting of the Company.

Appendix

Pirelli & C. Group – Results at 30 September 2008

Profit & Loss and Net Financial Position – Per Business Unit

€/mln	Pirelli Tyre		Pirelli Real Estate		Broadband Access		Others Business		Others		Pirelli & C. Cons.	
	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07
Sales	3.229,2	3.191,8	527,1	1.895,7	92,3	86,7	54,1	50,7	(4,1)	4,3	3.898,6	5.229,2
Δ%		1,2%		-72,2%		6,5%		6,7%		n.s.		-25,4%
Organic Sales (*)	3.229,2	3.131,9	527,1	612,5	92,3	86,7	54,1	50,7	(4,1)	4,3	3.898,6	3.886,1
Δ%		3,1%		-13,9%		6,5%		6,7%		n.s.		0,3%
EBITDA before Restruct Costs	378,3	430,6	38,3	33,3	3,8	2,7	(10,2)	(4,5)	(8,2)	(6,0)	402,0	456,1
% on sales (2007 excluding DGAG effect)	11,7%	13,5%	7,3%	5,4%							10,3%	11,6%
EBIT before Restruct Costs	231,8	286,2	30,0	26,1	3,2	2,0	(11,0)	(5,0)	(12,4)	(12,0)	241,6	297,3
% on sales (2007 excluding DGAG effect)	7,2%	9,0%									6,2%	7,5%
Restructuring Costs	(31,7)	0,0	(17,6)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(49,3)	0,0
EBIT	200,1	286,2	12,4	26,1	3,2	2,0	(11,0)	(5,0)	(12,4)	(12,0)	192,3	297,3
% on sales (2007 excluding DGAG effect)	6,2%	9,0%									4,9%	7,5%
Δ%		-30,1%		-52,5%								-35,3%
TI devaluation									(155,3)		(155,3)	0,0
Result from Equity Participation	27,6	0,4	3,0	137,9	0,0	0,0	(0,7)	0,0	42,7	26,5	72,6	164,8
EBIT post Result from Equity Part.	227,7	286,6	15,4	164,0	3,2	2,0	(11,7)	(5,0)	(125,0)	14,5	109,6	462,1
Financial Income/Charges	(43,0)	(43,2)	(13,8)	(40,5)	(1,3)	(2,5)	(1,3)	(0,3)	20,4	(46,8)	(39,0)	(133,3)
EBT	184,7	243,4	1,6	123,5	1,9	(0,5)	(13,0)	(5,3)	(104,6)	(32,3)	70,6	328,8
Fiscal Charges	(76,4)	(83,4)	(12,2)	(21,0)	0,4	0,0	(0,2)	0,0	(6,4)	(5,2)	(94,8)	(109,6)
Net Result before Discont. Oper.	108,3	160,0	(10,6)	102,5	2,3	(0,5)	(13,2)	(5,3)	(111,0)	(37,5)	(24,2)	219,2
% on sales (2007 excluding DGAG effect)	3,4%	5,0%									-0,6%	5,6%
Discontinued Operations									(1,2)	36,2	(12,1)	24,1
Net income	108,3	160,0	(10,6)	102,5	2,3	(0,5)	(13,2)	(5,3)	(112,2)	(1,3)	(36,3)	243,3
% on sales (2007 excluding DGAG effect)	3,4%	5,0%									n.s.	6,2%
Attributable Net income			(12,9)	95,8							(51,3)	129,8
Net Financial Position	892,4	687,0	323,8	337,4	32,0	37,6	17,2	12,8	(209,7)	1.254,0	1.055,7	2.328,8

(*) at organic exchange rates and DGAG sale deconsolidation in P. Real Estate in 2007 (1283.2Euro/mln)

Pirelli Broadband Access 9M '08 Key Financial Results

€/mln

	9M 08	9M 07	YoY
Net sales	92,3	86,7	6,5%
EBITDA	3,8	2,7	40,7%
Ebitda Margin	4,1%	3,1%	
EBIT	3,2	2,0	60,0%
Ebit Margin	3,5%	2,3%	
Financial/Income charges	(1,3)	(2,5)	-48%
Tax charges	0,4	-	n.s.
Net Income	2,3	(0,5)	n.s.
NFP	32,0	37,6	

Investment - Assets under Management as at 30 Sept 2008 (Book Value)



	100%		Pro - Quota		%
	Book Value	Net Debt	Book Value	Net Debt	Av. PRE Share
TOTAL ASSETS UNDER MANAGEMENT	17,4	13,1	4,3	3,6	25%
AUM not partecipatad	0,5	0,0	0,0	0,0	0%
Total AUM partecipatad	16,9	13,1	4,3	3,6	of which banks: 3,0 sh. loans 0,6 26%
of which AUM NPL (BV)	2,1	1,8	0,6	0,6	of which banks: 0,4 sh. loans 0,15 28%
of which AUM Real Estate	14,7	11,3	3,7	3,0	25%

(*) Including 53 € mlm of consolidated Net Debt

(**) NPLs' AuM are internally estimated

Financial Situation SPVs/Funds participated by PRE



- ▶ **Net Debt 100% Funds/SPV: 13,1 € bn** (including Shareholders' loans for €1,7 bn)
- ▶ **Pro Quota Net Debt Funds/SPV: € 3.6 bn** (including Shareholders' loans for €0,6 bn)
- ▶ Pro-quota recourse guarantees for approx. €44 mln (Need for refinancing until 2010: €357 mln pro quota Pirelli RE)
- ▶ 83% hedged against interest rates with average strike of 4.28%
- ▶ Average residual duration: 3,7 years
- ▶ Average leverage 68%
- ▶ Average spread (*): 175 bps

() excluding NPL and subsidised loans; the increase relative to 1H-08 is referred to Highstreet debt. The spread calculation on a pro quota basis is 149bps*