

## Significant events in 2008

With regard to the transaction for the reduction of share capital approved by the Pirelli & C. S.p.A. special shareholders' meeting held on December 12, 2007 and the Pirelli & C. S.p.A. special shareholders' meeting of the savings shareholders held on December 14, 2007, the savings shareholders that did not approve the above resolution had until January 5, 2008 to exercise their withdrawal right. At the end of that time, the withdrawal right had been exercised for a total of 4,546,093 shares.

In accordance with the law, such shares were offered to all Pirelli & C. S.p.A. shareholders from January 28 to February 27, 2008 at a per share price of Euros 0.8055 (equal to the arithmetic mean of the stock market price over the previous six months).

At the end of the placement period, 54,324 shares had been purchased. The remaining 4,491,769 shares were offered on the stock market between March 18 and March 26, 2008 inclusive, always at the per share price of Euros 0.8055. This offer ended without any purchases being made.

On March 27, 2008, Pirelli & C. S.p.A. therefore purchased all the 4,491,769 remaining shares that had not been placed at the per share price of Euros 0.8055, for a total amount of about Euros 3.6 million, by using available reserves.

On April 3, 2008, the "extraordinary dividends" of Euros 0.154 per each ordinary and savings share were then paid, for a total of Euros 826 million.

After this transaction, the share capital of Pirelli & C. S.p.A. is equal to Euros 1,556,692,865.28. The total number of shares remains unchanged (5,233,142,003 ordinary shares and 134,764,429 savings shares), whereas the par value per share went from Euros 0.52 to Euros 0.29.

In October 2008, Pirelli & C. S.p.A. purchased 1,250,000 treasury shares on the market (equal to 0.02 percent of total ordinary shares issued) for Euros 0.4 million.

At December 31, 2008, Pirelli & C. S.p.A. holds 3,867,500 ordinary treasury shares (equal to 0.07 percent of share capital) and 4,491,769 savings treasury shares (equal to 0.08 percent of share capital).

On January 16, 2008, Acea and Pirelli Ambiente announced that the 50-50 A.P.I.C.E. joint venture will operate in the sector of sources of renewal energy from waste and will combine Acea's expertise and territorial roots with Pirelli Ambiente's experience and technology to carry out projects aimed at the manufacture of CDR-Q, a fuel derived from quality waste, which will be used in thermo-electric power plants and cement factories.

On January 17, 2008, Pirelli unveiled the new Cinturato Pirelli. The tyre that set the pace for traveling in style in Italy and the world starting from the mid-fifties was revisited in a new version which combines all of the very best in state-of-the art technologies, safety and ecosustainability.

On February 22, 2008, the Piedmont Region, the Province of Turin, the City of Settimo Torinese, the Politecnico University of



Slatina, Romania – Car tyre factory

Turin and the Pirelli Group sealed a collaboration agreement aimed at developing research and innovation programs under the project to build a new Pirelli industrial hub in Settimo Torinese. Pirelli plans to invest about Euros 140 million in the Settimo Torinese project.

On March 11, 2008, Pirelli & C. S.p.A. reached an agreement to acquire the entire share capital of Speed S.p.A., a company in which interests are held by leading financial institutions (Intesa SanPaolo, Gruppo Banca Leonardo, UniCredit, One Equity Partners - JP Morgan Group, Lehman Brothers and Mediobanca), and, the holder, since August 2006, of the 38.9 percent stake in Pirelli Tyre S.p.A., for Euros 434.4 million which was financed by the company's liquid resources. The price takes into account a loan by Speed S.p.A. of Euros 401.1 million. Following the acquisition of the equity of the minority shareholders, the Group owns 100 percent of Pirelli Tyre S.p.A..

On April 22, 2008, the Pirelli Group and Politecnico University of Milan sealed an agreement to set up a chair on "Chemical Foundations of Rubber and Compounds Technology".

The new professorship will study innovative materials and the use of nanotechnology for the development of new-generation tyres. Pirelli will also fund five PhD research scholarships under this agreement over a period of 10 years in the Chemical, Materials and Chemical Engineering "G. Natta" Department at Politecnico University of Milan.

On June 3, 2008, the Pirelli Group announced its intention to increase production in Egypt thanks to a new investment of U.S. \$65 million to expand the capacity of the radial tyre factory for trucks and buses in Alessandria in Egypt. The new investment will enable this Egyptian factory to raise its annual production to one million pieces and become the largest radial tyres production facility for industrial vehicles in the MEA area (Middle East and Africa).

On June 16, 2008, Pirelli & C. S.p.A. sold the remaining stake in Intek S.p.A. (6,149,354 ordinary shares equal to 1.768 percent of the company's ordinary share capital) to Quattrodue Holding B.V. for approximately Euros 5 million. The transaction reflects the execution of the put&call agreement between the two companies sealed on January 9, 2007.

On July 10, 2008, the Italian Ministry for the Environment signed an agreement with the City of Beijing to begin an experiment in the Chinese capital on the particulate filter technology developed by Pirelli Eco Technology. Such filters are capable of reducing fine particle diesel engine emissions by more than 95 percent.

The agreement calls for the installation of Pirelli filtering systems on heavy vehicles (mainly buses, but also trucks and later snow ploughs and tractors) that will be supplied to the local public transport company. The first filtering systems were installed before the start of the Olympics in August 2008.

On July 24, 2008, an agreement was signed between Pirelli and Cy-Optics Inc. to integrate PGT Photonics S.p.A., a photonics com-

pany in the Pirelli Group, resulting from the spin-off of Pirelli Broadband Solutions and Pirelli Labs activities, in CyOptics, a privately-owned American company which is a leader in the field of optical components based on indium phosphide technology. At the same time, Pirelli subscribed to a CyOptics capital increase with a cash contribution of U.S. \$20 million.

Following the operation, Pirelli holds a 34.5 percent stake in the new CyOptics.

On July 28, 2008, the consortium formed by RREEF, Generali and Borletti completed the acquisition of a 49 percent stake in Highstreet, an investment company that owns properties leased to the German Karstadt department store chain. Highstreet has a portfolio of properties throughout Germany with a total gross area of 3.2 million square meters (the gross sales area is 2.1 million square meters). The enterprise value at the date of acquisition is equal to approximately Euros 4.6 billion, with about Euros 3.5 billion of loans secured by the properties.

On August 21, 2008, Pirelli Tyre S.p.A. purchased the minority stakes in the two subsidiaries through which it operates in Turkey from Isbank. The group acquired 25.75 percent of Pirelli Turk Lastikleri A.S. (which manufactures and markets car and industrial vehicle tyres) and 48 percent of Celikord A.S. (which manufactures and markets steelcord). As part of the transaction, Pirelli also acquired another 1 percent stake in Celikord from other shareholders. The total amount of the transactions is about Euros 43 million, with a positive impact on the result for the year of Euros 27.3 million owing to the fact that the cost of acquisition is lower than the relative accounting net assets acquired. Following the agreement, Pirelli holds 95.35 percent of Pirelli Turk Lastikleri and 100 percent of Celikord. The operation strengthens the group's position in a country that is strategic in terms of manufacturing, marketing and logistics.

On October 20, 2008, Pirelli Eco Technology S.p.A., the company in the Pirelli Group which operates in the field of technologies for controlling emissions from diesel engines, announced that it was the first in Italy to obtain homologation from the Italian Ministry of Infrastructures and Transportation for five types of particulate filters for existing light and heavy trucks. The Pirelli particulate filters, developed using silicon carbide technology, can reduce fine-particle diesel engine emissions by more than 95 percent, and can make a significant contribution to improving air quality.

As a result of homologation, vehicles fitted with Pirelli's particulate filters will have a better category of exhaust from the standpoint of the Euro standards (the range is Euro0 - Euro5) and will also be allowed to circulate freely in urban areas where vehicles that produce greater pollution are denied access.

On October 21, 2008, the bonds of Euros 500 million issued by Pirelli & C. S.p.A. in 1998 with a fixed rate of 4.875 percent were repaid, in accordance with the contractual maturity date.

On November 5, 2008, the Pirelli RE board of directors approved the terms and conditions of the contract for the sale, to Manutencoop Facility Management, of its 50 percent stake in Pirelli Re



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Yanzhou, China – Mixing department

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Integrated Facility Management, a 50-50 joint venture with Intesa Sanpaolo which, through its investment holdings, supplies project management and facility management services. The closing of the transaction and the announcement to the market, once all the conditions precedent had been satisfied and the necessary authorization were obtained from the Antitrust Authority, took place on December 23, 2008. The sales price of 100 percent of Pirelli RE Integrated Facility Management, including the 50 percent interest held by Intesa Sanpaolo, was equal to Euro 137.5 million and divided between the two seller companies Pirelli RE and Intesa Sanpaolo, against an Enterprise Value of Euros 270 million. For the Pirelli RE group, the impact on the net financial position, excluding Pirelli RE shareholder loans, was an approximate positive Euros 91 million.

On November 6, 2008, Pirelli & C. S.p.A. and Russian Technologies sealed an agreement for a new industrial joint venture between the two companies that will start production of tyres in Russia within the next two to three years, compatible with the evolution of the macroeconomic scenario. To date, the agreements signed between the two companies call for the building of a new site for the manufacture of car and truck tyres in the Samara region with initial production capacity of about 4.2 million pieces, for a joint investment of approximately Euros 300 million.

During 2008, Pirelli & C. S.p.A. purchased 1,184,468 Pirelli & C. Real Estate S.p.A. shares on the market for a total outlay of Euros 22.1 million. At December 31, 2008, Pirelli & C. S.p.A. directly holds 24,046,432 Pirelli & C. Real Estate S.p.A. shares equal to 56.45 percent of share capital.

In December 2008, Pirelli Finance (Luxembourg) S.A. sold 5,000,000 Telecom Italia S.p.A. ordinary shares on the market for total proceeds of Euros 5.8 million. At December 31, 2008, Pirelli & C. S.p.A. holds 177,113,185 Telecom Italia S.p.A. ordinary shares equal to 1.32 percent of voting stock (directly and indirectly through the subsidiary Pirelli Finance (Luxembourg) S.A.).

Subsequently, in January 2009, Pirelli Finance (Luxembourg) S.A. sold 8,490,000 Telecom Italia S.p.A. ordinary shares on the market for total proceeds of Euros 10 million.

Therefore, Pirelli & C. S.p.A. now holds 168,623,185 Telecom Italia S.p.A. ordinary shares equal to 1.26 percent of voting stock (directly and indirectly through the subsidiary Pirelli Finance (Luxembourg) S.A.).