PIRELLI

PRESS RELEASE

PIRELLI & C. SPA BOARD OF DIRECTORS APPROVES 2011 RESULTS

- OPERATING RESULTS GROW THROUGH A FOCUS ON PREMIUM AND THE STRENGTHENING OF OUR INDUSTRIAL PRESENCE IN RAPIDLY DEVELOPING ECONOMIES

- 2011 TARGETS FULLY MET:

CONSOLIDATED EBIT MARGIN 10.3% (COMPARED WITH "AROUND 10%" TARGET), TYRE EBIT MARGIN 11.5% (COMPARED WITH "AROUND 11% TARGET");

NET FINANCIAL POSITION NEGATIVE 737.1 MILLION EURO (-455.6 MILLION EURO AT END 2010) COMPARED WITH FORECAST OF "AROUND 750 MILLION EURO", AFTER INVESTMENT INCREASE OF 43% TO 626 MILLION EURO (438.6 MILLION EURO IN 2010)

PIRELLI & C. GROUP

- 2011 REVENUES 5,654.8 MILLION EURO, AN INCREASE OF 16.6% FROM 2010

- OPERATING RESULT (EBIT) AFTER RESTRUCTURING CHARGES 581.9 MILLION EURO, AN INCREASE OF 42.7% FROM 407.8 MILLION EURO IN 2010; EBIT MARGIN 10.3% (8.4% IN 2010)

- NET RESULT FOR CONTINUING ACTIVITIES 312.6 MILLION EURO (+37.1% COMPARED WITH 228 MILLION EURO IN 2010)

- TOTAL NET RESULT POSITIVE 440.7 MILLION EURO, AN INCREASE FROM 4.2 MILLION EURO IN 2010, FOLLOWING POSITIVE 128 MILLION EURO IMPACT OF DEFERRED TAX ASSETS;

PIRELLI TYRE

- 2011 REVENUES 5,601.6 MILLION EURO (+17.4% FROM 2010)

- PREMIUM SEGMENT SALES ROSE 27.3% TO 1,844 MILLION EURO

- OPERATING RESULT (EBIT) AFTER RESTRUCTURING CHARGES 643.9 MILLION EURO, AN INCREASE OF 42.1% FROM 453.1 MILLION EURO IN 2010, EBIT MARGIN 11.5% (9.5% IN 2010)

- 2011 OPERATING CASH FLOW MANAGEMENT POSITIVE 215.5 MILLION EURO

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THE BOARD OF DIRECTORS WILL PROPOSE TO SHAREHOLDERS THE DISTRIBUTION OF DIVIDENDS OF 0.27 EURO PER ORDINARY SHARE (0.165 IN THE PRECEDING YEAR) AND 0.34 EURO PER SAVINGS SHARE (0.229 IN THE PRECEDING YEAR)

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2012 TARGETS

PROFITABILITY TARGET REVISED UPWARDS THANKS TO FURTHER FOCUS ON PREMIUM: EBIT MARGIN ABOVE OR AT 12% (PRIOR ESTIMATE BETWEEN 11% AND 12%)

REVENUES EXPECTED TO BE AROUND 6.6 BILLION EURO, AN INCREASE OF 17% FROM 5.65 BILLION EURO IN 2011 (PRIOR TARGET: 6.7 BILLION EURO, AN INCREASE OF 16% COMPARED WITH ESTIMATED 2011 TARGET BELOW 5.8 BILLION EURO)

NET NEGATIVE FINANCIAL POSITION CONFIRMED AT AN AMOUNT BELOW ONE BILLION EURO BEFORE DIVIDENDS
GROUP DECLARES ADHERENCE TO NEW CODE OF SELF-REGULATION; THE MODEL OF CORPORATE GOVERNANCE ALREADY IN LINE WITH THE NEW RECOMMENDATIONS

PIRELLI DECLARED "BEST CORPORATE GOVERNANCE IN ITALY" FOR SECOND CONSECUTIVE YEAR IN FRAMEWORK OF WORLD FINANCE CORPORATION GOVERNANCE AWARD 2012; GOVERNANCE METRICS INTERNATIONAL (GMI) CONFIRMS 10/10 JUDGEMENT FOR CORPORATE GOVERNANCE ON THE ITALIAN MARKET

Milan, March 12, 2012 – Today, Pirelli & C. SpA Board of Directors reviewed and approved **results for the year ended December 31, 2011,** which showed significant growth in all key economic indicators. Beginning from the third quarter, the improvement was achieved notwithstanding the slowdown of the general macro-economic scenario, especially in Western economies, and proved the effectiveness of Pirelli's strategy with its focus on the Premium segment and the strengthening of its manufacturing presence in rapidly growing economies.

Consolidated revenues on December 31, 2011 totaled 5,654.8 million Euro, an increase of 16.6% (4,848.4 million Euro in 2010). The **consolidated operating income after restructuring charges** was 581.9 million Euro compared with 407.8 million Euro in 2010, and with a 10.3% margin compared with the target of "around 10%" announced last November and almost two percentage points higher than the 8.4% of 2010. The **net result from continuing operations** was 312.6 million Euro, an increase of 37.1% compared with 228 million Euro in 2010, while the **total net result** was 440.7 million Euro, taking into account a positive non-recurring impact of 128.1 million Euro linked to benefits from loss carryovers, following a change in the fiscal law regarding past losses which allows for their carryover without time limit.
The growth of production capacity, linked to the strategic focus on the Premium segment at global level outlined in the Industrial Plan, resulted in an increase of investment of 43% to 626 million Euro, which is reflected in the **consolidated Net Financial Position** which, on December 31, 2011 was negative 737.1 million Euro (negative 455.6 million Euro on December 31, 2010) compared with a target of "about 750 million" announced last November. This figure includes the payment of 83.5 million Euro in dividends and the first part of the payment for the acquisition of plants in Russia worth 55 million Euro.

At the end of this fiscal year, the Tyre Business, which accounts for 99% of consolidated revenues showed a significant growth of its economic indicators and profitability. Data confirm the effectiveness of Pirelli's strategy: our focus on Premium in the Consumer Business the location of the Industrial Business predominantly in areas of rapid growth, and our ability to use pricing to offset the increase in raw materials' costs, which had a negative impact over the year of about 512 million Euro. On December 31, 2011 **Pirelli Tyre** reported an increase of **sales** worth 17.4% (+19% net of the effect of exchange rate) to 5,601.6 million Euro, supported by the good price/mix performance (+17.6%). The Premium revenues grew by 27% in 2011, reaching 1,844 million Euro and in the Car Business alone they reached 50% of total. **The operating result after restructuring charges** totaled 643.9 million Euro, an increase of 42.1% from 453.1 million Euro in 2010, with profitability of 11.5% compared with a target of "about 11%" and an increase of two percentage points from 9.5% in 2010. These results also reflect the significant efficiencies achieved during the year, which amounted to 93.9 million Euro in total compared with a target of about 80 million Euro.

In line with the actions foreseen in the Industrial Plan to **increase production capacity and further strengthen the Group's industrial presence internationally**, in 2011, we continued the construction of the Settimo Torinese industrial hub - the Group's most technologically advanced facility - and the strengthening of our presence in Romania, where the Slatina industrial hub was extended. In Argentina, plans were made for the construction of a new radial truck tyre manufacturing plant. The construction of the new site in Mexico, to serve Nafta markets, was close to completion and production is expected to begin in the first quarter of 2012, while in Russia, together with partner Russian Technologies, the acquisition of two production facilities, Kirov and Voronezh, was completed (the latter after the end of 2011), which will enable Pirelli to begin its own production in a highly strategic market.

As for products, in the Moto Segment, it is worth noting, among others, the launch of 'Diablo Rosso II'; and, in the Car Segment, of "Cinturato P1", the high-technology "green" tyre designed for small and medium sized cars, and of "P Zero Silver", the first tyre resulting from technological experience in Formula 1, for which Pirelli is the exclusive supplier for the 2011-2013 3-year period. Besides being an excellent instrument for the strengthening of the Pirelli brand, whose value reached 2.27 billion Euro in 2011 (Interbrand estimate), Formula 1 is an important driver of innovation, particularly in the areas of designs, compounds and processes, where the know-how so acquired can also be exploited for conventional tyres.

The consistent focus on technological innovation is also shown by our R&D spending, an area in which Pirelli invested 7.2% of Premium revenues in 2011. In total, R&D spending climbed to 169.7 million Euro in 2011 from 149.7 million Euro in 2010, remaining at 3% of consolidated revenues, one of the highest levels in the Industry. This investment will result in products which besides constantly improving performance also improve safety, for the benefit of people and the environment.

The Board of Directors also approved the Sustainability Report, an integral part of the 2011 results. In 2011, we reported a reduction of 28% in water consumption compared to 2009, as well as an 8% reduction of CO2 emissions and energy consumption. In 2011, training remained among our top investment priorities, with an average of 6.2 training days per employee. We also invested in propagating the culture of road safety at an international level through our Sustainability Day, held in Milan on January 23, 2012: an international conference dedicated to consumer and road safety.

Pirelli & C. SpA Group

At the consolidated level, on December 31, 2011 revenues amounted to 5,654.8 million Euro, an increase of 16.6% from 4,848.4 million Euro in 2010. In the fourth quarter, revenues totaled 1,389.0 million Euro, an increase of 13% from 1,229.7 million Euro in the same period of 2010.

The gross operating margin (EBITDA) before restructuring charges was 834.6 million Euro compared with 653.7 million Euro in 2010. In the fourth quarter, EBITDA before restructuring charges reached 203.5 million Euro, an increase of 17.2% from 173.6 million Euro in the fourth quarter of 2010.

The operating result (EBIT) after restructuring charges, which amounted to 27.8 million Euro in 2011 (24.7 million in 2010), was 581.9 million Euro, an increase of 42.7% from 407.8 million Euro in 2010.

The margin on sales improved to 10.3% compared with 8.4% in 2010. In the fourth quarter, the operating result amounted to 130.7 million Euro, an increase of 30% from 100.5 million a year earlier, with the margin on sales rising to 9.4% from 8.2% compared with 2010.

The result from shareholdings was negative 17.3 million Euro mainly due to the devaluation of our shareholdings in RCS Mediagroup S.p.A. of about 17 million Euro (booked at 1.02 Euro per share compared with 1.48 Euro in 2010).

The net result from continuing operations was 312.6 million Euro, an increase of 37.1% from 228 million Euro in 2010. The total net result was 440.7 million Euro, taking into account the non-recurring positive impact of 128.1 million Euro linked to the booking of deferred tax assets following changes to fiscal law with regard to past losses which enables their reporting without time limits. In 2010, the total net result was 4.2 million Euro, taking into account the negative impact of 223.8 million Euro linked to the net result of the discontinued operations Pirelli Re and Pirelli Broadband Solutions.

The total net result attributable to Pirelli & C. is positive 451.6 million Euro (0.925 Euro per share), compared with 21.7 million Euro in 2010 (0.044 Euro per share).

Consolidated net assets on December 31, 2011 stood at 2,191.6 million Euro compared with 2,028 million at the end of 2010. On the same date, the net assets attributable to Pirelli & C. were worth 2,146.1 million Euro compared with 1,990.8 million Euro in 2010.

The operating net cash flow was 156.4 million Euro, with a significant increase in the last quarter, notwithstanding the significant increase in investments (+43% to 626.2 million Euro), aimed at increasing production capacity in the Premium segment. Total net cash flow was negative 281.5 million Euro due to investments and the dividends payments of 83.5 million Euro, the initial payment of 55 million Euro for the acquisition of factories in Russia and the acquisition, worth 28 million Euro, of a further 15% in the Chinese subsidiary (now 90% owned). The Group's net financial position on December 31, 2011 was negative 737.1 million Euro (negative 455.6 million Euro on December 31, 2010) compared with a target of "around 750 million Euro".

On December 31, 2011, the Group employed 34,259 people compared with 29,573 on December 31, 2010; an increase of 2,772 people due to the acquisition of the Kirov factory in Russia.

The holding Pirelli & C. SpA, posted a net profit of 272.5 million Euro compared with 87.4 million Euro in 2010. During the Shareholders' Meeting, the Board of Directors will propose the distribution of a dividend of 0.27 Euro per ordinary share (0.165 in the preceding year) and 0.34 Euro per savings share (0.229 in the preceding year), for a total dividend payout of 132.4 million Euro. The dividend will be payable as of May 24, 2012 (coupon detachment date: May 21, 2012).

Pirelli Tyre

The revenues of Pirelli Tyre on December 31, 2011 amounted to 5,601.6 million Euro, an increase of 17.4% from 4,772.0 million in 2010. The variation on a like-for-like basis, before the negative 1.6% exchange rate effect, showed an increase of 19.0%, mainly due to the price/mix component. In the fourth quarter of 2011, in particular, the positive sales trend was confirmed, reaching 1,375.9 million Euro, an increase of 13.4% from 1,212.9 million Euro in 2010. Net of the effect of exchange rate, organic growth was 15.9%.

The revenues trend reflects the strategic focus of the Consumer business on the Premium segment and the ability to offset the negative impact of the raw materials price increase, which totaled 512 million Euro and became more evident in the fourth quarter. Over the course of the year, the price/mix component grew by 17.6% and 19.8% in the fourth quarter, while the volume component increased by 1.4% over the year and declined by 3.9% in the fourth quarter: the volume trends reflect lower sales in the standard segment, as a consequence both of a market wide slowdown in the segment and Pirelli's strategic focus on Premium, with a consequent lower exposure to the lower profitability standard segment.

The gross operating margin (EBITDA) before restructuring charges amounted to 875.5 million Euro, an increase of 27.9% from 684.3 million Euro in 2010, representing 15.6% of sales compared with 14.3% in 2010. In the fourth quarter, EBITDA before restructuring costs was 219.2 million Euro, an increase of 17% from 187.4 million Euro in the period in 2010, with a margin on sales rising to 15.9% from 15.5% in the same period in 2010.

The operating result (EBIT) before restructuring charges was 661.7 million Euro, an increase of 38.9% from 476.3 million Euro in 2010 and representing 11.8% of sales (10% in 2010). In the fourth quarter, EBIT before restructuring charges amounted to 167.4 million Euro compared with 129.6 million Euro in the corresponding period of 2010, representing 12.2% of sales, an improvement compared with 10.7% in the fourth quarter 2010. The increase in profitability was achieved despite a significant increase in raw material costs, which peaked at the beginning of the second quarter, with a total impact of about 512 million Euro.

Considering restructuring charges, which amounted to 17.8 million Euro (23.2 million Euro in 2010) and were aimed at improving efficiency of European facilities, the operating result in 2011 was 643.9 million Euro, an increase of 42.1% from 453.1 million Euro in 2010, with a margin of 11.5%, an increase of two percentage points from 9.5% in 2010 and above the target of "around 11%" announced on November 9, 2011 when the Industrial Plan was updated. In the fourth quarter, the operating result after restructuring charges was 159.5 million Euro, an increase of 34.2% compared with 118.8 million Euro in the same period of 2010 and represented 11.6% of sales (9.8% in the same period of 2010).

The operating net cash flow was positive 215.5 million Euro, compared with 368.5 million Euro of the previous year. In the fourth quarter, the operating net cash flow was positive 334.6 million Euro (196.9 million in the fourth quarter 2010), which reflects in particular the positive trend of working capital. The net financial position on December 31, 2011 was negative 962.3 million Euro, an improvement from 1,109.9 million Euro at the end of 2010 notwithstanding investments which grew to 617.8 million Euro (+52% from 2010). During the year, efficiencies reached 93.8 million Euro compared with a target of "around 80 million Euro".

In the Consumer business (Car/Light Truck and Moto tyres), revenues for 2011 were 3,925.5 million Euro in total, an increase of 18.9% from 3,300.3 million Euro in 2010. Net of exchange rate effects, the organic growth of sales in the Consumer business was 20.3%, through an increase in volumes of 3% and of the price/mix component of 17.3%. In the Car business, it should be noted that there was a 56% increase in the sale of winter products, with a European Winter market share for Pirelli's replacement channel growing to around 8% from 6.9% in 2010. The gross operating margin before restructuring charges amounted to 669.4 million Euro, with a growth of 37% compared with 488.4 million Euro for the prior year and represented 17.1% of sales compared with the prior 14.8%. The operating result grew by 54.8% compared with the prior year, reaching 490.6 million Euro, rising to 12.5% of sales from 9.6%.
The fourth quarter of 2011 showed sales of 959.0 million Euro (+14.6% compared with the same period of 2010), with an organic growth of 16.4% linked in particular to the positive contribution from the price/mix component (+19.7%). The operating result rose by 30.3% to 120.5 million Euro, with profitability improving to 12.6% from 11.1% in the fourth quarter of 2010.

In the Industrial business (Industrial vehicle tyres and Steelcord) revenues for 2011 were 1,676.1 million Euro in total, with an increase of 13.9% from 1,471.7 million Euro in 2010. Excluding exchange rate effects, the growth on a like-for-like basis was 16.1%, through the increase of 17.8% in the price/mix component, while volumes dropped 1.7%. The gross operating margin before restructuring charges was 206.1 million Euro (195.9 million Euro in 2010), while the operating result before restructuring charges grew to 155.2 million Euro (141.7 million Euro in 2010), representing 9.3% of sales. The operating result grew to 153.3 million Euro (136.1 million Euro in 2010), representing 9.1% of sales. Sales in the fourth quarter of 2011 were 416.9 million Euro (+10.8% compared with the same period in 2010) and the operating result before restructuring charges was 40.3 million Euro (29.7 million Euro in the same period of 2010), representing 9.7% of sales compared with 7.9% in the corresponding period in 2010. With reference to sales, the positive organic variation of the fourth quarter (+14.7%) was mainly linked to the price/mix component, which delivered a positive contribution of 20.1%, as opposed to the 5.4% decrease in the volume component, which reflects this business's exposure to the general economic slowdown.

On December 31, 2011, Pirelli Tyre employed 33,596 people compared with 28,865 at the end of 2010. Part of the increase (2,772 people) stemmed from the acquisition of the Kirov factory in Russia.

Significant events after December 31, 2011

On 23 January 2012, Pirelli's "Sustainability Day" was held at its Bicocca headquarters, an international conference titled "Driving Sustainability: a safe road to the future". During the event, which highlighted safety of end-consumers with a focus on road safety, Pirelli signed an agreement with the Ministry for the Environment on the carbon footprint of their tyres' lifecycle. The agreement signed by Minister Corrado Clini and Pirelli Chairman Marco Tronchetti Provera, is another step leading Pirelli to constantly reduce its environmental impact.

On January 31, 2012, an Extraordinary Meeting of Pirelli & C. SpA Savings Shareholders appointed Professor Giuseppe Niccolini as their joint representative for the years 2012, 2013 and 2014 who will replace Mr. Giovanni Pecorella.

On February 29, 2012, Pirelli & C. SpA and Russian Technologies finalized the transaction for the transfer of the Voronezh tyre plant from the petro-chemical Group Sibur to the joint venture between Pirelli and Russian Technologies. The transaction follows the transfer by Sibur of the Kirov tyre plant last December.

On March 1, 2012, the Board of Directors proceeded to co-opt Mr. Giuseppe Vita, replacing Mr. Enrico Tommaso Cucchiani who resigned from his office as a Board Member on December 16, 2011, and Mrs. Manuela Soffientini, replacing Mr. Francesco Profumo who resigned from his office as Board Member on November 16, 2011.

2012 Outlook

Faced with a general slowdown in the demand for tyres as a consequence of the present macro-economic crisis, Pirelli in 2012 will further intensify, compared with that which was foreseen in the 2012/2014 Industrial Plan presented last November, actions aimed at improving the mix both in the Car and Truck businesses.

In Car, the premium volume target has been raised from +20% to at least +20% and the non-premium estimate is reduced -8/-10% compared with 2011 The total volume estimate for Car in 2012 has been lowered from +3%, presented last November, to +1%/0. In Truck, which is impacted to a greater extent by the crisis, the total volumes expected for 2012 have been reduced from +1% to -2%/-4% reflecting a cut in low-mix volumes (conventional -20% compared with 2011) alongside a slightly positive performance for higher value products (radial from +3% last November to +2%/0). The total volume target is therefore reduced from last November's +2% to 0/-1% while further improvements in the mix towards greater value products leads to a variation of the price/mix target from last November's +8% to +11%/+12%.

Total revenues in 2012 are expected to be around 6.6 billion euro, an increase of 17% from 5.65 billion euro in 2011 (prior target 6.7 billion euro with an increase of 16% compared with 2011 which was expected below 5.8 billion euro). The sales target for Russia is confirmed at around 300 million euro.

The 2012 Ebit margin target has been revised upwards to above or equal to 12% compared with the prior target of 11%-12%.

At the end of 2012, the net negative financial position is expected to be an amount below one billion euro before dividends.

Management Incentive Plan

In 2009, Pirelli adopted a medium to long-term cash incentive plan, called Long Term Incentive (LTI), for its Senior Management (about 90 managers). The plan is based on the achievement of cumulative EBIT targets set out in the 2009-2011 Industrial Plan, in line with the variable remuneration mechanisms widely adopted at both National and International levels to align the management interests to those of the shareholders thus developing sustainable value creation in the medium-to-long term. The LTI Plan, which expired in 2011, also included the “Total Shareholder Return” (TSR) as a target.

The 2009-2011 Plan targets have been widely exceeded: in this period Pirelli repeatedly raised its profitability targets. Between the fourth quarter of 2008 and the fourth quarter of 2011 the “Total Shareholder Return” reached 128%.

The 3-year Incentive Plan was totally self-financed: its cost was already included in the economic data, as reported in the balance sheets for the three years. On December 31, 2011 provisions amounted to 77.13 million Euro in total.

The Board of Directors, based on a proposal by the Remuneration Committee, approved the launch of the new 3-year Incentive Plan for all managers (around 310 participants), a plan linked to the new challenging targets of the 2012-2014 period. Like the previous one, the new Incentive plan sets forth that the management will renounce 50% of their 2012 and 2013 MBO: that amount will be set aside in a “bonus bank” and will be paid out at the end of the 3-year period with a further bonus only if the long-term targets are achieved; should these targets be missed, only half of the money set aside in the bonus bank will be paid out. The three-year incentive is linked to the TSR and Pirelli’s positioning amongst the main sustainability indicators worldwide.

Also the 2012-2014 Plan is totally self-financed and the related charges are included in the economic data of the Industrial Plan.

In particular, the Board of Directors decided, also in accordance with article 2389 of the Civil Code, at the proposal of the Remuneration Committee and with the favourable opinion of the Internal Audit Committee, a 3-year cash incentive plan for executive directors and managers for the period 2012-2014 (the "Reference Period") based among other things on financial parameters, destined to executive directors and/or managers of Pirelli & C. SpA and its controlled subsidiaries ("Beneficiaries"), called "Long Term Incentive Plan (2012/2014)" ("LTI Plan"), in accordance with the law, it will be put to the approval of Shareholders called for May 10, 2012.

The LTI Plan is extended to all Group managers and can also be extended to those who during the 3-year period enter the Group's management and/or assume, as a consequence of internal promotion, a position as manager. In these cases, participation is subject to the condition of participating to the LTI Plan for at least one full year and the percentages of the incentive will be recalculated on the basis of the number of months of participation in the LTI Plan.

The participants in the Plan, among others, include the Chairman and CEO of Pirelli & C., Marco Tronchetti Provera, the Vice President. Alberto Pirelli, the General Manager, Francesco Gori, the Directors with strategic responsibility, Francesco Chiappetta (General Counsel and Director Institutional Affairs), Maurizio Sala (Head of Planning and Control), Francesco Tanzi (Chief Financial Officer).

The LTI Plan is cash and does not entail rights for options on shares. The cash incentive (disbursed by Pirelli & C. SpA, Pirelli Tyre SpA and the other companies of the Pirelli Group) is calculated mainly on the basis of parameters determined by economic objectives and in part on the performance of Pirelli shares compared with (i) the Ftse/Mib Total Return Index; (ii) the performance of selected peers in the tyre sector.

In accordance with article 114 bis of the Financial Law and article 84 bis of the Issuer Regulation, the illustrative information documents will be available to the company as set out by law, according to the prevailing norms.

Shareholders' Meeting and Corporate Governance issues

The Board of Directors called a meeting of shareholders to approve the 2011 results on May 10, 2012 (sole call). The ordinary session will also be called upon to decide on the confirmation of proposed Board Members Mrs. Manuela Soffientini and Mr. Giuseppe Vita, as well as the appointment of the new Audit Committee via vote by list. In conclusion, Shareholders will be asked to express their positions, with a consultative vote, on the 2012 Remuneration Policy and to approve the already described 3-year 2012/2014 Incentive Plan in the section linked to the Total Shareholder Return. Information documentation will be made available to the public as set forth by law.

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The Board of Directors also stated that Pirelli will fully comply with Borsa Italiana's new Code of Self-Regulation approved in December 2011 and noted that Pirelli's corporate governance has already received the new recommendations. In next year's report on company governance and ownership structure, information will be supplied regarding the enforcement of the recommendations mentioned above.

In conclusion, the Board of Directors acknowledged that for the second consecutive year Pirelli was awarded "Best Corporate Governance in Italy" within the framework of the World Finance Corporate Governance Award 2012 and that Governance Metrics International (GMI), in December 2011, confirmed its 10/10 assessment of Pirelli's corporate governance for the Italian market and gave an assessment of 8/10 for the global market, the highest result ever achieved by an Italian company.

Conference call

The results for the 12 months ended December 31, 2011 will be illustrated today, Monday March 12, 2012, at 16.30 during a conference call held by Pirelli & C. SpA Chairman and CEO, Marco Tronchetti Provera and the Group Top Management. Journalists will be able to follow the call by telephone, without asking questions, by calling +39.06.3348.5042. The presentation will also be webcast – in real time – at www.pirelli.com under the "Investors" section, where slides will also be available.

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The Manager mandated to draft corporate accounting documents of Pirelli & C. S.p.A., Francesco Tanzi, declares – 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.

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In this press release, in addition to the financial performance measures established by IFRS, certain non-IFRS measures originated from the latter are presented although they are not required by IFRS ("Non-GAAP Measures"). These performance measures are presented for purposes of a better understanding of the trend of operations of the Group and should not be construed as a substitute for the information required by IFRS. Specifically, the "Non- GAAP Measures" used are described as follows:
Gross operating profit (EBITDA): this financial measure is used by the Group as the financial target in internal business plans and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group as a whole and for each single segment, in addition to EBIT. EBITDA is an intermediate performance measure represented by the Operating Income from which amortization of material and immaterial fixed assets are subtracted.
Fixed assets: this is the sum of the items "material fixed assets", "immaterial fixed assets", "investments in related companies and JVs", and "other financial as sets". **Funds:** this is the sum of the items "funds for risks and charges (current and non current)", "funds for personnel" and "funds for deferred taxes". **Net working capital**: this includes all the other items not included in the two items "net equity" and "net financial position". **Net financial position**: this represents gross financial debt minus cash and other equivalent liquidity, as well as other financial credits.

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Attached are prospectuses related to the profit and loss account, to equity data in summary and to consolidated financial reports. In accordance with Consob Communication no. 6064291 of July 28, 2006, the company notes that these attachments are not subject to review by the auditing company.

PIRELLI & C. S.p.A. GROUP
(million euros)

	31/12/2011	31/12/2010
Sales	5,654.8	4,848.4
Gross operating profit before restructuring expenses	834.6	653.7
%on sales	14.8%	13.5%
Operating profit before restructuring expenses	609.7	432.5
%on sales	10.8%	8.9%
Restructuring expenses	(27.8)	(24.7)
Operating profit	581.9	407.8
%on sales	10.3%	8.4%
Earnings (losses) from investments	(17.3)	23.4
Financial income (expenses)	(89.5)	(65.8)
Pretax profit	475,1	365,4
Income taxes	(162.5)	(137.4)
Tax rate %	34.2%	37.6%
Income (loss) from continuing operations	312.6	228.0
	-	(223.8)
Italian deferred tax assets	128.1	-
Net icome (loss)	440.7	4.2

Income (loss) attributable to Pirelli & C. S.p.A.	451.6	21.7
Earnings per share (in euro) (*)	0.926	0.045

Fixed assets	3,558.1	3,164.1
Inventory	1,036.7	692.3
Commercial credits	745.2	676.7
Commercial debts	(1,382.8)	(1,066.4)
Net working capital operations	399.1	302.6
% of sales	7.1%	6.2%
Other credits/debts	(243.9)	(185.9)
Net working capital	155.2	116.7
% of sales	2.7%	2.4%
Net capital invested	3,713.3	3,280.8
Equity	2,191.6	2,028.0
Funds	784.6	797.2
Net financial (liquidity) / debt position	737.1	455.6

Equity attributable to the equity holders of Pirelli & C. S.p.A.	2,146.1	1,990.8
Equity per share (in euro) (*)	4.398	4.080

Investment in material and immaterial goods	626.2	438.6

R&D investment	169.7	149.7
% of sales	3.0%	3.1%

Headcount (number at period-end)	34,259	29,573
Factories	21	20

Data by Business Sector

(million euros)

	Tyre		Altre attività (*)		Totale	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Sales	5,601.6	4,772.0	53.2	76.4	5,654.8	4,848.4
exp.	875.5	684.3	(40.9)	(30.6)	834.6	653.7
Operating profit (loss) before restructuring exp.	661.7	476.3	(52.0)	(43.8)	609.7	432.5
Restructuring expenses	(17.8)	(23.2)	(10.0)	(1.5)	(27.8)	(24.7)
Operating profit (loss) (EBIT)	**643.9**	**453.1**	**(62.0)**	**(45.3)**	**581.9**	**407.8**
% on sales	*11.5%*	*9.5%*			*10.3%*	*8.4%*
Earnings (loss) from investments	(1.3)	0.3	(16.0)	23.1	(17.3)	23.4
Financial income (expenses)	(90.1)	(66.4)	0.6	0.6	(89.5)	(65.8)
Pre-tax profit	**552.5**	**387.0**	**(77.4)**	**(21.6)**	**475.1**	**365.4**
Income taxes	(181.1)	(134.4)	18.6	(3.0)	(162.5)	(137.4)
tax rate %	*32.8%*	*34.7%*			*34.2%*	*37.6%*
Income (loss) from continuing operations	**371.4**	**252.6**	**(58.8)**	**(24.6)**	**312.6**	**228.0**
Income (loss) from discontinued operations			-	(223.8)	-	**(223.8)**
Italian deferred tax assets	-	-	128.1	-	128.1	-
Income (loss)	**371.4**	**252.6**	**69.3**	**(248.4)**	**440.7**	**4.2**
Net financial (liquidity) / debt position	**962.3**	**1,109.9**	**(225.2)**	**(654.3)**	**737.1**	**455.6**

(*) This item includes the Pirelli Ecotechnology group, the Pirellli Ambiente group, PZero S.r.l., all financial companies (including the parent company), the other service companies and, with regard to the entry for sales, items eliminated in consolidation

Cashflow statement

(in millions of euro)

	1° quarter		2° quarter		3° quarter		4° quarter		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Operating profit (EBIT) before restructuring charges	146.5	90.2	151.3	109.6	163.3	119.9	148.6	112.8	609.7	432.5
Amortization	56.9	51.7	56.2	53.7	56.9	55.0	54.9	60.8	224.9	221.2
Material and Immaterial Investment	(96.9)	(50.2)	(137.2)	(85.2)	(162.1)	(91.5)	(230.0)	(211.7)	(626.2)	(438.6)
Variation working capital/other	(313.5)	(143.2)	18.1	42.2	(100.6)	(18.0)	344.0	214.2	(52.0)	95.2
FREE CASH FLOW	(207.0)	(51.5)	88.4	120.3	(42.5)	65.4	317.5	176.1	156.4	310.3
Financial income/expenses	(14.8)	(17.6)	(29.9)	(23.0)	(19.4)	(14.0)	(25.4)	(11.2)	(89.5)	(65.8)
Income taxes	(47.9)	(30.4)	(39.6)	(39.9)	(51.3)	(40.2)	(23.7)	(26.9)	(162.5)	(137.4)
OPERATING CASH FLOW	(269.7)	(99.5)	18.9	57.4	(113.2)	11.2	268.4	138.0	(95.6)	107.1
Financial Investments/divestments	24.4	-	-	-	(16.4)	9.8	(7.0)	21.9	1.0	31.7
Acquisition minorities in China	-	-	-	-	(28.0)	-	-	-	(28.0)	-
Investment in Russia	-	-	-	-	-	-	(55.0)	-	(55.0)	-
Dividends paid out by Parent Group	-	-	(81.1)	(81.1)	-	-	-	-	(81.1)	(81.1)
Other dividends paid out to third parties	(0.7)	-	(1.7)	(4.0)	-	-	-	-	(2.4)	(4.0)
Cash Out for restructuring	(2.8)	(34.0)	(5.7)	(9.9)	(1.9)	(7.4)	(6.5)	(2.0)	(16.9)	(53.3)
Net cashflow disconitnued operations	-	(26.1)	-	(5.8)	-	(37.9)	-	75.4	-	5.6
Exchange rate differences/other	(8.4)	10.0	3.5	24.9	0.1	16.3	1.3	16.0	(3.5)	67.2
NET CASH FLOW	(257.2)	(149.6)	(66.1)	(18.5)	(159.4)	(8.0)	201.2	249.3	(281.5)	73.2