



PIRELLI 9M 2011 RESULTS



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Statement

The Manager mandated to draft corporate accounting documents of Pirelli & C. SpA. Francesco Tanzi, 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.

AGENDA

PIRELLI & C FINANCIAL REVIEW

PIRELLI TYRE

2011 TARGETS UPDATE

APPENDIX

PIRELLI KEY FINANCIAL RESULTS

€/mln	9M11	9M10*	Δ YoY	3Q11	3Q10*	Δ YoY	3Q results key drivers
Revenues	4,265.8	3,618.7	+17.9%	1,476.5	1,249.7	+18.1%	<p>▶ Value strategy pays off:</p> <ul style="list-style-type: none"> ▶ record price/mix improvement (+18.6%) ▶ product portfolio rebalancing with Premium sales increasing weight <p>▶ Record profitability despite higher raw material impact</p> <p>▶ The highest profit margin of the year (6.3% net income/revenues vs. 5.6% in 2Q)</p> <p>▶ Cash absorption:</p> <ul style="list-style-type: none"> ▶ investment in Premium capacity expansion in line with the Industrial Plan ▶ Working capital trend linked with successful winter campaign
<i>Organic growth**</i>			+19.3%			+20.8%	
EBITDA before Restr. Costs	631.1	480.1	+31.5%	220.2	174.9	+25.9%	
<i>Margin</i>	14.8%	13.3%		14.9%	14.0%		
EBIT before Restr. Costs	461.1	319.7	+44.2%	163.3	119.9	+36.2%	
<i>Margin</i>	10.8%	8.8%		11.1%	9.6%		
Restructuring Costs	(9.9)	(12.4)		(2.2)	(4.5)		
EBIT	451.2	307.3	+46.8%	161.1	115.4	+39.6%	
<i>Margin</i>	10.6%	8.5%	+2.1 p.p.	10.9%	9.2%	+1.7 p.p.	
PBT	390.1	270.8	+44.1%	143.8	123.5	+16.4%	
<i>Tax Rate</i>	35.6%	40.8%	-5.2 p.p.	35.7%	32.5%	+3.1 p.p.	
Income before disc. Operations (Adj. Net Income)	251.3	160.3	+56,8%	92.5	83.3	+11%	
Attributable Net Income	255.3	(87.0)		93.6	78.5		
Investments***	396.2	226.9		162.1	91.5		
Net Debt	938.3	704.9	+159 €/mln vs 1H 2011				

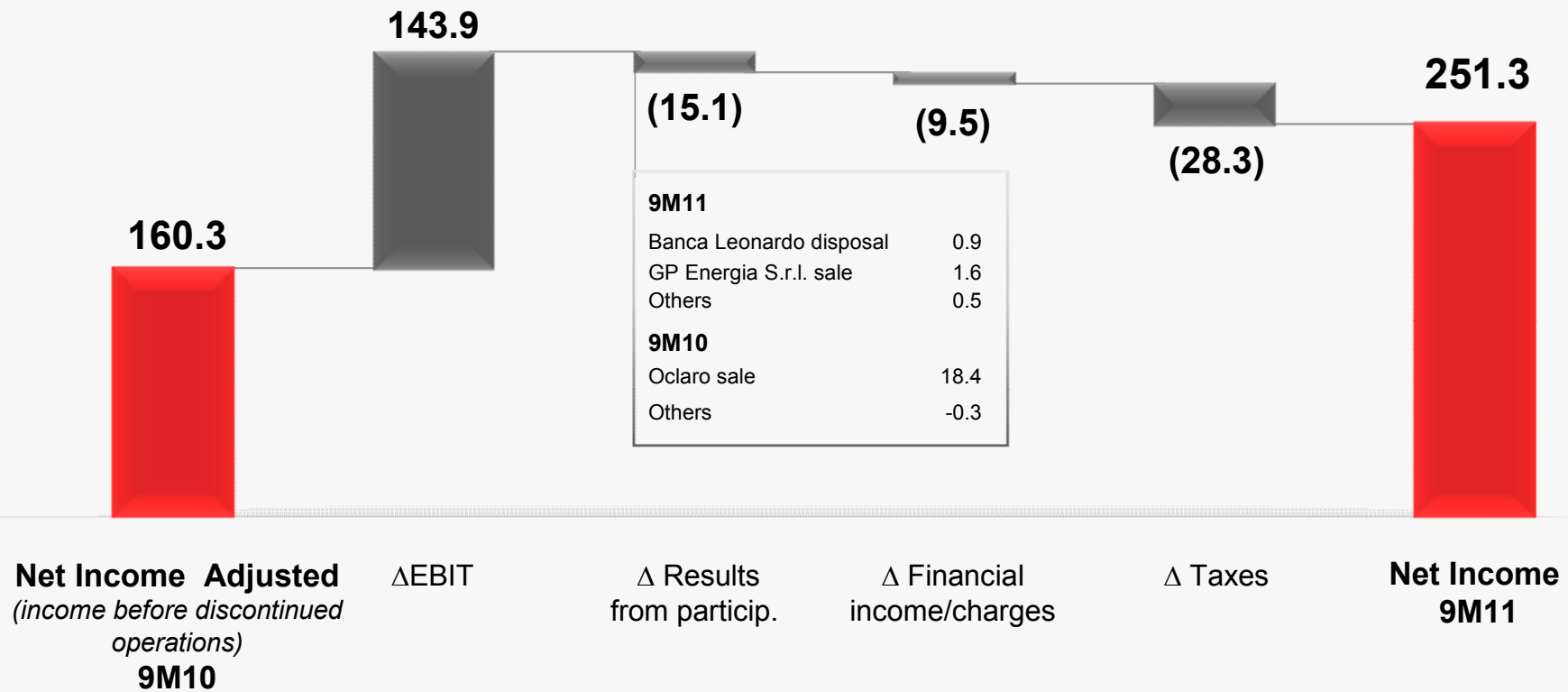
(*) 2010 figures restated including Pirelli RE and Pirelli Broadband among discontinued operations following their disposal in 2010

(**) Homogeneous terms variations, excluding exchange rate effects

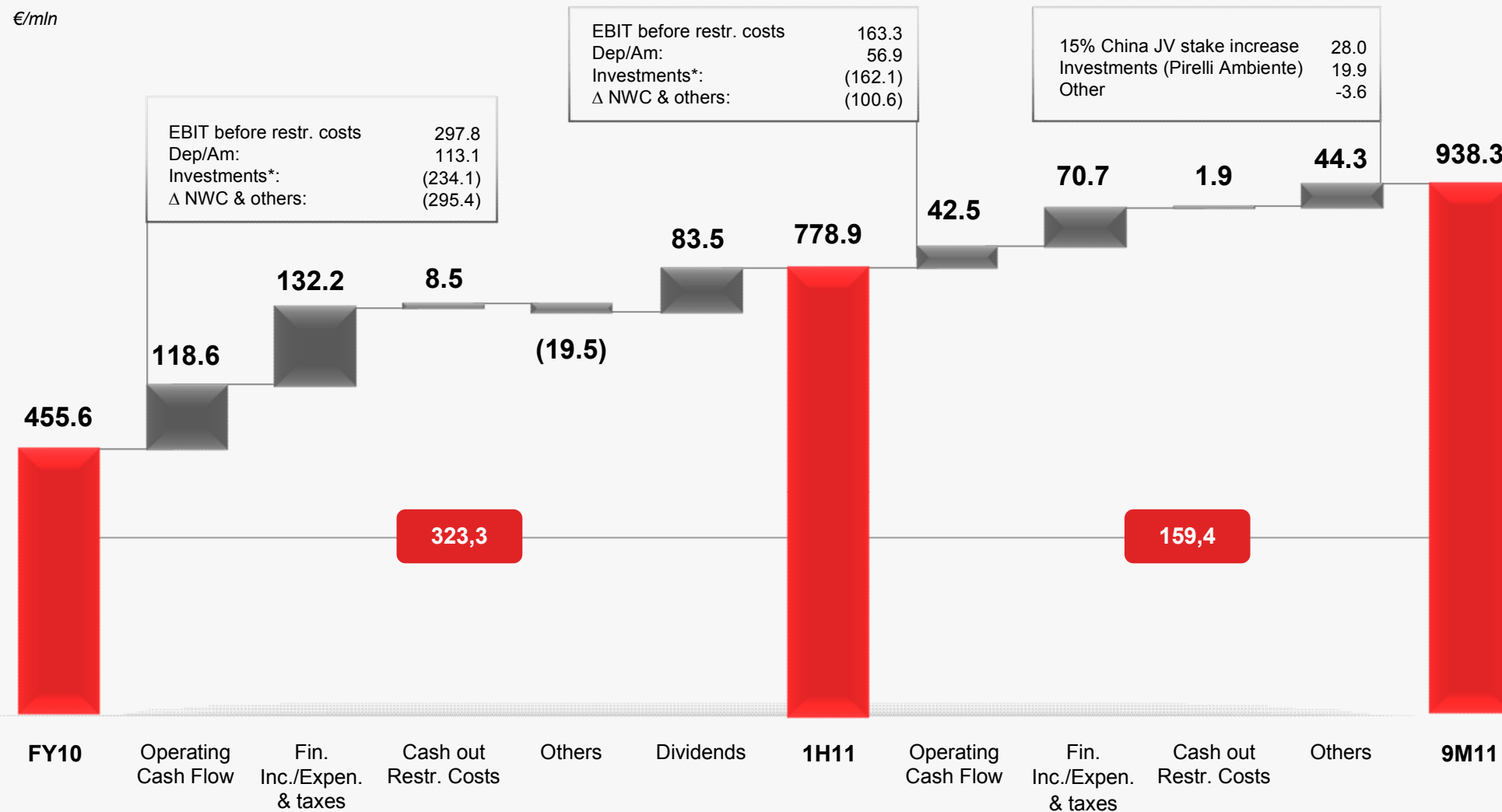
(***) Tangible and intangible investments

PIRELLI NET INCOME 9M11 VS 9M10

€/mln



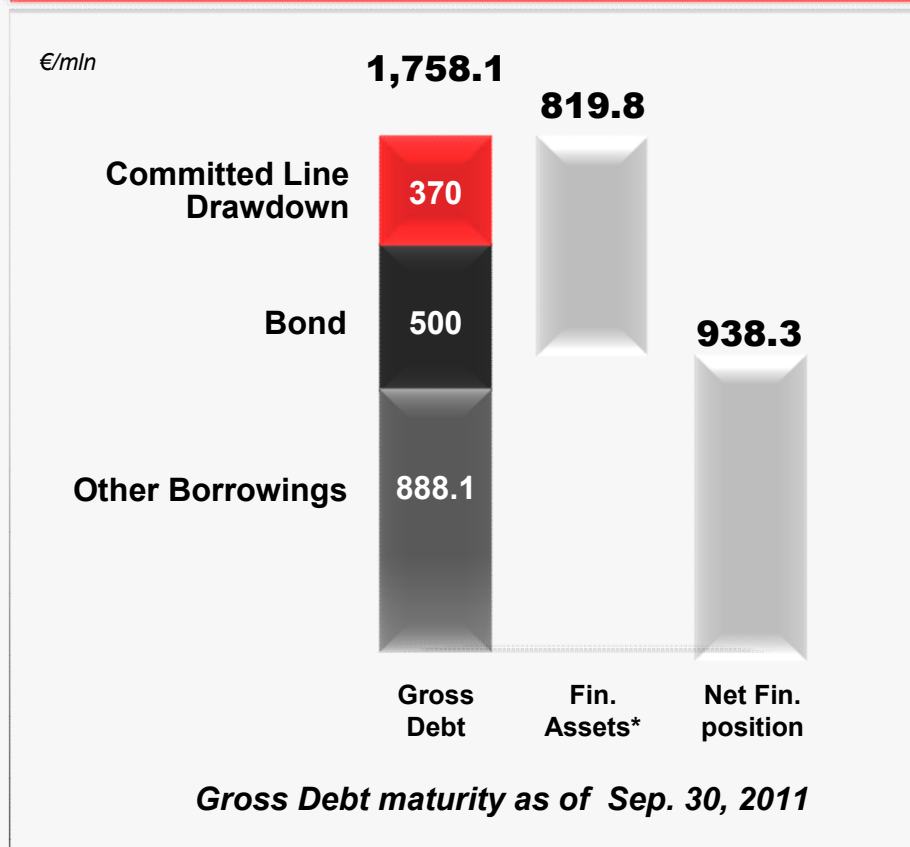
PIRELLI 9M'11 NET FINANCIAL POSITION



(*)Tangible and intangible investments

PIRELLI DEBT STRUCTURE AS OF SEP 30, 2011

Net Financial Position

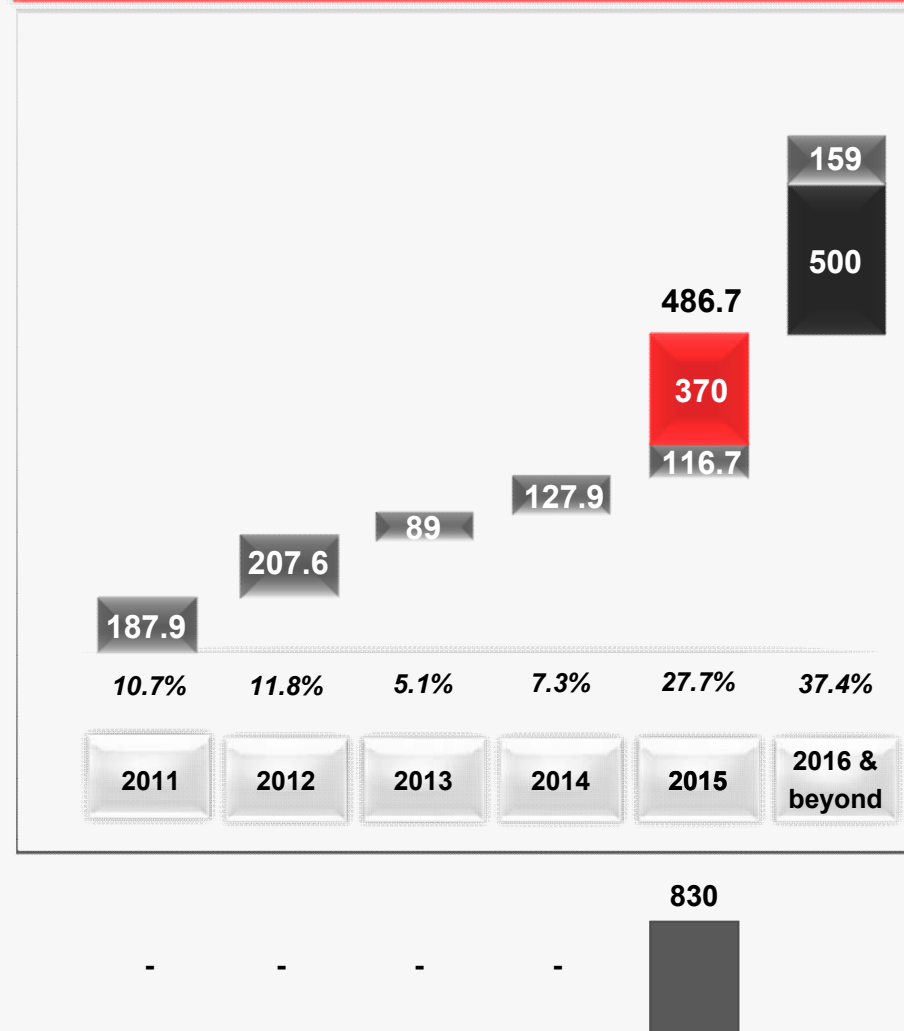


3Q11

Total Committed Lines Not Drawn

Total 830

Gross Debt Maturity



(*)Financial receivables, cash and cash equivalents

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PIRELLI TYRE KEY RESULTS

€/mln	1Q11	YoY%	2Q11	YoY%	3Q11	YoY%	9M11	YoY%
Revenues	1,384.5	+24.7%	1,376.4	+13.3%	1,464.8	+18.7%	4,225.7	+18.7%
EBITDA (before restruct. costs)	209.5	+43.1%	218.4	+23.0%	228.4	+32%	656.3	+32.1%
margin	15.1%	+1.9p.p.	15.9%	+1.3p.p.	15.6%	+1.6p.p.	15.5%	+1.5p.p.
EBIT (before restruct. costs)	155.6	+58.6%	164.6	+29.5%	174.1	+43.3%	494.3	+42.6%
margin	11.2%	+2.4 p.p.	12.0%	+1.5 p.p.	11.9%	+2.1p.p.	11.7%	+2p.p.
EBIT (after restruct. costs)	152.4	+59.6%	160.1	+31.4%	171.9	+46.9%	484.4	+44.9%
margin	11.0%	+2.4p.p.	11.6%	+1.6p.p.	11.7%	+2.2 p.p.	11.5%	+2.1 p.p.
Net Income	88.5	+76.6%	74.3	+23.2%	92.6	+39.9%	255.4	+44.6%

▶ Value strategy momentum:

- ▶ F1 and Pzero underpin Premium sales
- ▶ further product portfolio rebalancing (reduced low margin tyre sales)
- ▶ successful execution of price increases

	1Q11	2Q11	3Q11	9M11
Revenue drivers				
Δ Price/Mix	+15.9%	+15.8%	+18.6%	+16.8%
Δ Volume	+6.1%	+1.2%	+2.8%	+3.3%
o/w Premium	+25.2%	+21.7%	+17.5%	+21.5%
Δ Rev. (before exch. rate impact)	+22.0%	+17.0%	+21.4%	+20.1%
Δ Exch. Rate	+2.7%	-3.7%	-2.7%	-1.4%

▶ All time high profitability:

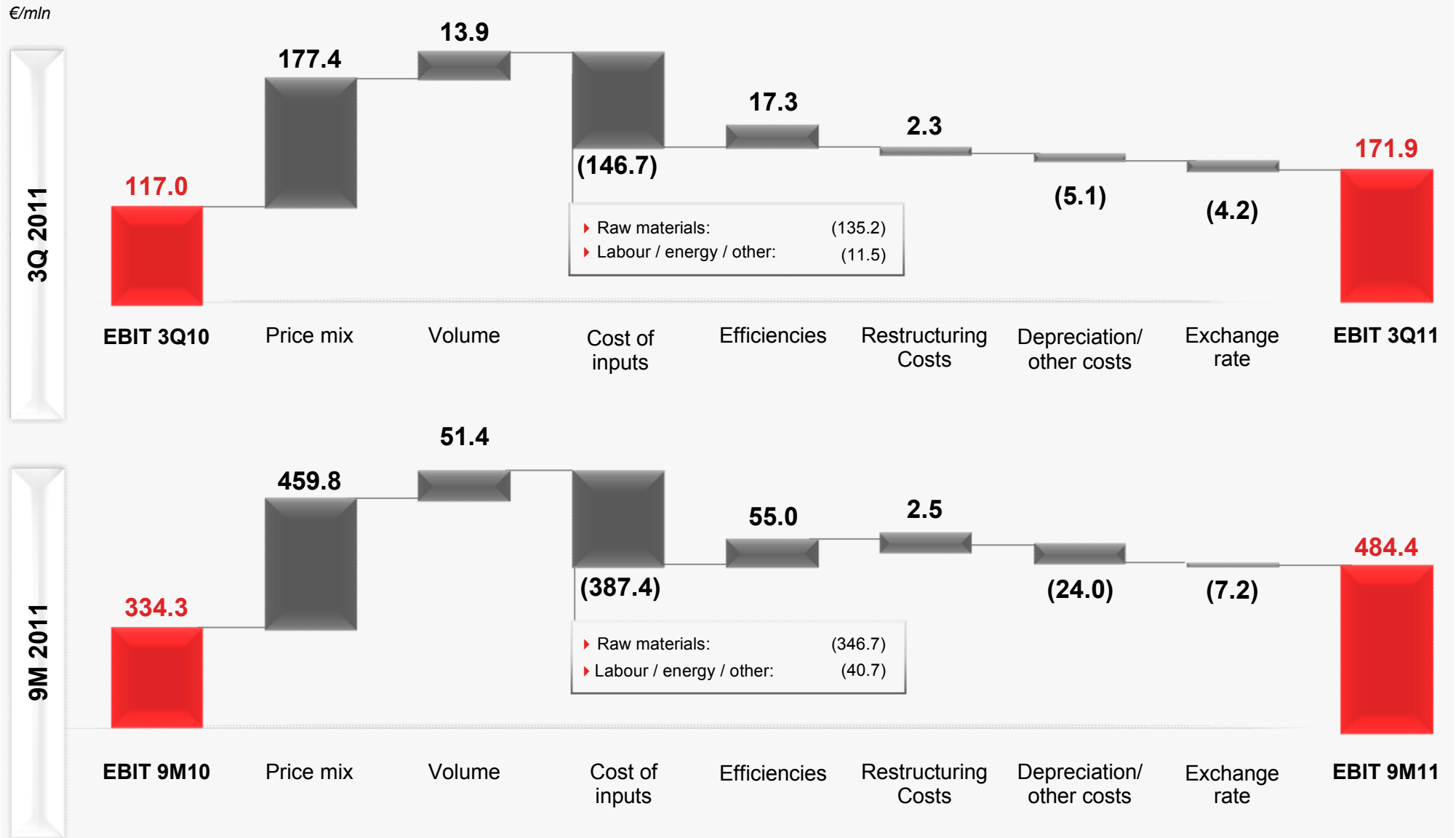
- ▶ price mix 1.3x raw mat. headwind
- ▶ efficiencies according to plan

REBALANCING PROFITABILITY AMONG REGIONS

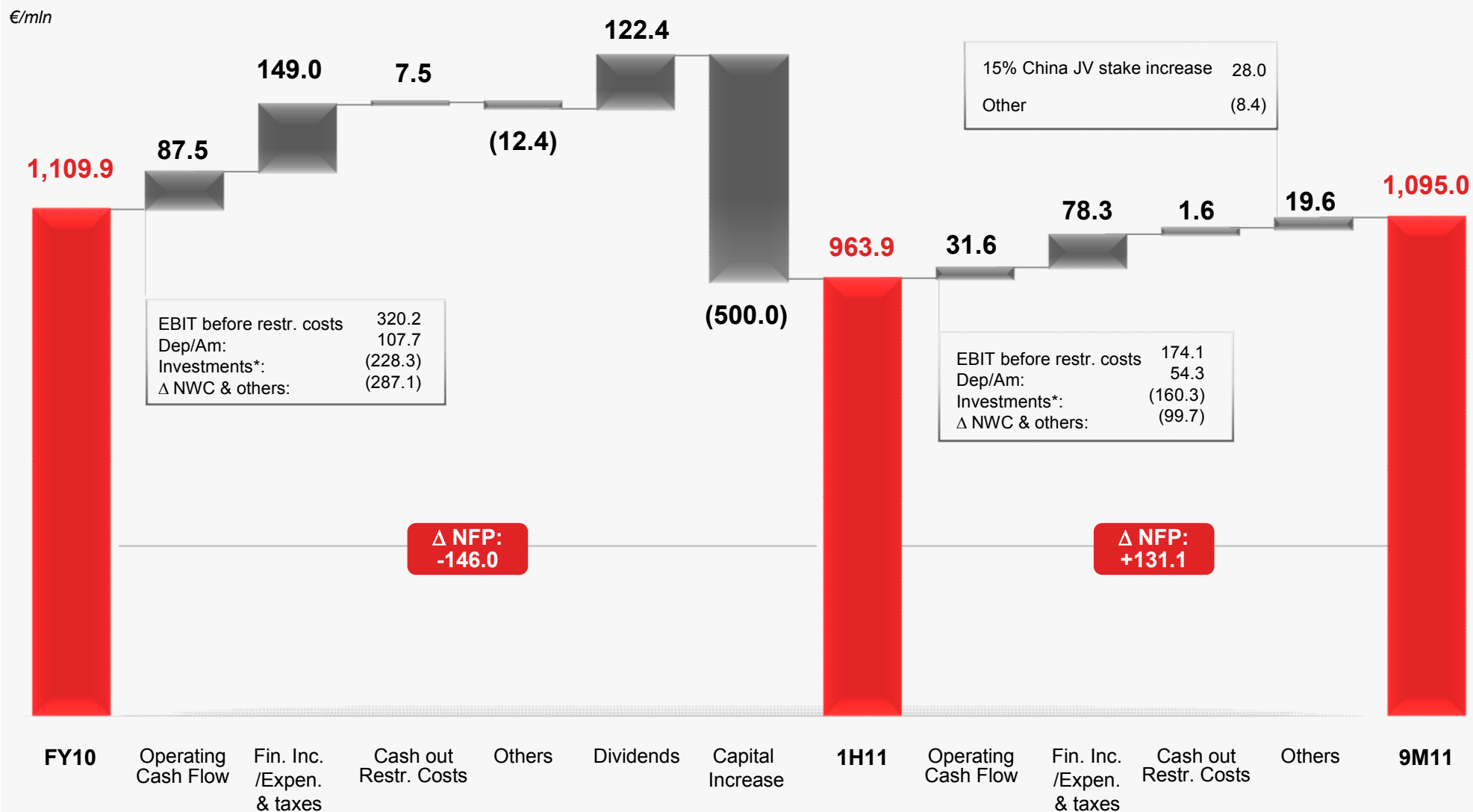
	Sales by region		Ebit % by Region		Actions
	9M 2011	YoY growth	9M 2010	9M 2011	
Europe	41%	+22%	Mid single digit	Double digit	▶ Increasing Premium weight also due to strong winter season; efficiency gains in Romanian plant
MEA	9%	+7%	Double digit	Slight increase	▶ Demand affected by crisis in the region
NAFTA	10%	+18%	Low single digit	Stable	▶ Building of Mexican factory well on-track
Asia Pacific	6%	+24%	High single digit	Slight increase	▶ Expansion of Premium OE homologation portfolio
South America	34%	+17%	Mid double digit	Confirmed	▶ Confirmed leadership in the regions; truck sales rebound in Q3

2011 WELL ON TRACK WITH 3Y PLAN

PIRELLI TYRE 9M11 OPERATING PERFORMANCE

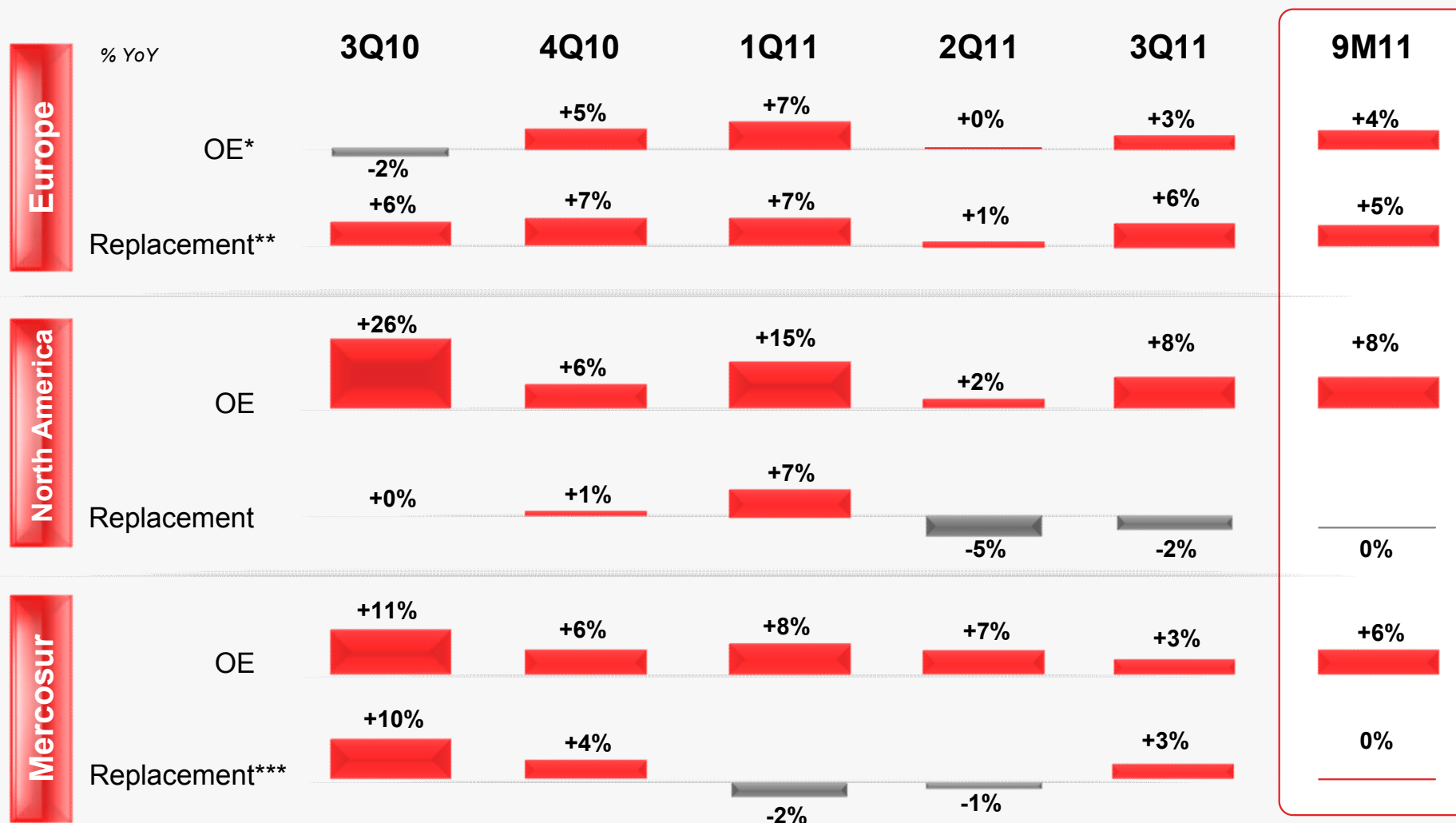


PIRELLI TYRE 9M11 NET FINANCIAL POSITION



(*) Tangible and intangible investments

CONSUMER BUSINESS: KEY MARKET TRENDS



(*) Turkey and Russia included

(**) Turkey included

(***) Non-pool members' imports not included

Sources: major external data provider for each region and Pirelli estimates

CONSUMER BUSINESS: PIRELLI PERFORMANCE

€/mln	1Q11	YoY%	2Q11	YoY%	3Q11	YoY%	9M11	YoY%
Revenues	983.3	+25.9%	958.9	+14.7%	1024.3	+20.9%	2,966.5	+20.4%
EBITDA (before restruct. costs)	160.6	+51.5%	169.7	+38.6%	172.2	+44.8%	502.5	+44.7%
<i>margin</i>	16.3%	+2.7p.p.	17.7%	+3.1 p.p.	16.8%	+2.8 p.p.	16.9%	+2.8 p.p.
EBIT (before restruct.costs)	119.7	+72.2%	128.6	+51.8%	131.1	+62.9%	379.4	+61.7%
<i>margin</i>	12.2%	+3.3 p.p.	13.4%	+3.3 p.p.	12.8%	+3.3 p.p.	12.8%	+3.3 p.p.
EBIT (after restruct.costs)	116.8	+74.3%	124.3	+54.8%	129.0	+67.1%	370.1	+64.9%
<i>margin</i>	11.9%	+3.3p.p.	13.0%	+3.4p.p.	12.6%	+3.5p.p.	12.5%	+3.4p.p.

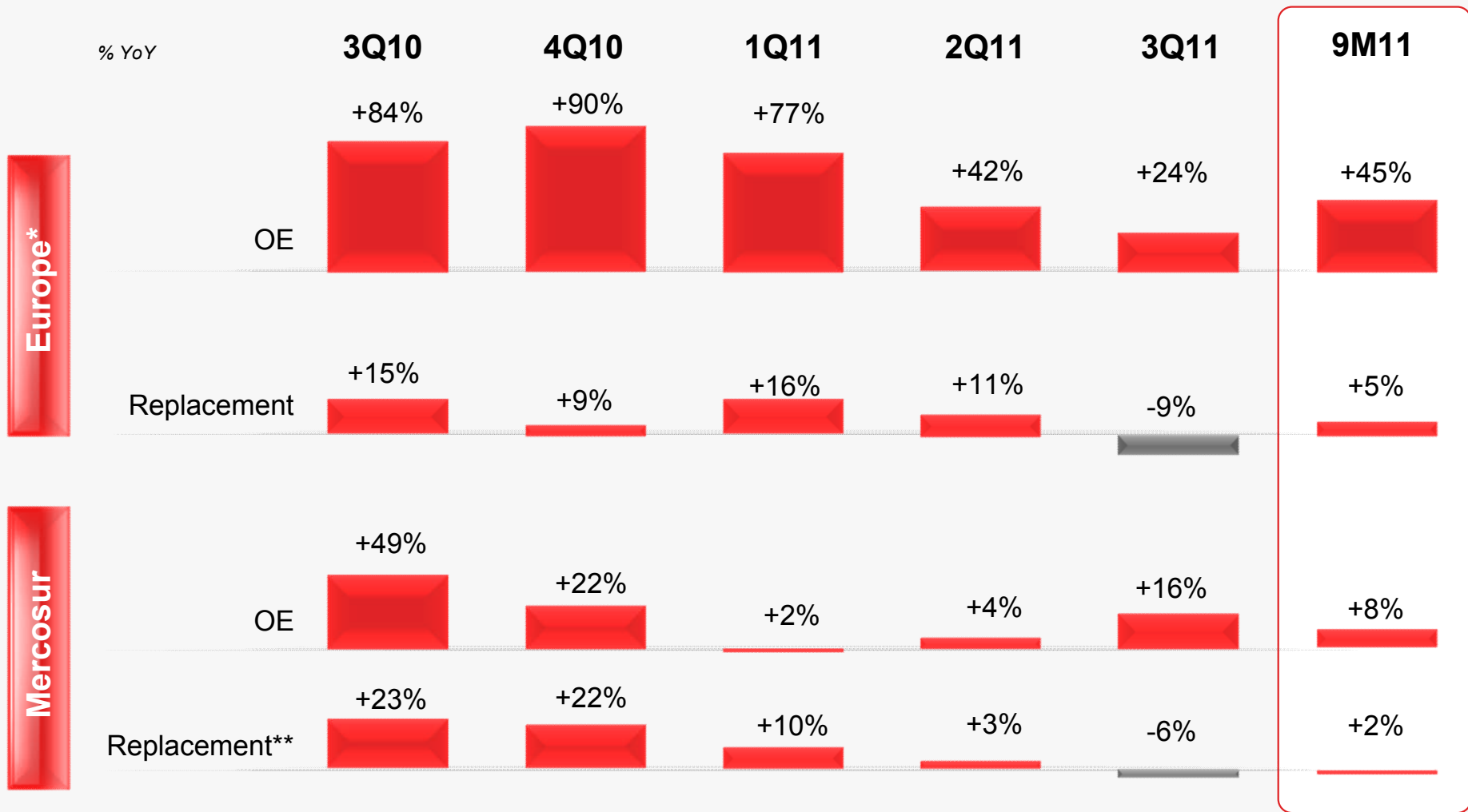
► Strong winter season (+80% in 9M) combined with growing Premium sales lead to a market share increase in Europe (14%, +1 p.p. yoy)

► Record profitability

	1Q11	2Q11	3Q11	9M11
Revenue drivers				
Δ Price/Mix	+14.6%	+16.2%	+18.4%	+16.5%
Δ Volume	+9.0%	+2.6%	+4.3%	+5.2%
o/w Premium	+25.2%	+21.7%	+17.5%	+21.5%
Δ Rev. (before exch. rate impact)	+23.6%	+18.8%	+22.7%	+21.7%
Δ Exch. Rate	+2.3%	-4.1%	-1.8%	-1.3%

► Price increase successfully implemented across regions

INDUSTRIAL BUSINESS: KEY MARKET TRENDS



(*)Turkey included and Russia excluded

(**)Non-pool members' imports not included

Sources: major external data provider for each region and Pirelli estimates

INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

€/mln	1Q11	YoY%	2Q11	YoY%	3Q11	YoY%	9M11	YoY%
Revenues	401.2	+21.9%	417.5	+10.0%	440.5	+13.9%	1,259.2	+15%
EBITDA (before restruct. costs)	48.9	+21.0%	48.7	-11.6%	56.2	+3.9%	153.8	+2.8%
<i>margin</i>	12.2%	-0.1p.p.	+11.7%	-2.8p.p.	12.8%	-1.2 p.p.	12.2%	-1.5 p.p.
EBIT (before restruct.costs)	35.9	+25.5%	36.0	-15.1%	43.0	+4.9%	114.9	+2.6%
<i>margin</i>	8.9%	+0.2p.p.	8.6%	-2.6p.p.	9.8%	-0.8 p.p.	9.1%	-1.1 p.p.
EBIT (after restruct.costs)	35.6	+24.9%	35.8	-13.7%	42.9	+7.8%	114.3	+4.1%
<i>margin</i>	8.9%	+0.2p.p.	8.6%	-2.3p.p.	9.7%	-0.6 p.p.	9.1%	-0.9 p.p.

- ▶ Revenues growth sustained by a **firm price discipline**
- ▶ Profitability trend in 3Q discounts impact of natural rubber peak price on COGS

	1Q11	2Q11	3Q11	9M11
Revenue drivers				
Δ Price/Mix	+19.0%	+14.9%	+19.0%	+17.5%
Δ Volume	-0.7%	-1.9%	-0.5%	-1.0%
Δ Rev. (before exch. rate impact)	+18.3%	+13.0%	+18.5%	+16.5%
Δ Exch. Rate	+3.6%	-3.0%	-4.6%	-1.5%

- ▶ Volume trends reflect:
 - ▶ market slowdown in Europe
 - ▶ geopolitical crisis in MEA
 - ▶ progressive reduction of non-radial truck tyre sales in LatAm

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PIRELLI 2011 TARGETS UPDATE

€/bln

	2011 Targets (July 27, 2011)	2011 Targets Update (Nov 8, 2011)
Revenues	>5.85	<5.8
Tyre	>5.80	~5.7
Volumes	>+5%	~+3%
o/w Premium		+23%
Price/mix	>16%	~+18%
EBIT %	9.5% ÷ 10%	~10%
Tyre	10% ÷ 11%	~11%
Raw Material Headwind	540	510
Tax rate	<37%	Confirmed
Capex	>0.5	<0.6
NFP	~0.7 *	Confirmed

*Not including Russian JV1

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PIRELLI GROUP – 9M11 RESULTS

Profit & Loss and Net Financial Position by Business Unit

€/mln

	Pirelli Tyre		Other		Pirelli & C. Cons.	
	9M11	9M10	9M11	9M10	9M11	9M10
Sales	4,225.7	3,559.1	40.1	59.6	4,265.8	3,618.7
<i>Δ% YoY</i>		18.7%				17.9%
EBITDA before Restruct Costs	656.3	496.9	(25.2)	(16.8)	631.1	480.1
<i>% on sales</i>	15.5%	14.0%			14.8%	13.3%
EBIT before Restruct Costs	494.3	346.7	(33.2)	(27.0)	461.1	319.7
<i>% on sales</i>	11.7%	9.7%			10.8%	8.8%
Restructuring Costs	(9.9)	(12.4)			(9.9)	(12.4)
EBIT	484.4	334.3	(33.2)	(27.0)	451.2	307.3
<i>% on sales</i>	11.5%	9.4%			10.6%	8.5%
Results from equity participations	(1.7)	0.4	4.7	17.7	3.0	18.1
Financial Income/Charges	(65.3)	(52.7)	1.2	(1.9)	(64.1)	(54.6)
EBT	417.4	282.0	(27.3)	(11.2)	390.1	270.8
Fiscal Charges	(162.0)	(105.4)	23.2	(5.1)	(138.8)	(110.5)
Net Result before disc. Op.	255.4	176.6	(4.1)	(16.3)	251.3	160.3
Discontinued Operations			0.0	(261.8)	0.0	(261.8)
Net Income	255.4	176.6	(4.1)	(278.1)	251.3	(101.5)
Attributable Net Income					255.3	(87.0)
Net Financial Position	1,095.0	1,205.0	(156.7)	(575.5)	938.3	704.9

PIRELLI GROUP – 3Q11 RESULTS

Profit & Loss and Net Financial Position by Business Unit

€/mln

	Pirelli Tyre		Other		Pirelli & C. Cons.	
	3Q11	3Q10	3Q11	3Q10	3Q11	3Q10
Sales	1,464.8	1,233.8	11.7	15.9	1,476.5	1,249.7
<i>Δ%</i>		18.7%				18.1%
EBITDA before Restruct Costs	228.4	173.0	(8.2)	1.9	220.2	174.9
<i>% on sales</i>	15.6%	14.0%			14.9%	14.0%
EBIT before Restruct Costs	174.1	121.5	(10.8)	(1.6)	163.3	119.9
<i>% on sales</i>	11.9%	9.8%			11.1%	9.6%
Restructuring Costs	(2.2)	(4.5)			(2.2)	(4.5)
EBIT	171.9	117.0	(10.8)	(1.6)	161.1	115.4
<i>% on sales</i>	11.7%	9.5%			10.9%	9.2%
Results from equity participations	(1.0)	0.0	3.1	22.1	2.1	22.1
Financial Income/Charges	(18.3)	(14.0)	(1.1)	0.0	(19.4)	(14.0)
EBT	152.6	103.0	(8.8)	20.5	143.8	123.5
Fiscal Charges	(60.0)	(36.8)	8.7	(3.4)	(51.3)	(40.2)
Net Result before disc. Op.	92.6	66.2	(0.1)	17.1	92.5	83.3
Discontinued Operations			0.0	(9.2)	0.0	(9.2)
Net Income	92.6	66.2	(0.1)	7.9	92.5	74.1
Attributable Net Income					93.6	78.5
Net Financial Position	1,095.0	1,205.0	(156.7)	(575.5)	938.3	704.9

PIRELLI BALANCE SHEET

€/mln

9M 11

FY10

Fixed Assets	3,258.4	3,164.1
Net Working Capital	499.3	116.7
Net Invested Capital	3,757.7	3,280.8
Total Net Equity	2,049.9	2,028.0
Provisions	769.5	797.2
Net Financial Position	939.3	455.6
Total	3,757.7	3,280.8
Attributable Net Equity	2,026.5	1,990.8
Equity per Share (euro)	4,153	4,080

% Net Invested Capital

	9M11	FY10
Pirelli Tyre	86.5%	84.7%
Other	13.5%	15.3%

PIRELLI GROUP CASH FLOW

€/mln	3Q11	9M11	3Q10	9M10
EBIT before restructuring costs	163.3	461.1	119.9	319.7
Depreciation	56.9	170.0	55.0	160.4
Net investments	(162.1)	(396.2)	(91.5)	(226.9)
Working capital/other variations	(100.6)	(396.0)	(18)	(119.0)
OPERATING CASH FLOW	(42.5)	(161.1)	(65.4)	134.2
Financial income (expenses)	(19.4)	(64.1)	(14.0)	(54.6)
Tax charges	(51.3)	(138.8)	(40.2)	(110.5)
NET OPERATING CASH FLOW	(113.2)	(364.0)	11.2	(30.9)
Financial investments/divestitures	(16.4)	8.0	9.8	9.8
15% China JV stake increase	(28.0)	(28.0)	-	-
Dividends paid	-	(83.5)	-	(85.0)
Cash-out for restructuring	(1.9)	(10.4)	(7.4)	(51.3)
Exchange rate differentials/Others	0.1	(4.8)	(21.6)	(18.6)
NET CASH FLOW	(159.4)	(482.7)	(8.0)	(176.1)

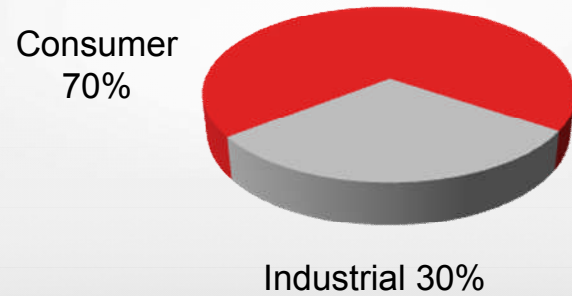
PIRELLI GROUP: 9M11 NET FINANCIAL POSITION BY BUSINESS

€/mln

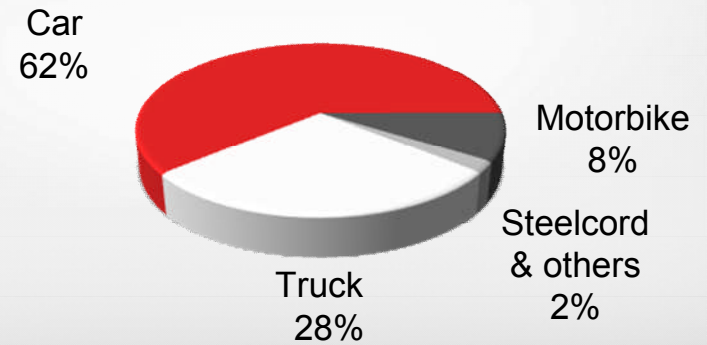
	Tyre			Other businesses			Corporate			Pirelli Group		
	Sept. 11	June 2011	Dec. 10	Sept. 11	June 2011	Dec. 10	Sept. 11	June 2011	Dec. 10	Sept. 11	June 2011	Dec. 10
Gross Debt	1,688.0	1,391.3	1,613.6	123.5	91.9	83.3	639.5	708.4	123.0	1,758.1	1,400.5	1,147.0
to Corporate	565.1	696.1	589.6	114.4	83.2	83.3						
Financial receivables	(141.8)	(114.7)	(98.3)	(5.8)	(5.1)	(4.8)	(838.9)	(932.3)	(806.7)	(293.6)	(261.0)	(236.9)
to Prelios							(150.0)	(150.0)	(140.4)	(150.0)	(150.0)	(140.4)
Cash and cash equivalents	(451.2)	(312.7)	(405.4)	(2.2)	(3.6)	(6.6)	(72.8)	(44.3)	(42.5)	(526.2)	(360.6)	(454.5)
Net Financial Position	1,095.0	963.9	1,109.9	115.5	83.2	71.9	(272.2)	(268.2)	(726.2)	938.3	778.9	455.6

9M11 PIRELLI TYRE MIX

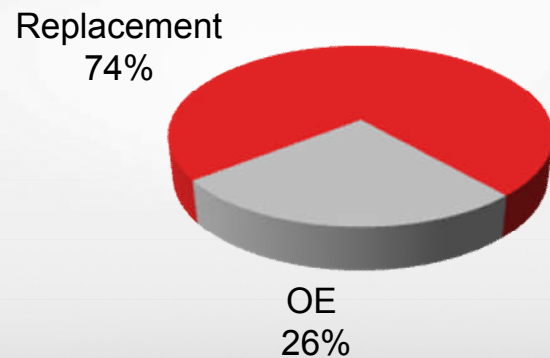
SALES BY BUSINESS



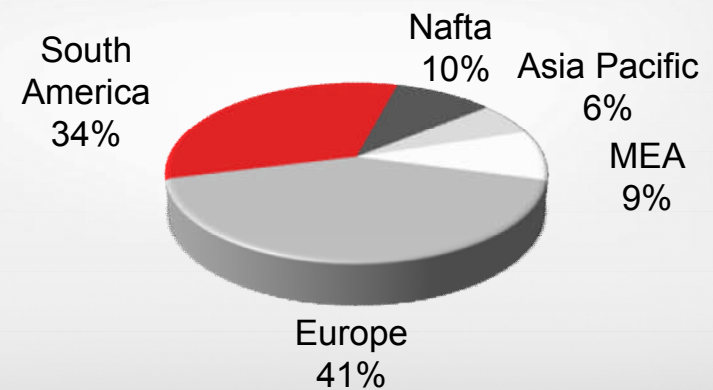
SALES BY SEGMENT



SALES BY CHANNEL

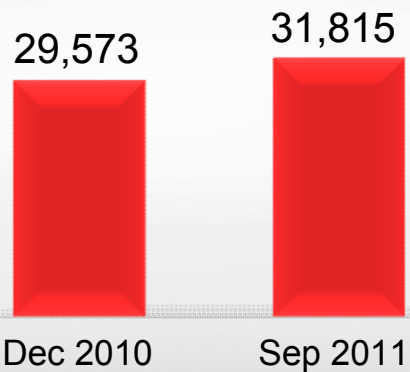


SALES BY REGION

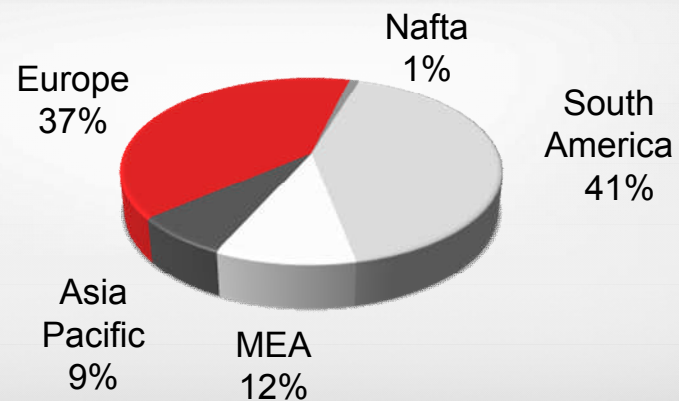


SEPTEMBER 2011 PIRELLI PEOPLE

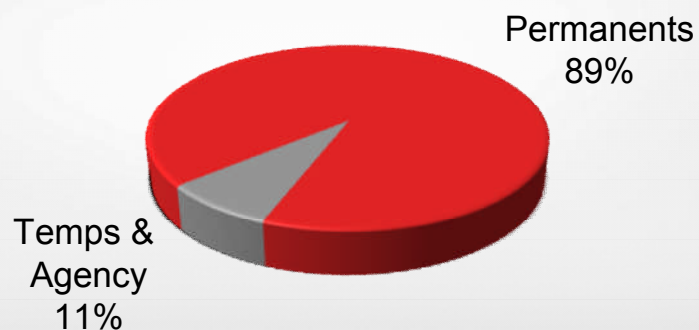
HEADCOUNT



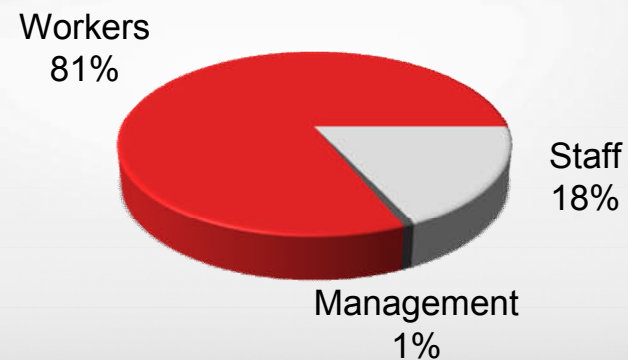
PEOPLE BY REGION



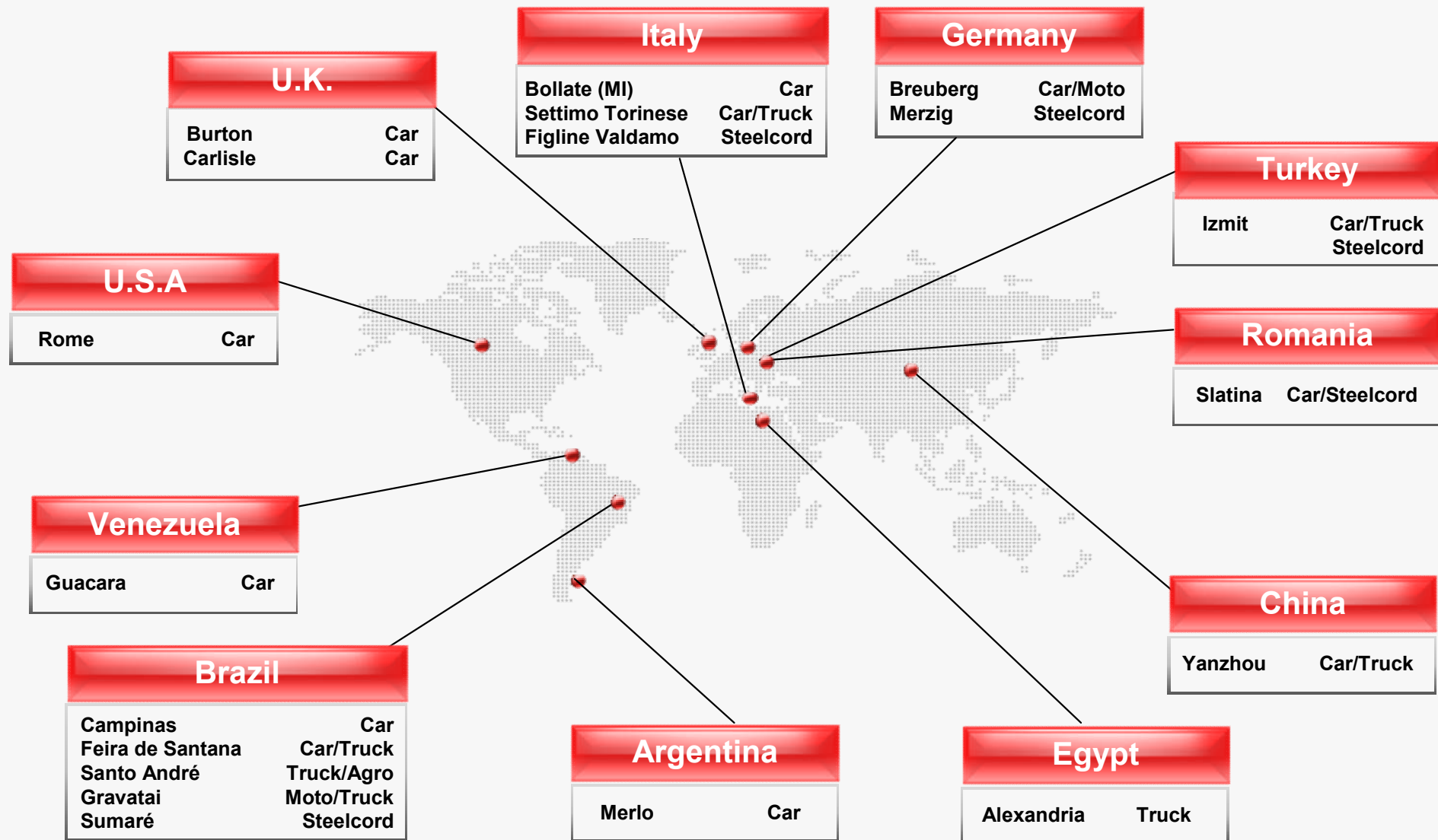
PEOPLE BY CONTRACT



PEOPLE BY CLUSTER

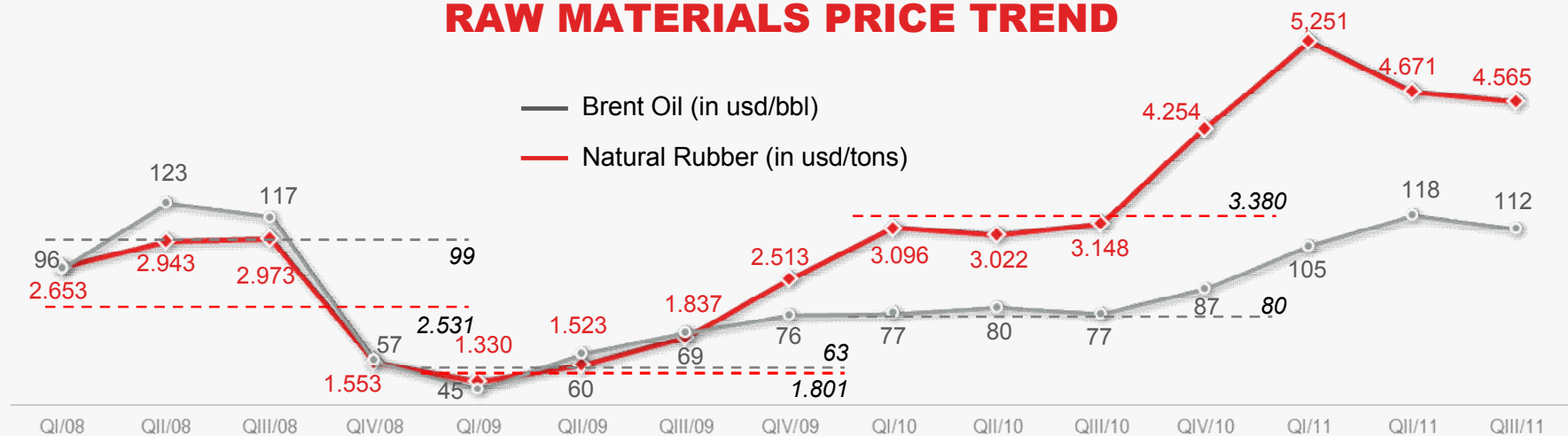


PIRELLI TYRE: 19 MANUFACTURING PLANTS IN 11 COUNTRIES (AS OF SEPTEMBER 2011)



RAW MATERIALS

RAW MATERIALS PRICE TREND



Natural Rubber: Sicom
Brent: www.oilnergy.com

In Italic Year Average

9M 2011 MIX (BASED ON PURCHASING COST)

Raw mat. costs
on sales: 43%

