



# PIRELLI 1Q 2011 RESULTS



# DISCLAIMER

This presentation contains statements that constitute forward-looking statements based on Pirelli & C SpA's current expectations and projections about future events and does not constitute an offer or solicitation for the sale, purchase or acquisition of securities of any of the companies mentioned and is directed to professionals of the financial community.

These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those expressed in or implied by these forward looking statements as a result of various factors, many of which are beyond the ability of Pirelli & C SpA to control or estimate precisely. Consequently it is recommended that they be viewed as indicative only.

Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation.

Pirelli & C. SpA undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Pirelli & C. SpA business or acquisition strategy or to reflect the occurrence of unanticipated events.

## 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

---

APPENDIX

# KEY MESSAGES

## TYRE INDUSTRY PARADIGM IS WORKING WELL

World demand continuing high + Pretty tight global capacity + Low inventories =  
**Excellent pricing momentum for the industry**

## PIRELLI IN THIS SCENARIO

Is implementing a **rigorous pricing discipline** in each country where it is present

Has a **strong focus on Premium Products**: +36% in Premium sales YoY

Is **well on track** with its **efficiency plan** and with its project to **rebalance profitability** among regions (strong European rebound & close to double-digit profitability in Apac)

Is benefiting from a **faster tax rate reduction** due to the greater contribution from lower taxation countries to the Business

# PIRELLI IN F1: THE VALUE FORMULA



## WHAT CHANGED

### ▶ A more entertaining show:

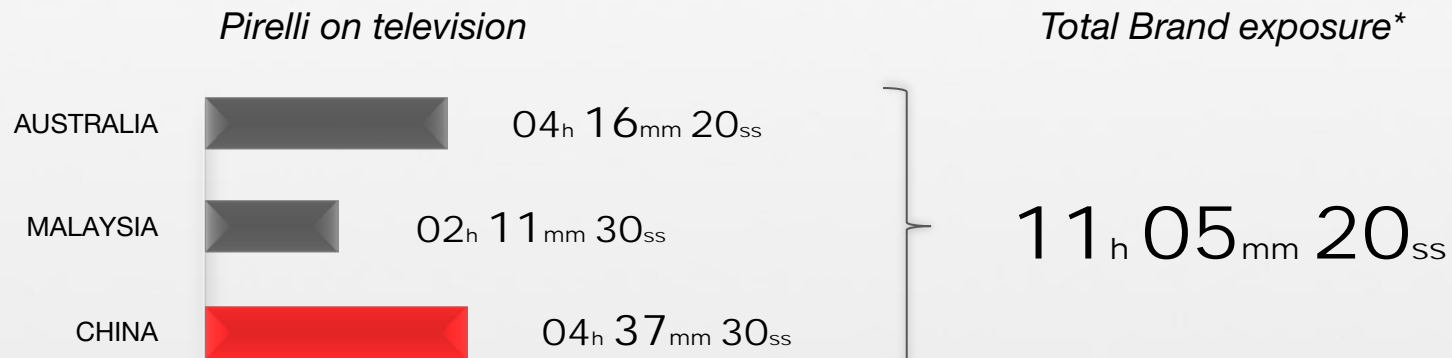
Pirelli successfully matched the F1 organization requests for a more exciting and unpredictable race

### ▶ Tyres become a determinant in the drivers' strategy:



## EARLY RESULTS AND RETURNS AFTER THE FIRST 3 GPS

### ▶ Unrivalled global brand exposure



### ▶ Premium sales increase: +36% YoY in 1Q 2011

(\* ) 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)



# PIRELLI 2011 TARGETS UPDATE

€/bln

	2011 Targets (March 8, 2010)	2011 Targets 2 <sup>nd</sup> Update
Revenues	>5.55	>5.85
Tyre	>5.50	>5.80
Volumes	≥+6%	>+6%
Price/mix	~+12%	~+15%
EBIT %	8.5% ÷ 9.5%	<i>confirmed</i>
Tyre	9% ÷ 10%	<i>confirmed</i>
Tax rate	≤38%	<37%
Capex	>0.5	<i>confirmed</i>
NFP	~0.7	<i>confirmed</i>

# AGENDA

KEY MESSAGES

---

PIRELLI & C FINANCIAL REVIEW

---

PIRELLI TYRE

---

APPENDIX

# PIRELLI KEY FINANCIAL RESULTS

€/mln	1Q11	1Q10*	Δ YoY	1Q results key drivers
<b>Revenues</b>	<b>1,400.9</b>	<b>1,135.0</b>	<b>+23.4%</b>	▶ <b>Successful value strategy driving tyre revenues growth</b>
<i>Organic growth**</i>			<b>+20.7%</b>	
EBITDA before Restruct. Costs	203.4	141.9	+43.3%	▶ <b>Top profitability in a raw mat. inflationary scenario</b>
<i>Margin</i>	14.5%	12.5%		
EBIT before Restruct. Costs	146.5	90.2	+62.4%	
<i>Margin</i>	10.5%	7.9%		▶ <b>Tax rate further improved vs. 2010YE (-0.6 p.p.)</b>
Restructuring Costs	(3.2)	(2.6)		
<b>EBIT</b>	<b>143.3</b>	<b>87.6</b>	<b>+63.6%</b>	▶ <b>Strong bottom line performance; narrowing gap between Tyre and P&amp;C</b>
<i>Margin</i>	10.2%	7.7%	+2.5 p.p.	
<b>PBT</b>	<b>129.3</b>	<b>67.1</b>	<b>+92.7%</b>	▶ <b>Cash absorption due to the seasonality of Tyre working capital and YoY higher investments</b>
<i>Tax Rate</i>	37.0%	45.3%	-8.3 p.p.	
<b>Net Income</b>	<b>81.4</b>	<b>38.9</b>		
<b>Attributable Net Income</b>	<b>82.8</b>	<b>39.2</b>	<b>+111%</b>	
<b>Investments***</b>	<b>96.9</b>	<b>50.2</b>		
<b>Net Debt</b>	<b>712.8</b>	<b>678.4</b>	<b>+257.2 vs '10 y.e.</b>	

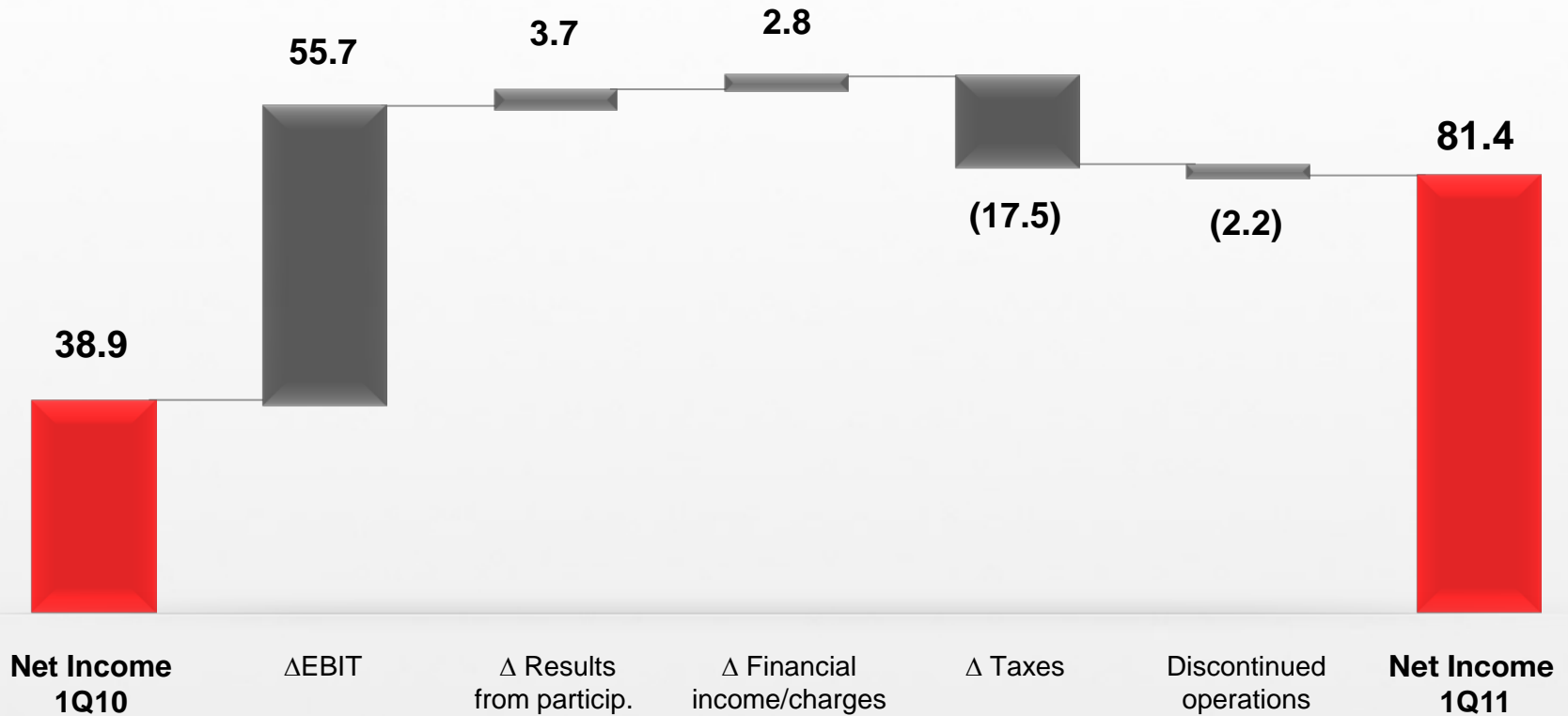
(\*) 2010 figures restated excluding Pirelli RE and Pirelli Broadband

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

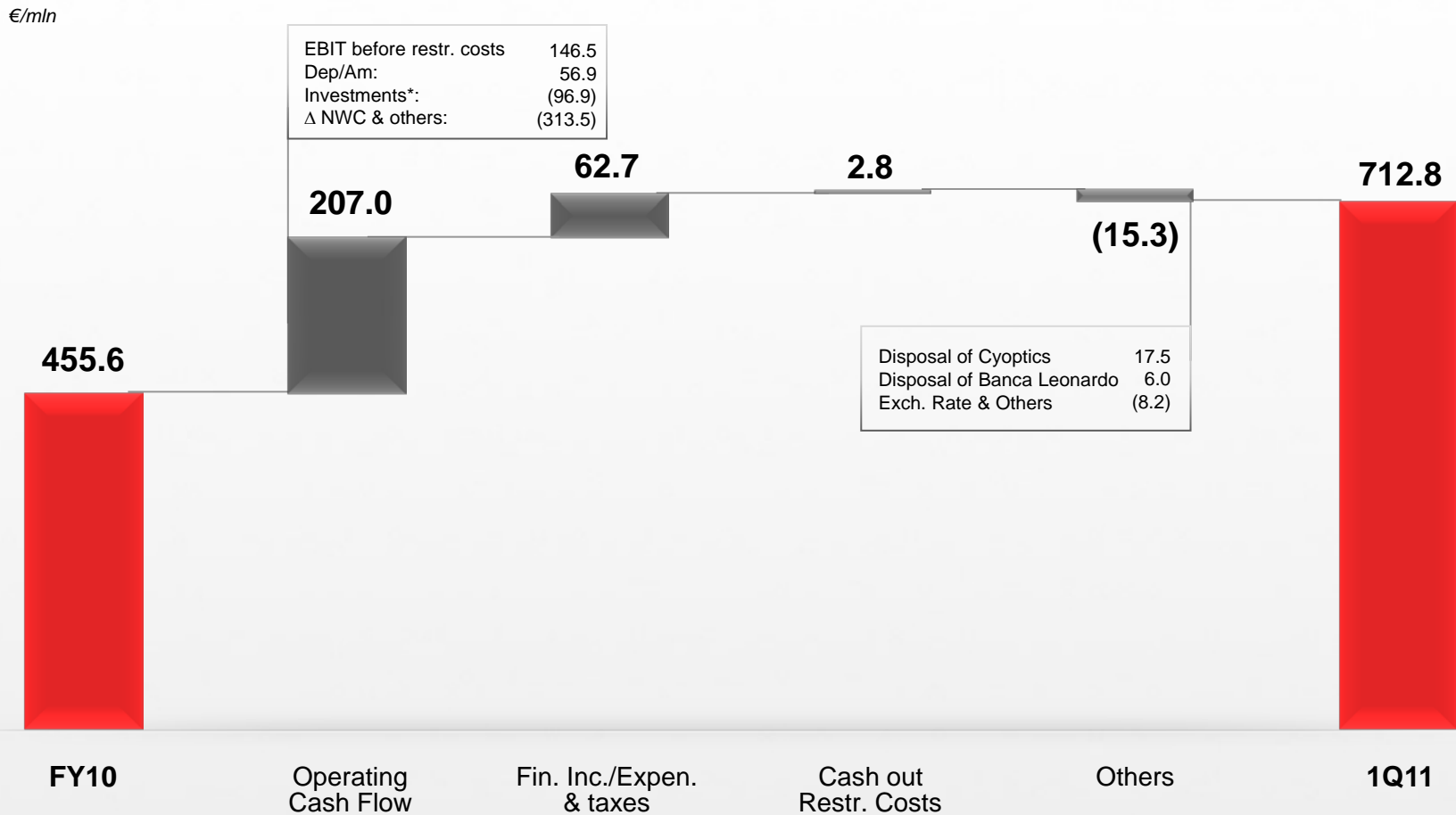
(\*\*\*) Tangible and intangible investments



# PIRELLI NET INCOME 1Q11 VS 1Q10

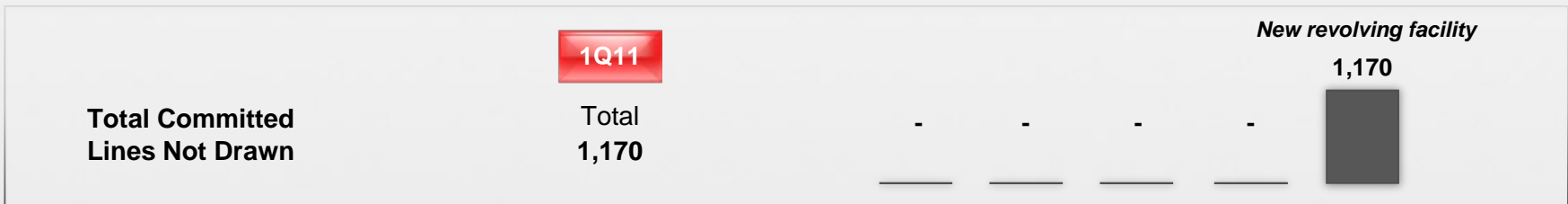
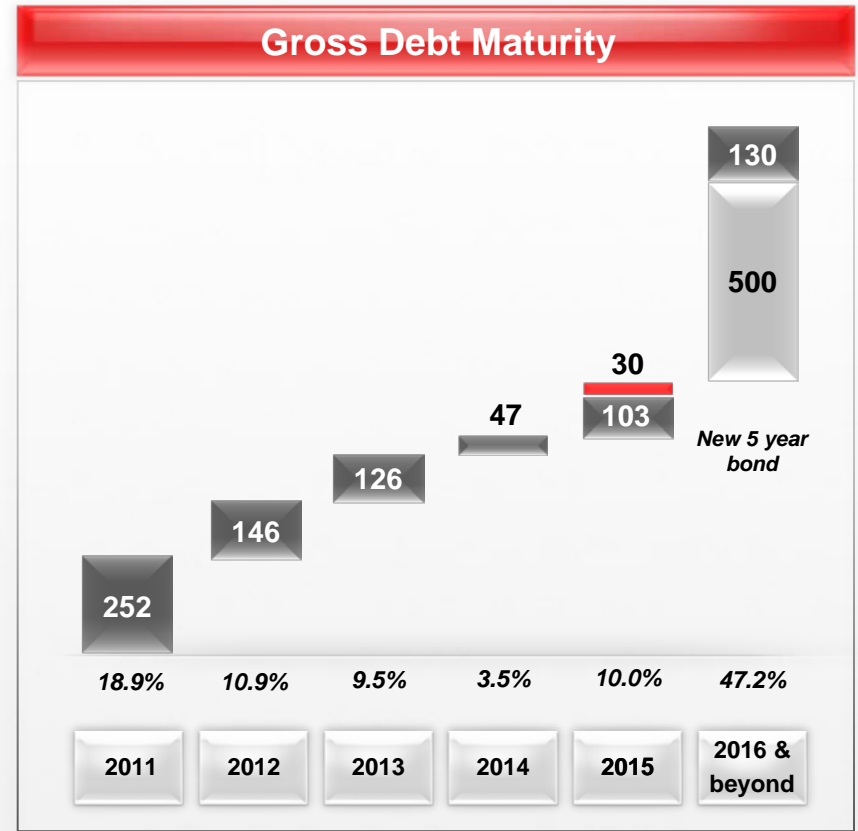
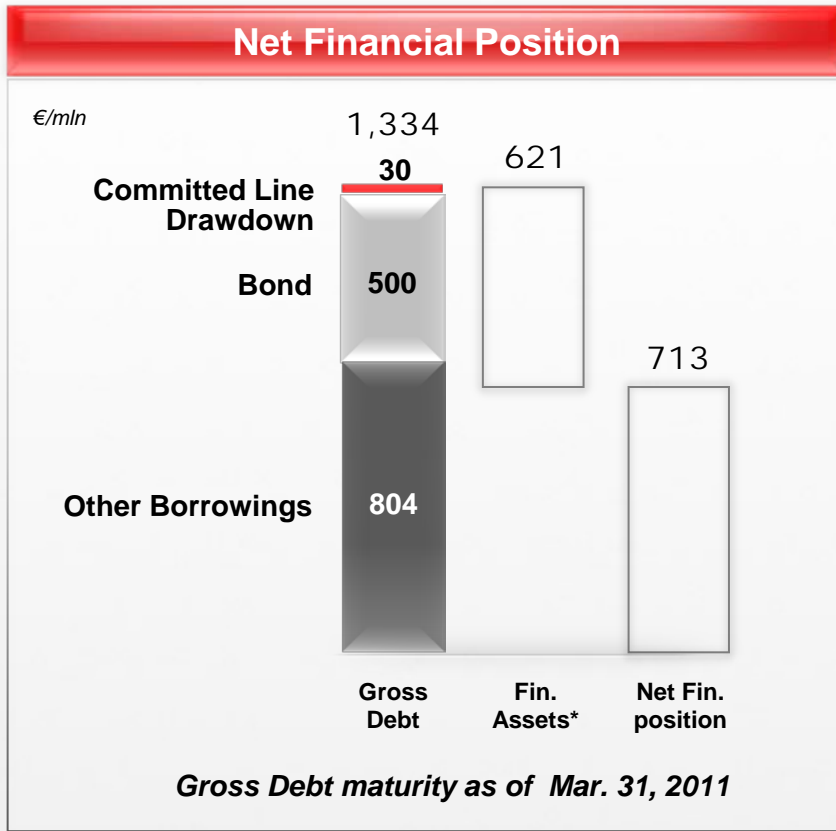


# PIRELLI 1Q11 NET FINANCIAL POSITION



(\*) Tangible and intangible investments

# PIRELLI DEBT STRUCTURE AS OF MARCH 31, 2011



(\*)Financial receivables, cash and cash equivalents

# AGENDA

KEY MESSAGES

---

PIRELLI & C FINANCIAL REVIEW

---

PIRELLI TYRE

---

APPENDIX

# PIRELLI TYRE PERFORMANCE

€/mln

	1Q10	YoY%	1Q11	YoY%
<b>Revenues</b>	1,110.0	+19.8%	1,384.5	+24.7%
<b>EBITDA</b> (before restruct. costs)	146.4	+35.8%	209.5	+43.1%
<i>margin</i>	13.2%	+1.6 p.p.	15.1%	+1.9p.p.
<b>EBIT</b> (before restruct.costs)	98.1	+60.8%	155.6	+58.6%
<i>margin</i>	8.8%	+2.2 p.p.	11.2%	+2.4 p.p.
<b>EBIT</b> (after restruct.costs)	95.5	+66.1%	152.4	+59.6%
<i>margin</i>	8.6%	+2.4 p.p.	11.0%	+2.4p.p.
<b>Net Income</b>	50.1	<i>n.m.</i>	88.5	+76.6%

▶ Sharp revenues growth in both Consumer and Industrial segments

▶ Strong benefits from the timely and successful pricing policy for each region and business

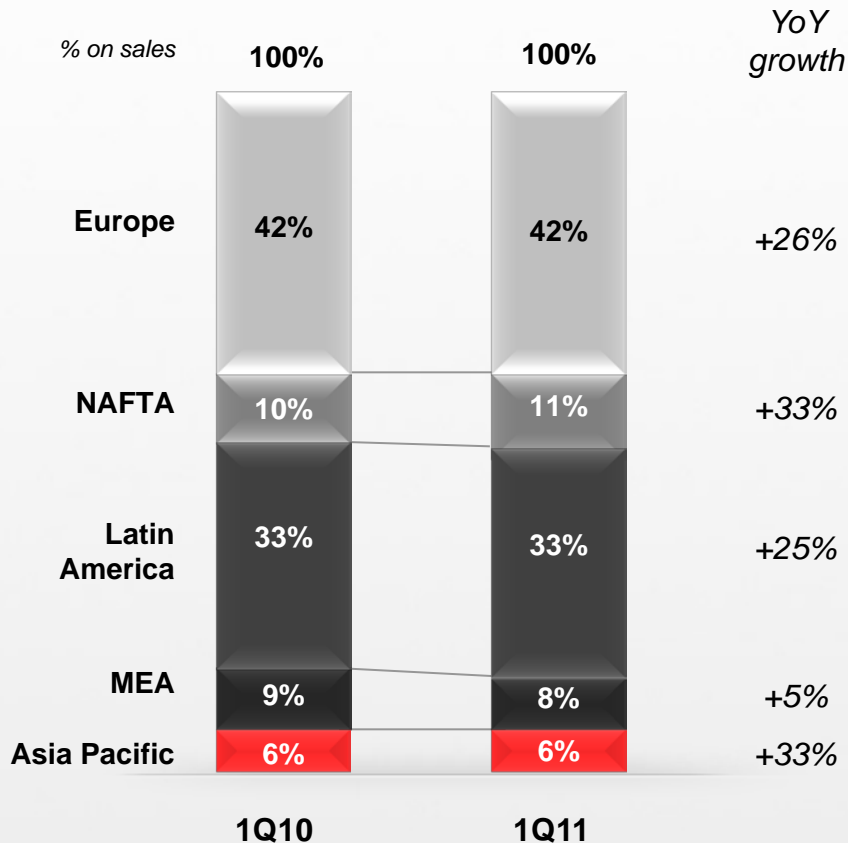
	1Q10	2Q10	3Q10	4Q10	1Q11
--	------	------	------	------	------

<b>Revenue drivers</b>					
Δ <b>Price/Mix</b>	+1.4%	+10.1%	+12.3%	+11.3%	+15.9%
Δ <b>Volume</b>	+17.4%	+7.5%	+1.8%	+3.4%	+6.1%
Δ <b>Rev.</b> (before exch. rate impact)	+18.8%	+17.6%	+14.1%	+14.7%	+22.0%
Δ <b>Exch. Rate</b>	+1.0%	+5.3%	+4.2%	+2.6%	+2.7%

▶ Record profitability, improving QoQ (+1.2pp vs 4Q10) notwithstanding higher raw materials impact

# PIRELLI TYRE BY REGION

## Sales by region



## Actions and Results

### Europe

- ▶ Market share increase in the Premium segment

### NAFTA

- ▶ Solid performance driven by market growth and focus on high-end segments in both OE and Replacement

### LatAm

- ▶ Double-digit growth sustained by volume and price/mix improvement

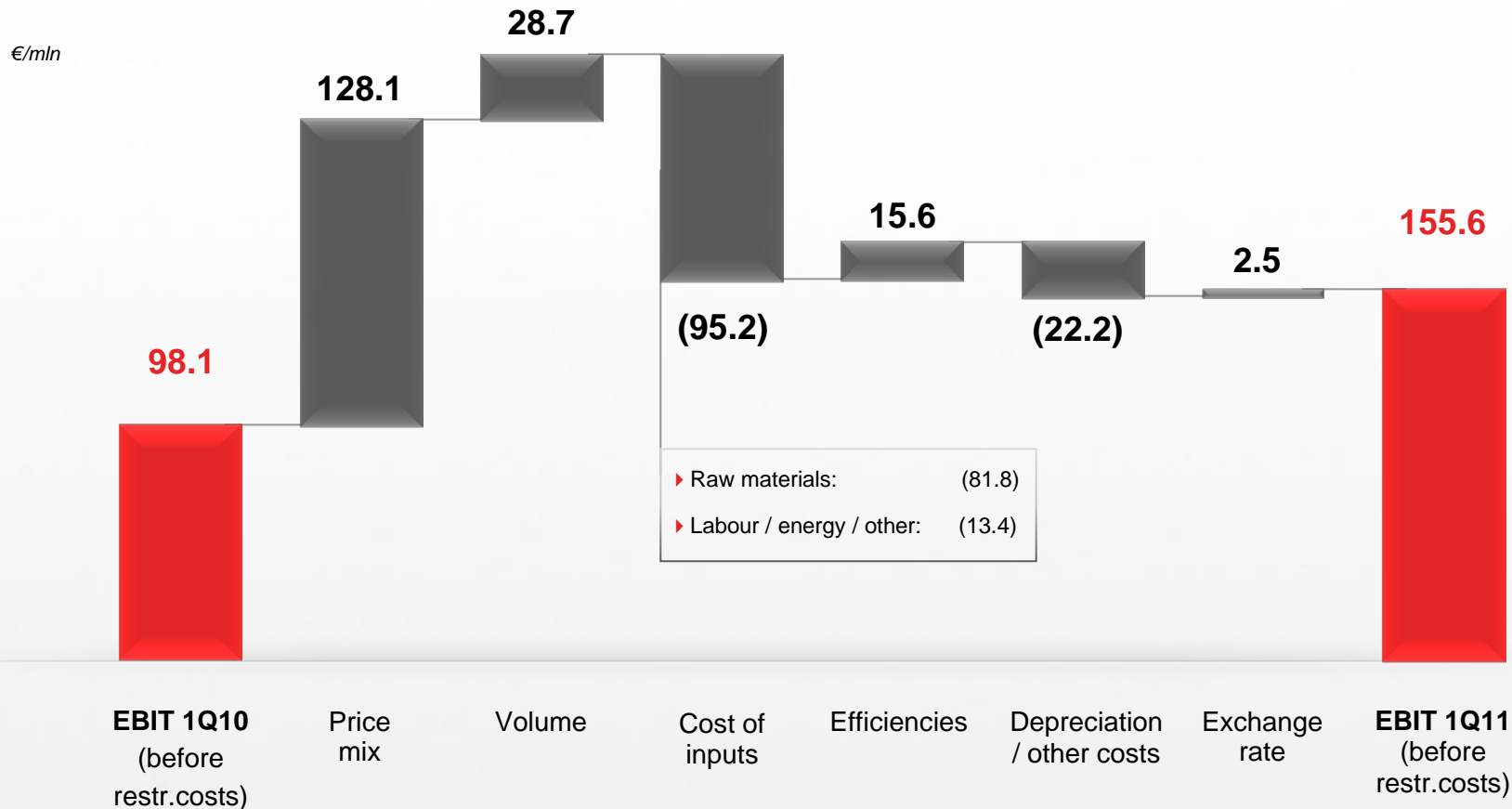
### MEA

- ▶ Low performance due to the geopolitical tension in the region

### Asia-Pacific

- ▶ Double-digit growth driven by China

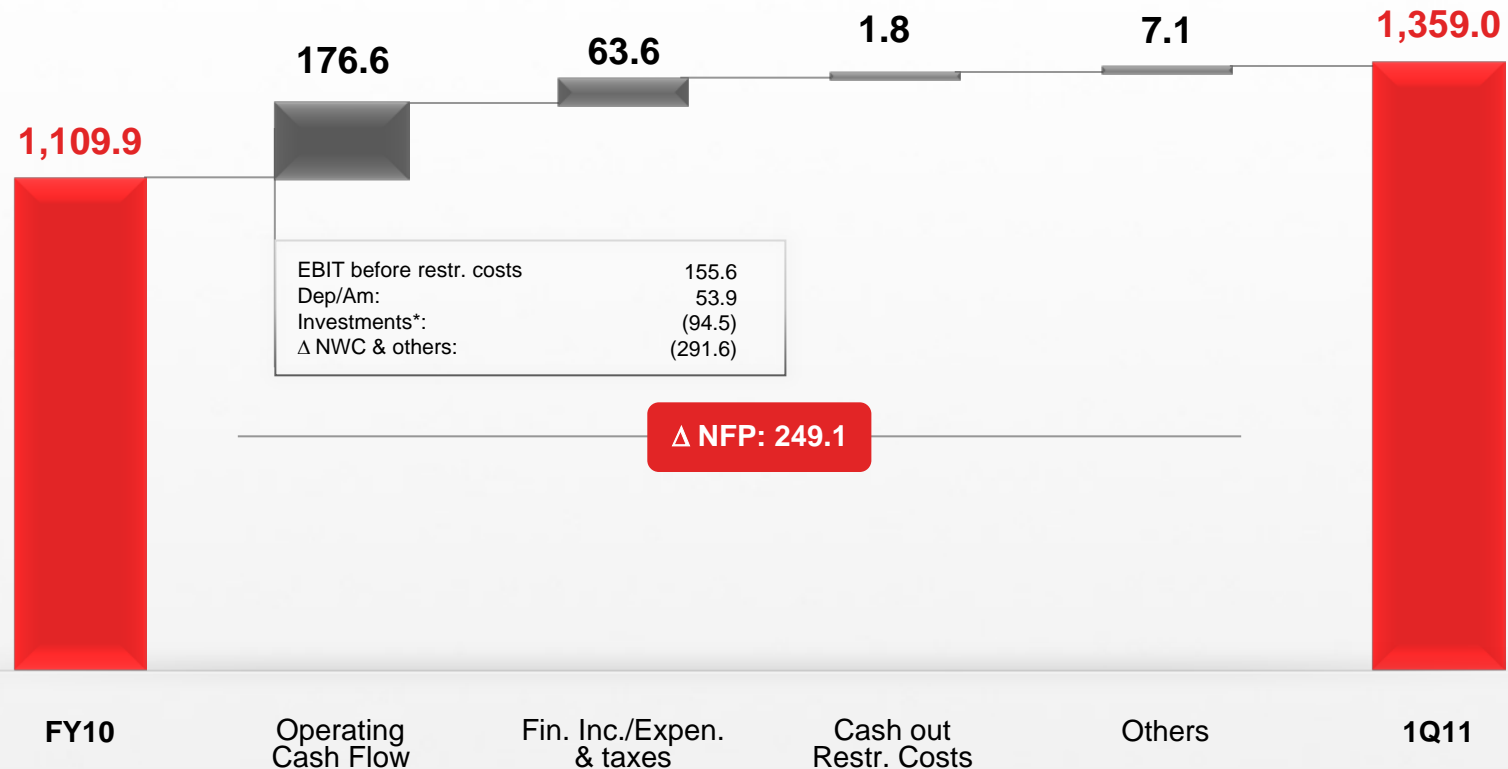
# PIRELLI TYRE 1Q11 OPERATING PERFORMANCE



- ▶ Pirelli pricing power offsetting raw materials: strong track record in the industry confirmed
- ▶ Efficiencies: in line with 2011 Targets and consistent with the development of productivity and scale increase projects

# PIRELLI TYRE 1Q11 NET FINANCIAL POSITION

€/mln

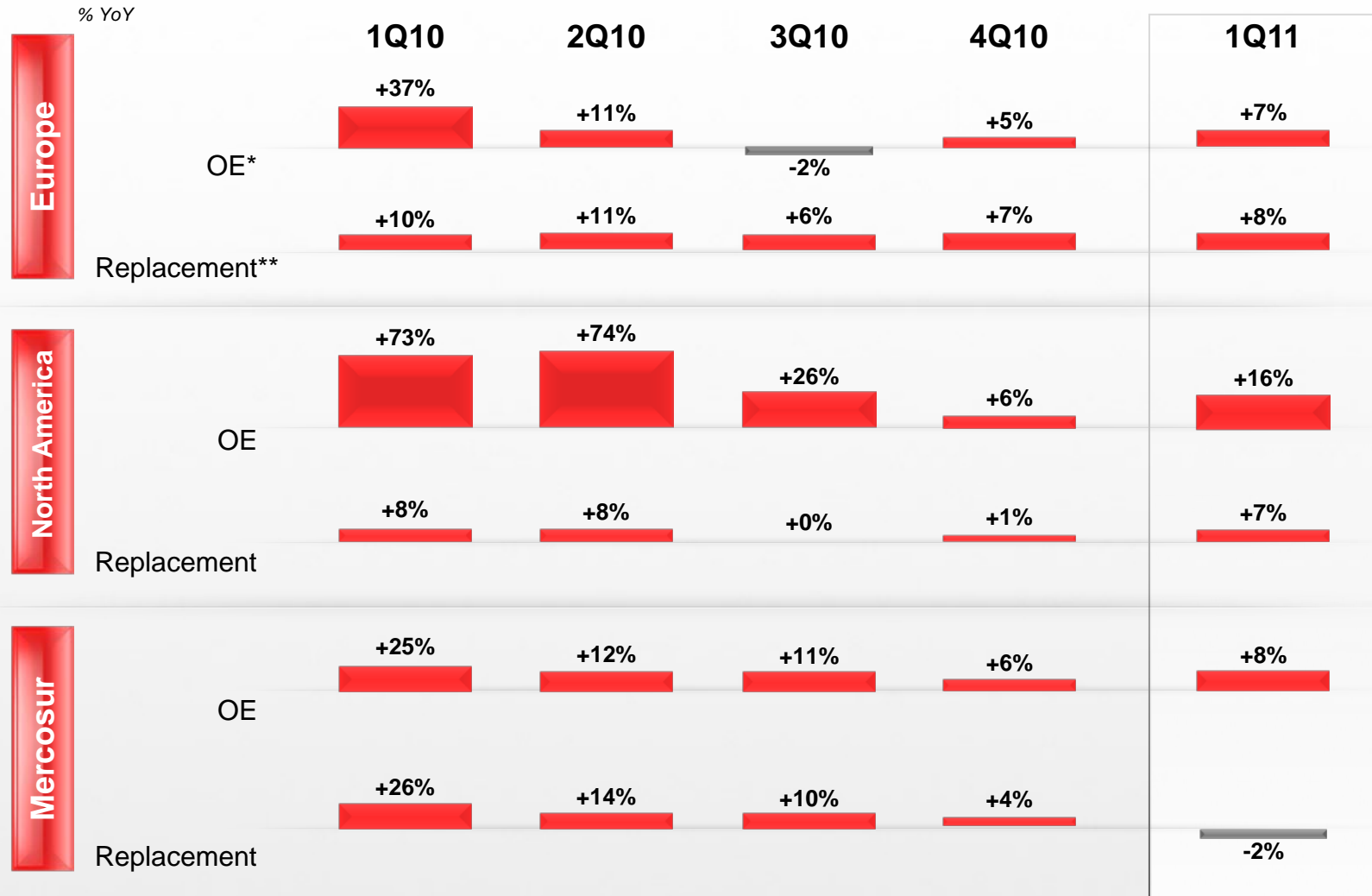


- ▶ Cash absorption due to the seasonality and inflation of the working capital and higher investments
- ▶ Investments in capacity and mix in line with 2011 targets

(\*) Tangible and intangible investments



# CONSUMER BUSINESS: KEY MARKET TRENDS



(\*)Turkey and Russia included

(\*\*)Turkey included

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

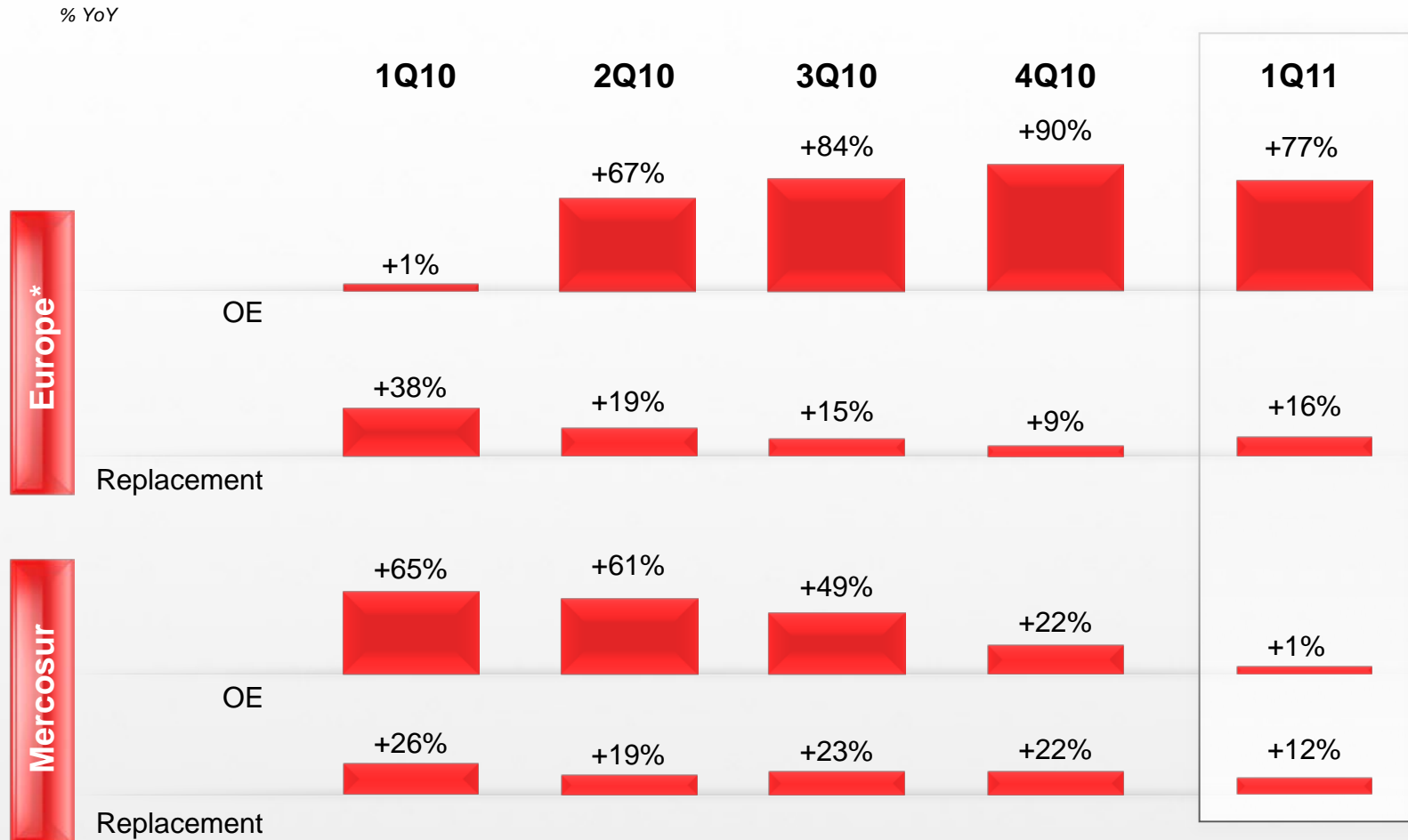
# CONSUMER BUSINESS: PIRELLI PERFORMANCE

€/mln	1Q10	YoY%	1Q11	YoY%	
<b>Revenues</b>	780.9	+16.5%	983.3	+25.9%	▶ Fully benefitting from the demand upward trend
<b>EBITDA</b> (before restruct. costs)	106.0	+37.0%	160.6	+51.5%	
<i>margin</i>	13.6%	+2.1 p.p.	16.3%	+2.7p.p.	▶ Share growth in Premium Products
<b>EBIT</b> (before restruct. costs)	69.5	+65.9%	119.7	+72.2%	
<i>margin</i>	8.9%	+2.7p.p.	12.2%	+3.3 p.p.	▶ Well-timed price increases offsetting raw material costs
<b>EBIT</b> (after restruct. costs)	67.0		116.8	+74.3%	
<i>margin</i>	8.6%		11.9%	+3.3p.p.	

	1Q10	2Q10	3Q10	4Q10	1Q11
<b>Revenue drivers</b>					
Δ <b>Price/Mix</b>	+1.2%	+8.7%	+10.7%	+9.3%	+14.6%
Δ <b>Volume</b>	+14.9%	+6.2%	+0.8%	+4.2%	+9.0%
Δ <b>Rev.</b> (before exch. rate impact)	+16.1%	+14.9%	+11.5%	+13.5%	+23.6%
Δ <b>Exch. Rate</b>	+0.4%	+4.2%	+3.6%	+2.7%	+2.3%

- ▶ Profitability at record level thanks to top line growth and cost efficiencies

# INDUSTRIAL BUSINESS: KEY MARKET TRENDS



(\*)Turkey included and Russia excluded  
 Sources: major external data provider for each region and Pirelli estimates

# INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

€/mln

	1Q10	YoY%	1Q11	YoY%
<b>Revenues</b>	329.1	+28.4%	401.2	+21.9%
<b>EBITDA</b> (before restruct. costs)	40.4	+32.9%	48.9	+21.0%
<i>margin</i>	12.3%	+0.4 p.p.	12.2%	-0.1 p.p.
<b>EBIT</b> (before restruct. costs)	28.6	+49.7%	35.9	+25.5%
<i>margin</i>	8.7%	+1.2 p.p.	8.9%	+0.2 p.p.
<b>EBIT</b> (after restruct. costs)	28.5		35.6	+24.9%
<i>margin</i>	8.7%		8.9%	+0.2 p.p.

- ▶ Double-digit growth with a sound profitability
- ▶ Price/mix improvement fully offsets raw material impact (45% of raw material total impact)

	1Q10	2Q10	3Q10	4Q10	1Q11
--	------	------	------	------	------

<b>Revenue drivers</b>					
Δ <b>Price/Mix</b>	+1.8%	+13.7%	+16.2%	+15.7%	+19.0%
Δ <b>Volume</b>	+24.1%	+10.4%	+4.2%	+1.6%	-0.7%
Δ <b>Rev.</b> (before exch. rate impact)	+25.9%	+24.1%	+20.4%	+17.3%	+18.3%
Δ <b>Exch. Rate</b>	+2.5%	+7.9%	+5.7%	+2.4%	+3.6%

- ▶ Volume trend discounts the temporary production slowdown in Egypt and the decrease in MEA sales due to the geopolitical crisis
- ▶ Pirelli production in Egypt is now back to normal

# AGENDA

KEY MESSAGES

---

PIRELLI & C FINANCIAL REVIEW

---

PIRELLI TYRE

---

APPENDIX

# PIRELLI GROUP – 1Q11 RESULTS

## Profit & Loss and Net Financial Position by Business Unit

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	1Q11	1Q10	1Q11	1Q10	1Q11	1Q10
<b>Sales</b>	<b>1,384.5</b>	<b>1,110.0</b>	<b>16.4</b>	<b>25.0</b>	<b>1,400.9</b>	<b>1,135.0</b>
<i>Δ%</i>		24.7%				23.4%
<b>EBITDA before Restruct Costs</b>	<b>209.5</b>	<b>146.4</b>	<b>(6.1)</b>	<b>(4.5)</b>	<b>203.4</b>	<b>141.9</b>
<i>% on sales</i>	15.1%	13.2%			14.5%	12.5%
<b>EBIT before Restruct Costs</b>	<b>155.6</b>	<b>98.1</b>	<b>(9.1)</b>	<b>(7.9)</b>	<b>146.5</b>	<b>90.2</b>
<i>% on sales</i>	11.2%	8.8%			10.5%	7.9%
Restructuring Costs	(3.2)	(2.6)			(3.2)	(2.6)
<b>EBIT</b>	<b>152.4</b>	<b>95.5</b>	<b>(9.1)</b>	<b>(7.9)</b>	<b>143.3</b>	<b>87.6</b>
<i>% on sales</i>	11.0%	8.6%			10.2%	7.7%
Results from equity participations	(0.3)	0.2	1.1	(3.1)	0.8	(2.9)
Financial Income/Charges	(16.6)	(16.4)	1.8	(1.2)	(14.8)	(17.6)
<b>EBT</b>	<b>135.5</b>	<b>79.3</b>	<b>(6.2)</b>	<b>(12.2)</b>	<b>129.3</b>	<b>67.1</b>
Fiscal Charges	(47.0)	(29.2)	(0.9)	(1.2)	(47.9)	(30.4)
<b>Net Result before disc. Op.</b>	<b>88.5</b>	<b>50.1</b>	<b>(7.1)</b>	<b>(13.4)</b>	<b>81.4</b>	<b>36.7</b>
Discontinued Operations			0.0	2.2	0.0	2.2
Net Income	88.5	50.1	(7.1)	(11.2)	81.4	38.9
<b>Attributable Net Income</b>					<b>82.8</b>	<b>39.2</b>
<b>Net Financial Position</b>	<b>1,359.0</b>	<b>1,122.5</b>	<b>(646.2)</b>	<b>(475.8)</b>	<b>712.8</b>	<b>678.4</b>

# PIRELLI BALANCE SHEET

€/mln

	1Q11	FY10
Fixed Assets	3,142.4	3,164.1
Net Working Capital	416.4	116.7
<b>Net Invested Capital</b>	<b>3,558.8</b>	<b>3,280.8</b>
Total Net Equity	2,072.0	2,028.0
Provisions	774.0	797.2
Net Financial Position	712.8	455.6
<b>Total</b>	<b>3,558.8</b>	<b>3,280.8</b>
Attributable Net Equity	2,034.7	1,990.8
Equity per Share (euro)	4,169	4,080

% Net Invested Capital		
	1Q11	FY10
<b>Pirelli Tyre</b>	86.0%	84.7%
<b>Other</b>	14.0%	15.3%

# PIRELLI GROUP CASH FLOW

€/mln	1Q10	2Q10	3Q10	4Q10	1Q11
EBIT before restructuring costs	90.2	109.6	119.9	112.8	146.5
Depreciation	51.7	53.7	55.0	60.8	56.9
Net investments	(50.2)	(84.9)	(91.5)	(212.0)	(96.9)
Working capital/other variations	(143.2)	41.9	(18.0)	214.5	(313.5)
<b>OPERATING CASH FLOW</b>	<b>(51.5)</b>	<b>120.3</b>	<b>65.4</b>	<b>176.1</b>	<b>(207.0)</b>
Financial income (expenses)	(17.6)	(22.9)	(14.0)	(11.3)	(14.8)
Tax charges	(30.4)	(40.0)	(40.1)	(26.9)	(47.9)
<b>NET OPERATING CASH FLOW</b>	<b>(99.5)</b>	<b>57.4</b>	<b>11.3</b>	<b>137.9</b>	<b>(269.7)</b>
Financial investments/divestitures	-	-	9.8	21.9	24.4
Dividends paid	-	(85.1)	-	-	(0.7)
Cash-out for restructuring	(34.0)	(9.9)	(7.4)	(2.0)	(2.8)
PBS Net Cash Flow	(12.1)	0.7	(11.4)	(12.9)	
PRE Net Cash Flow	(14.0)	(6.5)	(26.5)	88.3	
Exchange rate differentials/Others	10.0	24.9	16.2	16.1	(8.4)
<b>NET CASH FLOW</b>	<b>(149.6)</b>	<b>(18.5)</b>	<b>(8.0)</b>	<b>249.3</b>	<b>(257.2)</b>



# PIRELLI GROUP: 1Q11 NET FINANCIAL POSITION BY BUSINESS

€/mln

	Tyre		Other businesses		Corporate		Pirelli Group	
	Mar. 11	Dec. 10	Mar. 11	Dec. 10	Mar. 11	Dec. 10	Mar. 11	Dec. 10
<b>Gross Debt</b>	<b>1,786.8</b>	<b>1,613.6</b>	<b>95.4</b>	<b>83.3</b>	<b>620.0</b>	<b>123.0</b>	<b>1,331.8</b>	<b>1,147.0</b>
to Corporate	1,070.5	589.6	87.7	83.3				
<b>Financial receivables</b>	<b>(101.6)</b>	<b>(98.3)</b>	<b>(5.3)</b>	<b>(4.8)</b>	<b>(1,313.9)</b>	<b>(806.7)</b>	<b>(252.4)</b>	<b>(236.9)</b>
to Prelios					(150.1)	(140.4)	(150.1)	(140.4)
<b>Cash and cash equivalents</b>	<b>(326.2)</b>	<b>(405.4)</b>	<b>(4.6)</b>	<b>(6.6)</b>	<b>(37.8)</b>	<b>(42.5)</b>	<b>(368.6)</b>	<b>(454.5)</b>
<b>Net Financial Position</b>	<b>1,359.0</b>	<b>1,109.9</b>	<b>85.5</b>	<b>71.9</b>	<b>(731.7)</b>	<b>(726.2)</b>	<b>712.8</b>	<b>455.6</b>

# PIRELLI PRICE INCREASE 2010-2011

## North America

**June 2011**  
6% - 9% Consumer  
**April 2011**  
5% Consumer (+3% Moto)  
**December 2010**  
Up to 7% Consumer  
**July 2010**  
+4% Consumer  
**April 2010**  
+4% Consumer

## Europe

**June 2011**  
6% summer - 12% winter  
Consumer & Industrial  
**March 1st, 2011**  
+3% Car/SUV/Moto  
+7% Industrial  
**4Q 2010**  
+4% Consumer (oct.1)  
+4% / +6% Industrial (oct 1)  
**2Q 2010**  
+4% Consumer  
+6% Industrial

## Asia

**March 1st, 2011**  
+3% Car/SUV/Moto  
+7% Industrial  
**1Q 2010**  
+4% Consumer and Industrial

## South America

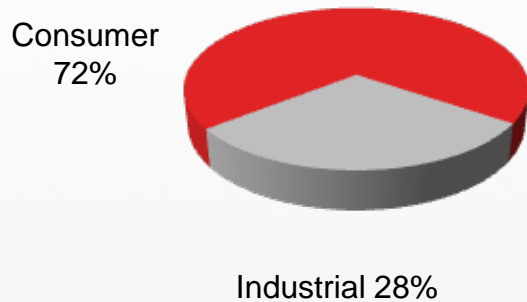
**2Q 2010**  
Differentiated price increases  
across the region on both  
Consumer and Industrial Tyres

## Middle Est Africa

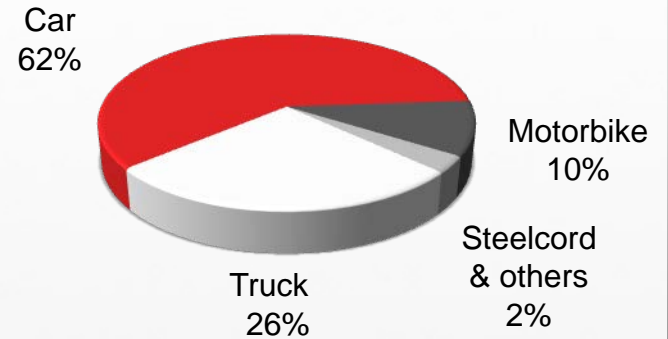
**June 2011**  
Up to 10% Consumer & Industrial  
**March 1st, 2011**  
+3% Car/SUV/Moto  
+7% Industrial  
**January 2010**  
+10% Consumer and Industrial

# 1Q11 PIRELLI TYRE MIX

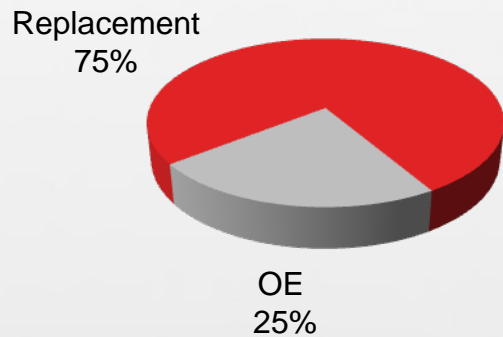
## SALES BY BUSINESS



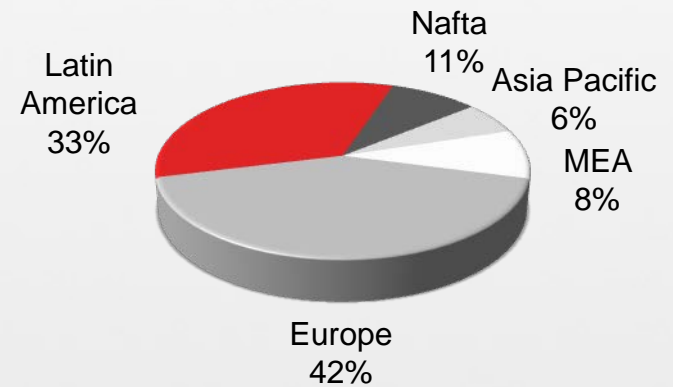
## SALES BY SEGMENT



## SALES BY CHANNEL

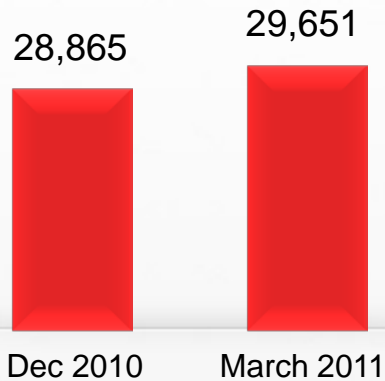


## SALES BY REGION

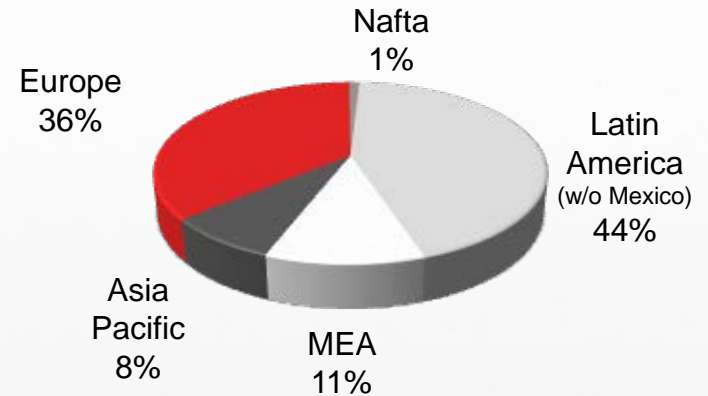


# 1Q11 PIRELLI TYRE PEOPLE

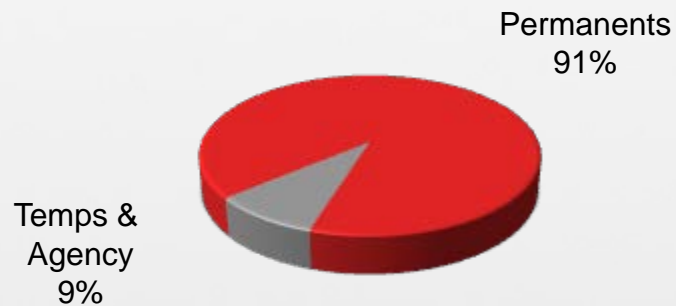
## HEADCOUNT



## PEOPLE BY REGION



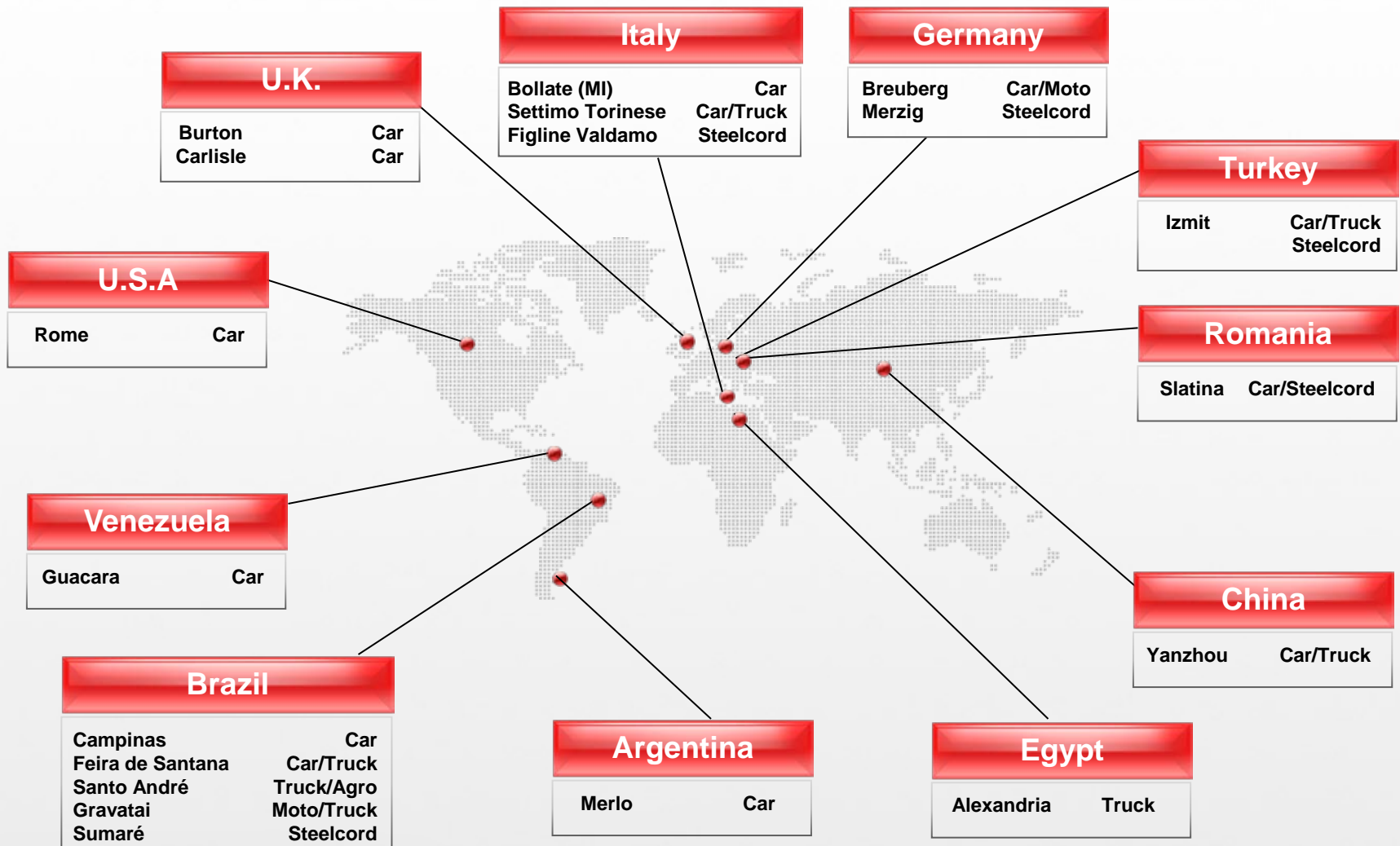
## PEOPLE BY CONTRACT



## PEOPLE BY CLUSTER

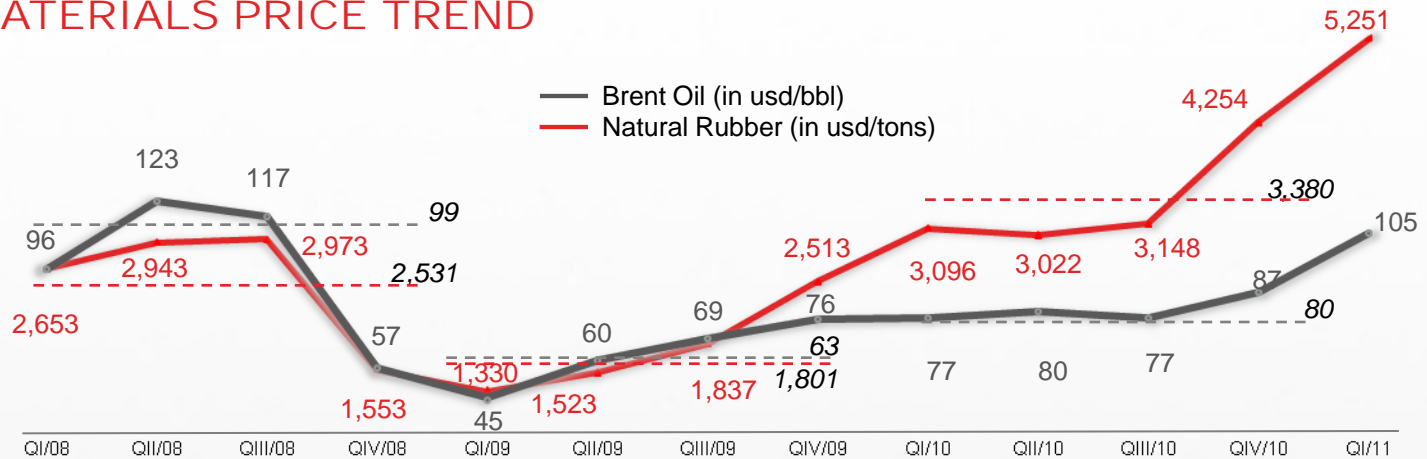


# PIRELLI TYRE: 19 MANUFACTURING PLANTS IN 11 COUNTRIES (AS OF MAR. 2011)



# RAW MATERIALS

## RAW MATERIALS PRICE TREND



Natural Rubber: Sicom  
Brent: www.oilenergy.com

In Italic Year Average

## 1Q 2011 MIX (BASED ON PURCHASING COST)

Raw mat. costs on sales: 38%

