



# PIRELLI FY 2012 RESULTS

MARCH 11, 2013

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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

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### 2012 FULL YEAR RESULTS

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### 2012 TYRE BUSINESS OVERVIEW

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### 2013 OUTLOOK AND GUIDANCE

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## APPENDIX

# KEY MESSAGES

## 2012

The **global Tyre market shrank**, with **Europe** losing the **biggest share** against all expectations.

In these times of hardship and market downsizing, we worked up our value ladder:

- ▶ **19% ROI and**
- ▶ **Top Profitability, ~13%**

## 2013 Outlook

The **global Tyre market** is expected to pick up at **low single-digit Premium** growth rates confirmed to be **3 times higher** than non-Premium  
**Faster Premium** penetration in **emerging markets**

### Actions

In **mature markets**, further leverage of the **link Premium OE and Replacement**

In **emerging markets**, seize the **many Premium growth opportunities**

**Cost reduction initiatives accelerating** in the Regions

# PIRELLI 2012 FY RESULTS VS TARGETS

€/bln

	FY'12 Targets (Nov.'12)	FY'12 Results	Δ YoY
<b>Total Revenues</b>	<b>~ 6.15</b>	<b>6.07</b>	<b>+7.4%</b>
Russia JV	~ 0.2	172 €/mln	
Däckia	~ 50 €/mln	55 €/mln	
Foreign Exchange	-1%	-1%	
<b>Organic Revenues</b>	<b>~ 5.9</b>	<b>5.84</b>	<b>+3.4%</b>
Volumes	-5% / -5.5%	-5.6%	
o/w Premium	+17% / +18%	+12.6%	
Price/mix	>+11%	+10.2%	
<b>Restructuring Costs</b>	<b>30 €/mln</b>	<b>39 €/mln</b>	
<b>EBIT</b>	<b>~800 €/mln</b>	<b>780.8 €/mln</b>	<b>+34.2%</b>
<b>EBIT margin</b>	<b>~13%</b>	<b>12.9%</b>	<b>+2.6 pp</b>
o/w Russia	low single-digit	low single-digit	
Raw Material Headwind	50€/mln	51 €/mln	
Efficiency	~ 155€/mln	158 €/mln	
Tax rate	~36%	34%	
Capex	< 0.5	471 €/mln	
<b>NFP</b>	<b>≥1.2 after dividends</b>	<b>1,205 €/mln</b>	
<b>ROI *</b>		<b>19.2%</b> (vs. 20% '12-'14 Ind. Plan)	

\* EBIT / Average Net Invested Capital

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# PIRELLI KEY FINANCIAL RESULTS

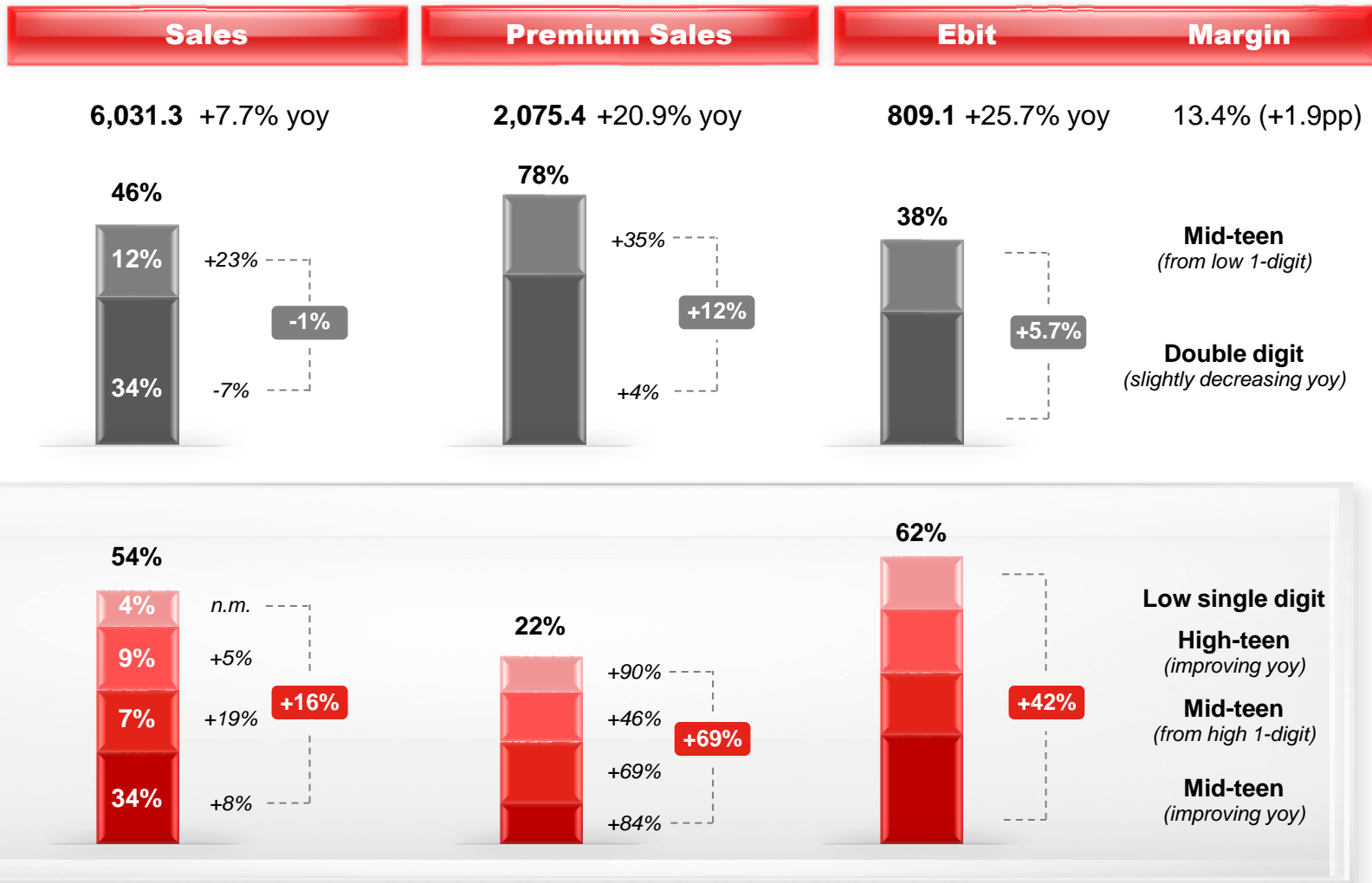
€/mln	FY12	FY11	Δ YoY	4Q12	4Q11	Δ YoY	4Q result key drivers
<b>Revenues</b>	6,071.5	5,654.8	7.4%	1,497.4	1,389.0	7.8%	<ul style="list-style-type: none"> <li>▶ Sale trend sustained by <b>emerging markets</b> and <b>Premium sales</b></li> <li>▶ Approx. 10 €/mln extra restructuring costs vs. guidance for the transition of Settimo plant into pure Premium production and Steel Cord production shut down in Germany</li> <li>▶ <b>Strong Ebit growth</b> (~6x sale growth) fuelled by improved mix, efficiency gains and lower raw material tailwind</li> <li>▶ Tax rate in line with previous year, below 2012 FY guidance (~36%).</li> <li>▶ <b>Adj. net income up ~50%</b> despite write-downs on equity holdings (17.5 €/mln Mediobanca)</li> <li>▶ Continued investments in Premium capacity, mix and ramp-up projects</li> <li>▶ <b>663.6 €/mln of cash flow</b> generation in Q4</li> </ul>
<i>Organic growth*</i>			8.4%			9.8%	
EBITDA before Restr. Costs	1,091.2	834.6	30.7%	281.3	203.5	38.2%	
<i>Margin</i>	18.0%	14.8%		18.8%	14.7%		
EBIT before Restr. Costs	819.9	609.7	34.5%	208.9	148.6	40.5%	
<i>Margin</i>	13.5%	10.8%	+2.7 p.p.	14.0%	10.7%	+3.3 p.p.	
Restructuring Costs	(39.1)	(27.8)		(20.9)	(17.9)		
<b>EBIT</b>	<b>780.8</b>	<b>581.9</b>	<b>34.2%</b>	188.0	130.7	43.8%	
<i>Margin</i>	<b>12.9%</b>	<b>10.3%</b>	<b>+2.6 p.p.</b>	12.6%	9.4%	+3.2 p.p.	
<b>PBT</b>	599.1	475.1	26.1%	121.0	85.0	42.4%	
<i>Tax Rate</i>	33.5%	34.2%	-0.7 p.p.	25.7%	27.9%	-2.2 p.p.	
Adj. Net Income (Income before disc. operations and special items)	398.2	312.6	27.4%	89.9	61.3	46,7%	
<b>Deferred tax assets</b>		128.1			128.1		
<b>Attributable Net Income</b>	393.8	451.6		87.5	196.3		
<b>Investments**</b>	470.9	626.2		143.5	230.0		
<b>Net Debt</b>	1,205.2	737.1					

(\*) Excluding exchange rate effects

(\*\*) Tangible and intangible investments

# 2012 REGIONAL TYRE PROFITABILITY DRIVERS

## Premium & RDE exposure drive the race



\*Import sales included

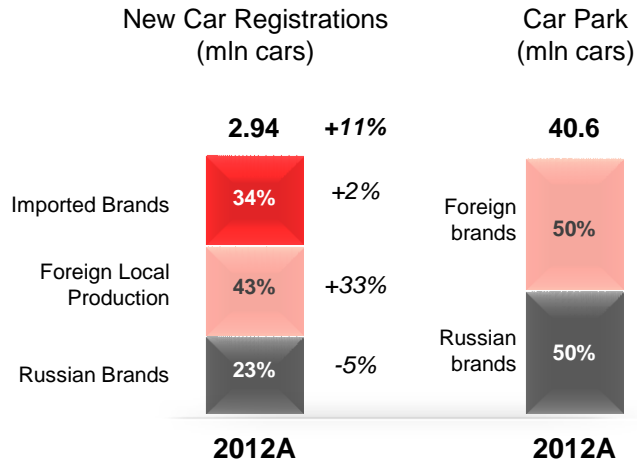




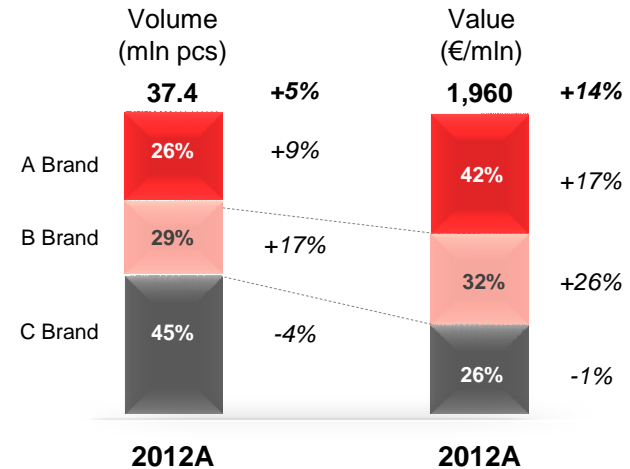
# AN UPDATE ON RUSSIAN JV

## Premium robustness confirmed

### Car Market



### Tyre Replacement Market



## Activities in line with 3Y plans

### Industrial side

2012 A

<b>Capex (Eur Mln)</b>	<b>85</b>	<input checked="" type="checkbox"/>
<b>Capacity (mls pcs)</b>	<b>8</b>	<input checked="" type="checkbox"/>
<b>New Product Industrialization</b>	<b>35</b>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

### Commercial side

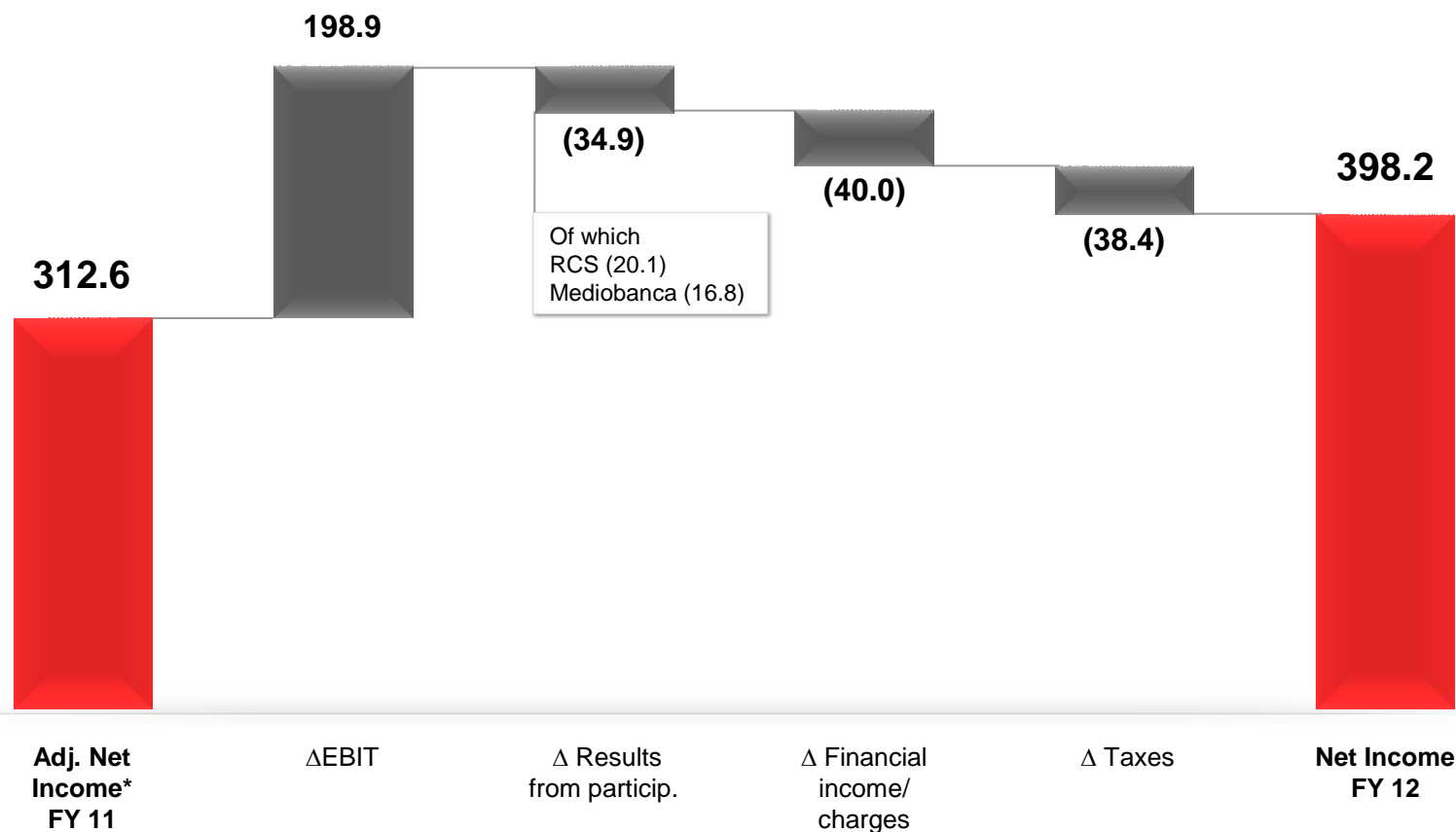
2012 A

<b>Pirelli Retail presence</b>	<b>800</b>	<input checked="" type="checkbox"/>
<b>Pirelli Qualified Premium Stores</b>	<b>480</b>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<b>Brand Consideration Growth vs 2011</b>	<b>+25%</b>	<input checked="" type="checkbox"/>

Source: Avtostat, Pirelli estimates

# PIRELLI NET INCOME FY12 VS FY11

€/mln



\* Before deferred tax assets (positive impact)

# DIVIDEND PROPOSAL

## ▶ Dividend Proposal to be filed with Pirelli & C. AGM (May 13<sup>th</sup>, 2013)

	DPS (€)			N° of Shares*	Dividends (€/mln)	
	2012	2011	Δ % yoy		2012	Δ % yoy
Ordinary shares	0.320	0.270	18.5	475	152.1	
Savings shares	0.390	0.340	14.7	12	4.6	
					156.7	18
					40% of Group Net Income post minorities	

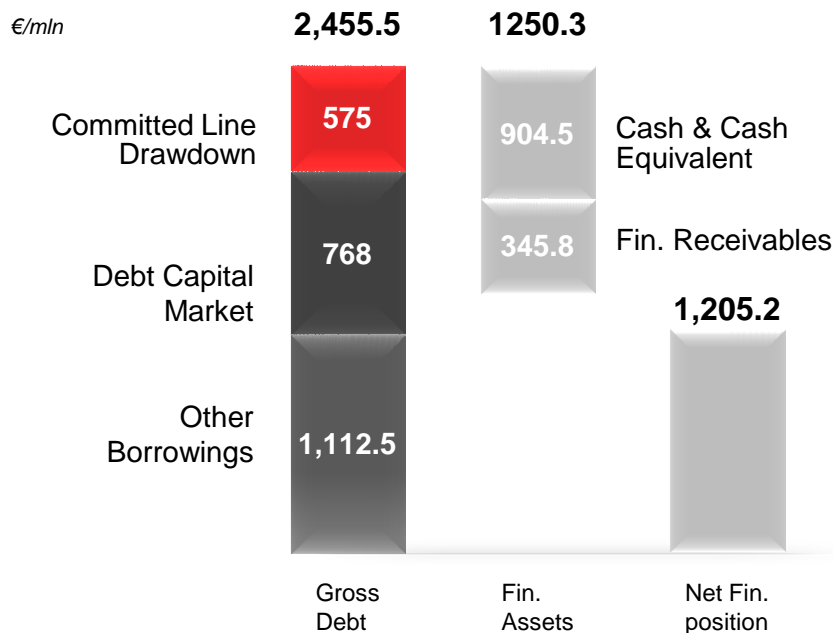
## ▶ Dividend Payment Schedule

- ▶ Coupon Detachment: May 20<sup>th</sup>, 2013
- ▶ Dividend Payment: starting May 23<sup>rd</sup>, 2013

(\*) Net of treasury shares: 0.35 mln ordinary shares and 0.40 savings shares.

# PIRELLI DEBT STRUCTURE AS OF DEC 31, 2012

## Net Financial Position

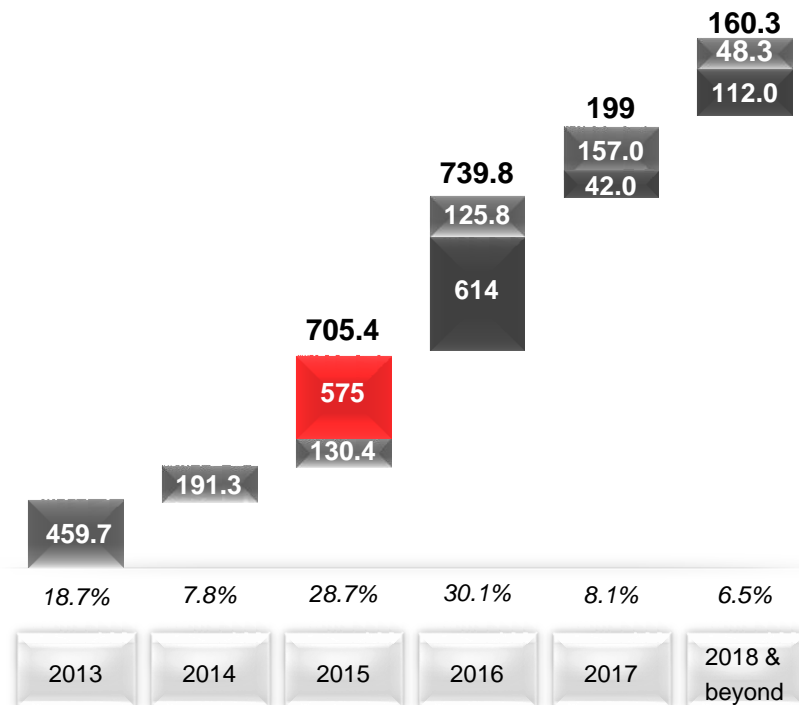


Gross Debt maturity as of Dec. 31 2012

## LIQUIDITY PROFILE

€/mln	
Liquidity position	904.5
Total committed lines not drawn due 2015	625.0
<b>Liquidity Margin</b>	<b>1,529.5</b>

## Gross Debt Maturity

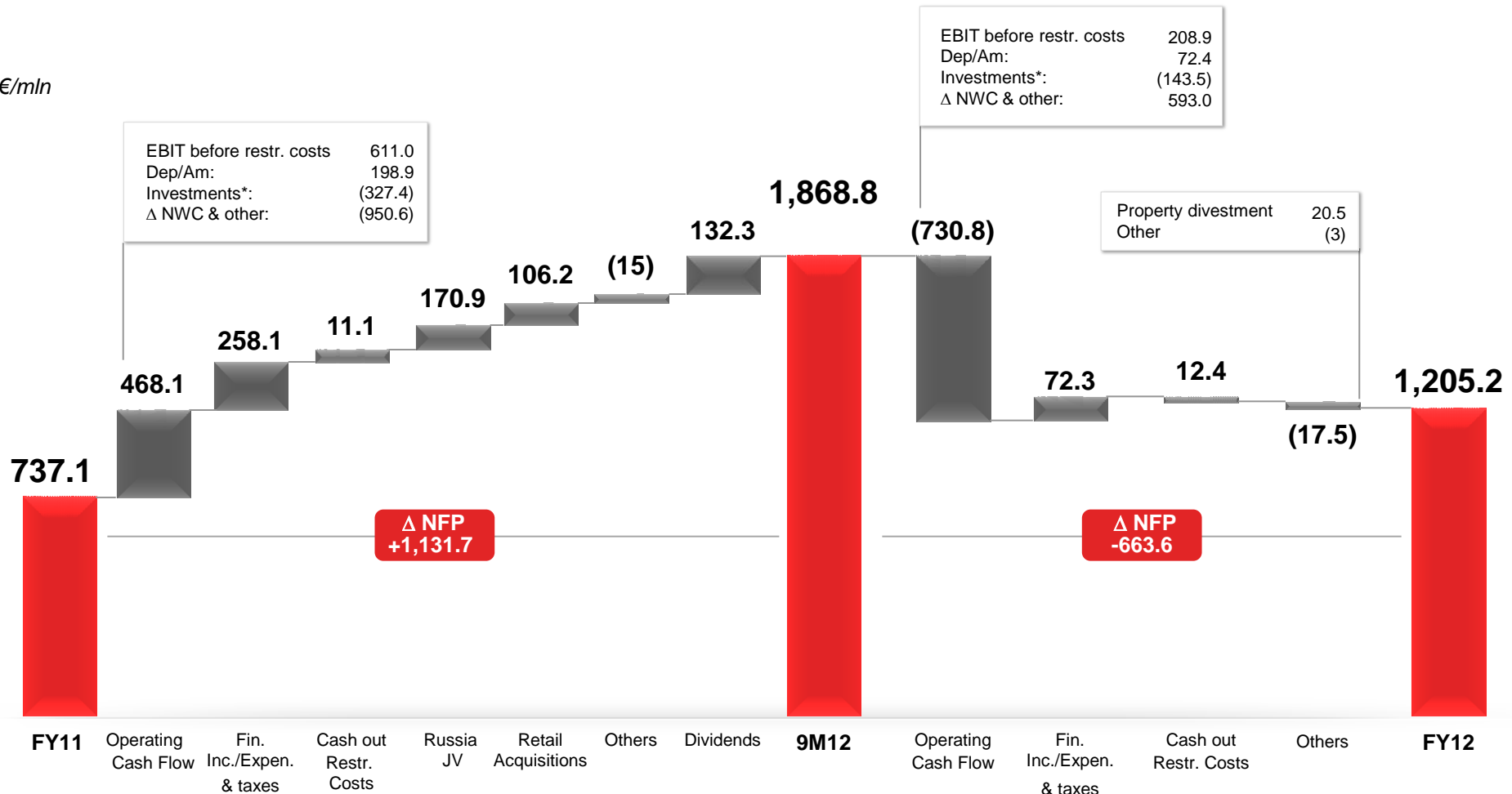


## DEBT PROFILE

- ▶ > 70% of the debt maturity beyond 2014
- ▶ Cost of debt 5.79%
- ▶ Gross debt profile ~75% Fixed and ~25% Floating
- ▶ Average debt maturity: ~ 2.9 years

# PIRELLI FY12 NET FINANCIAL POSITION

€/mln



(\*)Tangible and intangible investments



# AGENDA

## KEY MESSAGES

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# KEY TYRE RESULTS

€/mln	1Q'12	YoY%	2Q'12	YoY%	3Q'12	YoY%	Q4'12	YoY%	FY '12	YoY%
<b>Revenues</b>	1,542.6	+11.4%	1,457.7	+5.9%	1,542.6	5.3%	<b>1,488.4</b>	<b>8.2%</b>	6,031.3	7.7%
o/w Premium	584.4	+29.2 %	502.5	+22.3%	525.4	18.9%	<b>463.1</b>	<b>12.8%</b>	2,075.4	20.9%
<b>EBITDA</b> (before restruct. costs)	280.3	+33.8%	275.9	+26.3%	269.5	18.0%	289.1	31.9%	1,114.8	27.3%
margin	18.2%	+3.1p.p.	18.9%	+3.0pp	17.5%	+1.9pp	19.4%	+3.5p.p.	18.5%	+2.9p.p.
<b>EBIT</b> (before restruct. costs)	217.2	+39.6%	210.9	+28.1%	202.4	16.3%	217.7	30.0%	848.2	28.2%
margin	14.1%	+2.9p.p.	14.5%	+2.5pp	13.1%	+1.2pp	14.6%	+2.4p.p.	14.1%	+2.3p.p.
Restructuring Costs	(2.0)		(12.5)		(3.7)		(20.9)		(39.1)	
<b>EBIT</b>	215.2	+41.2%	198.4	+23.9%	198.7	15.6%	<b>196.8</b>	<b>23.4%</b>	<b>809.1</b>	<b>25.7%</b>
margin	14.0%	+3.0 p.p.	13.6%	+2.0pp	12.9%	+1.2pp	<b>13.2%</b>	<b>+1.6p.p.</b>	<b>13.4%</b>	<b>+1.9p.p.</b>

## 4Q highlights

- ▶ **Strong Top Line** thanks to better organic growth (+1.2 pp vs Q3), Russian JV and Däckia contribution
- ▶ **Ebit margin improvement:** +1.6 pp QoQ, +1.9 pp YoY

## Main drivers

- ▶ **Stable pricing** - despite difficult European market - and continued **mix improvements**
- ▶ Volume rebound in Industrial business and growth in Consumer in emerging markets
- ▶ **Premium growth** in line with previous quarter, with buoyant emerging markets (~60% YoY)

	1Q'12	2Q'12	3Q'12	Q4'12	FY'12
<b>Revenue drivers</b>					
Δ <b>Price/Mix</b>	+16.5%	+11.1%	+8.6%	+5.4%	<b>+10.2%</b>
Δ Perimeter*	+2.2%	+3.5%	+4.1%	+6.6%	+4.1%
Δ <b>Volume</b>	-7.4%	-7.6%	-6.2%	-1.8%	-5.6%
o/w Premium	+15.8%	+12.3%	+12.5%	+11.1%	+12.6%
Δ <b>Rev.</b> (before exchange rate impact)	<b>+11.3%</b>	<b>+7.0%</b>	<b>+6.5%</b>	<b>+10.2%</b>	<b>+8.7%</b>
Δ <b>Exchange Rate</b>	+0.1%	-1.1%	-1.2%	-2.0%	-1.0%

\* Russian JV and retail acquisitions

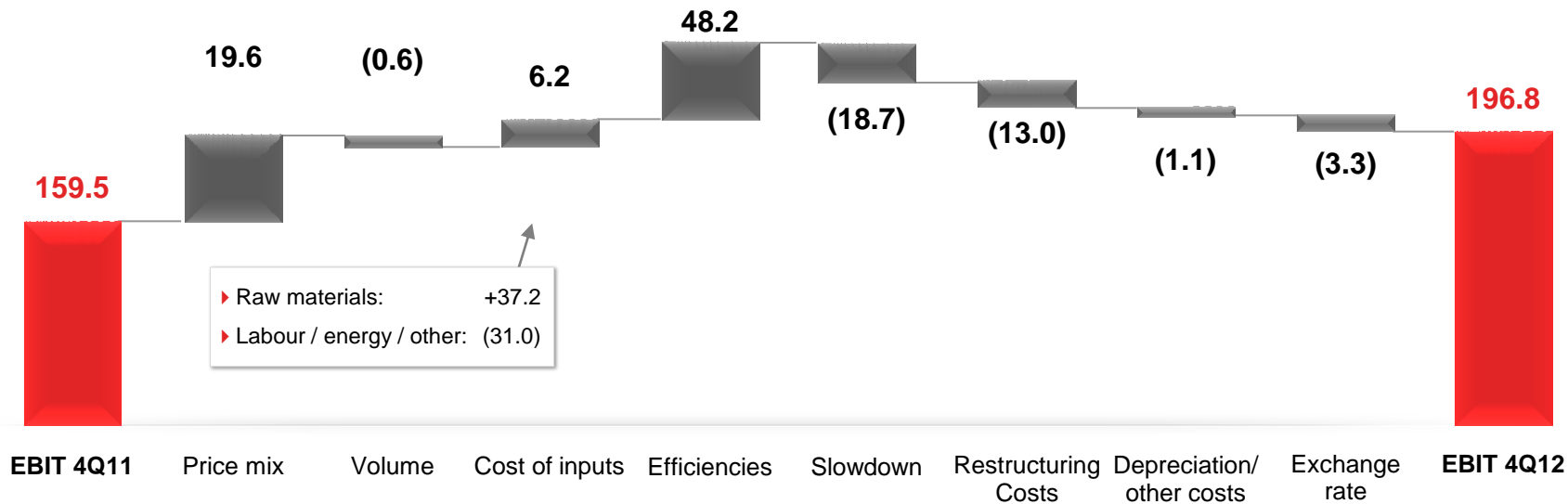
**FY 2012 RESULTS**



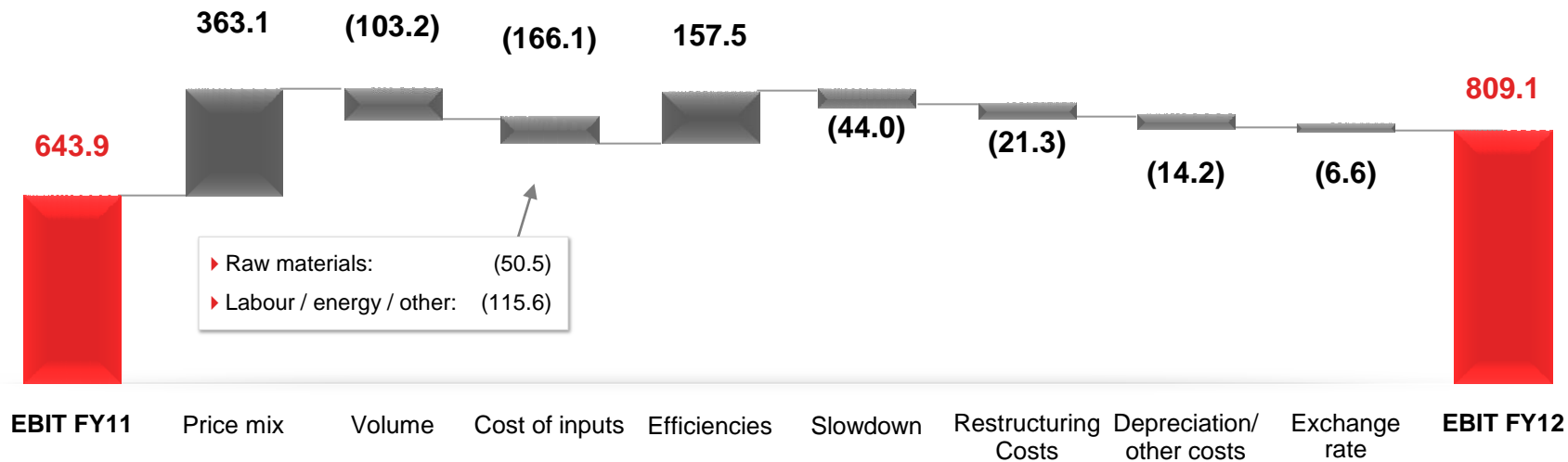
# PIRELLI TYRE FY12 OPERATING PERFORMANCE

€/mln

4Q 2012



FY 2012





# CONSUMER BUSINESS: PIRELLI PERFORMANCE

€/mln	1Q'12	YoY%	2Q'12	YoY%	3Q'12	YoY%	4Q'12	YoY%	FY'12	YoY%
<b>Revenues</b>	1,151.8	+17.1%	1,078.3	+12.5%	1,116.8	+9.0%	1,072.9	11.9%	<b>4,419.8</b>	<b>12.6%</b>
o/w Premium		+29.2%		+22.3%		+18.9%		12.8%		
<b>EBITDA</b> (before restruct. costs)	232.1	+44.5%	213.4	+25.8%	206.7	+20.0%	207.1	24.1%	859.3	28.4%
<i>margin</i>	20.2%	+3.9p.p.	19.8%	+2.1p.p.	18.5%	+1.7p.p.	19.3%	+1.9p.p.	19.4%	+2.3p.p.
<b>EBIT</b> (before restruct. costs)	184.0	+53.7%	163.1	+26.8%	154.4	+17.8%	151.0	18.8%	652.5	28.8%
<i>margin</i>	16.0%	+3.8 p.p.	15.1%	+1.7p.p.	13.8%	+1.0p.p.	14.1%	+0.8p.p.	14.8%	+1.9p.p.
<b>EBIT</b>	182.1	+55.9%	153.2	+23.3%	151.4	+17.4%	144.3	19.8%	<b>631.0</b>	<b>28.6%</b>
<i>margin</i>	15.8%	+3.9p.p.	14.2%	+1.2 p.p.	13.6%	+1.0 p.p.	13.4%	+0.8p.p.		

	1Q'12	2Q'12	3Q'12	4Q'12	FY'12 YoY%
<b>Revenue drivers</b>					
Δ <b>Price/Mix</b>	+18.8%	+13.6%	+9.6%	+6.4%	<b>+12.0%</b>
Δ <b>Volume</b>	-5.1%	-5.3%	-6.1%	-4.0%	-5.2%
o/w Premium	+15.8%	+12.3%	+12.5%	+11.1%	<b>+12.6%</b>
o/w Non Premium	-14.5%	-11.5%	-13.4%	-10.0%	-12.2%
Δ <b>Perimeter*</b>	+2.7%	+4.4%	+5.9%	+9.5%	+5.8%
Δ <b>Rev.</b> (before exchange rate impact)	<b>+16.4%</b>	<b>+12.7%</b>	<b>+9.4%</b>	<b>+11.9%</b>	<b>+12.6%</b>
Δ <b>Exchange Rate</b>	+0.7%	-0.2%	-0.4%	0.0%	0.0%

\* Russian JV and retail acquisitions

# INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

€/mln	1Q'12 YoY%	2Q'12 YoY%	3Q'12 YoY%	4Q'12 YoY%	FY'12 YoY%
<b>Revenues</b>	390.8 -2.6%	379.4 -9.1%	425.8 -3.3%	415.5 -0.3%	<b>1,611.5 -3.9%</b>
<b>EBITDA</b> (before restruct. costs)	48.2 -1.4%	62.5 +28.3%	62.8 +11.7%	82.0 +56.8%	255.5 +24.0%
<i>margin</i>	12.3% +0.1p.p.	16.5% +4.8p.p.	14.7% +1.9p.p.	19.7% +7.2p.p.	15.9% +3.6p.p.
<b>EBIT</b> (before restruct. costs)	33.2 -7.5%	47.8 +32.8%	48.0 +11.6%	66.7 +65.5%	195.7 +26.1%
<i>margin</i>	8.5% -0.4p.p.	12.6% +4.0p.p.	11.3% +1.5p.p.	16.1% +6.4p.p.	12.1% +2.8p.p.
<b>EBIT</b> (after restruct. costs)	33.1 -7.0%	45.2 +26.3%	47.3 +10.3%	52.5 +34.6%	<b>178.1 +16.2%</b>
<i>margin</i>	8.5% -0.4p.p.	11.9% +3.3p.p.	11.1% +1.4p.p.	12.6% +3.2p.p.	<b>11.1% +2.0p.p.</b>

	1Q'12	2Q'12	3Q'12	4Q'12	FY'12 YoY%
<b>Revenue drivers</b>					
Δ <b>Price/Mix</b>	+11.2%	+5.3%	+6.0%	+2.9%	<b>+6.2%</b>
Δ <b>Volume</b>	-12.3%	-11.3%	-6.2%	+3.1%	-6.5%
Δ <b>Rev.</b> (before exchange rate impact)	<b>-1.1%</b>	<b>-6.0%</b>	<b>-0.2%</b>	<b>+6.0%</b>	<b>-0.3%</b>
Δ <b>Exchange Rate</b>	-1.5%	-3.1%	-3.1%	-6.3%	-3.6%

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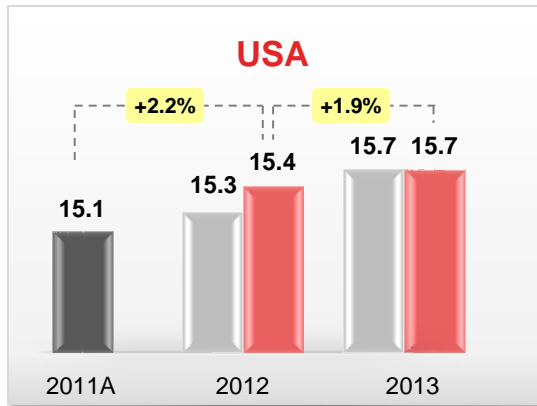
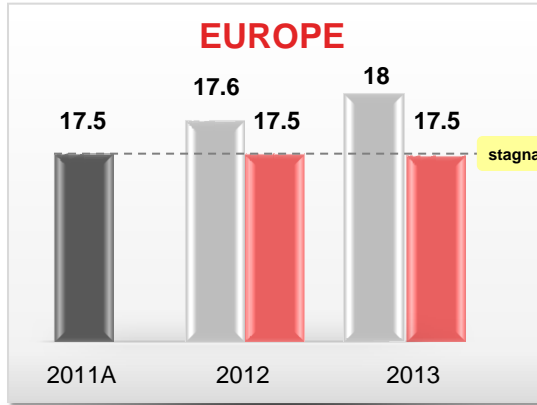
## APPENDIX

# MACROECONOMIC SCENARIO

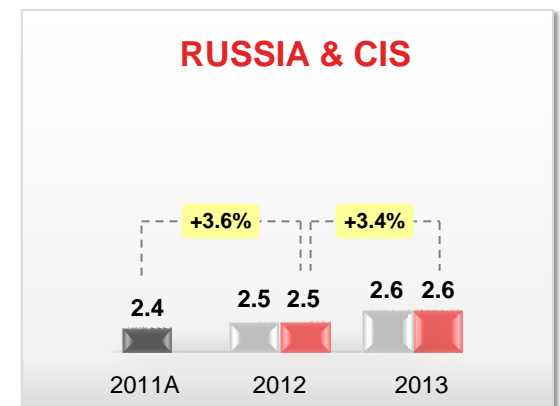
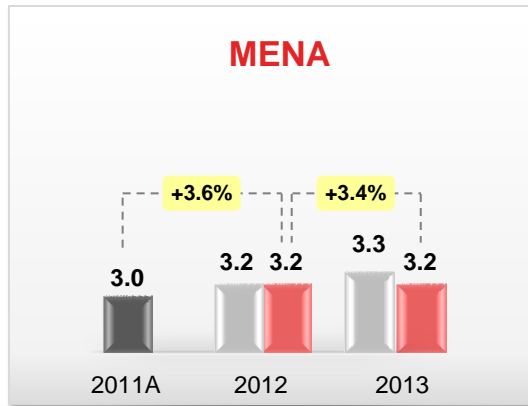
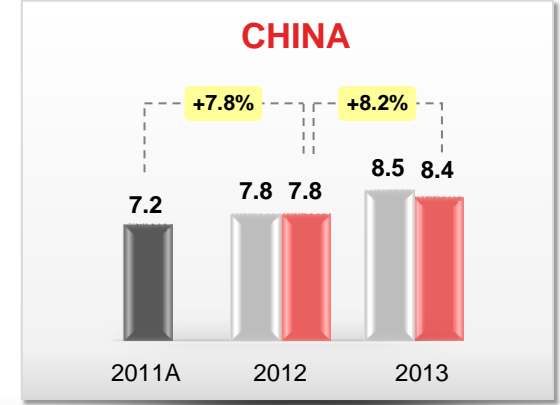
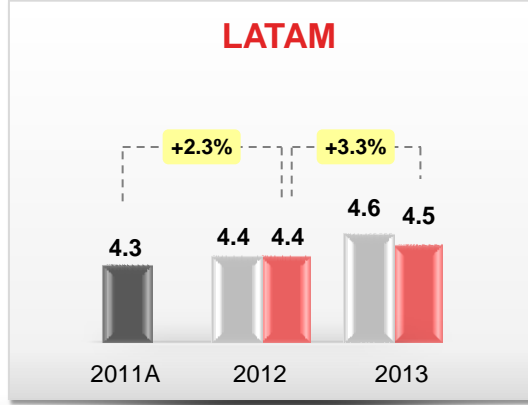
## What has changed versus '12-'14 Industrial Plan

GDP\*  
(trillion USD)

### MATURE



### RDEs



- ▶ RDE's even more the engine of growth, accounting for ~72% of GDP growth in 2012 and 2013
- ▶ Europe the key miss in estimates '12-'13: a growth gap worth 600 \$ billion

New Estimate  
 '12-'14 Ind. Plan

Source: Global Insight, Oct 2011 for '12-'14 Ind. Plan; Feb 2013 for new estimate

\* Real GDP growth at constant 2011 USD



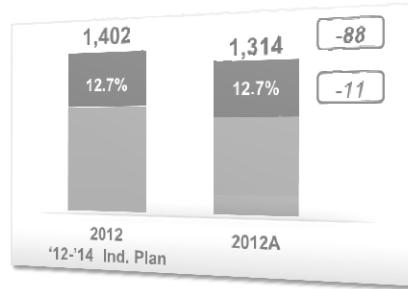
# CAR TYRE MARKET SCENARIO

## Positive growth trend in 2013

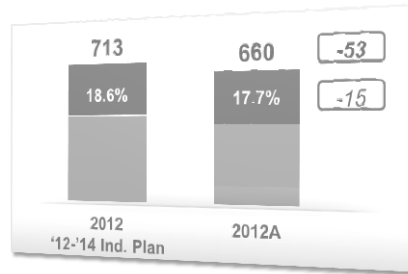
Mln pcs

### Growth gap in 2012 estimate

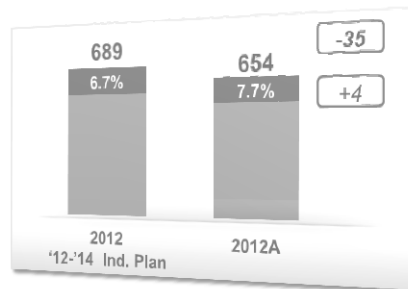
Worldwide



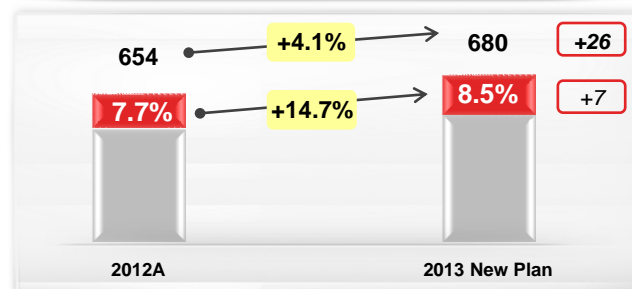
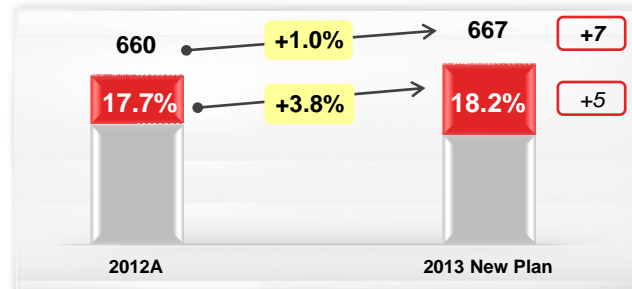
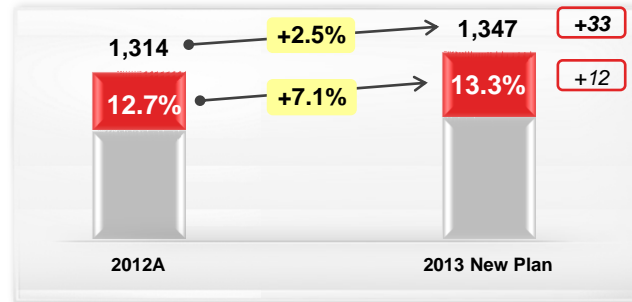
Mature



Emerging



### Current growth expectations



- ▶ 2012 market rebased at a lower level, Premium above expectations in Emerging Markets
- ▶ Premium worth one third of growth in 2013, with increasing penetration in all Regions

Source: Local Pools, Pirelli estimate

Premium definition: WYZ speed codes, Run Flat, Motosport, SUV & Winter ≥ H

 Premium

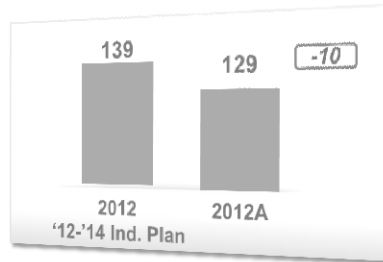
# TRUCK RADIAL TYRE MARKET SCENARIO

## Growth picking up in 2013

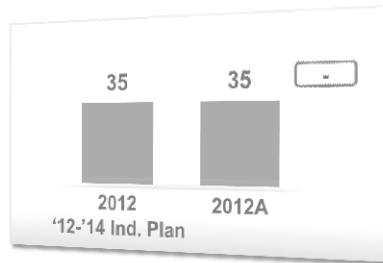
Mln pcs

### Growth gap in 2012 estimate

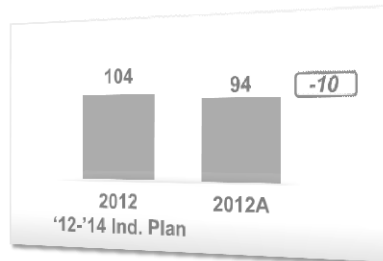
Worldwide



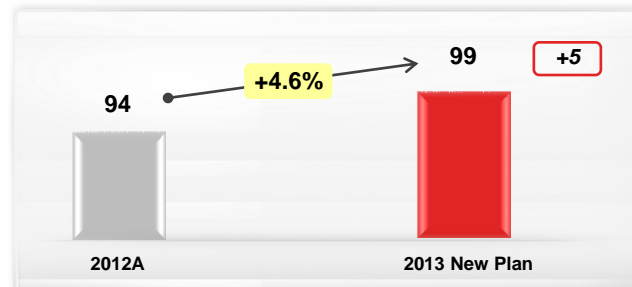
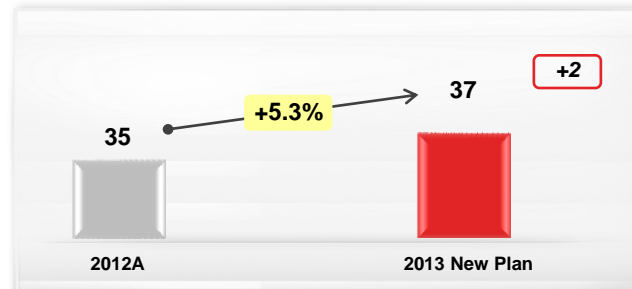
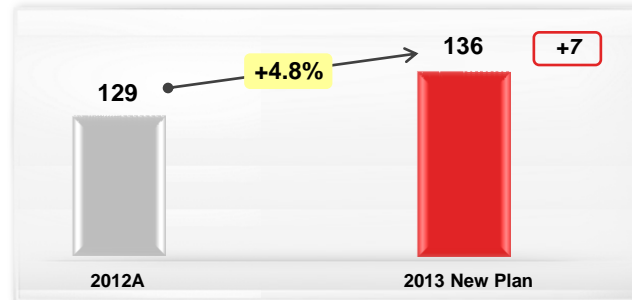
Mature



Emerging



### Current growth expectations



- ▶ Weaker Asian Truck market in 2012, no impact on Pirelli sales due to low exposure
- ▶ Strong Emerging Markets in 2013 led by growth in Latam, Middle East Africa, and Russia

Source: Local Pools, Pirelli estimate




# 2013 OUTLOOK BY REGION (CAR)

		Pirelli Plan			
Region (Total Car market in Mln pcs)	Tyre market	Actions	Revenues trend	EBIT%	
<b>Matures</b>	<b>Europe</b> Total: 337 Premium % weight: Mid-twenties	<ul style="list-style-type: none"> <li>▶ Stable volumes with improving mix (Premium +3%) and growing price pressure</li> </ul>	<ul style="list-style-type: none"> <li>▶ Market share growth in top Premium segments supported by new product launches</li> </ul>	<ul style="list-style-type: none"> <li>▶ Basically stable</li> </ul>	<ul style="list-style-type: none"> <li>▶ Double-digit (stable YoY)</li> </ul>
	<b>NAFTA</b> Total: 330 Premium % weight: Low-teens	<ul style="list-style-type: none"> <li>▶ Slow growth after a challenging 2012, Premium on a faster track (+6%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Strong marketing investments, leverage on new products</li> <li>▶ Mexican factory quick ramp-up</li> </ul>	<ul style="list-style-type: none"> <li>▶ Low single digit growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mid-teens (stable YoY)</li> </ul>
<b>Emergings</b>	<b>Russia</b> Total: 64 Premium % weight: Double-digit	<ul style="list-style-type: none"> <li>▶ Keeping the positive pace of 2012, Premium outpacing the market (+16%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Switch toward Pirelli products, strong marketing investments</li> <li>▶ New winter studded product line</li> </ul>	<ul style="list-style-type: none"> <li>▶ Double-digit growth (&gt;+25%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mid-single-digit (up YoY)</li> </ul>
	<b>South America</b> Total: 85 Premium % weight: double-digit	<ul style="list-style-type: none"> <li>▶ Positive trend, Premium on the surge (+27%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Better channel coverage (mono and multi-brand, car dealers)</li> <li>▶ New Ad campaign, sponsorship of Stock Car racing championship</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mid-single-digit growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mid-teens (stable YoY)</li> </ul>
	<b>MEAI</b> Total: 93 Premium % weight: High-single-digit	<ul style="list-style-type: none"> <li>▶ All regional markets showing positive outlooks for 2013 (Premium +13%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increase presence in retail channels and car dealers</li> <li>▶ Premium: strong focus in all countries</li> </ul>	<ul style="list-style-type: none"> <li>▶ Basically stable</li> </ul>	<ul style="list-style-type: none"> <li>▶ High teens (up YoY)</li> </ul>
	<b>Asia Pacific</b> Total: 438 Premium % weight: High-single-digit	<ul style="list-style-type: none"> <li>▶ Stable growth vs. 2012, stronger Premium increase (+12%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to grow retail presence</li> <li>▶ Premium OE local production</li> <li>▶ Brand awareness consolidation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mid-single-digit growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ High teens (up YoY)</li> </ul>

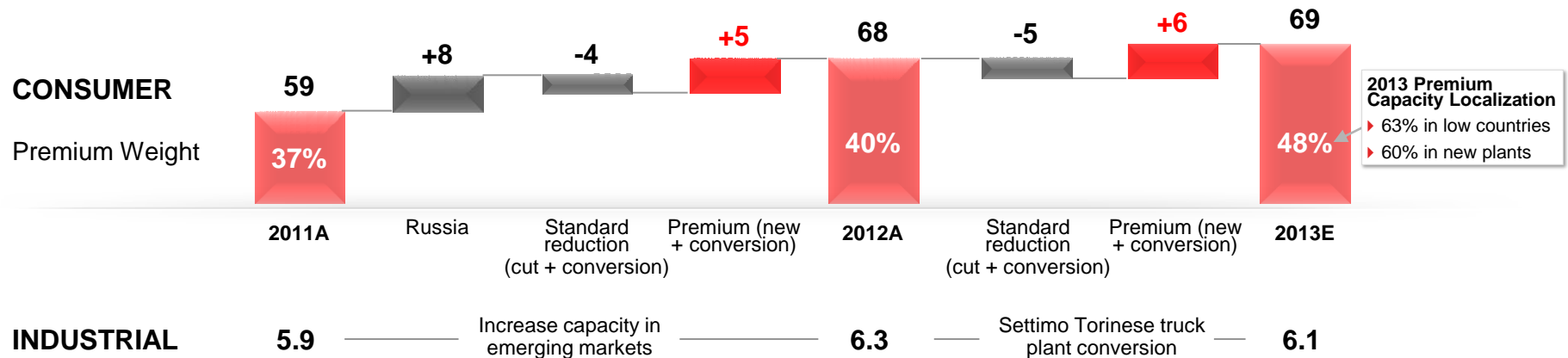
Source: Local Pools, Pirelli estimate

# 2013 CAPEX

## Accelerating conversion to premium

€/bln	'11-'15 Ind. Plan.	'11A-'12A	'13E	2013 Main Projects
<b>TOTAL CAPEX</b> (Russia included)	<b>&lt;2.4</b>	<b>1.1</b>	<b>~0,4</b>	
<b>CAPEX by Destination</b>				
Capacity	<b>53%</b>	<b>54%</b>	 <b>36%</b>	▶ New Premium capacity: Mexico, China, Romania, Settimo Torinese
Mix & Quality (mature plants)	<b>26%</b>	<b>25%</b>	 <b>35%</b>	▶ Start-up Indonesia (Moto)
Maintenance and Other	<b>21%</b>	<b>28%</b>	 <b>29%</b>	▶ Conversion of standard capacity into Premium
				▶ Improved Process reliability
				▶ Russia to comply with Pirelli Quality System

### Capacity (mln pcs at year end)





# PIRELLI 2013 TARGETS

€/bln

	2012 Actual	2013 Targets	Δ YoY
<b>Revenues</b>	6.07	~ 6.3 / <6.4	+4% / +5%
<b>Volumes</b>	-5.6%	~ +3% / ~ +4%	
Emerging markets	+0.5%	High single-digit	
Mature markets	-11.8%	~ flat	
o/w Premium	+12.6%	~13% / ~14%	
<b>Price/mix</b>	+10.2%	<b>+4% / +5%</b>	
Foreign Exchange	-1%	~ -4%	
<b>EBIT *</b>	780.8 €/mln	<b>~810 / ~850 €/mln</b>	
<b>Capex</b>	470.9 €/mln	<b>~400 €/mln</b>	
<b>Net cash flow</b> before dividends	-59** €/mln	<b>&gt;200 €/mln</b> Before Prelios impact	
<b>NFP</b>	1,205 €/mln	<b>&lt; 1.2</b> before Prelios impact	
* Restructuring costs	-39.1€/mln	-30€/mln	
Minor business Ebit	-28.3€/mln	-20€/mln	

\*\* before Russia, Däckia and Campneus acquisitions

# 2013 CONSUMER & INDUSTRIAL TARGETS

€/bn

## CONSUMER BUSINESS

	2012 Actual	2013 Targets
<b>Revenues</b>	4.42	~ 4.6
Volumes	-5.2%	+3% / +4%
o/w Premium	+12.6%	~ +13% / ~ +14%
Price/mix	+12.0%	+4.5% / +5.5%
Forex	0%	< -3%
<b>EBIT %</b>	14.3%	>14%

## INDUSTRIAL BUSINESS

	2012 Actual	2013 Targets
<b>Revenues</b>	1.61	~ 1.7
Volumes	-6.5%	+3.5% / +4.5%
Price/mix	+6.2%	+4% / +5%
Forex	-3.6%	-5%
<b>EBIT %</b>	+11.1%	~ 12%

# 2013 MAIN PROFITABILITY DRIVERS

Driver	Impact	Highlights
Volumes	+3% / +4% revenue growth	▶ Growth to come from Emerging Markets
Price/Mix	+4% / +5% revenue growth	▶ Price ~ flat, mix improvement our internal lever
Forex translation impact	-40 €/mIn impact on Ebit	▶ Weaker South American currencies , Egyptian and British Pound
Efficiency	+70 €/mIn	▶ Reaping the benefits of the programs started in 2012
Raw Materials	55 €/mIn tailwind	▶ Assuming an increase from current spot prices
Other input costs	-120 €/mIn impact on Ebit	▶ Coherent with inflation trends
Marketing and commercial costs	-40 €/mIn impact on Ebit	▶ Investment in Premium growth and increased proximity to end users
Industrial costs	-25 €/mIn impact on Ebit	▶ Settimo Torinese truck plant transition into Premium production; start-up costs in Indonesia, ramp-up costs in Mexico, Russia
Depreciation & other	-60€/mIn impact on Ebit	▶ As per our investment-intensive phase of 2011-2012

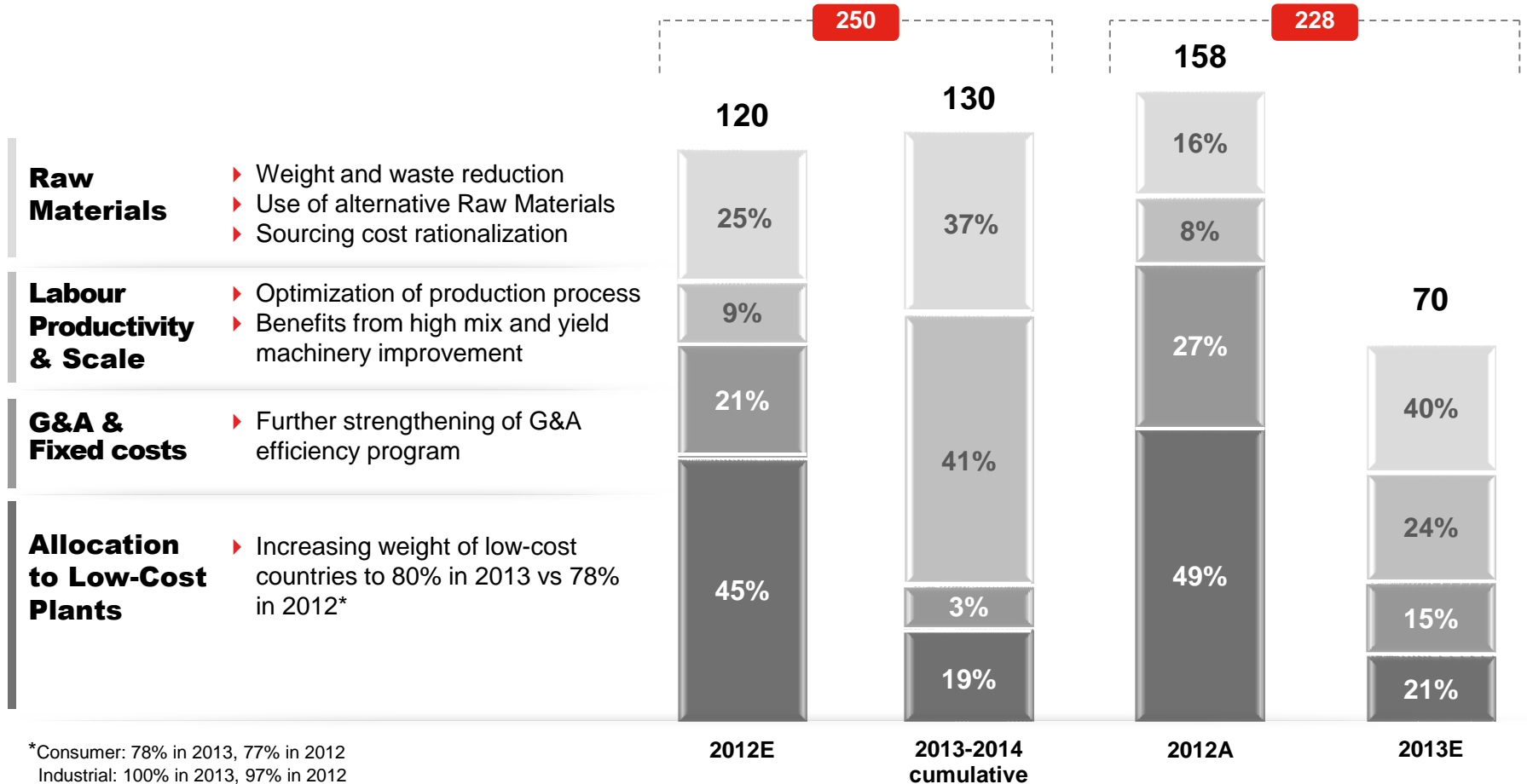
**Ebit 2013 expected between 810 and 850 €/mIn**

Further efficiency on SG&A and prioritization of marketing investments allow for flexibility should market conditions deteriorate

# 2013 EFFICIENCIES

€/mln

'12-'14 Ind. Plan.

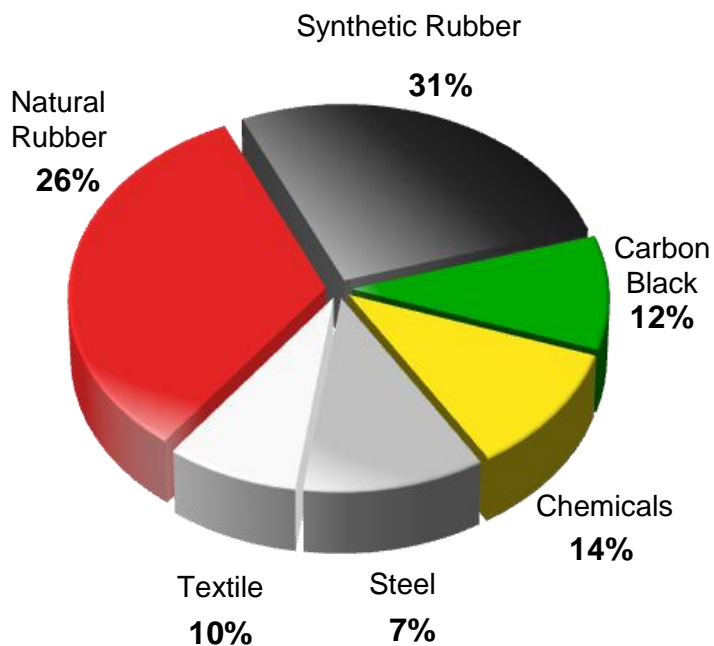


**90% of efficiencies forecasted in three years already achieved in only two years**

# 2013 RAW MATERIALS GUIDANCE

## BREAKDOWN FY 2012

(based on purchasing cost)



## Guidance 2013

Average Cost of Goods Sold €/mln	2012A	Δ yoy (2012 vs 2011)	2013	Δ yoy (2013 vs 2012)
<b>Natural Rubber</b> <i>TSR20 (\$/ton)</i>	3,450	+143	~3,000	~+100
<b>Brent Oil</b> <i>(\$/barrell)</i>	111	(28)	~110	+5
<b>Butadiene EU</b> <i>(€/ton)</i>	1,868	+2	~1,850	+10
<b>FX (R\$, TRY, EGP, US\$)</b>		(167)		~(60)
<b>TOTAL</b>		<b>(50.5)</b>		<b>~+55</b>

# 2013 CASH FLOW GENERATION

Starting to reap the benefits of our past investments

Net Cash Flow Before dividends

2012

**-59 €/mIn**  
before Russia, Däckia  
and Campneus  
acquisitions

2013

**> 200 €/mIn**  
before Prelios  
impact

## MAIN DRIVERS

▶ EBITDA* YoY IMPROVEMENTS:	+70 ÷ 110 €/mIn
▶ CAPEX	~400 €/mIn
▶ OPERATING WORKING CAPITAL / SALES	≤ 10%
▶ CONTRIBUTION TO PENSION FUNDS	~40 €/mIn (stable YoY)
▶ FOREIGN EXCHANGE IMPACT	-40 / -50 €/mIn
▶ RESTRUCTURING COSTS	-30€/mIn
▶ TAX RATE	35%
▶ COST OF DEBT	~6.3% ←

In line with 2012-2014 Industrial Plan due to exposure of Debt to currencies with higher interest rates than Euro.

\* Before restructuring costs

# AGENDA

**KEY MESSAGES**

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**PIRELLI & C FINANCIAL REVIEW**

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**PIRELLI TYRE**

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**APPENDIX**

# PIRELLI GROUP – FY'12 RESULTS

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

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	FY'12	FY'11	FY'12	FY'11	FY'12	FY'11
<b>Sales</b>	6,031.3	5,601.6	40.2	53.2	6,071.5	5,654.8
<b>EBITDA before Restruct. Costs</b>	1,114.8	875.5	(23.6)	(40.9)	1,091.2	834.6
<i>% on sales</i>	18.5%	15.6%			18.0%	14.8%
<b>EBIT before Restruct . Costs</b>	848.2	661.7	(28.3)	(52.0)	819.9	609.7
<i>% on sales</i>	14.1%	11.8%			13.5%	10.8%
Restructuring Costs	(39.1)	(17.8)	0.0	(10.0)	(39.1)	(27.8)
<b>EBIT</b>	809.1	643.9	(28.3)	(62.0)	780.8	581.9
<i>% on sales</i>	13.4%	11.5%			12.9%	10.3%
Results from equity participations					(52.2)	(17.3)
Financial Income/Charges					(129.5)	(89.5)
<b>EBT</b>					599.1	475.1
Fiscal Charges					(200.9)	(162.5)
<b>Net Result before disc. op.</b>					398.2	312.6
Deferred Tax assets						128.1
Net Income					398.2	440.7
<b>Attributable Net Income</b>					393.8	451.6
<b>Net Financial Position</b>					1,205.2	737.1



# PIRELLI GROUP – 4Q12 RESULTS

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

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	4Q12	4Q11	4Q12	4Q11	4Q12	4Q11
<b>Sales</b>	1,488.4	1,375.9	9.0	13.1	1,497.4	1,389.0
<b>EBITDA before Restruct. Costs</b>	289.1	219.2	(7.8)	(15.7)	281.3	203.5
<i>% on sales</i>	19.4%	15.9%			18.8%	14.7%
<b>EBIT before Restruct. Costs</b>	217.7	167.4	(8.8)	(18.8)	208.9	148.6
<i>% on sales</i>	14.6%	12.2%			14.0%	10.7%
Restructuring Costs	(20.9)	(7.9)	0.0	(10.0)	(20.9)	(17.9)
<b>EBIT</b>	196.8	159.5	(8.8)	(28.8)	188.0	130.7
<i>% on sales</i>	13.2%	11.6%			12.6%	9.4%
Results from equity participations					(25.8)	(20.3)
Financial Income/Charges					(41.2)	(25.4)
<b>EBT</b>					121.0	85.0
Fiscal Charges					(31.1)	(23.7)
<b>Net Result before disc. op.</b>					89.9	61.3
Deferred Tax assets						128.1
Net Income					89.9	189.4
<b>Attributable Net Income</b>					87.5	196.3
<b>Net Financial Position</b>					1,205.2	737.1

# PIRELLI GROUP – 3Q12 RESULTS

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

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	3Q12	3Q11	3Q12	3Q11	3Q12	3Q11
<b>Sales</b>	1,542.6	1,464.8	9.7	11.7	1,552.3	1,476.5
<b>EBITDA before Restruct. Costs</b>	269.5	228.4	(5.3)	(8.2)	264.2	220.2
<i>% on sales</i>	17.5%	15.6%			17.0%	14.9%
<b>EBIT before Restruct. Costs</b>	202.4	174.1	(6.6)	(10.8)	195.8	163.3
<i>% on sales</i>	13.1%	11.9%			12.6%	11.1%
Restructuring Costs	(3.7)	(2.2)	0.0	0.0	(3.7)	(2.2)
<b>EBIT</b>	198.7	171.9	(6.6)	(10.8)	192.1	161.1
<i>% on sales</i>	12.9%	11.7%			12.4%	10.9%
Results from equity participations					(23.7)	2.1
Financial Income/Charges					(39.5)	(19.4)
<b>EBT</b>					128.9	143.8
Fiscal Charges					(42.3)	(51.3)
<b>Net Income</b>					86.6	92.5
<b>Attributable Net Income</b>					86.8	93.6
<b>Net Financial Position</b>					1,868.8	938.3

# PIRELLI GROUP – 2Q12 RESULTS

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

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	2Q12	2Q11	2Q12	2Q11	2Q12	2Q11
<b>Sales</b>	1,457.7	1,376.4	7.6	12.0	1,465.3	1,388.4
<b>EBITDA before Restruct. Costs</b>	275.9	218.4	(6.0)	(10.9)	269.9	207.5
<i>% on sales</i>	18.9%	15.9%			18.4%	14.9%
<b>EBIT before Restruct. Costs</b>	210.9	164.6	(7.1)	(13.3)	203.8	151.3
<i>% on sales</i>	14.5%	12.0%			13.9%	10.9%
Restructuring Costs	(12.5)	(4.5)			(12.5)	(4.5)
<b>EBIT</b>	198.4	160.1	(7.1)	(13.3)	191.3	146.8
<i>% on sales</i>	13.6%	11.6%			13.1%	10.6%
Results from equity participations					(3.2)	0.1
Financial Income/Charges					(30.1)	(29.9)
<b>EBT</b>					158.0	117.0
Fiscal Charges					(61.6)	(39,6)
<b>Net Income</b>					96.4	77.4
<b>Attributable Net Income</b>					96.6	78.9
<b>Net Financial Position</b>					1,702.7	778.9

# PIRELLI GROUP – 1Q12 RESULTS

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

€/mln	Pirelli Tyre		Other		Pirelli & C. Cons.	
	1Q12	1Q11	1Q12	1Q11	1Q12	1Q11
<b>Sales</b>	1,542.6	1,384.5	13.9	16.4	1,556.5	1,400.9
<b>EBITDA before Restruct. Costs</b>	280.3	209.5	(4.5)	(6.1)	275.8	203.4
<i>% on sales</i>	18.2%	15.1%			17.7%	14.5%
<b>EBIT before Restruct. Costs</b>	217.2	155.6	(5.8)	(9.1)	211.4	146.5
<i>% on sales</i>	14.1%	11.2%			13.6%	10.5%
Restructuring Costs	(2.0)	(3.2)			(2.0)	(3.2)
<b>EBIT</b>	215.2	152.4	(5.8)	(9.1)	209.4	143.3
<i>% on sales</i>	14.0%	11.0%			13.5%	10.2%
Results from equity participations					0.5	0.8
Financial Income/Charges					(18.7)	(14.8)
<b>EBT</b>					191.2	129.3
Fiscal Charges					(65.9)	(47.9)
<b>Net Income</b>					125.3	81.4
<b>Attributable Net Income</b>					122.9	82.8
<b>Net Financial Position</b>					1,305.0	712.8

# PIRELLI BALANCE SHEET

€/mln

	FY12	FY 11*
<b>Fixed Assets</b>	3,877.2	3,576.4
Inventories	1,102.6	1,036.7
Commercial receivables	704.6	745.2
Commercial payables	(1,268.7)	(1,382.8)
<b>Net Operating Working Capital</b>	<b>538.5</b>	<b>399.1</b>
Other receivables/payables	11.0	(248.3)
Net Working Capital	549.5	150.8
<b>Net Invested Capital</b>	<b>4,426.7</b>	<b>3,727.2</b>
Total Net Equity	2,389.4	2,191.6
Provisions	832.1	798.5
Net Financial Position	1,205.2	737.1
<b>Total</b>	<b>4,426.7</b>	<b>3,727.2</b>
Attributable Net Equity	2,337.4	2,146.1
Equity per Share (euro)	4.790	4.398

## % Net Invested Capital

	FY12	FY11
<b>Pirelli Tyre</b>	93.7%	85.0%
<b>Other</b>	6.3%	15.0%

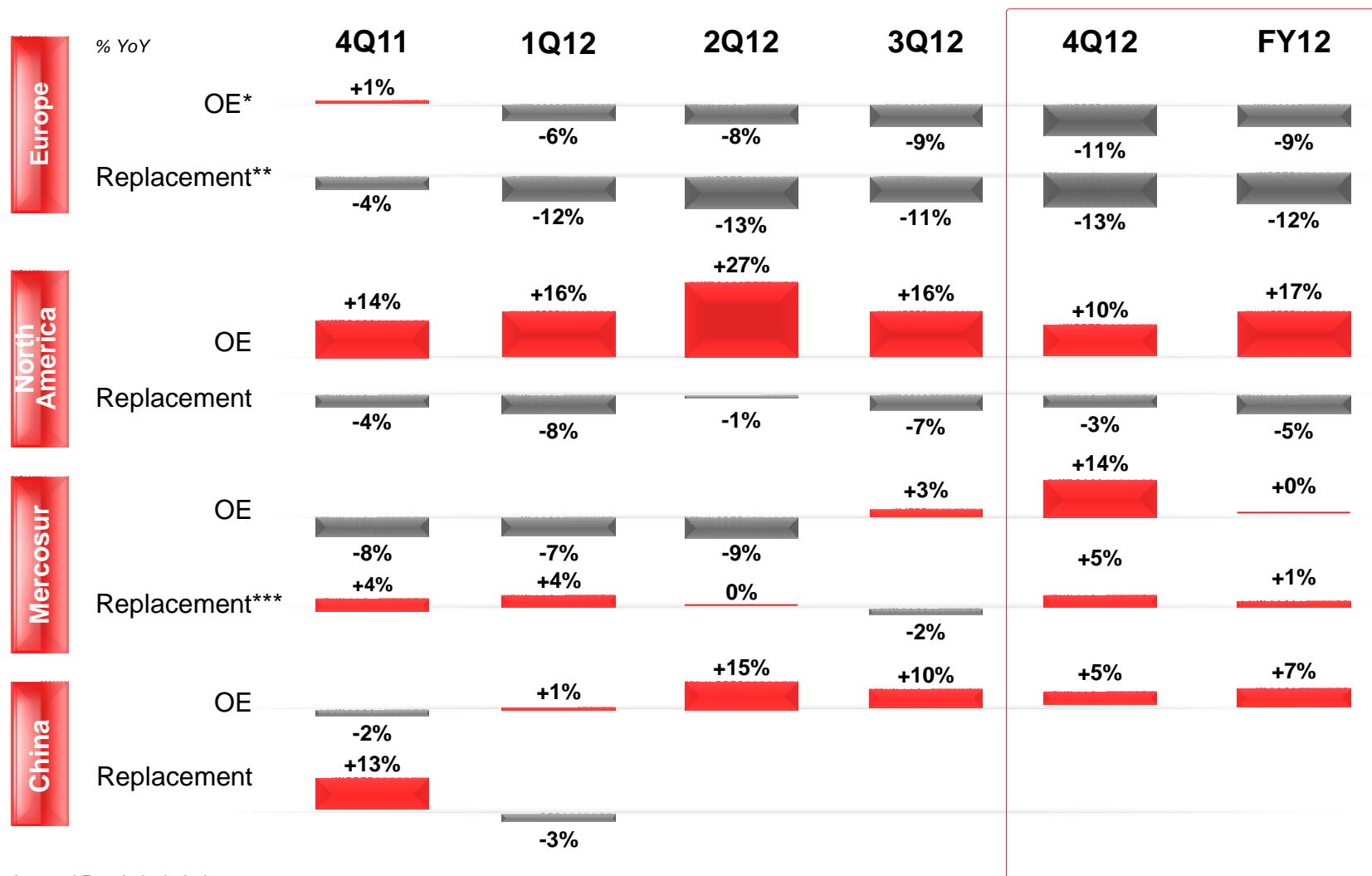
\* Restated to account for the effects of the allocation made for JV Russia acquisition

# PIRELLI GROUP CASH FLOW

€/mln

	1Q'12	2Q'12	3Q'12	4Q'12	FY'12
EBIT before restructuring costs	211.4	203.8	195.8	208.9	819.9
Depreciation	64.4	66.1	68.4	72.4	271.3
Net investments	(80.1)	(114.8)	(132.5)	(143.5)	(470.9)
Working capital/other variations	(512.8)	(238.8)	(199.0)	593.0	(357.6)
<b>OPERATING CASH FLOW</b>	<b>(317.1)</b>	<b>(83.7)</b>	<b>(67.3)</b>	<b>730.8</b>	<b>262.7</b>
Financial income (expenses)	(18.7)	(30.1)	(39.5)	(41.2)	(129.5)
Tax charges	(65.9)	(61.6)	(42.3)	(31.1)	(200.9)
<b>NET OPERATING CASH FLOW</b>	<b>(401.7)</b>	<b>(175.4)</b>	<b>(149.1)</b>	<b>658.5</b>	<b>(67.7)</b>
Financial investments/divestments	3.2	-	2.3	-	5.5
Russian JV	(154.5)	-	(16.4)	-	(170.9)
Däckia	-	(70.8)	-	-	(70.8)
Campneus	-	(35.4)	-	-	(35.4)
Property divestments	-	-	-	20.5	20.5
Dividends paid	(2.2)	(133.0)	-	-	(135.2)
Cash-out for restructuring	(4.2)	(3.3)	(3.6)	(12.4)	(23.5)
Exchange rate differentials/Others	(8.5)	20.2	0.7	(3.0)	9.4
<b>NET CASH FLOW</b>	<b>(567.9)</b>	<b>(397.7)</b>	<b>(166.1)</b>	<b>663.6</b>	<b>(468.1)</b>

# CONSUMER BUSINESS: KEY MARKET TRENDS



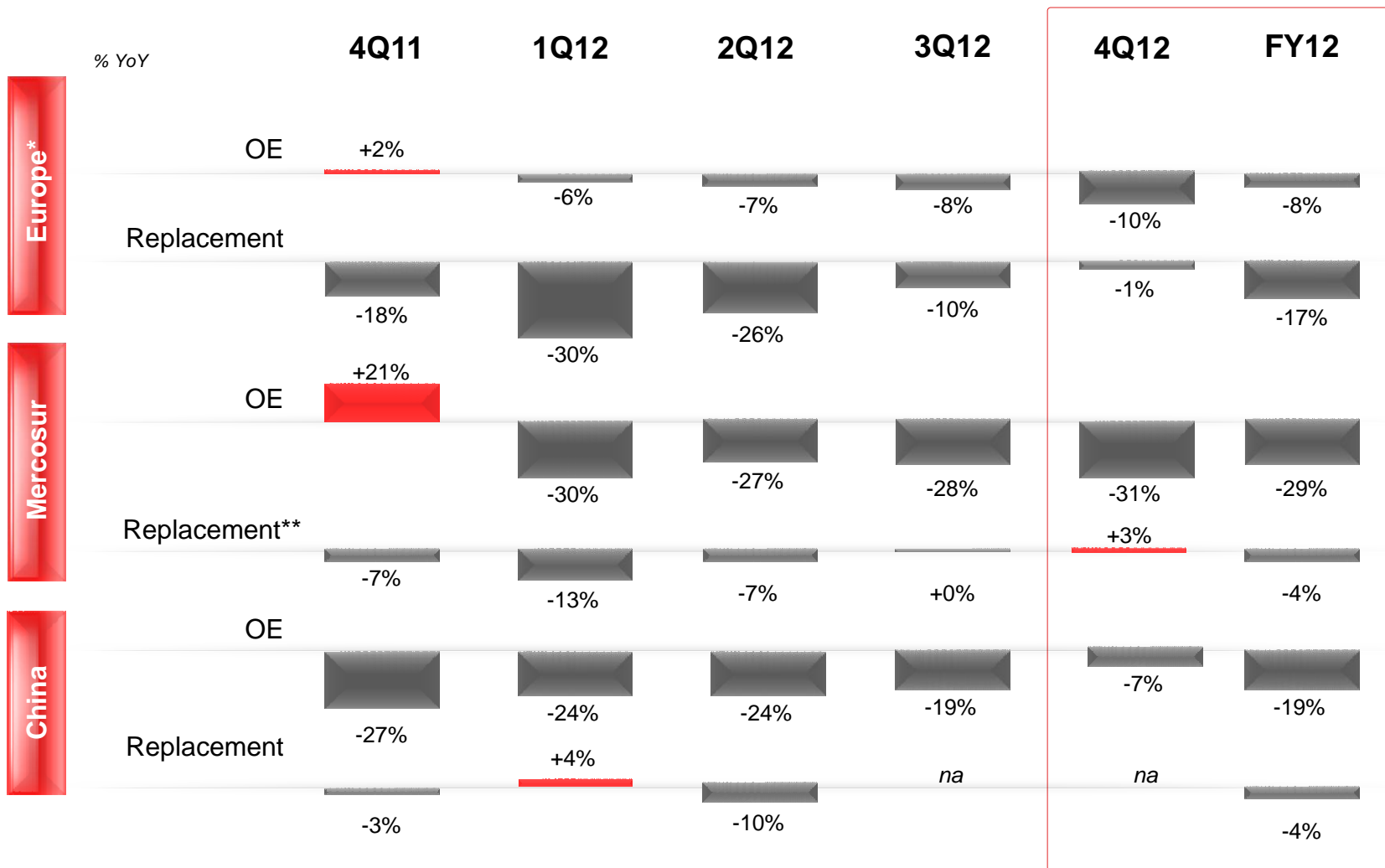
(\*)Turkey and Russia included

(\*\*)Turkey included

(\*\*\*)Mercosur Replacement data was restated to include Brazilian imports

Sources: major external data providers for each Region and Pirelli estimates

# INDUSTRIAL BUSINESS: KEY MARKET TRENDS



(\*)Turkey included and Russia excluded

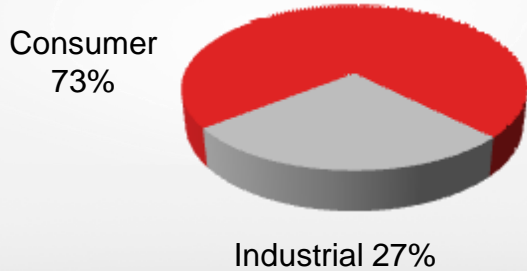
(\*\*)Non-pool members'imports not included

Source: major external data provider for each Region and Pirelli estimates

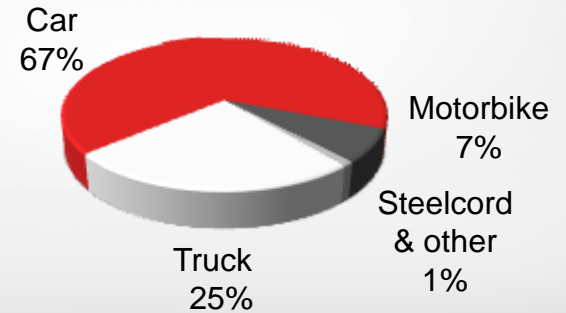


# FY12 PIRELLI TYRE MIX

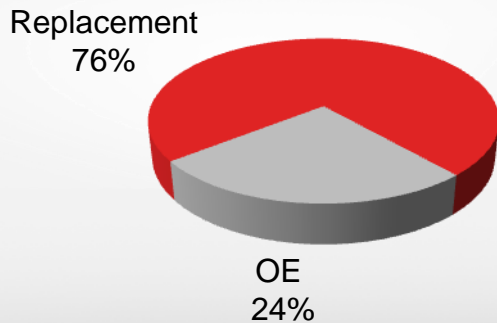
## SALES BY BUSINESS



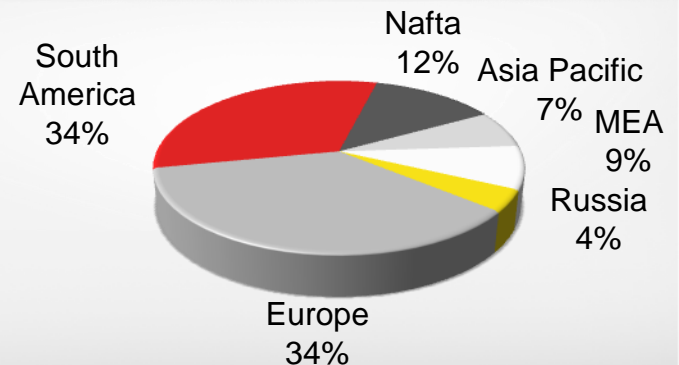
## SALES BY SEGMENT



## SALES BY CHANNEL

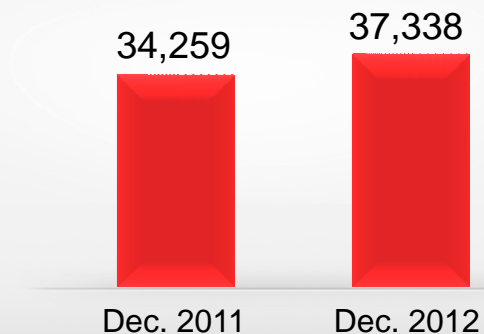


## SALES BY REGION

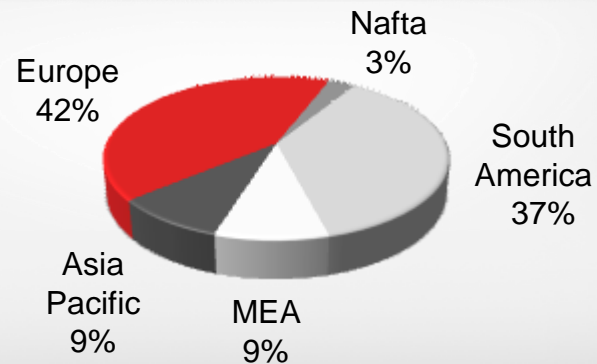


# DECEMBER 2012 PIRELLI PEOPLE

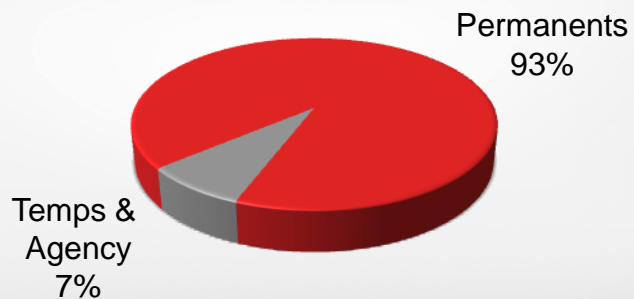
## HEADCOUNT



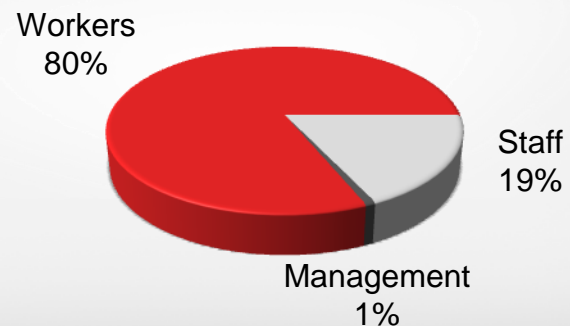
## PEOPLE BY REGION



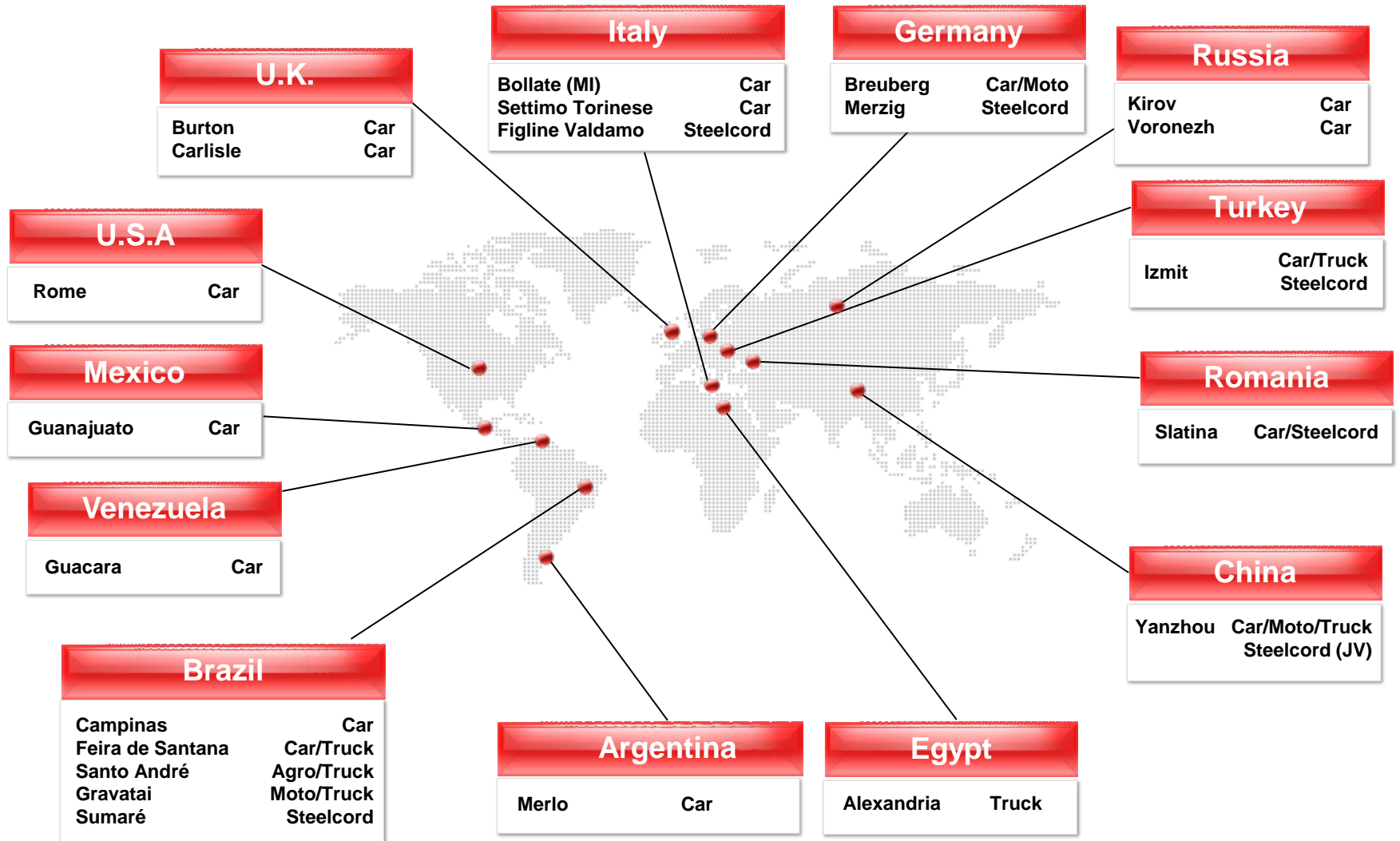
## PEOPLE BY CONTRACT



## PEOPLE BY CLUSTER

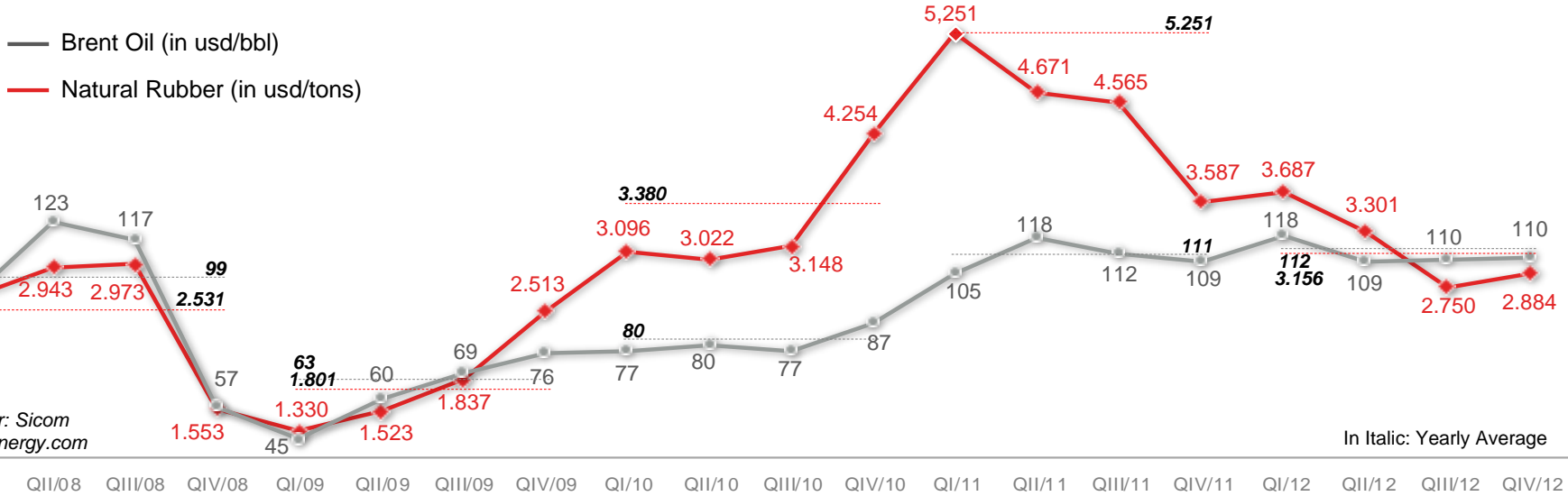


# PIRELLI PLANTS IN THE WORLD



# RAW MATERIALS

## RAW MATERIAL PRICE TREND



### FY 2012 MIX (BASED ON PURCHASING COST)

Raw mat. costs on sales: 38%

