



PIRELLI 1H 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

KEY MESSAGES

PIRELLI & C FINANCIAL REVIEW

PIRELLI TYRE

2011 TARGETS UPDATE

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KEY MESSAGES

TYRE INDUSTRY

- ▶ **Demand** remains supportive
- ▶ **Price discipline** in all Regions
- ▶ Input costs show **mixed trends** with likely predictable headwinds in 2011



- ▶ Reaches another **profitability peak** through an in-progress **value strategy**
- ▶ **Well on track** with its project to rebalance profitability by Regions and its **efficiency plan**
- ▶ Continue to benefit from a **faster tax rate reduction**
- ▶ Ready to enter the **Russian tyre market**

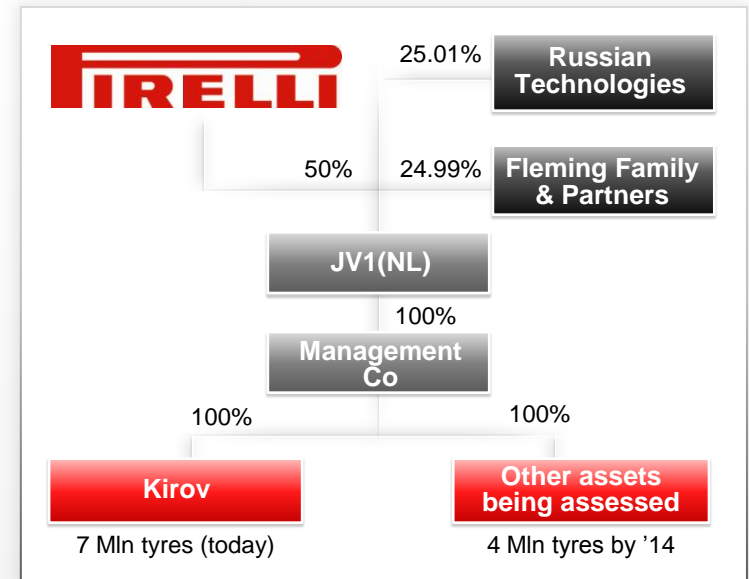
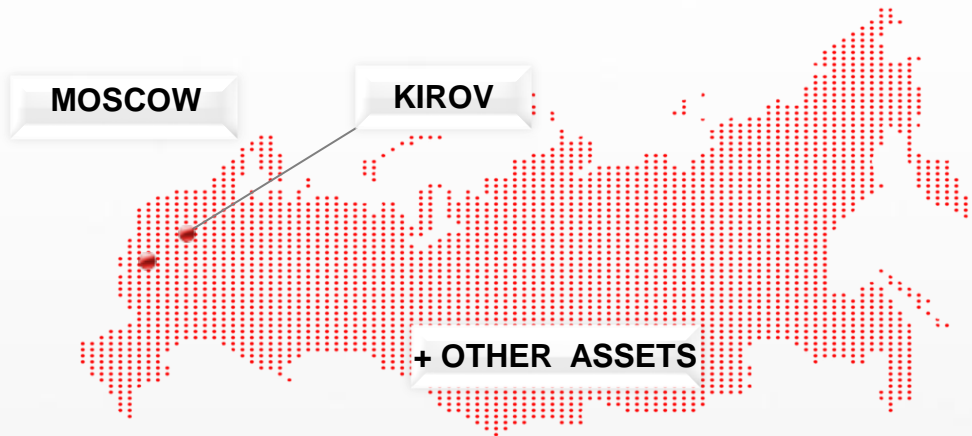
REBALANCING PROFITABILITY AMONG REGIONS

	Sales by region		Ebit % by Region		Actions
	1H 011	YoY growth	1H 2010	1H 2011	
Europe	42%	+23%	Mid single digit	Double digit	▶ Focus on premium and efficiency
MEA	9%	+5%	Mid double digit	Small reduction	▶ Factories back (Egypt) at full capacity in view of 2H market recovery
NAFTA	10%	+20%	Low single digit	Stable	▶ Building of Mexican factory well on-track
Asia Pacific	6%	+20%	High single digit	Stable	▶ Expansion of premium OE homologation portfolio
Latin America	33%	+16%	Mid double digit	Stable	▶ Increasing medium/heavy truck tyre capacity to make the most of market rebound in 2H 2011

2011 WELL ON TRACK WITH 3Y PLAN

RUSSIA: READY TO GO

JV1: Pirelli & Russian Technologies



Rationale

Rapidly Expanding Market

- ▶ Expanding macroeconomic context
- ▶ Accelerated growth of Premium
- ▶ Weather → Winter
- ▶ High incidence of the Replacement channel

Competition & Custom Barrier

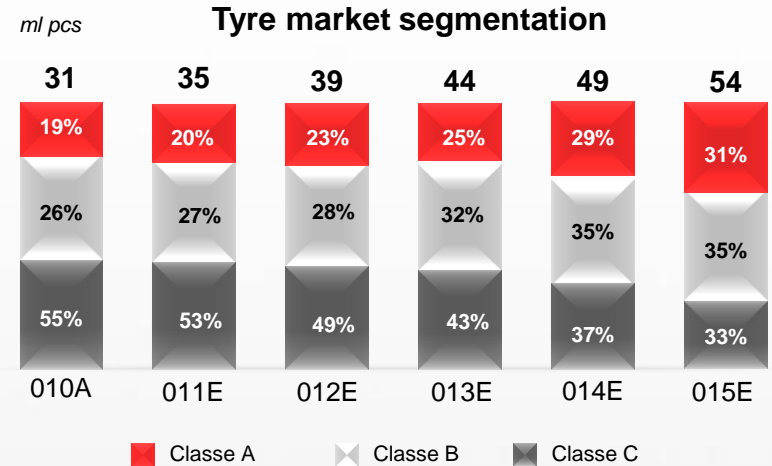
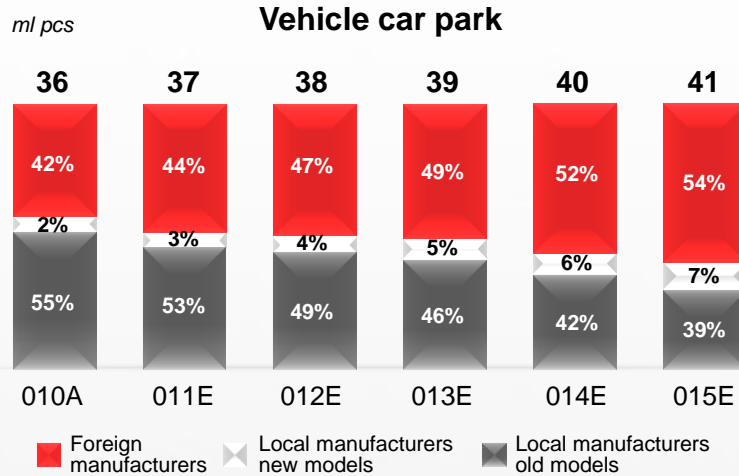
- ▶ Main international peers have limited local manufacturing capacity
- ▶ Dynamic market
- ▶ 20% duties on car & light truck tyres, 15% on truck tyres

Pirelli Opportunities

- ▶ Earlier production of Pirelli brand in Russia than in greenfield project
- ▶ Acquisition of an established industrial basis with highly skilled personnel
- ▶ Partnership with RT: support to country risk management and sharing of financial investment

RUSSIAN JV1: EARLY FACTS & FIGURES

Russian market



Source: April 2011 Boston Consulting Group

Source: Company estimates

JV1

Main Market targets

- ▶ JV1 market share of > 20%
- ▶ ~50% Pirelli brand of total JV1 production by 2014 (11Mln tyres)

Main P&L figures

	2012	2014
Revenues (Mln €)	~ 300	>500
EBIT %	Mid single digit	Double digit (since 2013)

Financial commitments:

(Assets purchasing price)

- ▶ 55 Mln € by '11
- ▶ 167 Mln € by '12

CAPEX 2012 - 14

- ▶ 200 Mln € (Upgrade to Pirelli std & capacity increase)

KEEPING ON CREATING BRAND VALUE: F1

Results & Returns after the first 9 GPs



Pirelli on television

AUSTRALIA		04_h 16_{mm} 20_{ss}
MALAYSIA		02_h 11_{mm} 30_{ss}
CHINA		04_h 37_{mm} 30_{ss}
TURKEY		01_h 41_{mm} 30_{ss}
BARCELONA		01_h 40_{mm} 30_{ss}
MONACO		03_h 23_{mm} 30_{ss}
MONTREAL		03_h 58_{mm} 30_{ss}
VALENCIA		04_h 16_{mm} 30_{ss}
SILVERSTONE		02_h 16_{mm} 40_{ss}

TOTAL BRAND EXPOSURE

28h 37mm 05ss

- ▶ Unrivalled global brand exposure = ~200 €/mln advertising & media value equivalent*
- ▶ Premium Sales 1H 2011: +33% yoy
- ▶ Strong involvement of dealer chain: >400 dealers attending GPs and company presentations
- ▶ Unique inputs from Formula 1 to R&D to innovate tech for premium tyres

*Cumulative Brand exposure by circuit advertising in the official FOM tv Feed, just considering ten key markets (Brazil, China, France, Germany, Italy, Russia, Spain, Turkey, UK and USA)

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PIRELLI KEY FINANCIAL RESULTS

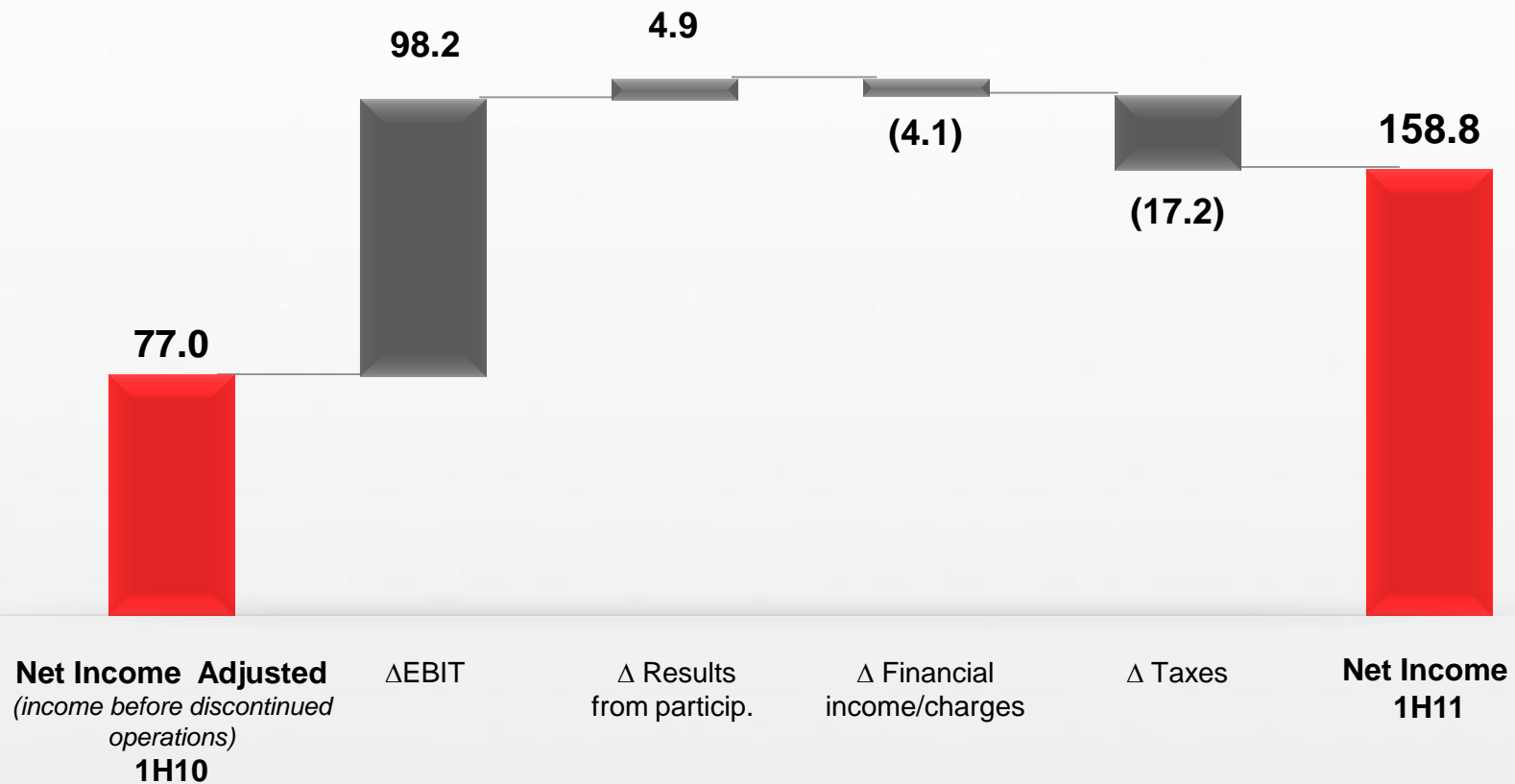
€/mln	1H11	1H10*	Δ YoY	2Q11	2Q10*	Δ YoY	2Q results key drivers
Revenues	2,789.3	2,369.0	+17.7%	1,388.4	1,234.0	+12.5%	<ul style="list-style-type: none"> ▶ Value strategy in progress: price momentum and successful premium product sales drove Tyre top line performance ▶ QoQ profitability improvement despite higher raw material impact ▶ Further tax rate optimization: fully in line with 2011FY target (tax rate <37%) ▶ +92% net income yoy increase on a comparable base ▶ QoQ limited net debt increase despite higher investments and dividend payment (83 €/mln)
<i>Organic growth**</i>			+18.4%			+16.2%	
EBITDA before Restr. Costs	410.9	305.2	+34.6%	207.5	163.3	+27.1%	
<i>Margin</i>	14.7%	12.9%		14.9%	13.2%		
EBIT before Restr. Costs	297.8	199.8	+49.0%	151.3	109.6	+38.0%	
<i>Margin</i>	10.7%	8.4%		10.9%	8.9%		
Restructuring Costs	(7.7)	(7.9)		(4.5)	(5.3)		
EBIT	290.1	191.9	+51.2%	146.8	104.3	+40.7%	
<i>Margin</i>	10.4%	8.1%	+2.3 p.p.	10.6%	8.5%	+2.1 p.p.	
PBT	246.3	147.3	+67.2%	117.0	80.2	+45.9%	
<i>Tax Rate</i>	35.5%	47.7%	-12.2 p.p.	33.8%	49.8%	-16.0 p.p.	
Income before disc. Operations (Adj. Net Income)	158.8	77.0		77.4	40.3		
Attributable Net Income	161.7	(165.5)		78.9	(204.7)		
Investments***	234.1	135.4		137.2	85.2		
Net Debt	778.9	696.9	+66.1 vs '1Q 11.				

(*) 2010 figures restated excluding Pirelli RE and Pirelli Broadband

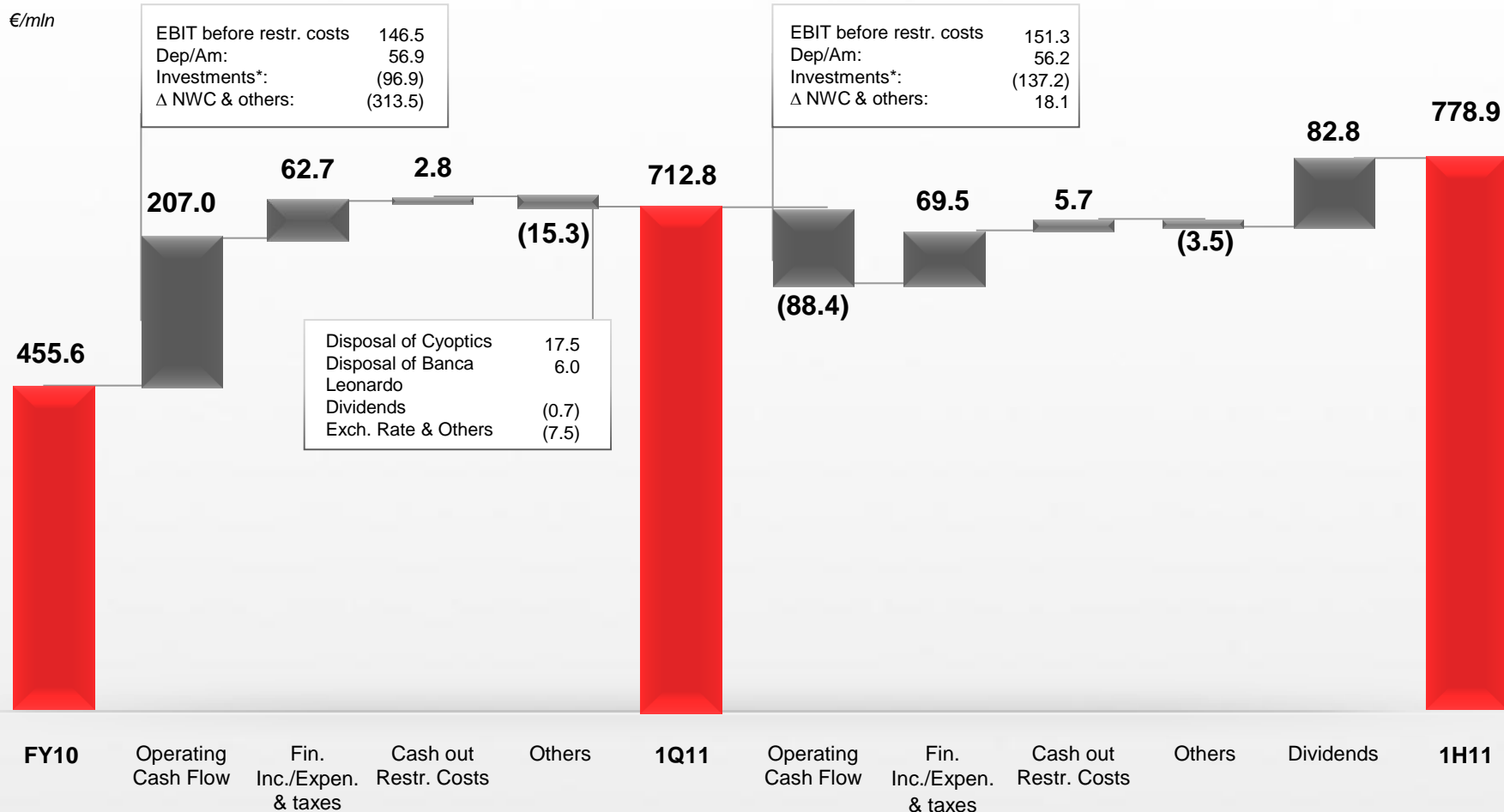
(**) Homogeneous terms variations, excluding exchange rate effects

(***) Tangible and intangible investments

PIRELLI NET INCOME 1H11 VS 1H10



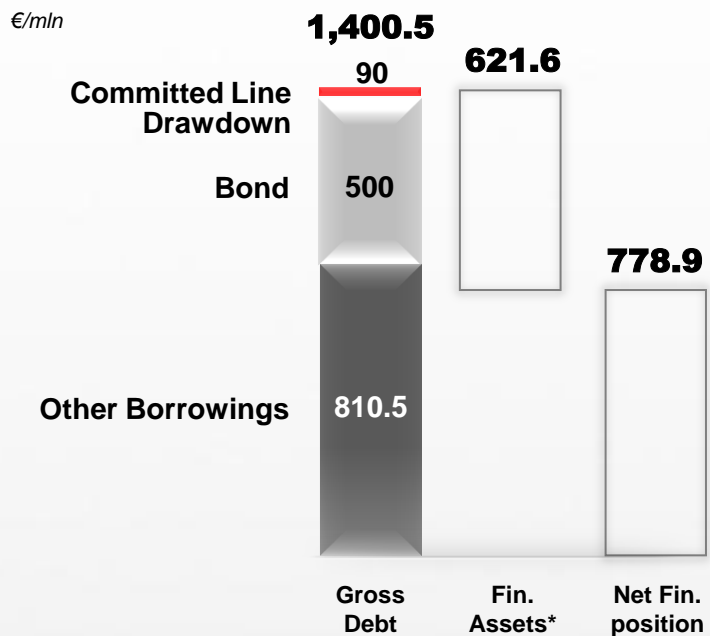
PIRELLI 1H11 NET FINANCIAL POSITION



(*)Tangible and intangible investments

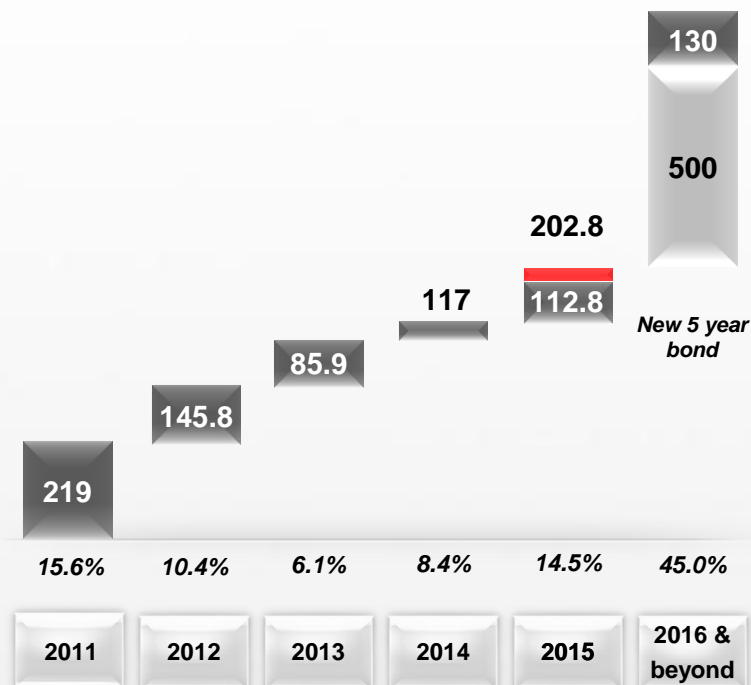
PIRELLI DEBT STRUCTURE AS OF JUNE 30, 2011

Net Financial Position



Gross Debt maturity as of Jun. 30, 2011

Gross Debt Maturity



Total Committed Lines Not Drawn

1H11

Total
1,110

New revolving facility

1,110

(*)Financial receivables, cash and cash equivalents

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PIRELLI TYRE KEY RESULTS

€/mln	1Q11		2Q11		1H11	
		YoY%		YoY%		YoY%
Revenues	1,384.5	+24.7%	1,376.4	+13.3%	2,760.9	+18.7%
EBITDA (before restruct. costs)	209.5	+43.1%	218.4	+23.0%	427.9	+32.1%
margin	15.1%	+1.9p.p.	15.9%	+1.3p.p.	15.5%	+1.6p.p.
EBIT (before restruct.costs)	155.6	+58.6%	164.6	+29.5%	320.2	+42.2%
margin	11.2%	+2.4 p.p.	12.0%	+1.5 p.p.	11.6%	+1.9p.p.
EBIT (after restruct.costs)	152.4	+59.6%	160.1	+31.4%	312.5	+43.8%
margin	11.0%	+2.4p.p.	11.6%	+1.6p.p.	11.3%	+2.0 p.p.
Net Income	88.5	+76.6%	74.3	+23.2%	162.8	+47.5%

▶ Double-digit top line growth driven by Pirelli's strategic priorities: Consumer Premium and EM Industrial sales.

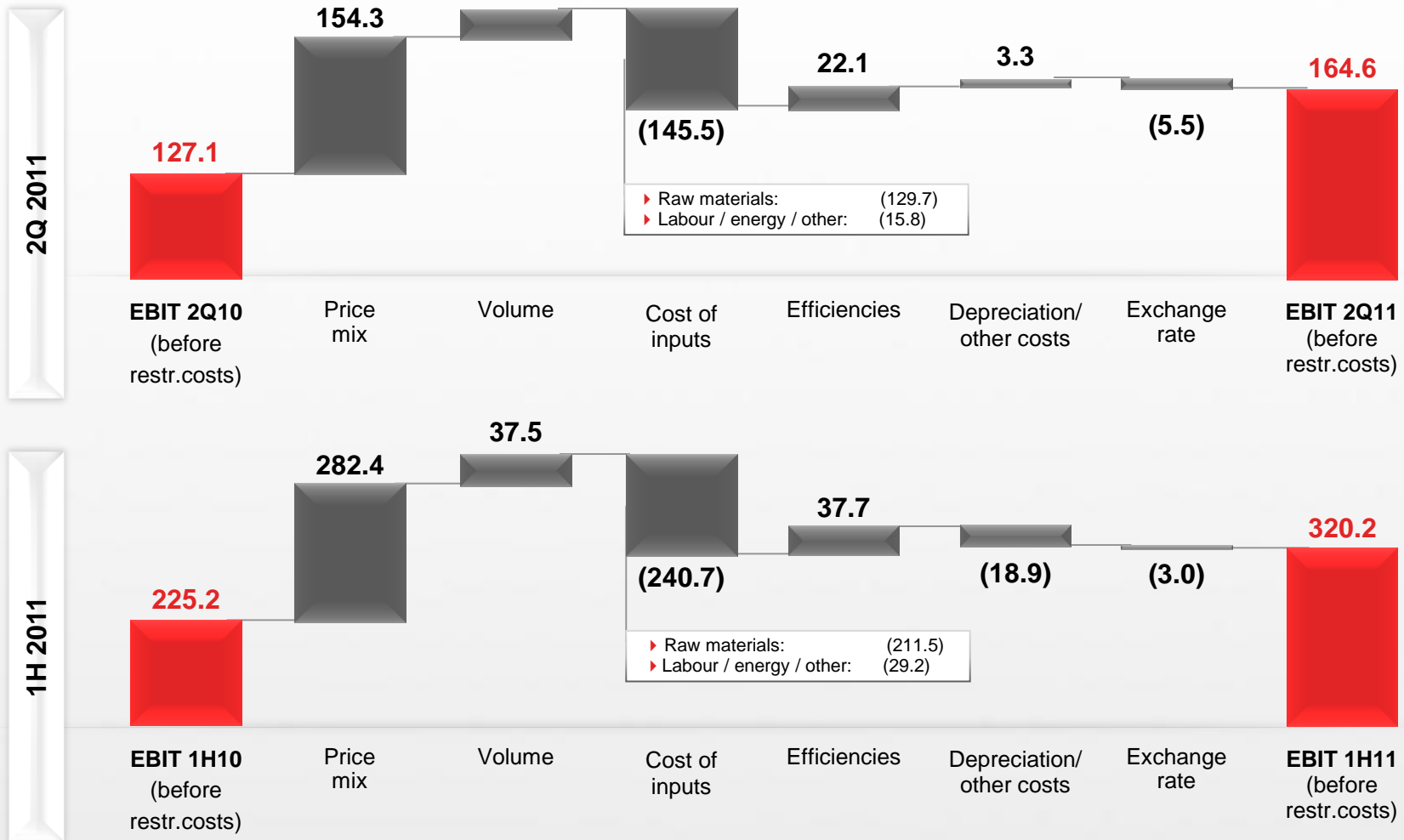
▶ Top profitability level as a result of both value strategy and cost efficiencies

	1Q11	2Q11	1H11
Revenue drivers			
Δ Price/Mix	+15.9%	+15.8%	+15.9%
Δ Volume	+6.1%	+1.2%	+3.5%
Δ Rev. (before exch. rate impact)	+22.0%	+17.0%	+19.4%
Δ Exch. Rate	+2.7%	-3.7%	-0.7%

▶ Significant price/mix improvement offsetting raw materials: confirmed strong track record in the Industry

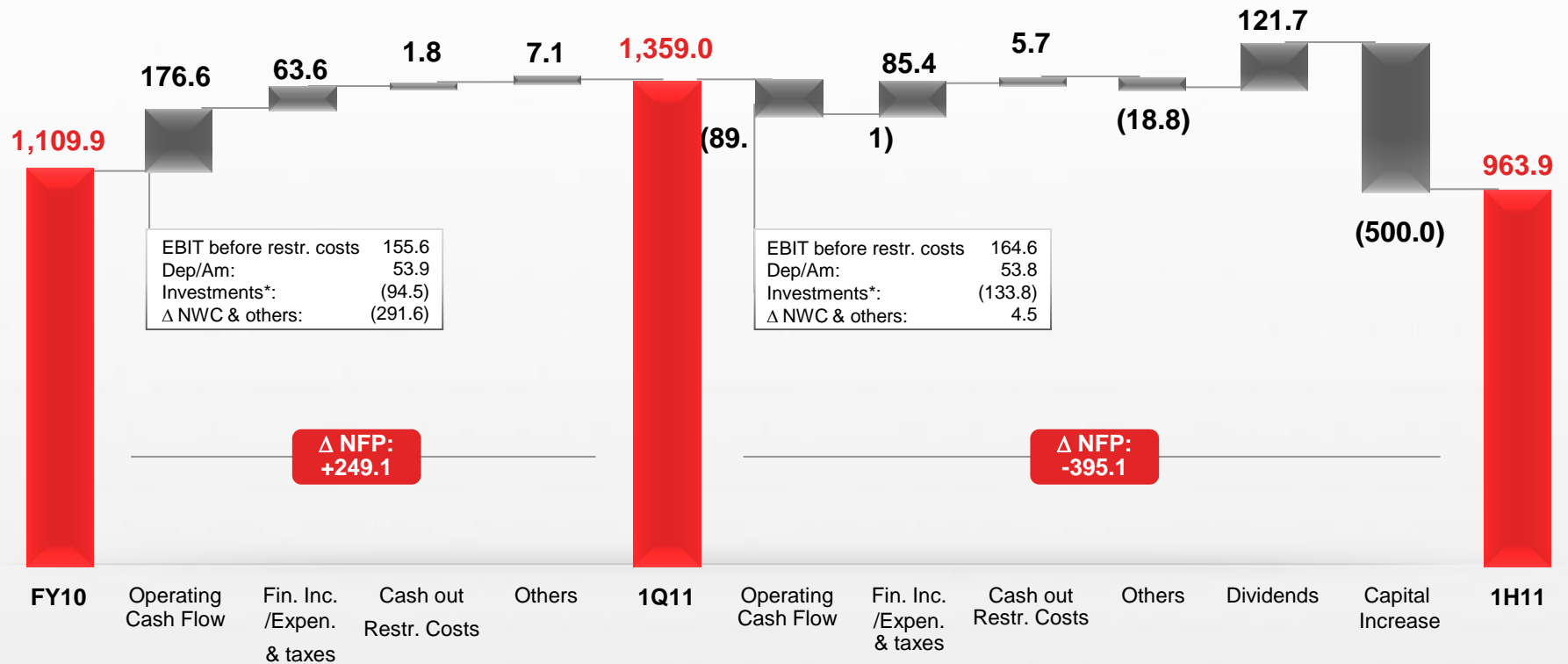
PIRELLI TYRE 1H11 OPERATING PERFORMANCE

€/mln



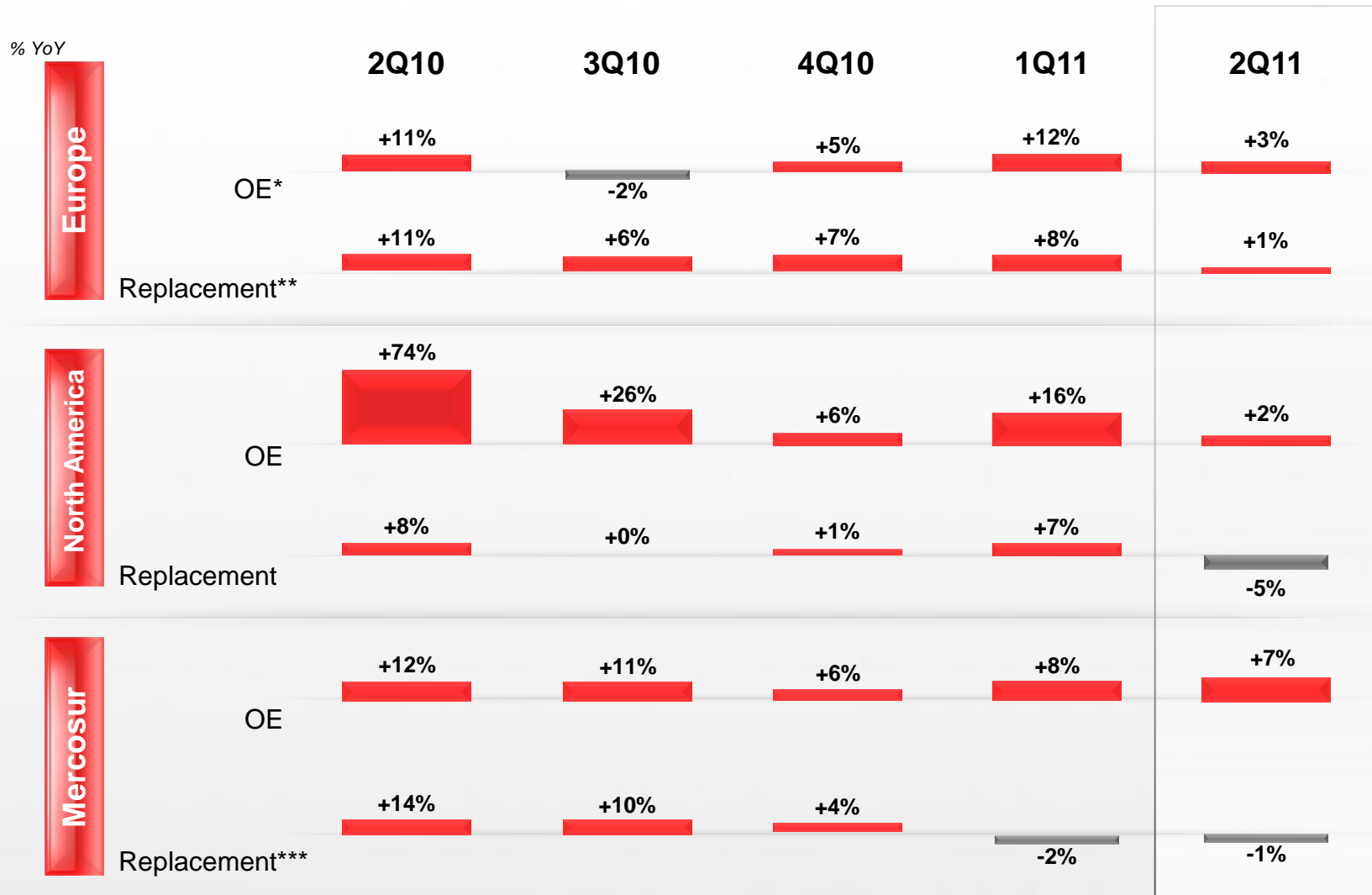
PIRELLI TYRE 1H11 NET FINANCIAL POSITION

€/mln



(*) 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		2Q11		1H11	
		YoY%		YoY%		YoY%
Revenues	983.3	+25.9%	958.9	+14.7%	1,942.2	+20.1%
EBITDA (before restruct. costs)	160.6	+51.5%	169.7	+38.6%	330.3	+44.6%
<i>margin</i>	16.3%	+2.7p.p.	17.7%	+3.1 p.p.	17.0%	+2.9 p.p.
EBIT (before restruct.costs)	119.7	+72.2%	128.6	+51.8%	248.3	+61.0%
<i>margin</i>	12.2%	+3.3 p.p.	13.4%	+3.3 p.p.	12.8%	+3.3 p.p.
EBIT (after restruct.costs)	116.8	+74.3%	124.3	+54.8%	241.1	+63.7%
<i>margin</i>	11.9%	+3.3p.p.	13.0%	+3.4p.p.	12.4%	+3.3p.p.

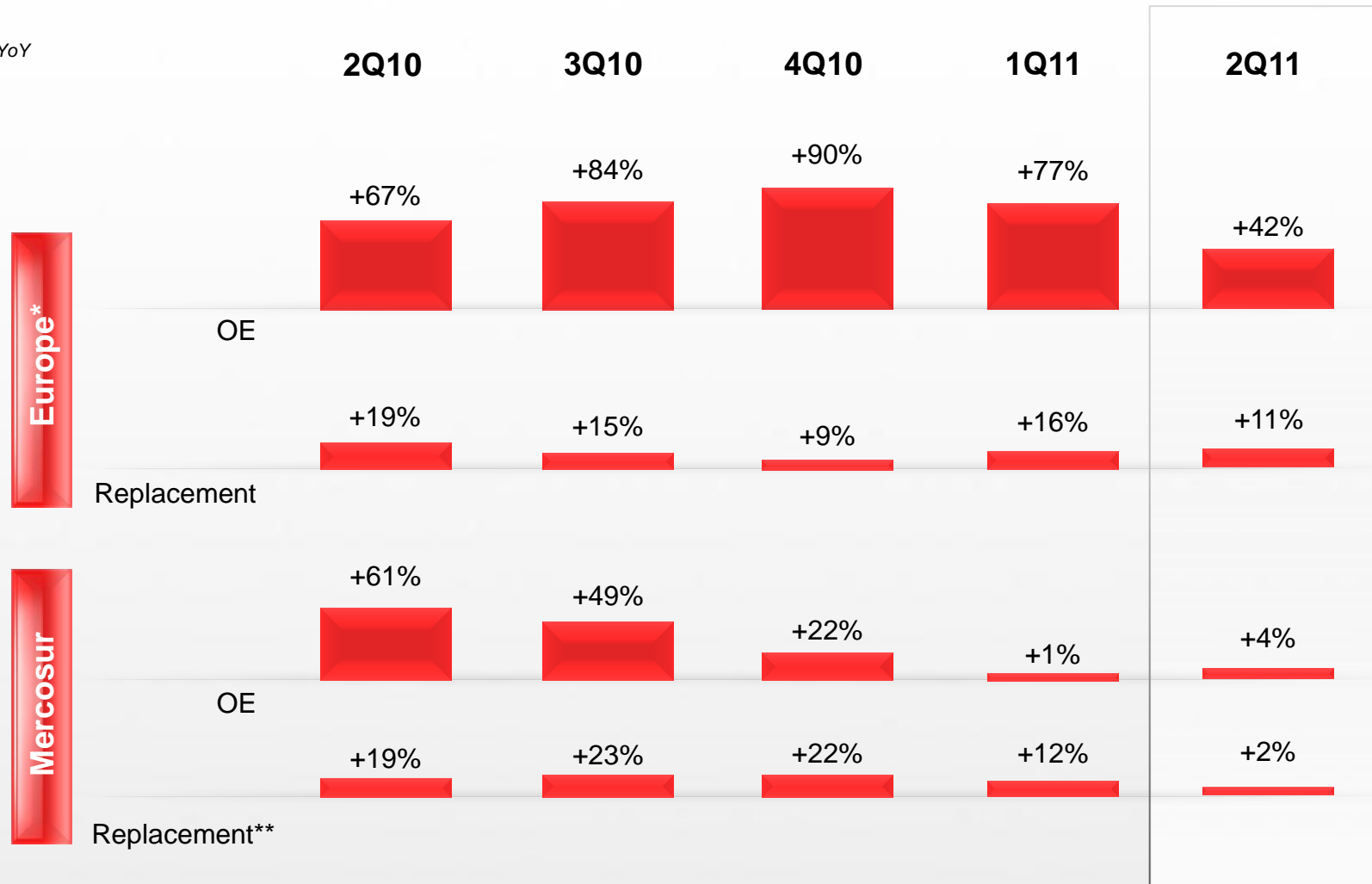
- ▶ Further increase on Premium: +30% yoy revenues growth in 2Q with mkt share increase in Europe
- ▶ Lower sales of standard tyres in favour of pre-production for the winter season
- ▶ Record profitability

	1Q11	2Q11	1H11
Revenue drivers			
Δ Price/Mix	+14.6%	+16.2%	+15.4%
Δ Volume	+9.0%	+2.6%	+5.7%
Δ Rev. (before exch. rate impact)	+23.6%	+18.8%	+21.1%
Δ Exch. Rate	+2.3%	-4.1%	-1.0%

- ▶ Price increase successfully implemented across regions

INDUSTRIAL BUSINESS: KEY MARKET TRENDS

% YoY



(*)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		2Q11		1H11	
		YoY%		YoY%		YoY%
Revenues	401.2	+21.9%	417.5	+10.0%	818.7	+15.5%
EBITDA (before restruct. costs)	48.9	+21.0%	48.7	-11.6%	97.6	+2.2%
<i>margin</i>	12.2%	-0.1p.p.	+11.7%	-2.8p.p.	11.9%	-1.6 p.p.
EBIT (before restruct.costs)	35.9	+25.5%	36.0	-15.1%	71.9	+1.3%
<i>margin</i>	8.9%	+0.2p.p.	8.6%	-2.6p.p.	8.8%	-1.2 p.p.
EBIT (after restruct.costs)	35.6	+24.9%	35.8	-13.7%	71.4	+2.0%
<i>margin</i>	8.9%	+0.2p.p.	8.6%	-2.3p.p.	8.7%	-1.2 p.p.

► Revenues growth sustained by a firm price discipline

► Profitability trend in 2Q discounts impact of natural rubber peak price on COGS

	1Q11	2Q10	1H11
Revenue drivers			
Δ Price/Mix	+19.0%	+14.9%	+16.8%
Δ Volume	-0.7%	-1.9%	-1.4%
Δ Rev. (before exch. rate impact)	+18.3%	+13.0%	+15.4%
Δ Exch. Rate	+3.6%	-3.0%	+0.1%

- Volumes trends reflect:
- Rebuilding inventories in Egypt
 - Market slowdown in China OE and Repl. markets
 - Progressive reduction of non-radial truck tyre sales in LatAm



FOCUS ON BRAZIL

Economic scenario*

Real GDP (bn real)

Growth at a more sustainable rate



▶ Mega events will maintain momentum in the medium term:

- ▶ 2014 World cup: 32 \$ bln investments
- ▶ 2016 Olympic Games: 14 \$ bln inv.

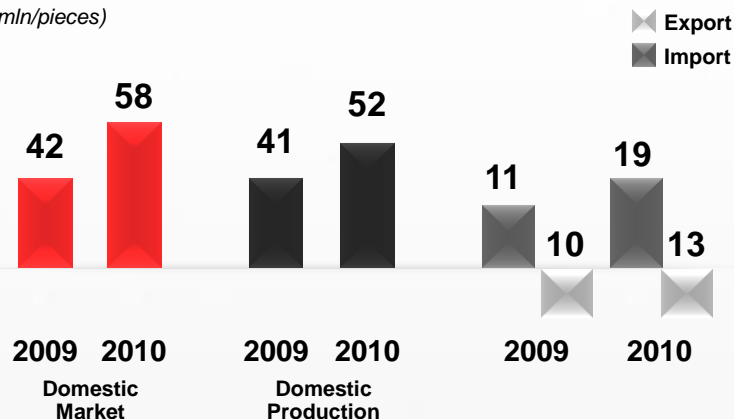
*Source: IHS Global Insight, June 2011

Pirelli Strategy

- ▶ New Mexican factory designed to free up premium capacity in Brazil
- ▶ Focus on premium consumer segments in both OE and Replacement Channels
- ▶ Drive Technology evolution in the industrial segments by increasing radial capacity

Tyre Market Outlook

(mln/pieces)



- ▶ tyre trade unbalance confirmed in 2011 while waiting capacity increase from major players

Actions

- ▶ **Mix improvement:**
 - ▶ 1H 2011 launch of **Green Performance tyres, Scorpion MTR** (SUV tyres)
 - ▶ **2H more products coming**
- ▶ **No. 1 local OEM strategic supplier**
- ▶ >80% of M/H Truck radial production in 2011
- ▶ M/H Radial truck tyres capacity increase in Gravatai (+10% in 2H 2011, +10% in 2012)

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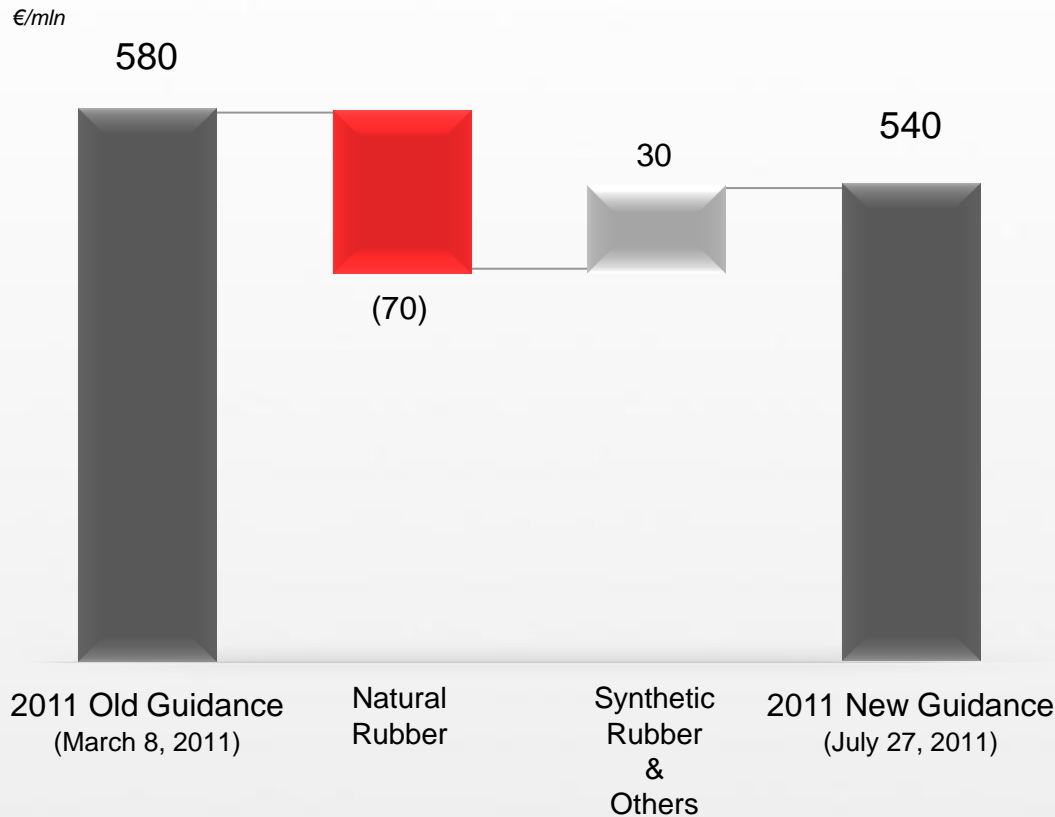
PIRELLI 2011 TARGETS UPDATE

€/bln

	2011 Targets (May 4, 2011)	2011 Targets Update
Revenues	>5.85	Confirmed
Tyre	>5.80	Confirmed
Volumes	>+6%	> +5%
Price/mix	~+15%	> +16%
EBIT %	8.5% ÷ 9.5%	9.5% ÷ 10%
Tyre	9% ÷ 10%	10% ÷ 11%
Raw Material Headwind	580	540
Tax rate	<37%	Confirmed
Capex	>0.5	Confirmed
NFP	~0.7 *	Confirmed

*Not including Russian JV1

RAW MATERIALS IMPACT



Average Cost of Goods Sold	Old Guidance	New Guidance
Natural Rubber TSR 20 (\$/ton)	4,900	4,600
Oil (\$/barrell) Brent	110	112

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PIRELLI GROUP – 1H11 RESULTS

Profit & Loss and Net Financial Position by Business Unit

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	1H11	1H10	1H11	1H10	1H11	1H10
Sales	2,760.9	2,325.3	28.4	43.7	2,789.3	2,369.0
<i>Δ%</i>		18.7%				17.7%
EBITDA before Restruct Costs	427.9	323.9	(17.0)	(18.7)	410.9	305.2
<i>% on sales</i>	15.5%	13.9%			14.7%	12.9%
EBIT before Restruct Costs	320.2	225.2	(22.4)	(25.4)	297.8	199.8
<i>% on sales</i>	11.6%	9.7%			10.7%	8.4%
Restructuring Costs	(7.7)	(7.9)			(7.7)	(7.9)
EBIT	312.5	217.3	(22.4)	(25.4)	290.1	191.9
<i>% on sales</i>	11.3%	9.3%			10.4%	8.1%
Results from equity participations	(0.7)	0.4	1.6	(4.4)	0.9	(4.0)
Financial Income/Charges	(47.0)	(38.7)	2.3	(1.9)	(44.7)	(40.6)
EBT	264.8	179.0	(18.5)	(31.7)	246.3	147.3
Fiscal Charges	(102.0)	(68.6)	14.5	(1.7)	(87.5)	(70.3)
Net Result before disc. Op.	162.8	110.4	(4.0)	(33.4)	158.8	77.0
Discontinued Operations			0.0	(252.6)	0.0	(252.6)
Net Income	162.8	110.4	(4.0)	(286.0)	158.8	(175.6)
Attributable Net Income					161.7	(165.5)
Net Financial Position	963.9	1,212.9	(185.0)	(553.5)	778.9	696.9

PIRELLI GROUP – 2Q11 RESULTS

Profit & Loss and Net Financial Position by Business Unit

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	2Q11	2Q10	2Q11	2Q10	2Q11	2Q10
Sales	1,376.4	1,215.3	12.0	18.7	1,388.4	1,234.0
<i>Δ%</i>		13.3%				12.5%
EBITDA before Restruct Costs	218.4	177.5	(10.9)	(14.2)	207.5	163.3
<i>% on sales</i>	15.9%	14.6%			14.9%	13.2%
EBIT before Restruct Costs	164.6	127.1	(13.3)	(17.5)	151.3	109.6
<i>% on sales</i>	12.0%	10.5%			10.9%	8.9%
Restructuring Costs	(4.5)	(5.3)			(4.5)	(5.3)
EBIT	160.1	121.8	(13.3)	(17.5)	146.8	104.3
<i>% on sales</i>	11.6%	10.0%			10.6%	8.5%
Results from equity participations	(0.4)	0.2	0.5	(1.3)	0.1	(1.1)
Financial Income/Charges	(30.4)	(22.3)	0.5	(0.7)	(29.9)	(23.0)
EBT	129.3	99.7	(12.3)	(19.5)	117.0	80.2
Fiscal Charges	(55.0)	(39.4)	15.4	(0.5)	(39.6)	(39.9)
Net Result before disc. Op.	74.3	60.3	3.1	(20.0)	77.4	40.3
Discontinued Operations			0.0	(254.8)	0.0	(254.8)
Net Income	74.3	60.3	3.1	(274.8)	77.4	(214.5)
Attributable Net Income					78.9	(204.7)
Net Financial Position	963.9	1,212.9	(185.0)	(553.5)	778.9	696.9

PIRELLI BALANCE SHEET

€/mln

1H11 **FY10**

Fixed Assets	3,203.0	3,164.1
Net Working Capital	402.8	116.7
Net Invested Capital	3,605.4	3,280.8
Total Net Equity	2,047.2	2,028.0
Provisions	779.3	797.2
Net Financial Position	778.9	455.6
Total	3,605.4	3,280.8
Attributable Net Equity	2,013.6	1,990.8
Equity per Share (euro)	4.126	4,080

% Net Invested Capital

	1H11	FY10
Pirelli Tyre	86.3%	84.7%
Other	13.7%	15.3%

PIRELLI GROUP CASH FLOW

€/mln	1Q11	2Q11	1H11	1Q10	2Q10
EBIT before restructuring costs	146.5	151.3	297.8	90.2	109.6
Depreciation	56.9	56.2	113.1	51.7	53.7
Net investments	(96.9)	(137.2)	(234.1)	(50.2)	(85.2)
Working capital/other variations	(313.5)	18.1	(295.4)	(143.2)	42.2
OPERATING CASH FLOW	(207.0)	88.4	(118.6)	(51.5)	120.3
Financial income (expenses)	(14.8)	(29.9)	(44.7)	(17.6)	(23.0)
Tax charges	(47.9)	(39.6)	(87.5)	(30.4)	(39.9)
NET OPERATING CASH FLOW	(269.7)	18.9	(250.8)	(99.5)	57.4
Financial investments/divestitures	24.4		24.4	-	-
Dividends paid	(0.7)	(82.8)	(83.5)	-	(85.1)
Cash-out for restructuring	(2.8)	(5.7)	(8.5)	(34.0)	(9.9)
PBS Net Cash Flow				(12.1)	0.7
PRE Net Cash Flow				(14.0)	(6.5)
Exchange rate differentials/Others	(8.4)	3.5	(4.9)	10.0	24.9
NET CASH FLOW	(257.2)	(66.1)	(323.3)	(149.6)	(18.5)

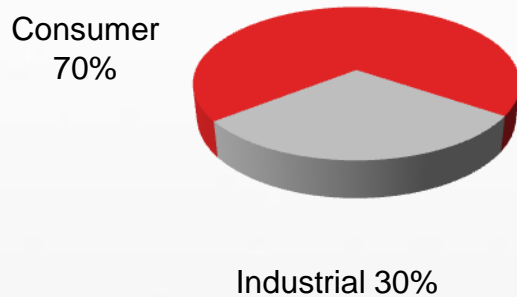
PIRELLI GROUP: 1H11 NET FINANCIAL POSITION BY BUSINESS

€/mln

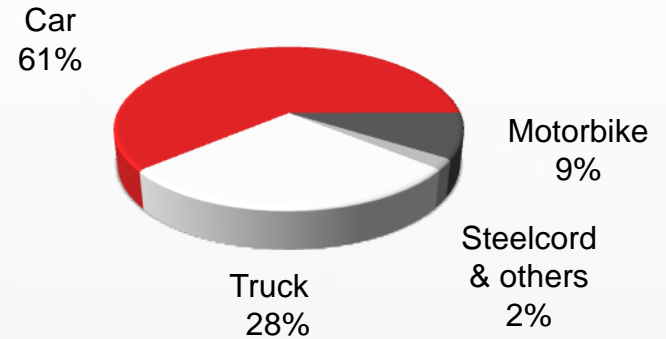
	Tyre		Other businesses		Corporate		Pirelli Group	
	Jun. 11	Dec. 10	Jun. 11	Dec. 10	Jun. 11	Dec. 10	Jun. 11	Dec. 10
Gross Debt	1,391.3	1,613.6	91.9	83.3	708.4	123.0	1,400.5	1,147.0
to Corporate	696.1	589.6	83.2	83.3				
Financial receivables	(114.7)	(98.3)	(5.1)	(4.8)	(932.3)	(806.7)	(261.0)	(236.9)
to Prelios					(150.0)	(140.4)	(150.0)	(140.4)
Cash and cash equivalents	(312.7)	(405.4)	(3.6)	(6.6)	(44.3)	(42.5)	(360.6)	(454.5)
Net Financial Position	963.9	1,109.9	83.2	71.9	(268.2)	(726.2)	778.9	455.6

1H11 PIRELLI TYRE MIX

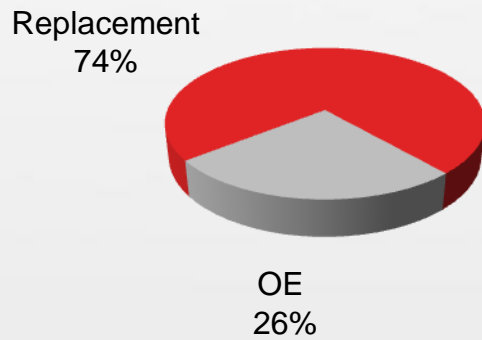
SALES BY BUSINESS



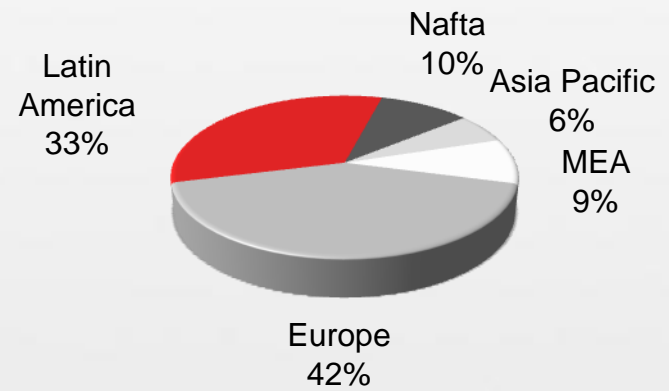
SALES BY SEGMENT



SALES BY CHANNEL

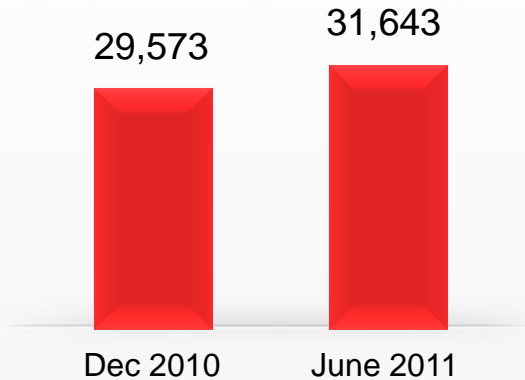


SALES BY REGION

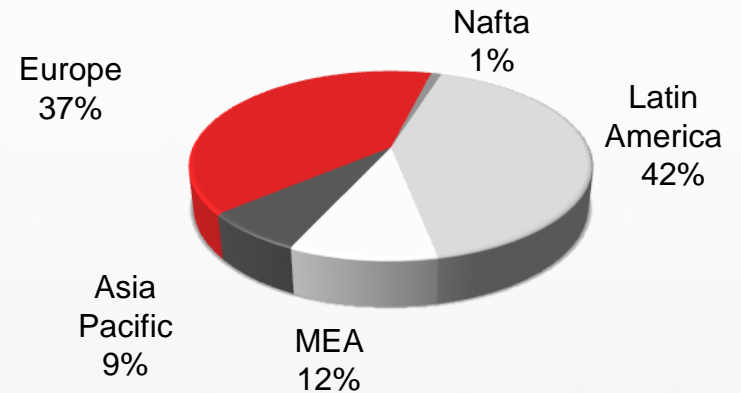


1H 2011 PIRELLI PEOPLE

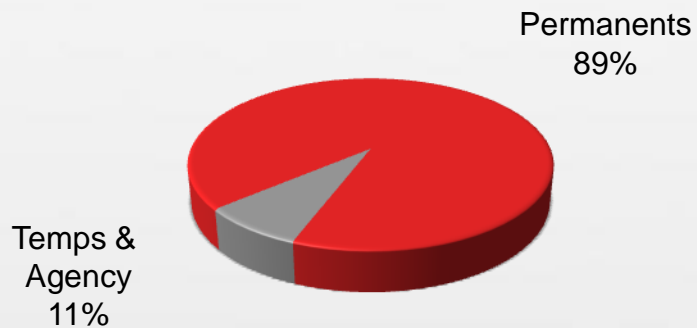
HEADCOUNT



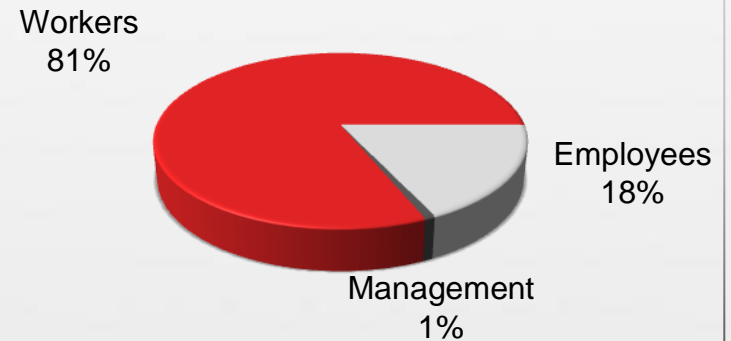
PEOPLE BY REGION



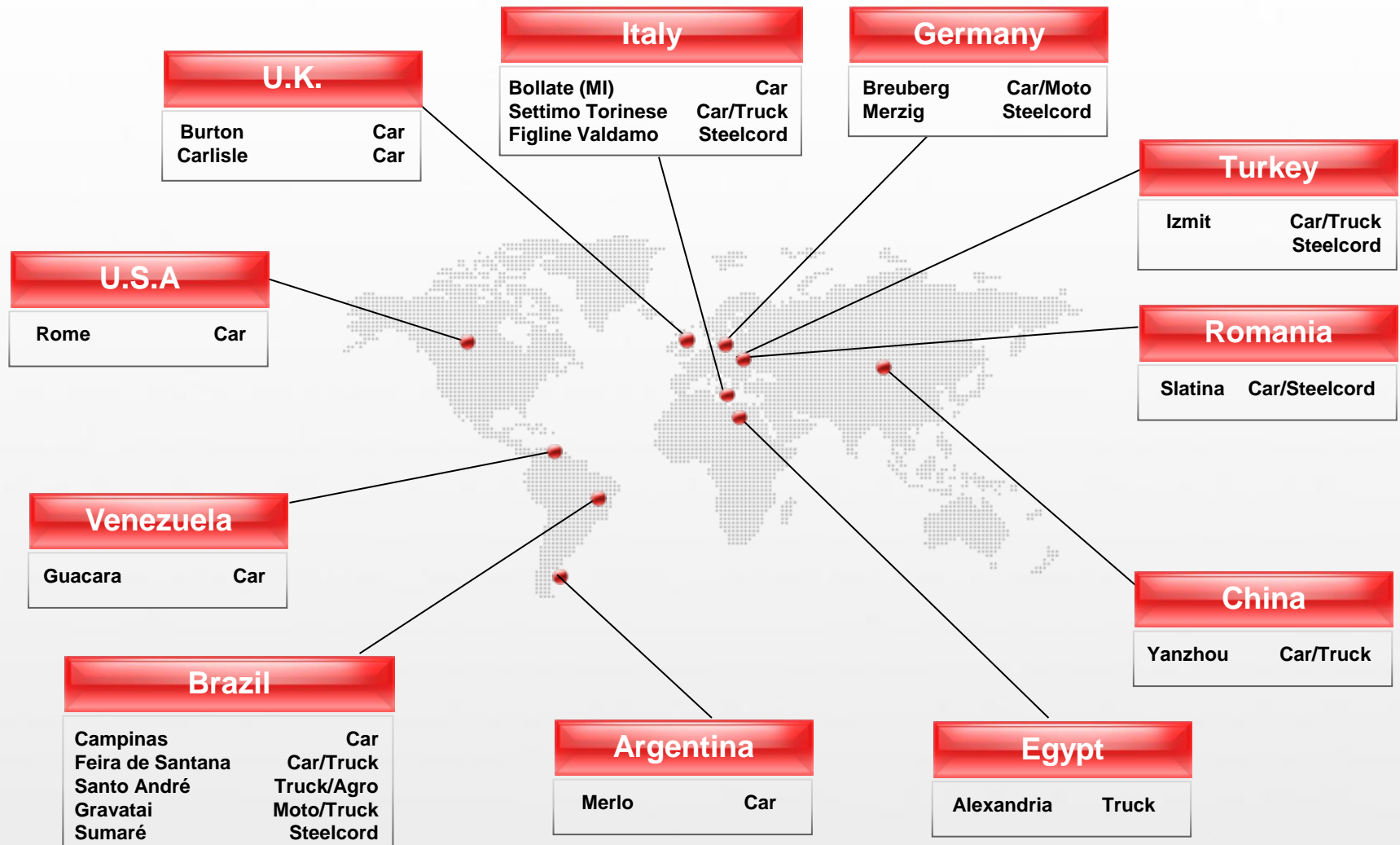
PEOPLE BY CONTRACT



PEOPLE BY CLUSTER

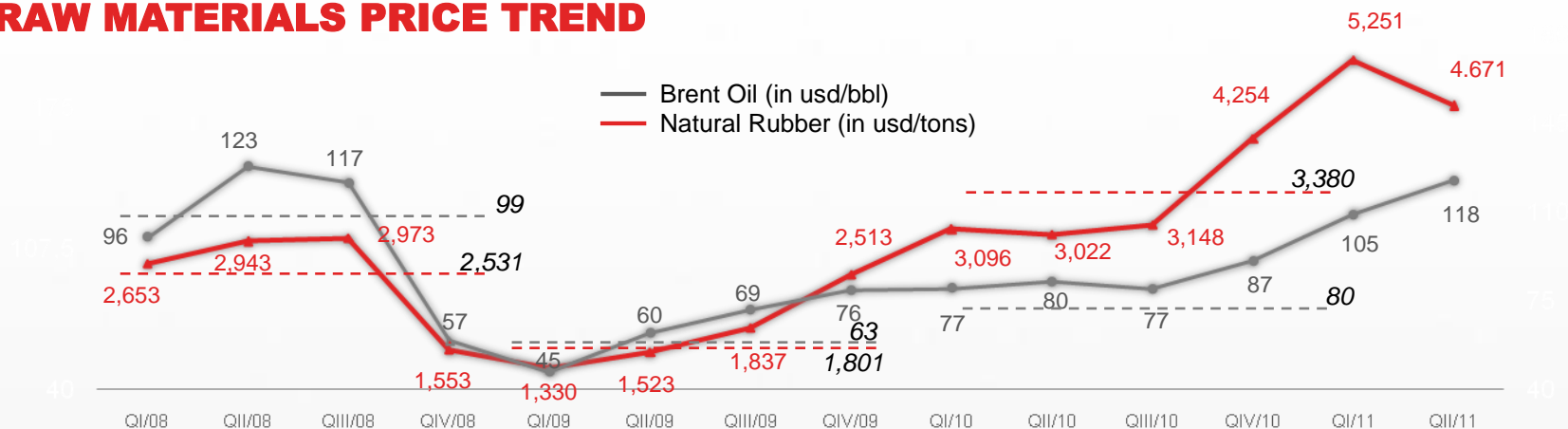


PIRELLI TYRE: 19 MANUFACTURING PLANTS IN 11 COUNTRIES (AS OF JUNE 2011)



RAW MATERIALS

RAW MATERIALS PRICE TREND



Natural Rubber: Sicom
Brent: www.oilenergy.com

In Italic Year Average

1H 2011 MIX (BASED ON PURCHASING COST)

Raw mat. costs on sales: 40%

