

Call to the Annual General Shareholders' Meeting

The ordinary shareholders of Pirelli & C. Società per Azioni are called to the ordinary and special sessions of the shareholders' meeting to be held in Milan, Viale Sarca 214

- at 10:30 A.M. on Monday April 20, 2009 in first call;
- at 10:30 A.M. on Tuesday April 21, 2009 in second call to discuss and pass resolutions on the following

AGENDA

Ordinary session

1. The financial statements at December 31, 2008. Inherent and consequent resolutions.
2. Appointment of the board of statutory auditors:
 - appointment of standing and alternate auditors;
 - appointment of the chairman of the board of statutory auditors;
 - determination of the compensation of the members of the board of statutory auditors.

Extraordinary session

- Reduction of the revaluation reserves Law 72/1983 and Law 413/1991 to the extent of the amount used to cover the loss in financial statements at December 31, 2008.

Contents

PRELIMINARY INFORMATION	3
Call to the Annual General Shareholders' Meeting	3
Pirelli & C. S.p.A. Board of Directors	7
Structure of Pirelli Group at December 31, 2008	8
Five-year summary of selected consolidated financial data	9
Chairman's letter	10
DIRECTORS' REPORT	13
Directors' report on operations	15
Significant events in 2008	17
The Group	23
Research and Development 31 / Information systems 37 / Significant events subsequent to the end of 2008 39 / Risks and uncertainties 41 / Outlook for the current year 45	
Pirelli Tyre	46
Business Consumer 50 / Business industrial 52 / Capital Expenditures 52 / Headcount 54	
Outlook for the current year 54	
Pirelli & C. Real Estate	55
Economic review 57 / Balance sheet and financial review 59 / Performance by division in 2008 60	
Outlook for the current year 61 / Proposed share capital increase 61	
Pirelli Broadband Access	62
Broadband Access 63 / Outlook for the current year 64	
Other Businesses	66
Pirelli & C. Eco Technology 66 / Pirelli & C. Ambiente 67 / PZero 68	
Pirelli & C. S.p.A. Summary of selected data	69
Balance sheet and financial position 69 / Income statement 72 / Compensation paid to Directors, Statutory Auditors and General Managers 74 / Equity investments held by Directors, Statutory Auditors, General Managers and Key Managers 75 / Stock option plans 76 /	
Information on ownership structures (ex art. 123 Bis tuf) 76 / Security planning document 76	
Compliance with Article 36 of Consob Regulation 16191/2007 concerning market regulations 77	
Shareholders' resolution 78	
Corporate Governance Report 2008 Financial Year	84
SUSTAINABILITY REPORT	163
A note on methodology	165
Pirelli and sustainable development	167
Identification of Stakeholders and approach adopted 167 / Sustainable Governance 168	
Economic dimension	185
Added value 185 / Shareholders 187 / Customers 188 / Suppliers 203	
Environmental dimension	211
The Pirelli approach to the management of environmental issues 211 / Pirelli Tyre S.p.A. 212	
Pirelli & C. Real Estate S.p.A. 230 / Pirelli Eco Technology S.p.A. / Technologies for Sustainable Development 234 / Pirelli & C. Ambiente S.p.A. 239 / Pirelli Labs S.p.A. 244 / Pirelli Broadband Solutions S.p.A. 248	
Social dimension	251
Internal Community 251 / External Community 292 / Summary tables 306 / Assurance Letter 308	

CONSOLIDATED FINANCIAL STATEMENT **311**

Consolidated balance sheet **312** / Consolidated income statement **313** / Consolidated statement of recognized income and expenses **314** / Consolidated statement of cash flows **315**

Notes to the consolidated financial statements **316**

1. General information **316** / 2. Basis of presentation **317** / 3. Accounting policies **325** / 4. Financial risk management policies **336** / 5. Capital management policies **341** / 6. Estimates and assumptions **341** / 7. Segment information **344** / 8. Property, plant and equipment **348** / 9. Intangible assets **352** / 10. Investments in associates and joint ventures **355** / 11. Other financial assets **359** / 12. Deferred tax assets and liabilities **361** / 13. Trade receivables **363** / 14. Other receivables **364** / 15. Tax receivables **365** / 16. Inventories **366** / 17. Securities held for trading **366** / 18. Cash and cash equivalents **367** / 19. Equity **367** / 20. Stock option plans **370** / 21. Tax payables **377** / 22. Provisions for other liabilities and charges **377** / 23. Employee benefit obligations **378** / 24. Borrowings from banks and other financial institutions **384** / 25. Trade payables **388** / 26. Other payables **389** / 27. Derivative financial instruments **389** / 28. Commitments and contingencies **391** / 29. Revenues from sales and services **394** / 30. Other income **394** / 31. Personnel costs **394** / 32. Amortization, depreciation and impairments **395** / 33. Other expenses **395** / 34. Financial income **396** / 35. Financial expenses **397** / 36. Impairment losses on investments **397** / 37. Dividends **397** / 38. Gains (losses) from changes in fair value of financial assets **398** / 39. Share of earnings (losses) of associates and joint ventures **398** / 40. Income taxes **399** / 41. Income (loss) from discontinued operations **400** / 42. Earnings per share **401** / 43. Dividends per share **402** / 44. Related party disclosures **402** / 45. Significant subsequent events **404** / 46. Other information **405** / Independent auditors' report **419**

EXTRAORDINARY SESSION **421**

Report prepared by the directors **422**

Pirelli & C. S.p.A. Board of Directors¹

Chairman² Marco Tronchetti Provera

Deputy Chairman² Alberto Pirelli
Deputy Chairman² Carlo Alessandro Puri Negri

Directors:

- Carlo Acutis*
- Carlo Angelici* °
- Cristiano Antonelli*
- Gilberto Benetton
- Alberto Bombassei* ^
- Franco Bruni* °
- Luigi Campiglio*
- Enrico Tommaso Cucchiani
- Berardino Libonati* ^
- Giulia Maria Ligresti
- Massimo Moratti
- Renato Pagliaro
- Umberto Paolucci*
- Giovanni Perissinotto
- Giampiero Pesenti* ^
- Luigi Roth*
- Carlo Secchi* °

* Independent director

° Member of the Internal Control and Corporate Governance Committee

^ Member of the Remuneration Committee

Secretary to the Board Anna Chiara Svelto

BOARD OF STATUTORY AUDITORS³

Chairman Luigi Guatri
Standing auditors Enrico Laghi
Paolo Domenico Sfameni
Alternate auditors Franco Ghiringhelli
Luigi Guerra

GENERAL MANAGER

Operations Claudio De Conto

INDEPENDENT AUDITORS⁴ Reconta Ernst & Young S.p.A.

**MANAGER RESPONSIBLE FOR THE PREPARATION
OF THE FINANCIAL REPORTS OF THE COMPANY⁵** Claudio De Conto

¹ Appointment: April 29, 2008. Expiry: shareholders' meeting called to approve the financial statements at December 31, 2010.

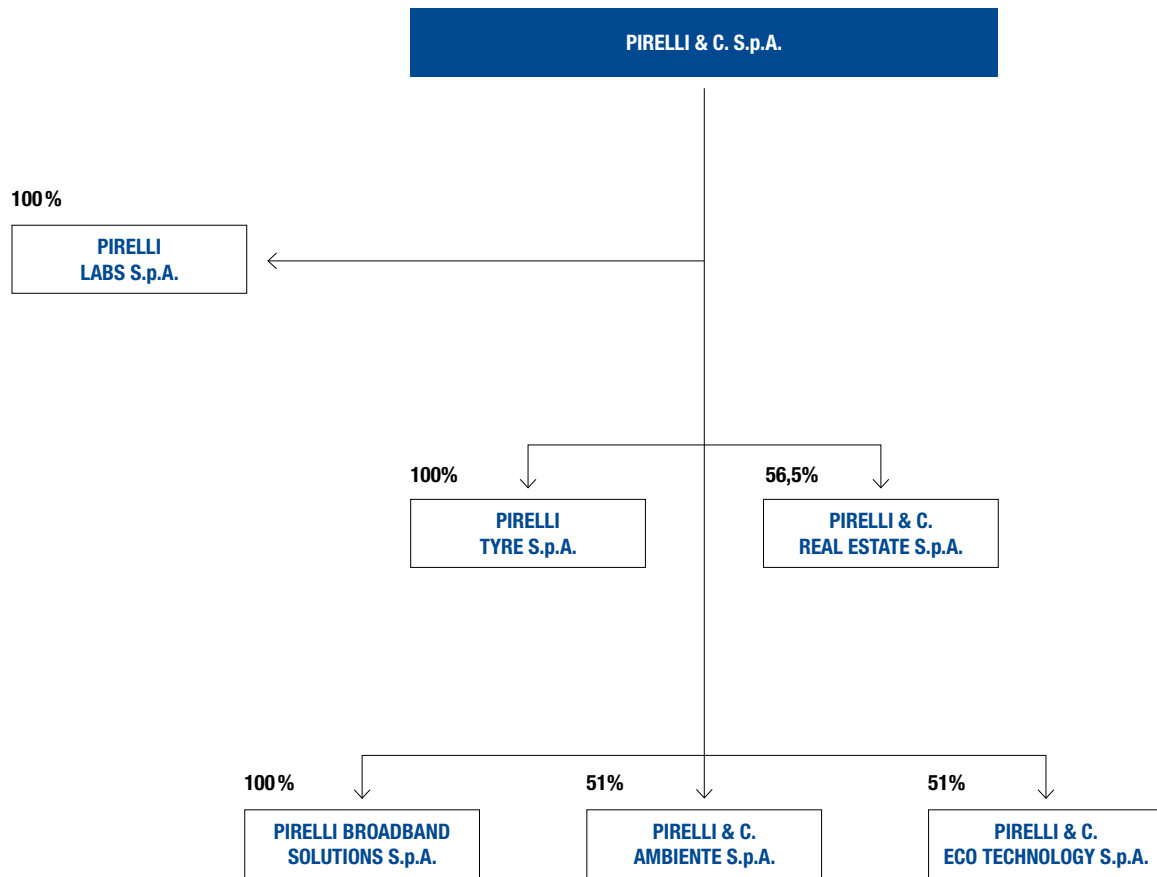
² Post conferred by the board of directors' meeting held on April 29, 2008.

³ Appointment: April 21, 2006. Expiry: shareholders' meeting called to approve the financial statements at December 31, 2008. Paolo Domenico Sfameni was appointed by the shareholders' meeting held on April 29, 2008 to replace Paolo Francesco Lazzati who resigned.

⁴ Post conferred by the shareholders' meeting held on April 29, 2008.

⁵ Appointment: conferred by the board of directors' meeting held on April 29, 2008. Expiry: shareholders' meeting called to approve the financial statements at December 31, 2010.

Structure of Pirelli Group at December 31, 2008



MARKET TRADING ON THE MILAN STOCK EXCHANGE

	Shares traded volume	Amount (in Euros)
Pirelli & C. S.p.A. - ordinary shares	7.869.785.649	3.754.089.026
Pirelli & C. S.p.A. - saving shares	79.065.631	39.708.121

NUMBER OF SHARES OUTSTANDING

	at December 31, 2008	at March 9, 2009
Pirelli & C. S.p.A. - ordinary shares	5.233.142.003	5.233.142.003
Pirelli & C. S.p.A. - saving shares	134.764.429	134.764.429

Five-year summary of selected consolidated financial data

IAS/IFRS (in millions of Euro)

	2008	2007	2006	2005	2004
Net sales	4,660	6,076	4,841	4,546	3,967
Net sales (excluding DGAG)*	4,660	4,780	4,841	4,546	3,967
Gross operating profit	252	573	614	568	470
Operating profit	43	364	401	355	269
Operating profit (loss) including earning (losses) from investments	(323)	513	1,192	622	425
Total income (loss)	(413)	324	(1,049)	399	304
Income (loss) attributable to the equity holders of Pirelli & C. S.p.A	(348)	165	(1,167)	327	251
Earnings per share (in Euros)	(0.06)	0.03	(0.22)	0.07	0.07

Fixed assets	3,665	3,815	6,924	7,624	6,097
Net working capital	418	298	463	(48)	464
Net invested capital	4,083	4,113	7,387	7,576	6,561
Equity	2,374	3,804	4,687	5,614	3,841
Provisions	681	611	720	785	1,119
Net financial (liquidity)/debt position	1,028	(302)	1,980	1,177	1,601
Equity attributable to the equity holders of Pirelli & C. S.p.A.	2,172	2,980	3,880	5,205	3,502
Equity per share (in Euros)	0.40	0.56	0.72	0.98	1.01

Net cash flows provided by (used for) operating activities	76	554	473	467	349
R&D expenditures	156	173	171	174	171
Depreciation	199	214	201	197	182
Capital expenditures	311	287	255	234	211

Gross operating profit/Net sales*	5.41%	11.99%	12.68%	12.49%	11.85%
Operating profit/Net sales* - ROS	0.93%	7.62%	8.28%	7.81%	6.78%
Income / equity** - ROE	(13.35%)	7.63%	(20.37%)	7.38%	5.77%
Operating profit / Net invested capital** - ROI	1.05%	6.33%	5.36%	5.02%	4.13%
Operating profit (post-investments)/ Net invested capital**	(7.89%)	8.92%	15.93%	8.80%	6.52%
Net financial position / Equity - gearing	0.43	n.s.	0.42	0.21	0.42
Capital expenditures / Depreciation	1.56	1.34	1.27	1.19	1.16
R & D expenditures / Net sales*	3.35%	3.62%	3.53%	3.83%	4.31%
Net sales* per employee (in thousands of Euros)	148	155	172	173	162

Pirelli & C. S.p.A. Ordinary shares (no. in millions)	5,233.1	5,233.1	5,233.1	5,180.7	3,327.5
Pirelli & C. S.p.A. Savings shares (no. in millions)	134.8	134.8	134.8	134.8	134.8
Total Pirelli & C. S.p.A. shares (no. in millions)	5,367.9	5,367.9	5,367.9	5,315.5	3,462.3
Treasury ordinary shares (no. in millions)	3.9	2.6	2.6	2.6	2.6
Treasury savings shares (no. in millions)	4.5	-	-	-	-

Factories	23	24	24	24	74
of which discontinued operations	-	-	-	-	52
Employees (at 12/31)	31,056	30,823	28,617	26,827	24,790
of which temporary employees	2,913	3,642	3,479	3,102	2,721

* On net sales excluding DGAG

** Average amount

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.