

Chairman's letter



Shareholders,

These financial statements fall in the heart of one of the gravest international economic crisis of the last half century, with effects, in terms of both revenues and operating profit, also on Pirelli & C. and its subsidiaries. But, at the same time, they record the effects of the timely measures that were decided to tackle this crisis and create the conditions for a turnaround.

These are difficult financial statements that speak of downsizing, cutbacks, sacrifices and reconversions. Note is taken of the recession, with realism and a sense of responsibility. But, foremost, the gaze is to the future.

Values, production models and consumption, in fact, change. Relationships between finance and company are reshaped. Yes, the reflection is on the need to have open markets, but also markets kept well under control, based on principles of transparency and accountability. Above all, both economically and socially, industry is again taking a prominent role, relaunching a characteristic in which Italian companies boast positions of excellence: the quality of a manufactured product with high value-added. An innovative industry, with a global reach, strong in its growing commitment to research and closely connected with technologically advanced services.

In this process, Pirelli continues to hold leading positions and prospects. The Pirelli Group, in actual fact, reorganizes the productive processes of all its businesses, at all times, oriented toward competitiveness. It invests in new products, adapted to conquering growing spaces on markets that are ever-more discerning and selective. And it has an ambitious objective, in terms of environmental and social sustainability, to push the green proportion of our products from the current 20 percent to 40 percent within a space of three years.

The Pirelli Group is therefore concentrating on tyres and particulate filters, for a mobility that joins safety to environmental sustainability. Now and for the next three years it will invest in technological development and innovation. It is reorganizing the activities of Pirelli Real Estate to better manage the real estate portfolio of prestige properties and margins. It looks to the renewable energy segment with commitment.

In the course mapped out in the three-year plan 2009-2011, investments will also be oriented, both abroad and in Italy, where a decisive impulse will be given by the new Settimo Torinese Hub: the most modern tyre factory in the world, with a much reduced environmental impact and with processing and products of excellence. An example that will serve to inspire the other productive operations of the group.

Our commitment lies right here: confront the crisis with consciousness, competence and in keeping with strategies aimed at development.

A handwritten signature in dark ink, appearing to read 'Giancarlo Pirelli', is centered on the page. The signature is fluid and cursive, with a prominent loop at the end.