Interim Management Statements

at September 30, 2012

PIRELLI & C. Società per Azioni

Head office in Milan

Viale Piero e Alberto Pirelli, 25

Share Capital euro 1,345,380,534.66

Milan Companies Register No. 00860340157

Administrative Business Register (REA) No. 1055

PIRELLI & C. S.p.A. - MILAN

Interim Management Statements at September 30, 2012

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Board of Directors [1]

Chairman and Chief Executive Officer	Marco Tronchetti Provera
Deputy Chairman	Vittorio Malacalza
Deputy Chairman	Alberto Pirelli
Independent Director	Carlo Acutis
Independent Director	Anna Maria Artoni
Director	Gilberto Benetton
Independent Director	Alberto Bombassei
Independent Director	Franco Bruni
Independent Director	Luigi Campiglio
Director	Mario Greco
Independent Director	Pietro Guindani
Director	Giulia Maria Ligresti
Independent Director	Elisabetta Magistretti
Director	Massimo Moratti
Director	Renato Pagliaro
Independent Director	Luigi Roth
Director	Carlo Salvatori
Lead Independent Director	Carlo Secchi
Independent Director	Manuela Soffientini
Secretary to the Board	Anna Chiara Svelto

Board of Statutory Auditors [2]

Chairman	Francesco Fallacara
Statutory Auditors	Antonella Carù
	Enrico Laghi
Alternate Auditors	Umile Sebastiano Iacovino
	Andrea Lorenzatti

Internal Control, Risks and Corporate Governance Committee

Chairman of the Committee – Lead Independent Director	Carlo Secchi
Independent Director	Franco Bruni
Independent Director	Elisabetta Magistretti
Independent Director	Luigi Roth

Remuneration Committee

Chairman of the Committee – Independent Director	Carlo Acutis
Independent Director	Anna Maria Artoni
Independent Director	Pietro Guindani
Independent Director	Luigi Roth

Appointments and Successions Committee

Chairman of the Committee	Marco Tronchetti Provera
Independent Director	Luigi Campiglio
Deputy Chairman	Vittorio Malacalza
Independent Director	Luigi Roth

Strategies Committee [3]

Chairman of the Committee	Marco Tronchetti Provera
Independent Director	Alberto Bombassei
Independent Director	Franco Bruni
General Counsel and Corporate Affairs	Francesco Chiappetta
Deputy Chairman	Vittorio Malacalza
Director	Renato Pagliaro
Lead Independent Director	Carlo Secchi
Independent Director	Manuela Soffientini

Independent Auditor [4] Reconta Ernst & Young S.p.A.

Corporate Financial Reporting Manager [5] Francesco Tanzi

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1 Appointment: April 21, 2011. Expiry: Shareholders' Meeting called to approve the Annual Financial Report at December 31, 2013. Director Manuela Soffientini was co-opted by the Board of Directors on March 1, 2012, in replacement of Director Profumo, and was confirmed as Director by the Shareholders' Meeting on May 10, 2012. Director Giuseppe Vita, co-opted by the Board of Directors on March 1, 2012 and subsequently confirmed by the Shareholders' Meeting on May 10, 2012, resigned on May 25, 2012. Carlo Salvatori was co-opted on July 26, 2012 to replace him. On July 23, 2012 Giovanni Perissinotto gave notice of his resignation as Director of the Company and on November 12,2012 Mario Greco was co-opted to take his place. In November 2012 prof. Paolo Ferro-Luzzi passed away and his post is still vacant..

2 Appointment: May 10, 2012. Expiry: Shareholders' Meeting called to approve the Annual Financial Report at December 31, 2014.

3 On July 27, 2012 Directors Alberto Bombassei and Manuela Soffientini were appointed to the Strategies Committee. Prof. Francesco Profumo (who resigned as Director on November 16, 2011) and Mr Francesco Gori are no longer members of the Strategies Committee.

4 Post conferred by the Shareholders' Meeting held on April 29, 2008, for the nine-year term 2008-2016.

5 Appointment: Board of Directors meeting held on April 21, 2011. Expiry: together with the current Board of Directors.

Prof. Giuseppe Niccolini was appointed Joint Representative of the Savings Shareholders for the three-year period 2012-2014 by the general meeting of that body held on January 31, 2012.

MACROECONOMIC AND MARKET SITUATION

The international economy

International growth slowed yet again in 3Q 2012, continuing the slide that dominated the first half of the year. The sovereign debt crisis, especially in Europe, has steadily undermined business and consumer confidence and impacted the demand for goods and services and global economic activity. Investor confidence was bolstered by monetary authorities in Europe and the United States, with the European Central Bank sovereign debt buying programme in Europe and a new round of quantitative easing by the Federal Reserve Bank in the United States. However, the positive effects of these monetary policy actions on the real economy (industrial activity and consumer spending) will mainly be felt several quarters from now.

In **Europe,** the slowdown that initially affected Greece, Portugal, Spain and Italy has steadily spread throughout the continent, affecting core countries as well. The eurozone GDP contracted 0.2% in 2Q 2012, because slowing growth in Germany and economic stagnation in France were unable to offset the recession underway in southern Europe.

A slight recovery is underway in the **United States.** After a series of ambiguous data in the first half of the year, the unemployment rate fell below 8% in September, its lowest level since January 2009. However, the creation of new jobs is still insufficient to make a serious dent in the number of 12.1 million unemployed workers, and consumer spending remains weak. In September the Federal Reserve Bank announced a new programme to stimulate credit and support the economy and employment. However, uncertainty over growth prospects persists. Market attention is focused on the results of the November presidential election, and how and when politicians will deal with in the looming “fiscal cliff” (automatic government spending cuts and expiry of tax breaks on January 1, 2013).

The slowdown in mature economies has impacted emerging markets, which reacted in various ways. This is the case of **South America** and its biggest economy, Brazil. The Brazilian central bank has reduced its benchmark rate by 325 basis points since the beginning of 2012, while the government has introduced a series of incentives to promote investment and stimulate growth.

Economic activity has fallen below trend levels even in **Asia.** Growth in industrial production slowed down brusquely in China, falling to its lowest level since May 2009 in August 2012, while the export growth rate was below 3%, far from the double-digit growth rates typical of previous years. In this case as well, the Chinese central bank reacted by cutting interest rates, while the Chinese government is drafting macroeconomic policies to promote a growth model that is more focused on the domestic market.

In regard to **exchange rates,** the collapse in confidence and greater risk aversion drove investors to favour the U.S. dollar as a haven currency. At the end of July, the U.S. dollar – euro exchange rate fell to 1.21, compared with 1.28 in 2Q 2012. Risk aversion diminished after the European Central Bank announced on September 6 that it would make unlimited but conditional purchases of sovereign debt, in a programme aimed at reducing the spread between interest rates in various Member States of the eurozone. The decision by the ECB immediately reduced sovereign debt yields in Italy and Spain, and in mid-September the euro had bounced back to USD 1.29, to close the quarter at an average of USD 1.25/euro.

In Latin America, the Brazilian real continued softening in 3Q 2012, consistently with the central bank policy of cutting benchmark rates. The Argentine peso also weakened, under pressure from high inflation, slowing growth and the introduction by the Argentine government of controls on capital transfers and foreign exchange in order to preserve that nation’s currency reserves. The official exchange rate of the Argentine currency rose from 4.49 pesos against the U.S. dollar in June to an average of 4.67 pesos in September 2012.

Asian currencies remained stable against the U.S. dollar in 3Q 2012. The Chinese renminbi traded at an average of CNY 6.35 to the U.S. dollar, remaining steady at its average level during the previous three months, while the Japanese yen firmed slightly, to JPY 78.60 against the U.S. dollar.

Automotive markets

Cars and light vehicles

Global car registrations increased by about 6% in the first nine months of 2012, driven by the strong performance of Japan and strong sales in North America, where they increased by over 10%. South America grew at a more moderate pace, with a 6% increase in registrations.

In contrast, the European markets have been steadily contracting since the beginning of the year. This trend reflects lower consumer spending, which has been penalised by austerity measures and high unemployment. The French and Spanish markets shrank by more than 10% in the first nine months of the year, while the Italian market contracted by more than 20%. Even the German market softened in 3Q 2012, with sales during the first nine months of the year falling slightly as compared with the same period of 2011. The United Kingdom market tracked a different course, with sales growing 3% in the first nine months of the year. The Russian market was especially vibrant, with registrations up by 14%.

Notwithstanding the slow start to the year in Brazil, sales benefited in 3Q 2012 of the Brazilian government incentives introduced in summer. Sales lunged ahead in Argentina at the beginning of the year, but then slowed down sharply, falling by 1% in the first nine months of the year as compared with the same period of 2011. In Venezuela, sales rose by more than 8% through august.

Commercial vehicles

Sales continued falling in 3Q 2012. Demand remained soft in Europe, where the market contracted by about 11% in the first nine months of 2012. Of the five principal markets, Italy and Spain reported the sharpest fall in truck sales, by 35% and 26%, respectively.

While aggregate truck sales in the United Kingdom fell between the beginning of the year and September, sales in the over-3.5 ton weight class increased by 11%, being sustained by capital spending for the Olympics and the London Low Emission Zone, which came into force in January 2012.

In Brazil, although the government incentive programme proved effective for light vehicle sales, the demand for trucks in the first nine months of the year was absolutely more subdued than the strong sales reported in 2011. Truck sales were also sluggish in China, remaining stuck below the highs reached in 2009 and 2010, which had been supported by heavy government spending on infrastructure. On the other hand, truck sales in Japan jumped by 24% in the first nine months of 2012, reflecting fast growth after the earthquake and tsunami last year.

Tyre markets

Soft car and truck sales and low consumer and business confidence in Europe impacted the tyre market, where original equipment and replacement sales remained lower than their levels in 2011.

Original equipment tyre sales continued rising in the consumer and industrial segments in NAFTA countries. Since the beginning of the year, the replacement market has lost 5% in the region’s consumer segment and 13% in the industrial segment, reflecting the feeble economic recovery and high fuel prices, which have curbed consumer and business spending.

In Latin America, the low output of new vehicles in 1H 2012 negatively impacted tyre sales in the original equipment segment. State subsidies in Brazil positively impacted the automotive sector in 3Q 2012, with original equipment sales rising by 3%. The replacement market contracted instead during the year, and sales in the first nine months of 2012 were steady at their levels for the same period of 2011. In the industrial segment, original equipment and replacement sales remained soft in 2012 due to falling demand after expiry of the deadline to implement Euro 5 emissions standards in Brazil.

In China, light vehicle tyre sales on the original equipment market remained solid. Instead, the truck market kept contracting after the boom of 2010-2011, with original equipment and replacement sales remaining depressed.

In Japan, the original equipment market kept growing in tandem with the strong recovery in automotive output (cars and trucks) after the collapse in 2011. On the other hand, strong sales on the replacement market in 2011 were followed by softer demand in 2012.

Commodities

Natural rubber prices, which fell by 10.5% in 2Q 2012 as compared with 1Q 2012, fell by another 16.7% in 3Q 2012 due to faltering growth on the global economy and excess supply. In August the spot price of natural rubber (TSR20) averaged USD 2,594/ton, far below the average USD 3,504/ton price in January 2012. In October, the principal rubber producers – Thailand, Indonesia and Malaysia – announced plans to cut exports in support of prices, driving them up during the month to an average of about USD 3,000/ton.

Butadiene prices also remained quite soft in the middle of 2012. They began falling at the end of 2Q 2012 and continued declining throughout 3Q 2012 due to soft demand from synthetic rubber and plastic makers. Prices varied between euro 1,500 and euro 1,600 per ton between July and September, averaging about 28% less in 3Q 2012 than in the previous quarter, when they averaged euro 2,125/ton.

After the sudden drop in oil prices at the end of June (when Brent crude fell to USD 90/bbl. and WTI slipped to just under USD 80/bbl.), they began recovering steadily in July despite the sharp slowdown in global growth. Prices were kept high by fears over a shortfall in supply connected with the geopolitical crisis in Iran, with the possibility of an oil embargo imposed by the European Union, and lower production due to summer maintenance work on North Sea drilling platforms.

In mid-September Brent crude peaked at USD 117/bbl. before falling back to USD 112 at the end of September, when concerns over oil supplies had dissipated. Although it remained volatile, Brent crude prices averaged USD 109/bbl. in 3Q 2012, which was in line with the previous three months, but less than the USD 118/bbl. price reached in 1Q 2012.

SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2012

During “Sustainability Day” on **January 23, 2012,** Pirelli signed the voluntary agreement with the Ministry of Environment and Protection of Territory and the Sea to reduce the climate impact of activities related to production and use of its tyres. The agreement envisages a commitment to reduce specific emissions of CO2 by 15% and specific water uptake by over 50% by 2015.

The agreement testifies to the commitment made by Pirelli, which uses its own technologies to develop production systems and products that can guarantee quality and safety for consumers and reduced environmental impact. These elements allow Pirelli constantly to improve its efficiency, with major economic benefits, and to exploit an additional competitive advantage on international markets, especially those where these characteristics are imposed by law and appreciated by consumers. The agreement is one of the various actions taken by Pirelli to limit environmental impact. In 2011, these actions led the Group to reduce its energy consumption by 6% from 2010, accompanied by a 20% reduction in specific water uptake. In aggregate, the measures taken by Pirelli since 2009 have allowed it to reduce its water consumption by 2 million cubic metres every year, with 5% less CO2 emissions than in 2009.

On **January 31, 2012** the Extraordinary General Meeting of Savings Shareholders of Pirelli & C. S.p.A. assembled on the third call and chose Professor Giuseppe Niccolini as their joint representative for the 2012, 2013 and 2014 financial years. Giuseppe Niccolini replaces Mr Giovanni Pecorella, whose term had expired.

On **February 29, 2012** Pirelli & C. S.p.A. and Russian Technologies finalised the transaction for transfer of the Voronezh tyre plant by the Sibur petrochemical group to the joint venture between Pirelli and Russian Technologies.

This transaction follows the transfer by Sibur of the Kirov tyre plant last December.

The Voronezh plant will concentrate its activity on high-end tyres, with annual production capacity of 2 million units in 2012, set to rise to 4 million units in 2014, while production capacity at Kirov, already at 6.5 million units per year, will remain unchanged, with more than 60% of the total output being converted to the Pirelli brand.

On **March 1, 2012** the Pirelli Board of Directors co-opted Giuseppe Vita, in replacement of Enrico Tommaso Cucchiani, who resigned as Director on December 16, 2011, and Manuela Soffientini, who replaced Francesco Profumo, who resigned as Director on November 16, 2011.

On **April 16, 2012** Pirelli signed an agreement with the Faria da Silva family for direct purchase of 60% (with a promise to acquire an additional 20% and a call option on the remaining 20%) of the share capital of Campneus, one of the principal tyre distribution chains in Brazil, for about real 54 million, equal to about euro 21 million, subject to adjustment on the basis of the balance sheet at the closing date.
Consistently with the 2012-2014 Business Plan presented in London last November, Pirelli aims to reinforce its market leadership in Brazil through this transaction, both in the retail and wholesale sectors, by promoting concentration on the higher growth areas of the premium segment and increasing the number of its proprietary sales outlets (Pirelli Pneuac) from the current 48 to 102.
The 54 sales outlets of Campneus that are covered by the agreement are already part of the Pirelli distribution network in Brazil, which has over 600 retail outlets. The Campneus stores, which will continue to use their existing brand name after the acquisition is completed, are located in the Brazilian states of São Paulo, Minas Gerais, Paraná, Mato Grosso do Sul, Santa Catarina and Rio Grande do Sul and sell the complete range of Pirelli tyres.
Final execution of the agreement, subject to approval by CADE, the Brazilian Economic Defence Administrative Council ("Conselho Administrativo de Defesa Econômica"), was completed in June.

On **April 24, 2012** Pirelli initialled an agreement with PT Astra Otoparts, a leading Indonesian firm that produces components for the automotive sector, for the construction of a new factory in Indonesia, that will produce conventional motorcycle tyres.
The agreement calls for the creation of a joint venture with Pirelli holding a majority stake of 60% of the capital and Astra holding the remaining 40%. The total outlay by the joint venture for construction of the new plant will be about USD 120 million between 2012 and 2014.

On **May 31, 2012** Pirelli opened a new factory at Silao, in the State of Guanajuato, Mexico. The new plant, the first to be opened in Mexico and the twenty-second Pirelli industrial tyre plant in the world, will focus in particular on the Premium segment, producing High Performance and Ultra High-Performance tyres for cars and SUV to be sold on the local market and throughout the NAFTA area.
The production plant will cover 135 thousand square metres, and its capacity will reach about 400 thousand units by the end of 2012. Capacity will be expanded to 3.5 million units in the first phase of the development plan, which will end in 2015. It is forecast that production will reach 5.5 million units once full capacity is achieved in 2017. The investment by Pirelli, which has already been included in the business plan, totals about USD 300 million between 2011 and 2015. Another USD 100 million are expected to be invested by 2017, with the total investment estimated to be about USD 400 million.
The new Pirelli plant, which will boast the most advanced technologies and production processes used by the Group, will create about one thousand new jobs between now and 2013. Of these, 700 will be employed directly by the Group and another 300 by outsourcers. Once it reaches full capacity, the plant will directly employ another 700 workers, plus 100 new employees by outsourcers, for a grand total of 1,800 jobs.

On **June 13, 2012** Pirelli, implementing its strategy to reinforce its position on high-growth markets in the high-end, and thus more profitable segments, acquired 100% of the share capital of Däckia Holding AB, one of the top multibrand tyre distribution chains in Sweden, from the private equity fund Procuritas Capital Investors IV LP and other non-controlling shareholders, for 625 million crowns, approximately euro 70 million. The acquisition of Däckia offers Pirelli a distribution platform allowing it to accelerate its penetration of Nordic countries, which offer a natural market for winter tyres, which contain a large proportion of high performance characteristics. In Sweden, more than 60% of the aggregate sales of 4.4 million tyres in 2011 were winter tyres. This segment grew by nearly 5% last year, while sales on the domestic market as a whole remained stable.
In line with the strategy outlined in the 2012-2014 business plan presented in London last November, the acquisition of Däckia represents another step in securing the commercial position of Pirelli on international markets characterised by growing demand in more profitable product segments.

On **June 18, 2012** Pirelli presented several projects at the United Nations – RIO+20 International Conference on Sustainable Development. These projects will be carried out in Brazil in collaboration with the Ministry of Environment and Protection of Territory and the Sea and the Brazilian State of São Paulo, to analyse and reduce the impact on the climate caused by tyre production at the Campinas plant. The projects are part of the commitments made by the Company during the Sustainability Day held at its Milan headquarters on January 23. Consistently with the sustainability targets set out in the Business Plan 2012-2014 presented at London last November, they testify to the Company’s commitment to realise a sustainable and efficient growth model.

On **July 23, 2012** Giovanni Perissinotto gave notice of his resignation as Director of the Company.

GROUP PERFORMANCE AND RESULTS

In addition to the financial performance measures established by the International Financial Reporting Standards (IFRSs), this report presents alternative performance indicators that are derived from IFRSs. These performance indicators are used to facilitate the understanding of the Group operating performance. These indicators are: Gross Operating Profit, Non-current assets, Provisions, Operating working capital, Net working capital, and Net financial (liquidity)/debt position. Please refer to the section "Alternative performance indicators" for a more analytical description of these indicators.

Group Performance and Results

In a macroeconomic context dominated by increasingly acute signs of economic and financial crisis, **Pirelli Group net sales** in **3Q 2012** rose by 5.1% to euro 1,552.3 million, and **operating income** climbed to euro 192.1 million (+19.2% from 3Q 2011). Its EBIT margin (return on sales) was 12.4%, up 1.5 percentage points year-on-year (YOY).
Although aggregate sales volumes contracted by 6.2% in 3Q 2012, sales volumes in the premium segment rose by 12.5%, where Pirelli aims to achieve global leadership by 2015. This growth continues the trend reported in previous quarters and steadily pushed premium segment growth volume up by 13.5%, with net sales of euro 1,612.3 million (+23.5% at September 30, 2011).
Consolidated net sales for the first nine months of the year totalled euro 4,574.1 million, up 7.2% from euro 4,265.8 million at September 30, 2011. Consolidated **operating income** totalled euro 592.8 million (exceeding what had been recorded for all of 2011), with growth of 31% from euro 451.2 million in the same period last year. EBIT margin also rose to 13.0% (+2.4 percentage points).

Total net income was euro 308.3 million, up 22.7% from euro 251.3 million at September 30, 2011. In 3Q 2012 total net income was impacted by various items, including recognition of the euro 22.6 million net loss, following consolidation of the associate RCS Mediagroup according to the equity method.

The consolidated **net financial (liquidity)/debt position** was a negative euro 1,868.8 million, compared with a negative euro 1,702.7 million at June 30, 2012 and euro 737.1 million at December 31, 2011.

The **net cash flow from continuing operations** in 3Q 2012 was a negative euro 67.3 million (euro -83.7 million in 2Q 2012). It was impacted by the negative euro 199.0 million seasonal change in working capital with an increase of receivables related to the sell-in winter campaign in Europe , which was offset by operating income (before non-recurring expenses) of euro 195.8 million. The value of inventories fell by euro 46.7 million from June 30, 2012, while capital expenditure totalled euro 132.5 million, almost twice the amount of amortisation and depreciation. Finally, total net cash flow in 3Q 2012 was impacted by a euro 81.8 million in financial and tax expenses, payment of euro 16.4 million for the balance of the acquisition in Russia, and restructuring expenses for euro 3.6 million.

The **total net cash flow for the first nine months of the year** was a negative euro 1,131.7 million. This reflected net cash flow from continuing operations for a negative euro 468.1 million, which includes capital expenditure for euro 327.4 million dedicated mainly to expanding capacity in the premium segment, the acquisition of companies in Russia and retail distribution chains for a total of euro 277.1 million, and payment of the euro 132.3 million dividend by the parent company.

The improved earnings of the **Tyre Business**, which generates 99% of net sales, reflect the Pirelli strategy to focus on premium products in the consumer segment, which not only offers higher profit margins but also remains the most resilient segment even in those areas that have been hardest hit by the macroeconomic crisis.
This strategic response has effectively offset the softening in aggregate demand associated with the deterioration in macroeconomic conditions.

Total **net tyre sales in 3Q 2012** grew by 5.3% with the positive contribution made by the price/mix component (+8.6%) and revenue generated by the newly acquired activities (the factories in Russia and retail distribution chains) by +4.1%. Sales volumes shrank by 6.2% on a like-for-like basis, while the negative foreign exchange effect was 1.2%.
Confirming the greater resilience of the premium segment and focus by the Pirelli Group on this value segment, premium volume still grew by 12.5% during the quarter.

Total net sales in the Tyre Business during the nine months to September 30, 2012 grew by 7.5% to euro 4,542.9 million, with the consumer segment expanding by 12.8%. On the other hand, the industrial segment, which is more exposed to the macroeconomic cycle, shrank by 5.0%.
Premium product revenue rose by 19% in 3Q 2012 and 23.5% in the first nine months of 2011, to euro 1,612.3 million. In the car business alone, premium product revenue accounted for 50.6% of the total in the first nine months of 2012, with growth of 4.7 percentage points from the 45.6% posted in the same period of 2011.
The **operating income of the Tyre Business in the first nine months of 2012** totalled euro 612.3 million, up 26.4% from euro 484.4 million in the same period of 2011, with EBIT margin of 13.5% (+2.0 percentage points more than the 11.5% in September 2011).
In **3Q 2012** the Tyre Business had an EBIT margin of 12.9%, compared with 11.7% in the same period of 2011.

When the **3Q 2012** results are broken down by business segment, the **consumer** business posted a 9.0% gain in revenue, with EBIT margin rising to 13.6%, while the **industrial** business, which was more severely impacted by the negative business cycle and the temporary curtailment of activity in Egypt during a labour dispute in July, reported a 3.3% contraction in net sales due almost entirely to the foreign exchange effect. The contraction in volumes (-6.2%) was offset by the improved price/mix component (+6.0%). EBIT margin improved to 11.1% from 9.7% in 3Q 2011, being pushed up by the price/mix component, efficiency gains and falling raw material costs during the period.

During the **nine months to September 30, 2012,** the EBIT margin of the **consumer** segment was 14.5% (+2.0 percentage points), with net sales up by 12.8%, while the EBIT margin of the **industrial** segment was 10.5% (+1.4 percentage points), with net sales down 5.0%.

The **consolidated financial highlights for the Group** are illustrated as follows:

(in millions of euro)

	Q3 2012	Q3 2011	09/30/2012	09/30/2011	12/31/2011 *
Net sales	**1,552.3**	**1,476.5**	**4,574.1**	**4,265.8**	**5,654.8**
Gross operating profit before restructuring expenses	264.2	220.2	809.9	631.1	834.6
% of net sales	17.0%	14.9%	17.7%	14.8%	14.8%
Operating income before restructuring expenses	195.8	163.3	611.0	461.1	609.7
% of net sales	12.6%	11.1%	13.4%	10.8%	10.8%
Restructuring expenses	(3.7)	(2.2)	(18.2)	(9.9)	(27.8)
Operating income	**192.1**	**161.1**	**592.8**	**451.2**	**581.9**
% of net sales	12.4%	10.9%	13.0%	10.6%	10.3%
Net income (loss) from equity investments	(23.7)	2.1	(26.4)	3.0	(17.3)
Financial income/(expenses)	(39.5)	(19.4)	(88.3)	(64.1)	(89.5)
Pre-tax income (loss)	**128.9**	**143.8**	**478.1**	**390.1**	**475.1**
Income tax	(42.3)	(51.3)	(169.8)	(138.8)	(162.5)
Tax rate %	32.8%	35.7%	35.5%	35.6%	34.2%
Net income (loss) from continuing operations	**86.6**	**92.5**	**308.3**	**251.3**	**312.6**
Prior period deffered tax assets - Italy	-	-	-	-	128.1
Total net income (loss)	**86.6**	**92.5**	**308.3**	**251.3**	**440.7**
Net income attributable to owners of Pirelli & C. S.p.A.			306.3	255.3	451.6
Total net earnings per share attributable to owners of Pirelli & C. S.p.A. (in euro)			0.628	0.523	0.926
Non-current assets			**3,814.2**	**3,258.4**	**3,577.5**
Inventories			1,153.7	890.4	1,036.7
Trade receivables			1,115.5	1,024.8	745.2
Trade payables			(1,054.9)	(1,206.3)	(1,382.8)
Operating Net working capital			**1,214.3**	**708.9**	**399.1**
% of net sales (°)			19.9%	12.5%	7.1%
Other receivables/other payables			(42.9)	(209.6)	(248.3)
Total net working capital			**1,171.4**	**499.3**	**150.8**
% of net sales (°)			19.2%	8.8%	2.7%
Net i nvested capital			**4,985.6**	**3,757.7**	**3,728.3**
Equity			**2,328.9**	**2,049.9**	**2,191.6**
Provisions			787.9	769.5	799.6
Net financial (liquidity)/debt position			**1,868.8**	**938.3**	**737.1**
Equity attribuitable to the owners of Pirelli & C. S.p.A.			2,278.6	2,026.5	2,146.1
Equity per share attributable to the owners of Pirelli & C. S.p.A. (in euro)			4.669	4.153	4.398
Capital expenditure			327.4	396.2	626.2
Research and development expenses			132.3	126.4	169.7
% of net sales			2.9%	3.0%	3.0%
Headcount (number at end of period)			37,269	31,815	34,259
Industrial sites (number)			23	20	21

(°) the net sales figure is annualised in interim periods

* The consolidated balance sheet has been restated to include retrospectivly the effects of the final purchase price allocation connected to the business combination "acquisition Russia".

To facilitate understanding of Group performance, the income and expense data are presented below, broken down by business segment.

(in millions of euro)

	Total Tyre		Other busisiness (*)		Total	
	9/30/2012	9/30/2011	9/30/2012	9/30/2011	9/30/2012	9/30/2011
Net sales	**4,542.9**	**4,225.7**	**31.2**	**40.1**	**4,574.1**	**4,265.8**
Gross operating profit before restructuring expenses	825.7	656.3	(15.8)	(25.2)	809.9	631.1
Operating income before restructuring expenses	630.5	494.3	(19.5)	(33.2)	611.0	461.1
Restructuring expenses	(18.2)	(9.9)	-	-	(18.2)	(9.9)
Operating income	**612.3**	**484.4**	**(19.5)**	**(33.2)**	**592.8**	**451.2**
% of net sales	*13.5%*	*11.5%*			*13.0%*	*10.6%*
Net income (loss) from equity investments					(26.4)	3.0
Financial income/(expenses)					(88.3)	(64.1)
Pre-tax income (loss)					**478.1**	**390.1**
Income tax					(169.8)	(138.8)
Tax rate %					*35.5%*	*35.6%*
Total net income (loss)					**308.3**	**251.3**
Net financial (liquidity)/debt position					**1,868.8**	**938.3**

(*) in 2012 this item includes the Pirelli Ecotechnology Group, the Pirelli Ambiente group, and Pzero while in 2011 this item also included the figures for the holding and services companies (including the Parent Company) which have been consolidated this year in the Total Tyre

The operating performance of the Group as broken down on a quarterly basis is shown below:

(in millions of euro)

	Q1		Q2		Q3		at 9/30	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	**1,556.5**	1,400.9	**1,465.3**	1,388.4	**1,552.3**	1,476.5	**4,574.1**	4,265.8
yoy	*11.1%*	*23.4%*	*5.5%*	*12.5%*	*5.1%*	*18.1%*	*7.2%*	*17.9%*
Gross operating profit before restructuring expenses	**275.8**	203.4	**269.9**	207.5	**264.2**	220.2	**809.9**	631.1
% of net sales	*17.7%*	*14.5%*	*18.4%*	*14.9%*	*17.0%*	*14.9%*	*17.7%*	*14.8%*
Operating income before restructuring expenses	**211.4**	146.5	**203.8**	151.3	**195.8**	163.3	**611.0**	461.1
% of net sales	*13.6%*	*10.5%*	*13.9%*	*10.9%*	*12.6%*	*11.1%*	*13.4%*	*10.8%*
Operating income	**209.4**	143.3	**191.3**	146.8	**192.1**	161.1	**592.8**	451.2
% of net sales	*13.5%*	*10.2%*	*13.1%*	*10.6%*	*12.4%*	*10.9%*	*13.0%*	*10.6%*

Net sales

Net sales for the nine months to September 30, 2012 rose to euro 4,574.1 million, up 7.2% from the previous year (euro 4,265.8 million), with 99.3% of sales being generated by the Tyre Business.

Net sales rose by 5.1% to euro 1,552.3 million in **3Q 2012,** compared with euro 1,476.5 million in the same period of 2011.

Operating income

Operating income for the nine months to September 30, 2012 totalled euro 592.8 million (+31.4%), with EBIT margin of 13.0% (10.6% in the first nine months of 2011).

This result was impacted by **non-recurring expenses** of euro 18.2 million, compared with euro 9.9 million in 2011 for on-going organisational streamlining measures, mainly at the European sites and central organisation.

In **3Q 2012** operating income totalled euro 192.1 million, with EBIT margin of 12.4% (10.9% in 3Q 2011).

Net income

Total net income at September 30, 2012 rose by 22.7% to euro 308.3 million, compared with euro 251.3 million in the same period last year.

Net income reflects **tax expenses** totalling euro 169.8 million, with a tax rate of 35.5% (35.6% in the first nine months of 2011) and **net financial expenses** of euro 88.3 million (compared with euro 64.1 million at September 30, 2011). The **net loss from equity investments** was euro 26.4 million, and includes the consolidation of the associate RCS Mediagroup according to the equity method, negative euro 22.6 million.

The average cost of gross debt for the period was about 5.5%.

The **total net income attributable to owners of Pirelli & C. S.p.A.** was a positive euro 306.3 million (euro 0.628 per share) at September 30, 2012, compared with euro 255.3 million in the first nine months of 2011 (euro 0.523 per share).

Equity

Consolidated equity rose from euro 2,191.6 million at December 31, 2011 to euro 2,328.9 million at September 30, 2012.

Equity attributable to owners of Pirelli & C. S.p.A. at September 30, 2012 totalled euro 2,278.6 million (euro 4.669 per share), compared with euro 2,146.1 million at December 31, 2011 (euro 4.398 per share).

The total change, which is broken down in detail in the following table, relates mainly to the total net income for the period, euro 308.3 million, the payment of euro 132.3 million in dividends by the parent company, fair value adjustments of available-for-sale financial instruments and derivative financial instruments, the positive inflation effect at the subsidiary in Venezuela, the negative effect of employee benefits, and the negative translation effect of foreign subsidiary financial statements.

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2011	**2,146.1**	**45.5**	**2,191.6**
Translation differences	(32.8)	(0.6)	(33.4)
Net income (loss) for the period	306.3	2.0	308.3
Adjustement to fai value of other financia assets/derivative instruments	4.3	-	4.3
Other changes to items recognised in equity	(0.2)	-	(0.2)
Actuarial gains/(losses) on employee benefits	(24.6)	-	(24.6)
Dividend paid	(132.4)	(3.0)	(135.4)
Venezuela inflation effect	13.3	0.5	13.8
Capital increases	-	5.5	5.5
Other changes	(1.4)	0.4	(1.0)
Total changes	**132.5**	**4.8**	**137.3**
Equity at 9/30/2012	**2,278.6**	**50.3**	**2,328.9**

Net financial (liquidity)/debt position

The Group's net borrowings totalled euro 1,868.8 million at September 30, 2012, compared with net borrowings of euro 1,702.7 million at June 30, 2012 and euro 737.1 million at December 31, 2011.

in millions of euro	09/30/2012	06/30/2012	12/31/2011
Current borrowings from banks and other lenders	739.5	556.6	369.5
Non-Current borrowings from banks and other lenders	1,922.7	1,879.9	1,408.6
Total gross debt	**2,662.2**	**2,436.5**	**1,778.1**
Cash and cash equivalents	(227.3)	(207.7)	(557.0)
Securities held for trading	(231.2)	(171.2)	(160.5)
Current financial receivables	(85.8)	(104.6)	(72.8)
of which Prelios	*(10.3)*	*(7.0)*	-
Non-current financial receivables	(249.1)	(250.3)	(250.7)
of which Prelios	*(160.0)*	*(160.0)*	*(160.0)*
Total financial receivables, cash and cash equivalents	**(793.4)**	**(733.8)**	**(1,041.0)**
Net financial (liquidity)/debt position	**1,868.8**	**1,702.7**	**737.1**

In **3Q 2012 the net cash flow from continuing operations** was a negative euro 67.3 million. This mainly reflected the impact of seasonal changes in working capital (although the value of inventories fell from its level at June 30, 2012) and capital expenditure that was mainly invested in the premium segment and totalled euro 132.5 million, nearly twice the amount of amortisation and depreciation.

During the first nine months of 2012, **the net cash flow from continuing operations** totalled a negative euro 468.1 million.

Total net cash flow at September 30, 2012 was a negative euro 1,131.7 million. This figure includes the negative net cash flow from continuing operations (which includes investments of euro 327.4 million, with a ratio of 1.6 to amortisation and depreciation), euro 170.9 million in payment for acquisition of the two production sites in Russia, euro 106.2 million for the acquisition of two retail distribution chains, and euro 132.3 million for the payment of dividends to shareholders by the parent company.

The following table summarises the changes in cash flow during the period:

(in millions of euro)

	Q1		Q2		Q3		at 9/30	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating income (EBIT) before restructuring expenses	211.4	146.5	203.8	151.3	195.8	163.3	611.0	461.1
Amortisation and depreciation	64.4	56.9	66.1	56.2	68.4	56.9	198.9	170.0
Capital expenditures of property, plant and equipment and intangible assets	(80.1)	(96.9)	(114.8)	(137.2)	(132.5)	(162.1)	(327.4)	(396.2)
Change in workin capital/other	(512.8)	(313.5)	(238.8)	18.1	(199.0)	(100.6)	(950.6)	(396.0)
Operating cash flow	**(317.1)**	**(207.0)**	**(83.7)**	**88.4**	**(67.3)**	**(42.5)**	**(468.1)**	**(161.1)**
Financial income/(expenses)	(18.7)	(14.8)	(30.1)	(29.9)	(39.5)	(19.4)	(88.3)	(64.1)
Ordinary tax charges	(65.9)	(47.9)	(61.6)	(39.6)	(42.3)	(51.3)	(169.8)	(138.8)
Net operating cash flow	**(401.7)**	**(269.7)**	**(175.4)**	**18.9**	**(149.1)**	**(113.2)**	**(726.2)**	**(364.0)**
Financial investments/disinvestments	3.2	24.4	-	-	2.3	(16.4)	5.5	8.0
Acquisition of non-controlling interests (China)	-	-	-	-	-	(28.0)	-	(28.0)
Russia Investment	(154.5)	-	-	-	(16.4)	-	(170.9)	-
Dackia Investment	-	-	(70.8)	-	-	-	(70.8)	-
Campneus Investment	-	-	(35.4)	-	-	-	(35.4)	-
Dividend paid by Parent	-	-	(132.3)	(81.1)	-	-	(132.3)	(81.1)
Other dividends paid	(2.2)	(0.7)	(0.7)	(1.7)	-	-	(2.9)	(2.4)
Cash Out for restructuring operations	(4.2)	(2.8)	(3.3)	(5.7)	(3.6)	(1.9)	(11.1)	(10.4)
Foreign exchange differences/other	(8.5)	(8.4)	20.2	3.5	0.7	0.1	12.4	(4.8)
Net cash flow	**(567.9)**	**(257.2)**	**(397.7)**	**(66.1)**	**(166.1)**	**(159.4)**	**(1,131.7)**	**(482.7)**

The **structure of gross debt**, totalling euro 2,662.2 million and having an average maturity of about 3 years, of which approximately 65% falls due beginning in 2015, is shown as follows:

(in millions of euro)

	Financial Statements 9/30/2012	Maturity date				
		2012	2013	2014	2015	2016 and beyond
Use of committed credit facilities	870.0	-	-	-	870.0	-
Bond 5,125% - 2011/2016	500.0	-	-	-	-	500.0
EIB loans	287.5	12.5	25.0	-	100.0	150.0
Other financing	1,004.7	307.3	470.3	100.6	77.6	48.9
Total gross debt	**2,662.2**	**319.8**	**495.3**	**100.6**	**1,047.6**	**698.9**
		12.0%	18.6%	3.8%	39.4%	26.2%

At September 30, 2012 the Group disposed of euro 330 million as the unused portion of the euro 1.2 billion committed credit facility (euro 385 million at June 30, 2012).

OPERATING PERFORMANCE

TOTAL TYRE BUSINESS

The consolidated results for 3Q 2012 as compared with those for 3Q 2011 are highlighted in the following table:

(in millions of euro)

	Q3 2012	Q3 2011	09/30/2012	09/30/2011	12/31/2011
Net sales	**1,542.6**	**1,464.8**	**4,542.9**	**4,225.7**	**5,601.6**
Gross operating profit before restructuring expenses	269.5	228.4	825.7	656.3	875.5
% of net sales	*17.5%*	*15.6%*	*18.2%*	*15.5%*	*15.6%*
Operating income before restructuring expenses	202.4	174.1	630.5	494.3	661.7
% of net sales	*13.1%*	*11.9%*	*13.9%*	*11.7%*	*11.8%*
Restructuring expenses	(3.7)	(2.2)	(18.2)	(9.9)	(17.8)
Operating income	**198.7**	**171.9**	**612.3**	**484.4**	**643.9**
% of net sales	*12.9%*	*11.7%*	*13.5%*	*11.5%*	*11.5%*

The following table illustrates the quarterly breakdown of operating income:

	Q1		Q2		Q3		at 9/30	
(in millions of euro)	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	**1,542.6**	1,384.5	**1,457.7**	1,376.4	**1,542.6**	1,464.8	**4,542.9**	4,225.7
yoy	*11.4%*	*24.7%*	*5.9%*	*13.3%*	*5.3%*	*18.7%*	*7.5%*	*18.7%*
Gross operating profit before restructuring expenses	**280.3**	209.5	**275.9**	218.4	**269.5**	228.4	**825.7**	656.3
% of net sales	*18.2%*	*15.1%*	*18.9%*	*15.9%*	*17.5%*	*15.6%*	*18.2%*	*15.5%*
Operating income before restructuring expenses	**217.2**	155.6	**210.9**	164.6	**202.4**	174.1	**630.5**	494.3
% of net sales	*14.1%*	*11.2%*	*14.5%*	*12.0%*	*13.1%*	*11.9%*	*13.9%*	*11.7%*
Operating income	**215.2**	152.4	**198.4**	160.1	**198.7**	171.9	**612.3**	484.4
% of net sales	*14.0%*	*11.0%*	*13.6%*	*11.6%*	*12.9%*	*11.7%*	*13.5%*	*11.5%*

Net sales

Net sales in 3Q 2012 totalled euro 1,542.6 million, up 5.3% from euro 1,464.8 million in 3Q 2011.

The increase was 6.5% after the negative 1.2% foreign exchange effect.

The volume component (excluding the new scope of consolidation resulting from the Russian activities and the retail distribution chains) changed by a negative 6.2%, confirming the trend generated in the previous quarters by the difficult macroeconomic situation that is impacting both business segments. However, the premium segment of the consumer business continued making a positive contribution, with this segment growing by 12.5%, at roughly the same rate as in previous quarters (+14.0% for the six months at June 30, 2012).

The fall in sales volumes in 3Q 2012 was offset by the contribution made by the positive 8.6% price/mix component, which reflects the focus on the premium segment and the firmness of the price component, while the new scope of consolidation represented by the activities in Russia and the retail distribution chains purchased contributed with growth of 4.1%.

Total net sales for the nine months at September 30, 2012 rose by 7.5%, with the consumer segment growing by 12.8% while the industrial segment shrank by 5.0%. When broken down by sales channels, 75% of net sales were generated by the replacement channel, while original equipment accounted for 25%.

The premium segment has confirmed itself as the driver for revenue growth, with net sales growing by 19% in 3Q 2012, totalling euro 1,612.3 million euro at September 30, 2012 (+23.5% from a year earlier).

As compared with the same period of the previous year, the change can be summarised as follows:

	Q1		Q2		Q3		at 9/30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Volume (excluding Russia and retail distribution chains)	-7.4%	6.1%	-7.6%	1.2%	-6.2%	2.8%	-6.8%	3.3%
of which Premium volume	*15.8%*	*25.2%*	*12.3%*	*21.7%*	*12.5%*	*17.5%*	*13.5%*	*21.5%*
Price/mix	16.5%	15.9%	11.1%	15.8%	8.6%	18.6%	11.8%	16.8%
Change in scope of Russia and retail distribution chains	2.2%	0.0%	3.5%	0.0%	4.1%	0.0%	3.2%	0.0%
Change on a like-for-like basis	**11.3%**	**22.0%**	**7.0%**	**17.0%**	**6.5%**	**21.4%**	**8.2%**	**20.1%**
Translation effect	0.1%	2.7%	-1.1%	-3.7%	-1.2%	-2.7%	-0.7%	-1.4%
Total change	**11.4%**	**24.7%**	**5.9%**	**13.3%**	**5.3%**	**18.7%**	**7.5%**	**18.7%**

The following tables show the **breakdown of net sales by geographic area and product category:**

GEOGRAPHICAL AREA	**9/30/2012**			**9/30/2011**
	Euro\mln	*yoy*		
Italy	283.8	*-30.1%*	6.2%	9.6%
Rest of Europe	1,303.4	*0.4%*	28.7%	30.8%
Russia	184.8 *	*422.0%*	4.1%	0.8%
Nafta	545.1	*26.8%*	12.0%	10.2%
Central and South America	1,530.1	*7.0%*	33.7%	33.8%
Asia\Pacific	314.4	*19.9%*	6.9%	6.2%
Middle East\Africa	381.3	*4.6%*	8.4%	8.6%
TOTAL	**4,542.9**	*7.5%*	**100.0%**	**100.0%**

* - of which euro/mln 134,0 from Russia JV

PRODUCT	**9/30/2012**			**9/30/2011**
	Euro\mln	*yoy*		
Car tyres	3,016.9	*14.8%*	66.5%	62.2%
Motorcycle tyres	330.0	*-2.5%*	7.3%	8.0%
Consumer	***3,346.9***	*12.8%*	***73.8%***	***70.2%***
Industrial vehicle tyres	1,119.7	*-4.0%*	24.5%	27.6%
Steelcord	76.3	*-18.1%*	1.7%	2.2%
Industrial	***1,196.0***	*-5.0%*	***26.2%***	***29.8%***

<u>Operating income</u>

Operating income at September 30, 2012 totalled euro 612.3 million, with growth of 26.4% from the same period of 2011. EBIT margin also improved, to 13.5% from 11.5% in the first nine months of 2011. Euro 18.2 million in **non-recurring expenses** were sustained in the period, compared with euro 9.9 million in 2011. These were concentrated in the consumer business and stemmed mainly from continuous implementation of efficiency and streamlining measures at the European sites and central organisation.

In 3Q 2012 operating income totalled euro 198.7 million (+15.6% compared with the same period of 2011), and EBIT margin was 12.9%

In spite of the generally difficult macroeconomic conditions, which negatively impacted sales volumes and capacity utilisation rates, operating income and EBIT margin still improved. This was made possible by the contribution of the price/mix component related to the focus on premium products and continuous efficiency improvement measures. Raw material costs were stable in 3Q 2012 as compared with the same period a year earlier.

The breakdown of changes from the same periods of 2011 is illustrated as follows:

(in millions of euro)	**Q1**	**Q2**	**Q3**	**at 9/30**
2011 Operating income	**152.4**	**160.1**	**171.9**	**484.4**
Foreign exchange effect	(1.3)	(1.7)	(0.3)	(3.3)
Prices/mix	159.2	101.7	82.6	343.5
Volumes (excluding change in Russia and retail distribution chains scope)	(30.2)	(34.7)	(37.7)	(102.6)
Cost of prodution factors (raw materials)	(85.1)	(5.0)	2.4	(87.7)
Cost of prodution factors (labour/energy/others)	(22.0)	(32.9)	(29.7)	(84.6)
Efficiency #	25.5	24.7	33.8	84.0
Ammortisation, depreciation and other *	15.5	(5.8)	(22.8)	(13.1)
Restructuring expenses	1.2	(8.0)	(1.5)	(8.3)
Change	**62.8**	**38.3**	**26.8**	**127.9**
2012 Operating income	**215.2**	**198.4**	**198.7**	**612.3**

* includes change in Russia and retail distribution chains

# of which slowdown impact	(3.6)	(7.4)	(14.3)	(25.3)

Net cash flow from continuing operations

(in millions of euro)	Q1		Q2		Q3		at 9/30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Operating income (EBIT) before restructuring expenses	217.2	155.6	210.9	164.6	202.4	174.1	630.5	494.3
Amortisation and depreciation	63.1	53.9	65.0	53.8	67.1	54.3	195.2	162.0
Capital expenditure of property, plant and equipment and intangible asset	(78.6)	(94.5)	(113.9)	(133.8)	(132.0)	(160.3)	(324.5)	(388.6)
Change in working capital/other	(509.9)	(291.6)	(239.5)	4.5	(198.0)	(99.7)	(947.4)	(386.8)
Operating cash flow	**(308.2)**	**(176.6)**	**(77.5)**	**89.1**	**(60.5)**	**(31.6)**	**(446.2)**	**(119.1)**

At September 30, 2012 the **net cash flow from continuing operations** in the Tyre Business totalled a negative euro 446.2 million euro. This result was impacted by the changes in working capital and capital expenditure, which was largely allocated to increasing premium capacity in Mexico, South America, China and Romania. In **3Q 2012** net cash flow from continuing operations amounted to a negative euro 60.5 million.

CONSUMER BUSINESS

The following table illustrates the various period results compared with the same periods of 2011:

(in millions of euro)	Q1		Q2		Q3		at 9/30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Net sales	1,151.8	983.3	1,078.3	958.9	1,116.8	1024.3	3,346.9	2966.5
yoy	*17.1%*	*25.9%*	*12.5%*	*14.7%*	*9.0%*	*20.9%*	*12.8%*	*20.4%*
Gross operating profit before restructuring expenses	232.1	160.6	213.4	169.7	206.7	172.2	652.2	502.5
% of net sales	*20.2%*	*16.3%*	*19.8%*	*17.7%*	*18.5%*	*16.8%*	*19.5%*	*16.9%*
Operating income before restructuring expenses	184.0	119.7	163.1	128.6	154.4	131.1	501.5	379.4
% of net sales	*16.0%*	*12.2%*	*15.1%*	*13.4%*	*13.8%*	*12.8%*	*15.0%*	*12.8%*
Operating income	182.1	116.8	153.2	124.3	151.4	129.0	486.7	370.1
% of net sales	*15.8%*	*11.9%*	*14.2%*	*13.0%*	*13.6%*	*12.6%*	*14.5%*	*12.5%*

The following table shows the detailed breakdown of **market performance:**

	Q1	**Q2**	**1° Half**	**Q3**	**at 9/30**
EUROPE (*)					
Original Equipment	-6%	-8%	-7%	-9%	-8%
Replacement	-12%	-13%	-13%	-11%	-12%
NAFTA					
Original Equipment	+16%	+27%	+22%	+16%	+20%
Replacement	-8%	-1%	-4%	-7%	-5%
SOUTH AMERICA					
Original Equipment	-7%	-9%	-8%	+3%	-4%
Replacement	+4%	+0%	+2%	-2%	+0%
CINA					
Original Equipment	+1%	+15%	+7%	n.a.	+8% (at agust)
Replacement	-3%	n.a.	n.a.	n.a.	
(*) excluding Russia					

Net sales in **3Q 2012** totalled euro 1,116.8 million (+9.0%).

In the first nine months of 2012, net sales grew by 12.8% to euro 3,346.9 million. Excluding the aggregate contraction in volumes (-5.5%), the net sales of premium products grew by 23.5% during the period, while sales volumes expanded by 13.5%.

At September 30, 2012 premium product revenue accounted for 48.2% of total consumer segment net sales, more than 4 percentage points higher than at September 30, 2011.

	Q1		Q2		Q3		at 9/30	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Volume (excluding Russia and retail distribution chains)	-5.1%	9.0%	-5.3%	2.6%	-6.1%	4.3%	-5.5%	5.2%
of which Premium volume	*15.8%*	*25.2%*	*12.3%*	*21.7%*	*12.5%*	*17.5%*	*13.5%*	*21.5%*
Price/mix	18.8%	14.6%	13.6%	16.2%	9.6%	18.4%	13.7%	16.5%
Change in scope of Russia and retail distribution chains	2.7%	0.0%	4.4%	0.0%	5.9%	0.0%	4.6%	0.0%
Change on a like-for-like basis	**16.4%**	**23.6%**	**12.7%**	**18.8%**	**9.4%**	**22.7%**	**12.8%**	**21.7%**
Translation effect	0.7%	2.3%	-0.2%	-4.1%	-0.4%	-1.8%	0.0%	-1.3%
Total change	**17.1%**	**25.9%**	**12.5%**	**14.7%**	**9.0%**	**20.9%**	**12.8%**	**20.4%**

Operating income before restructuring expenses at September 30, 2012 totalled euro 501.5 million (+32.2% from September 30, 2011), equal to 15.0% of net sales. Net of euro 14.8 million in **non-recurring expenses** related to structural streamlining measures implemented in various countries, **operating income** totalled euro 486.7 million (EBIT margin 14.5%), up 31.5% from September 30, 2011 (euro 370.1 million, with EBIT margin of 12.5%).

<u>Car Business (90% of net sales in consumer segment)</u>

In 3Q 2012 net sales of **original equipment** continued on their downward trend, as previously observed in 1H 2012 (-9% in 3Q 2012 and -7% in 1H 2012), while the sales trend reversed in South America (+3% in 3Q 2012, in contrast with -8% in 1H 2012). That recovery was supported mainly by government support in Brazil for the purchase of vehicles.

Sales on the NAFTA market continued on their strong upward trajectory, growing +20% in the first nine months of the year and +16% in the third quarter alone. These sales were sustained by the improvement of existing cars, particularly in the premium segment.

The market also performed well in Russia, with new car sales up +14%, especially in the segments of foreign brand cars that are both locally produced and imported.

In contrast, the **replacement** market continued shrinking in Europe (-11% in 3Q 2012, and -12% for the nine months to September 30, 2012). The downturn was especially pronounced in Mediterranean countries, although sales also fell in central European countries, due to generally greater caution by dealers in order to maintain adequate inventories of winter tyres.

Market volumes in South America were stable during the first nine months of the year, with a slightly negative third quarter (-2%) and a slight contraction in the proportion of imported products, due both to devaluation of local currencies and the introduction of certain customs duties in support of local production.

The NAFTA market continued to shrink overall, contracting by -7% in 3Q 2012, and -5% in the first nine months of the year.

In 3Q 2012 net sales by Pirelli totalled euro 973.3 million (+6.9% compared with 3Q 2011), with an EBIT margin of 13.9% (+0.4 percentage points). The replacement market accounted for 74% of the total and original equipment for 26%.

For the first nine months to September 30, 2012, net sales totalled euro 2,921.4 million, up 13.7% as compared with the first nine months of 2011. The EBIT margin was 14.3%, up 2 percentage points over the figure in 2011.

Overall, 50.6% of net sales were generated by premium products, which accounted for about 80% of operating income.

Industrialisation of Pirelli products continued during the third quarter at the two factories purchased in Russia. At the same time, the new production plant was opened in Mexico and further production cutbacks were made in Europe to reduce inventories.

<u>Motorcycle Business (10% of net sales in consumer segment)</u>

In 3Q 2012 the **original equipment** segment of the motorcycle market contracted both in Europe and in South America, while Pirelli sales volumes did not shrink in the Apac area.

The **replacement** segment (which accounts for over 77% of sales) also contracted on the European and NAFTA market as compared with the same period of 2011, while that segment grew on the Apac and Russian markets. Sales volumes in South America remained steady.

Pirelli sales consequently reflected the soft market in the third quarter, totalling euro 91.7 million (-2.2% compared with the same period of 2011), with the EBIT margin at 14.5% (-0.6 percentage points less than a year earlier).

For the nine months at September 30, 2012 net sales totalled euro 330.0 million, 2.5% less than the nine-month figure at September 30, 2011, with an EBIT margin of 18.9%, and 0.6 percentage points higher than the same period of 2011.

The sportiest-ever Pirelli tyre for road use was introduced on the market during the first nine months of 2012. This is the new Diablo Supercorsa that equips the recent, super-sporty Ducati Panigale and debuted in its racing version for the Stock 1000 championship, which has the exclusive for sales throughout 2012.

Pirelli and Metzeler tyres have turned in superior performance in the most prestigious sports competitions, as well as the world Superbike, Cross and Enduro and in the national championships for various specialities, and also the 24 hour race at Le Mans for the third year straight.

Geographical Areas

Europe

The macroeconomic situation in this area was particularly unfavourable, especially in regard to performance of the replacement market in southern and central Europe, which negatively impacted the performance of the market as a whole. Sales of Pirelli premium products were 6.5% higher in the first nine months of 2011.

NAFTA

The total volume of the replacement market in the consumer tyre segment contracted sharply; at the same time the premium segment grew, while the original equipment market jumped by 16%.

Pirelli managed to maintain its market share in the premium segment by increasing its net sales by over 39%, through strategic focusing and the positive impact of original equipment approvals.

South America

A growth strategy focused on the premium segment was implemented in South America, with premium sales volumes doubling (+98%). This focus contributed to consolidation of Company leadership in the region and improves its results year-on-year.

Apac

Premium revenue in the region was up sharply (+72% YOY), underscoring the success of the Pirelli strategy to focus on value segments and its greater market penetration. The positive performance of the premium segment more than doubled the operating income generated in that area.

INDUSTRIAL BUSINESS

The following table compares the period results for 2012 with the corresponding periods of 2011:

(in millions of euro)	Q1		Q2		Q3		at 9/30	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	390.8	401.2	379.4	417.5	425.8	440.5	1,196.0	1259.2
yoy	*-2.6%*	*21.9%*	*-9.1%*	*10.0%*	*-3.3%*	*13.9%*	*-5.0%*	*15.0%*
Gross operating profit before restructuring expenses	48.2	48.9	62.5	48.7	62.8	56.2	173.5	153.8
% of net sales	*12.3%*	*12.2%*	*16.5%*	*11.7%*	*14.7%*	*12.8%*	*14.5%*	*12.2%*
Operating income before restructuring expenses	33.2	35.9	47.8	36.0	48.0	43.0	129.0	114.9
% of net sales	*8.5%*	*8.9%*	*12.6%*	*8.6%*	*11.3%*	*9.8%*	*10.8%*	*9.1%*
Operating income	33.1	35.6	45.2	35.8	47.3	42.9	125.6	114.3
% of net sales	*8.5%*	*8.9%*	*11.9%*	*8.6%*	*11.1%*	*9.7%*	*10.5%*	*9.1%*

The following table shows the detailed breakdown of **market performance:**

	Q1	Q2	1° Half	Q3	at 9/30
EUROPE (*)					
Original Equipment	-6%	-7%	-6%	-8%	-7%
Replacement	-30%	-26%	-28%	-10%	-22%
SOUTH AMERICA					
Original Equipment	-30%	-27%	-29%	-28%	-28%
Replacement	-13%	-7%	-10%	+0%	-7%
CINA					
Original Equipment	-24%	-24%	-24%	n.a.	-23% (at agust)
Original Equipment	+4%	-10%	-4%	n.a.	- 4% (at agust)
(*) excluding Russia					

Net sales in 3Q 2012 totalled euro 425.8 million, down 3.3% from the same period of 2011, with the change stemming almost exclusively from the foreign exchange effect (-3.1%). Consequently the like-for-like change was a negative 0.2%. Volumes contracted by 6.2%, with growth (+6.0%) in the price/mix component offsetting it. The first part of 3Q 2012 was also negatively impacted by the curtailment of activity at the Egyptian factory due to a labour dispute that was settled in late July.

In the first nine months of 2012 net sales fell by 5.0% to euro 1,196 million.

	Q1		Q2		Q3		at 9/30	
	2012	2011	2012	2011	2012	2011	2012	2011
Volume	-12.3%	-0.7%	-11.3%	-1.9%	-6.2%	-0.5%	-9.6%	-1.0%
Price/mix	11.2%	19.0%	5.3%	14.9%	6.0%	19.0%	7.2%	17.5%
Change on a like-for-like basis	**-1.1%**	**18.3%**	**-6.0%**	**13.0%**	**-0.2%**	**18.5%**	**-2.4%**	**16.5%**
Translation effect	-1.5%	3.6%	-3.1%	-3.0%	-3.1%	-4.6%	-2.6%	-1.5%
Total change	**-2.6%**	**21.9%**	**-9.1%**	**10.0%**	**-3.3%**	**13.9%**	**-5.0%**	**15.0%**

Operating income at September 30, 2012 totalled euro 125.6 million (including **non-recurring expenses** of euro 3.4 million), with EBIT margin of 10.5%, as compared with euro 114.3 million in the first nine months of 2011 (9.1% of net sales).

In **3Q 2012 operating income** was euro 47.3 million, with an EBIT margin of 11.1%, up more than 1 percentage point over 3Q 2011. The improvement in profitability resulted from the change in the price/mix component and reduction in the cost of raw materials (especially natural rubber), which more than offset the contraction in volumes.

Truck Business (82% of net sales in the industrial segment)

The global market continued contracting in 3Q 2012, which conditioned volumes to the point of forcing a cutback in output to balance stocks.
Nevertheless, the profitability of the truck business remained steady at its level for 2Q 2012 and improved from 3Q 2011, in consequence of the positive price/mix impact and simultaneous decrease in the cost for raw materials, especially natural rubber.
On the reference markets, turnover in the **original equipment** segment contracted sharply in the first nine months of 2012. As broken down by area, the change was -7% in Europe, about -23% in China, and about -28% in South America, where the phasing out of Euro 3 vehicles in favour of Euro 5 vehicles since the end of 2011 had an impact.
The NAFTA area bucked this negative trend, being driven by the United States with growth of +12%.

In the **replacement** segment, the market contracted virtually everywhere: with Europe -22%, South America -7%, and NAFTA -13% in the first nine months of 2012. More limited changes were reported in 3Q 2012: the European market was down -10%, South America held steady, and NAFTA was down -11%.

In response to shrinking demand, Pirelli cut back production by 14% in 3Q 2012 (-15% in 1H 2012), mainly for Conventional tyres to control inventory.

In 3Q 2012 net sales by Pirelli totalled euro 316.4 million (-7% as compared with the same period of 2011), with an EBIT margin of 10.4%.

Net sales for the nine months to September 30, 2012 totalled euro 902.2 million, down 5.7% from 2011, with an EBIT margin of 9.5% that was 1.6 percentage points than in 2011.

The new Series 01 products were gradually introduced on the market during 2012. In particular, these included the launch of the Winter product in January, with a series of live demonstrations organised on snow and ice-covered roads to show journalists and customers the performance and safety features of our new products under extreme use conditions.

The Series 01 products have rolling resistance values that are at the same level as those of its best competitors and have proven to be at the top for wet grip.

In addition to the new Series 01 Winter product for Europe, the Regional, On-Off and Semitrailer applications of the Series 01 were launched in Istanbul for the Africa and Middle East markets, while the new Diamante Nero product was launched in Egypt, representing the top of the line of Pirelli products offered in that country.

Rounding out the Series 01 line and featuring maximum attention to eco-sustainability and safety, Pirelli has complemented its tyre products with a new, innovative system (Cyber TM Fleet) for monitoring temperature and pressure. Maintaining optimal tyre temperature and pressure are essential to guaranteeing safety and reducing rolling resistance.

Agricultural Business (12% of net sales in the industrial segment)

Net sales fell by 5.7% in Q3 2012 (with the impact of sales volumes -1.3%, and the foreign exchange impact -4.2%), resulting in a cumulative result of euro 138 million at September 30, 2012, 9% less than in 2011, where the volume effect is -9%, with a price/mix component (+3.5%) that offset the negative foreign exchange impact, and an EBIT margin of 16.2% (compared with 16.7% in the previous year).

The business continues to be heavily focused on South America, which accounts for 85% of total turnover.

In Brazil the agricultural market grew by 1% in the replacement segment and 5.8% in the original equipment segment during the nine months to September 30, 2012.

The reduction of net sales in Argentina also impacted this business, which suffered from the delayed soybean harvest season.

Steel Cord Business (6% of net sales in the industrial segment)

Net sales of steel cord in the first nine months of 2012 were lower than in the same period of 2011, with the consumer segment contracting by 5%, while the industrial segment (Truck+Agro/OTR) contracted by 18%. In spite of the market contraction, the hose wire product business, which is related to the production of high pressure pipes for new vehicles, grew by 5% due to the advantage of offering service from plants located close to customer locations.

The lower aggregate volumes and different sales mix made it necessary to reduce production in order to maintain an adequate level of inventories.

Geographical Areas

Europe

In the face of an extremely negative market situation during the period, Pirelli left its pricing policy unchanged and improved its mix from the previous year.

Following introduction of the new Series 01 products in 2011, the truck business currently offers a product range that satisfies new European regulations governing eco-sustainability and safety, which will go into effect in the last quarter, being fully enforceable from November. The new winter segment will allow Pirelli to seize growth opportunities in the second half.

South America

Pirelli confirmed its leadership in the original equipment segment by increasing its market share, although the market contracted by 28% in both 3Q 2012 and in the first nine months of 2012.

The programme to focus on dealers and fleets was launched in the replacement segment, while the Formula brand product supporting Pirelli was introduced on the market.

MEA

Net sales on the Turkish market tracked a negative trend in both the replacement segment (-13% in the nine months to September and -8% in Q3 2012) and especially in the original equipment segment (-24% in the nine months to September 30, 2012 and -30% in Q3 2012), while Pirelli still managed to improve its own position.

The Egyptian market remained steady at the same level of the previous year, while industrial activity resumed at the Pirelli plant after a positive conclusion in July to a strike that had hit the factory.

Refocusing on the mix and repositioning of prices continued in Middle East Africa, benefiting from stable demand.

Apac

The Chinese market continued slowing down in 3Q 2012, especially in the original equipment segment. This trend led Pirelli to refocus on fleets and the mix offered to the domestic market and increase sales in other countries of the region.

BUSINESS OUTLOOK IN 2012

Barring unforeseeable events, **Pirelli expects a 2012 profitability target of approximately 800 million euro**, even with an accelerated reduction of non-premium production and the deterioration of the macro-economic scenario particularly in Europe. This result will be achieved thanks to the focus on Premium products, the growth of which has been sustained particularly in rapidly developing economies, to a stable pricing policy, an increase of the efficiency plan to 155 million euro (from 150 million euro) and the reduction of costs, in particular those of raw materials. These actions allow for **an increase of margin targets (Ebit margin) to 13% compared with the prior "above 12".**

As a consequence of the speedier exit from the standard segment and the slowdown of the European macro-economic scenario, the overall volume target has been lowered to -5%/-5.5% from the prior -3%/-4%, with a Premium volume target revised to +17%/+18% from the prior +20%, while the price/mix is seen at over +11% (prior target +11%/+12%). Further, a reduction in standard production in Russia is also foreseen, with a consequent sales reduction to approximately 200 million euro (previous target 250 million euro). These elements, together with the negative impact of the exchange rate effect (-1%), determined a 2012 **sales forecast of approximately 6.15 billion euro**, revised from the previous target of approximately 6.4 billion euro.

The **net financial position** is expected to be negative for an amount **equal or superior to 1.2 billion euro** after dividend payments (previous target below 1.1 billion euro), in consideration of the level of sales and operational activity in Europe, which will bring inventories to an optimal level in the first quarter of 2013.

HIGHLIGHTS OF OTHER ACTIVITIES

The other businesses are comprised by Pirelli & C. Eco Technology S.p.A., Pirelli & C. Ambiente S.p.A., PZero S.r.l., while in 2011 they also included the Group holding and service companies, including the parent, Pirelli & C. S.p.A., which are now consolidated in the Tyre Business.

(in millions of euro)

	Pirelli Eco Technology		Pirelli Ambiente		Pzero		Other		Total other activities	
	9/30/2012	9/30/2011	**9/30/2012**	9/30/2011	**9/30/2012**	9/30/2011	**9/30/2012**	9/30/2011	**9/30/2012**	9/30/2011
Net sales	**20.3**	31.8	**2.1**	0.8	**8.8**	8.0	**-**	(0.5)	**31.2**	40.1
Gross operating profit before restructuring expenses	**(4.6)**	(7.4)	**(0.1)**	(4.7)	**(11.1)**	(6.6)	**-**	(6.5)	**(15.8)**	(25.2)
Operating income before restructuring expenses	**(7.2)**	(9.8)	**(0.6)**	(4.8)	**(11.7)**	(6.9)	**-**	(11.7)	**(19.5)**	(33.2)
Restructuring expenses	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Operating income	**(7.2)**	(9.8)	**(0.6)**	(4.8)	**(11.7)**	(6.9)	**-**	(11.7)	**(19.5)**	(33.2)

At September 30, 2012 **net sales** totalled euro 31.2 million, compared with euro 40.1 million in the same period a year earlier, with the decrease being attributable entirely to Pirelli & C. Eco Technology.

The **operating loss** was euro 19.5 million, compared with a loss of euro 33.2 million in the same period of 2011. Of this change, euro 11.7 million resulted from transfer of the financial and service activities (including those of the parent company) to the Tyre Business in 2012, with the remainder of the change resulting principally from consolidation of efficiency gains in the business organisations related to environmental business products, while the Pzero business suffered from the negative macroeconomic cycle.

PARENT HIGHLIGHTS

The following table illustrates highlights of the parent's operating results, earnings and financial position:

(in millions of euro)	**9/30/2012**	9/30/2011	12/31/2011
Operating income (loss)	9.8	(14.1)	(23.8)
Net financial income and net income from equity investments	220.0	149.4	150.8
Net income of continuing operations	244.7	160.2	144.4
Prior period deferred tax assets - Italy	-	-	128.1
Net income	**244.7**	**160.2**	**272.5**
Non current financial assets	1,414.4	1,449.5	1,367.4
Equity	**1,846.4**	**1,645.0**	**1,740.6**
Net financial (liquidity)/debt position	(204.2)	(129.2)	(200.7)

At September 30, 2012 the parent company had **total net income** of euro 244.7 million, compared with euro 160.2 million for the first nine months of 2011. During the period it received the balance of the euro 210.0 million dividend from its subsidiary Pirelli Tyre resulting from the Annual Report 2011.

The **net financial (liquidity)/debt position** was a **positive** euro 204.2 million (of which euro 170.6 million for the financial receivable and related interest accrued from Prelios S.p.A.) and almost the same as at December 31, 2011 (when it was a positive euro 200.7 million). In the period it was impacted by the collection of dividends from subsidiaries and other equity investments totalling euro 215.2 million, which were offset by payment of the euro 132.3 million dividend and share capital increases at Pirelli EcoTechnology S.p.A., Pirelli & C. Ambiente S.p.A. and Pzero S.r.l. totalling euro 77.5 million.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There are no significant events occurred after the end of the quarter to be reported on.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the financial performance measures established by the International Financial Reporting Standards (IFRSs), this report presents certain measures that are derived from although not required by IFRSs (“*Non-GAAP Measures*”). These performance measures are presented to facilitate understanding of Group operating performance and should not be construed as substitutes for the information required under the IFRSs.

Specifically, the following *Non-GAAP Measures* are used:

- **Gross Operating Profit:** Gross operating profit is an intermediate economic measure deriving from operating income, but excluding depreciation and amortisation of property, plant and equipment and intangible assets;
- **Non-current assets:** this measure is the sum of “property, plant and equipment,” “intangible assets,” “investments in associates and joint ventures” and “other financial assets”;
- **Provisions:** this measure is the sum of “provisions for liabilities and charges (current and non-current),” “provisions for employee benefits” and “provisions for deferred tax liabilities”;
- **Operating working capital:** this measure is the sum of “inventories,” “trade receivables,” and “trade payables”;
- **Net working capital:** this measure consists of operating working capital and the other receivables and payables not included in “net financial (liquidity)/debt position”;
- **Net financial (liquidity)/debt position:** this performance measure is represented by gross financial debt less cash and cash equivalents and other financial receivables. The section “Financial statements” includes a table showing the the balance sheet line items used to calculate such measure.

OTHER INFORMATION

The Board of Directors, taking into account the simplification of the regulatory requirements introduced by Consob in the Issuer Regulation 11971/99, decided to take advantage of the option to break with, in accordance with that which is foreseen in Art. 70, paragraph 8, and Article 71, paragraph 1-bis of said regulation, the obligation to publish information documents on occasion of significant operations of mergers, demergers, capital increases through the conferring of goods in kind, acquisitions and disposals.

Related party transactions

The related party transactions, including intercompany transactions, cannot be classified as either unusual or atypical, insofar as they are part of ordinary Group operations. When these transactions are not settled at standard conditions or specific conditions imposed by law, they are still settled on an arm’s length basis and executed in accordance with the Pirelli Procedure for Related Party Transactions.
The impact of related party transactions on the consolidated earnings, assets and liabilities of the Pirelli & C. Group at September 30, 2012 is illustrated as follows.

Relations with associates

(in millions of euro)		
Revenue from sales and services	1.6	The amount mainly concerns services provided by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd (euro 0.9 million); Pirelli & C. Ambiente S.p.A. to Idea Granda Società Consortile r.l. (euro 0.5 million).
Other costs	12.8	The amount mainly concerns: costs for purchase of products of Pirelli Tyre Co. Ltd (euro 11.7 million) and Pirelli Tyre S.p.A. (euro 0.9 million) om Sino Italian Wire Technology Co. Ltd; costs of Pirelli & C. S.p.A. from CORIMAV (euro 0.1 million).
Financial income	0.7	The amount relates to interest income on the loan granted by Pirelli International Ltd to Sino Italian Wire Technology Co. Ltd..
Current trade receivables	5.9	The amount mainly concerns receivables for provision of services by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd (euro 5.5 million); Pirelli & C. Ambiente S.p.A. to Idea Granda Società Consortile r.l. (euro 0.4 million).
Current other receivables	0.1	The amount consists of receivables of Pirelli Tyre S.p.A.from Sino Italian Wire Technology Co. Ltd..
Current financial receivables	28.6	The amount consists mainly of receivables of: Pirelli International Ltd. from Sino Italian Wire Technology Co. Ltd (euro 23.2 million); Solar Utility S.p.A. from GWM Renewable Energy II S.p.A. (euro 5.0 million)
Current trade payables	0.3	The amount consists of payables for provision of services by: Sino Italian Wire Technology Co. Ltd to Pirelli Tyre S.p.A. (euro 0.1 million); Corimav to Pirelli & C. S.p.A. (euro 0.1 million).
Current other payables	0.1	The amount concerns payables of Pirelli Deutschland Gmbh
Current borrowing from banks and other financial institutions	0.1	The amount mainly concerns the current account between Pirelli Servizi Amministrazione e Tesoreria S.p.A. and Corimav (euro 0.1 million).

TRANSACTIONS WITH PARTIES RELATED TO PIRELLI THROUGH DIRECTORS		
(in millions of euro)		
Other income	0.8	The amount mainly refers to services provided by Pirelli Sistemi Informativi S.p.A. to Prelios Group and Camfin Group (euro 0.1 million) and to rental income and associated operating expenses of Pirelli & C. S.p.A. from Prelios S.p.A. and from Camfin Group.
Other costs	10.1	The amount is mainly refers advertising costs owed to FC Internazionale Milano S.p.A. (euro 9.6 million) and to costs for leases of Poliambulatorio Bicocca S.r.l. (euro 0.2 milioni) to the Prelios Group.
Financial income	10.8	The amount refers to accrued interest (euro 10.3 million) and up-front fees (euro 0.5 million) on the outstanding loan granted to Prelios S.p.A. by Pirelli & C. S.p.A..
Non current other financial receivables	160.0	The amount refers only to the loan granted to Prelios S.p.A. as part of the spin-off
Current trade receivables	2.9	The amount refers to receivables connected to the services provided to Prelios Group (euro 2.4 million) by Pirelli Sistemi Informativi (euro 1.5 million), Pirelli & C. S.p.A. (euro 0.2 million), Pirelli & C. Ambiente Site Remendation S.p.A. (euro 0.4 million) and Poliambulatorio Bicocca S.r.l. (euro 0.1 million); to Camfin Group and to Partecipazioni Industriali S.p.A. Group (euro 0.1 million).
Current other financial receivables	10.3	The amount refers to accrued interest to be received by Pirelli & C. S.p.A. from Prelios S.p.A..
Non current borrowings from banks and other financial institutions	2.7	The amount refers to the deferral of up-front fees on the outstanding loan granted to Prelios S.p.A. by Pirelli & C. S.p.A.
Current borrowings from banks and other financial institutions	0.7	The amount refers to the deferral of up-front fees on the outstanding loan granted to Prelios S.p.A. by Pirelli & C. S.p.A.
Current trade payables	4.1	The amount mainly refers to to payables to FC Internazionale Milano S.p.A. (euro 3.2 million) and to Prelios Group (euro 0.7 million).
Investments in other financial assets (cash outflow)	0.8	This refers to the capital increase of F.C. Internazionale Milano S.p.A. and of Sint. S.p.A.

RELATED PARTY TRANSACTIONS (in milllions of euro)		
Other income	0.1	The amount refers mainly to income of Pirelli Deutschland Gmbh from Allianz S.p.A. (euro 0.1 million).
Other costs	2.8	The amount mainly refers to insurance costs of Pirelli Tyre S.p.A. (euro 1.2 million), Pirelli Industrie Pneumatici S.r.l. (euro 0.6 million), Pirelli Deuschland Gmbh (euro 0.3 million) and fo Pirelli & C. S.p.A. (euro 0.4 million) owed to Allianz S.p.A., Assicurazioni Generali S.p.A. and Fonsai S.p.A..
Non current other receivables	0.5	The amount refers mainly to receivables of Pirelli & C. S.p.A. from Allianz S.p.A..
Current other receivables	0.9	The amount refers to insurance costs shown above of Pirelli Tyre S.p.A. (euro 0.3 million) and of Pirelli Industrie Pneumatici S.r.l. (euro 0.6 million) owed to Allianz S.p.A., Assicurazioni Generali S.p.A. and Fonsai S.p.A..
Current trade payables	0.1	The amount mainly refers to payables of Pirelli Deutschland Gmbh towards Allianz S.p.A. (euro 0.1 million).

The Board of Directors

Milan, November 12, 2012

FINANCIAL STATEMENTS

FORM AND CONTENTS

The Interim Management Statements at September 30, 2012 have been prepared in accordance with Article 154-*ter* of Italian Legislative Decree 58/1998 and applicable Consob instructions.

The International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and in force at the time of approval of this report, have been followed for the purposes of recognition and measurement.

The accounting standards and policies are the same as those used to prepare the half-yearly financial report at June 30, 2012, to which reference is made for more details.

CONSOLIDATED BALANCE SHEET (in thousands of euro)

	9/30/2012	12/31/2011 (*)
Property, plant and equipment	2,579,385	2,400,727
Intangible assets	1,004,043	909,614
Investments in associates	114,346	140,114
Other financial assets	116,423	127,037
Deferred tax assets	183,910	198,748
Other receivables	357,505	347,870
Tax receivables	9,633	10,156
Non-current assets	**4,365,245**	**4,134,266**
Inventories	1,153,696	1,036,675
Trade receivables	1,115,488	745,238
Other receivables	341,084	281,737
Securities held for trading	231,237	160,503
Cash and cash equivalents	227,343	556,983
Tax receivables	39,540	29,484
Derivative financial instruments	61,180	70,346
Current assets	**3,169,568**	**2,880,966**
Total Assets	**7,534,813**	**7,015,232**
Equity attibutable to owners of the Parent:	2,278,654	2,146,099
- Share capital	1,343,285	1,343,285
- Reserves	629,041	351,206
- Net income (loss)	306,328	451,608
Equity attributable to non-controlling interests:	50,286	45,479
- Reserves	48,288	56,436
- Net income (loss)	1,998	(10,957)
Equity	**2,328,940**	**2,191,578**
Borrowing from bank and other financial institutions	1,902,807	1,402,497
Other payables	70,888	53,980
Provisions for liabilities and charges	138,908	156,898
Provisions for deferred tax liabilities	44,783	36,298
Employee benefit obligations	496,418	481,736
Tax payable	4,405	4,817
Non-current liabilities	**2,658,209**	**2,136,226**
Borrowing from bank and other financial institutions	739,514	369,451
Trade payable	1,054,904	1,382,772
Other payables	474,396	631,237
Provisions for liabilities and charges	107,786	124,671
Tax payables	69,347	75,385
Derivative financial instruments	101,717	103,912
Current liabilities	**2,547,664**	**2,687,428**
Total liabilities and equity	**7,534,813**	**7,015,232**

The consolidated balance sheet has been restated to include retrospectivly the effects of the final purchase price allocation connected to the business combination "acquisition Russia".

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	Q3 2012	Q3 2011
Revenues from sales and services	4,574,071	4,265,841
Other income	124,194	114,159
Change in inventories of work in progress, semi-finished and finished products	44,176	81,321
Raw materials and consumables (net of change in inventories)	(1,648,490)	(1,822,465)
Personal expenses	(904,735)	(845,122)
Amortisation,depreciation and impairment	(198,844)	(170,018)
Other costs	(1,400,395)	(1,174,671)
Additions to property ,plant and equipment for internal work	2,852	2,175
Operating income	**592,829**	**451,220**
Net income (loss) from equity investments	(26,448)	3,026
- share of net income (loss) of asscoiates and jv	*(23,174)*	*(1,166)*
- gains on equity investments	*503*	*3,545*
- losses on equity investments	*(4,778)*	*(556)*
- dividends	*1,001*	*1,203*
Financial income	29,953	46,366
Financial expenses	(118,222)	(110,503)
Net income (loss) before income tax	**478,112**	**390,109**
Income tax	(169,786)	(138,799)
Net income (loss)	**308,326**	**251,310**
Attributable to:		
Owners of the parent	306,328	255,347
Non-controlling interests	1,998	(4,037)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		09/30/12		
		Gross	**Tax effect**	**Net**
A	**Net income (loss)**			**308,326**
	Other components recognised in Equity:			
	(Gains) losses on other financial assets transferred to income statement, previously recognised in Equity	(413)	-	(413)
	(Gains) losses on cash flow hedges transferred to income statement, previously recognised in Equity	25,002	(1,118)	23,884
B	**(Gains) losses transferred to income statement previously recognised directly in Equity**	**24,589**	**(1,118)**	**23,471**
	Exchange differences from translation of foreign financial statements	(33,345)	-	(33,345)
	Fair value adjustment of other financial assets	(6,015)	-	(6,015)
	Net actuarial gains (losses) on employee benefits	(26,314)	1,680	(24,634)
	Fair value adjustment of derivatives designated as cash flow hedges	(12,527)	(641)	(13,168)
	Share of other components recognised in Equity related to associates and joint ventures	(235)	-	(235)
C	**Income (loss) recognised directly in Equity**	**(78,436)**	**1,039**	**(77,397)**
B+C	**Total other components recognised in Equity**	**(53,847)**	**(79)**	**(53,926)**
A+B+C	**Total comprehensive income (loss)**			**254,400**
	Attributable to:			
	- Owners of the Parent			252,961
	- Non-controlling interests			1,439

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		09/30/11		
		Gross	**Tax effect**	**Net**
A	**Net income (loss)**			**251,310**
	Other components recognised in Equity:			
	(Gains) losses on other financial assets transferred to income statement, previously recognised in Equity	(412)	-	(412)
	(Gains) losses on cash flow hedges transferred to income statement, previously recognised in Equity	762	(614)	148
B	**(Gains) losses transferred to income statement previously recognised directly in Equity**	**350**	**(614)**	**(264)**
	Exchange differences from translation of foreign financial statements	(111,462)	-	(111,462)
	Fair value adjustment of other financial assets	(18,259)	-	(18,259)
	Net actuarial gains (losses) on employee benefits	(10,246)	(394)	(10,640)
	Fair value adjustment of derivatives designated as cash flow hedges	(6,796)	1,881	(4,915)
	Share of other components recognised in Equity related to associates and joint ventures	255	-	255
C	**Income (loss) recognised directly in Equity**	**(146,508)**	**1,487**	**(145,021)**
B+C	**Total other components recognised in Equity**	**(146,158)**	**873**	**(145,285)**
A+B+C	**Total comprehensive income (loss)**			**106,025**
	Attributable to:			
	- Owners of the Parent			109,981
	- Non-controlling interests			(3,956)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 9/30/2012

(in thousands of euro)

	Attributable to owners of the Parent						
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/retained earnings	**Total attributable to owners of the Parent**	**Non controlling interests**	**TOTAL**
Total at 12/31/2011	**1,343,285**	**64,446**	**(513,494)**	**1,251,862**	**2,146,099**	**45,479**	**2,191,578**
Totale other components recognised in Equity	-	(32,786)	(20,581)	-	(53,367)	(559)	(53,926)
Net income (loss)	-	-	-	306,328	306,328	1,998	308,326
Total gains (losses)	-	**(32,786)**	**(20,581)**	**306,328**	**252,961**	**1,439**	**254,400**
Capital increases (decreases)	-	-	-	-	-	5,487	5,487
Dividends paid	-	-	-	(132,382)	(132,382)	(3,006)	(135,388)
Venezuela inflation effect	-	-	-	13,326	13,326	524	13,850
Other	-	-	-2,209	859	(1,350)	363	(987)
Total at 9/30/2012	**1,343,285**	**31,660**	**(536,284)**	**1,439,993**	**2,278,654**	**50,286**	**2,328,940**

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Reserve for deferred taxes	**Total IAS reserve**
Balance at 12/31/2011	**(19,216)**	**(55,304)**	**(486,562)**	**47,588**	**(513,494)**
Total other components recognised in Equity	(6,427)	12,240	(26,314)	(79)	(20,580)
Other changes	(2,543)	-	334	-	(2,209)
Balance at 9/30/2012	**(28,186)**	**(43,065)**	**(512,541)**	**47,508**	**(536,284)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 9/30/2011

(in thousands of euro)

	Attributable to owners of the Parent						
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/retained earnings	**Total attributable to owners of the Parent**	**Non controlling interests**	**TOTAL**
Total at 12/31/2010	**1.375.733**	**127.427**	**(378.909)**	**866.580**	**1.990.831**	**37.152**	**2.027.983**
Totale other components recognised in Equity	-	(111.542)	(33.823)	-	(145.365)	80	(145.285)
Net income (loss)	-	-	-	255.347	255.347	(4.037)	251.310
Total gains (losses)	**-**	**(111.542)**	**(33.823)**	**255.347**	**109.982**	**(3.957)**	**106.025**
Capital increases (decreases)	(32.448)	-	-	32.448	-	9.413	9.413
Acquisition of non.controlling interests- China	-	-	-	(10.228)	(10.228)	(17.796)	(28.024)
Dividends paid	-	-	-	(81.113)	(81.113)	(2.393)	(83.506)
Venezuela inflation effect	-	-	-	16.179	16.179	636	16.815
Other	-	-	-	839	839	324	1.163
Total at 9/30/2011	**1.343.285**	**15.885**	**(412.732)**	**1.080.052**	**2.026.490**	**23.379**	**2.049.869**

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Reserve for deferred taxes	**Total IAS reserve**
Balance at 12/31/2010	**16,131**	**(27,509)**	**(405,889)**	**38,358**	**(378,909)**
Total other components recognised in Equity	(18,671)	(5,779)	(10,246)	873	(33,823)
Balance at 9/30/2011	**(2,540)**	**(33,288)**	**(416,135)**	**39,231**	**(412,732)**

CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of euro)

		Q3 2012	Q3 2011
	Net income (loss) from continuing operations before taxes	478,112	390,109
	Amortisation, depreciation, impairment losses and reversals of impaired property, plant and equipment and intangible assets	198,844	170,018
	Reversal of financial expenses	118,222	110,503
	Reversal of financial income	(29,953)	(46,366)
	Reversal of dividends	(1,001)	(1,203)
	Reversal of gains/(losses) on equity investments	4,275	(2,989)
	Reversal of share of net income from associates and joint ventures	23,174	1,166
	Income taxes	(169,786)	(138,799)
	Change in inventories	(97,988)	(235,749)
	Change in trade receivables	(369,356)	(380,373)
	Change in trade payables	(335,653)	168,140
	Change in other receivables/payables	(66,817)	18,946
	Change in provisions for employee benefits and other provisions	(36,774)	(6,939)
	Other changes	(38,735)	9,529
A	**Net cash flows provided by (used in) operating activities**	**(323,436)**	**55,993**
	Purchase of property, plant and equipment	(319,515)	(393,902)
	Disposal of property, plant and equipment	2,099	16,718
	Purchase of intangible assets	(7,903)	(2,255)
	Acquisitions of equity investments in subsidiaries - Russia	(170,278)	-
	Acquisitions of equity investments in subsidiaries - Brazil (Campneus)	(21,220)	-
	Acquisitions of equity investments in subsidiaries - Sweden (Dackia) net of cash acquired	(69,717)	-
	Acquisitions of equity investments in subsidiaries - Cina	-	(28,024)
	Disposals (Acquisition) of avaible-for-sale financial assets	500	-
	Disposals (Acquisition) of equity investments in associates and joint ventures	-	(2,497)
	Disposals (Acquisition) of other financial assets	1,921	7,171
	Dividends received	1,001	1,203
B	**Net cash flows provided by (used in) investing activities**	**(583,112)**	**(401,586)**
	Increase (reduction) in Equity	5,487	4,740
	Change in financial payables	841,185	611,051
	Change in financial receivables	(96,340)	(86,360)
	Financial income (expenses)	(88,269)	(64,137)
	Dividends paid	(135,286)	(83,506)
C	**Net cash flows provided by (used in) financing activities**	**526,777**	**381,788**
D	**Total cash flows provided (used) during the period (A+B+C)**	**(379,771)**	**36,195**
E	**Cash and cash equivalents at beginning of year**	**542,443**	**226,770**
F	Exchange differences on translation of cash and cash equivalents	(2,820)	(5,124)
G	**Cash and cash equivalents at end of the period (D+E+F) (°)**	**159,852**	**257,841**
(°)	**of which:**		
	cash and cash equivalents	227,343	286,708
	bank overdrafts	(67,491)	(28,867)

Net financial (liquidity)/debt position
(alternative performance measure not envisaged by the accounting standards)

The following is a breakdown of net financial (liquidity)/debt position:

(in thousands of euro)

	09/30/2012	12/31/2011
Current borrowing from bank and other financial institutions	739,514	369,451
Current derivative financial instruments (liabilities)	19,870	6,138
Non-current borrowing from bank and other financial institutions	1,902,807	1,402,497
Total gross debt	**2,662,191**	**1,778,086**
Cash and cash equivalents	(227,343)	(556,983)
Securities held for trading	(231,237)	(160,503)
Current financial receivables	(64,728)	(52,536)
Current derivative financial instruments (assets)	(21,030)	(20,262)
Net financial debt *	**2,117,853**	**987,802**
Non-current financial receivables	(249,061)	(250,733)
Total net financial (liquidity) debt position	**1,868,792**	**737,069**

* Pursuant to Consob Notice of July 28,2006 and in compliance with CESR recommendation of February 10,2005 "Recommendations fot the consistent implementation of the European Commission regulation on Prospectuses"

Exchange rates

(local currency against euro)

	Period-end		Change in %	Average		Change in %
	09/30/2012	09/30/2011		2012	2011	
Venezuela Bolivar Fuerte	5.5599	5.8063	(4.24%)	5.5599	5.8063	(4.24%)
Swedish Krona	8.4498	9.2580	(8.73%)	8.7329	9.0083	(3.06%)
Australian Dollar	1.2396	1.3874	(10.65%)	1.2386	1.3540	(8.52%)
Canadian Dollar	1.2684	1.4105	(10.07%)	1.2842	1.3753	(6.62%)
Singapore Dollar	1.5848	1.7589	(9.90%)	1.6126	1.7540	(8.06%)
U.S. Dollar	1.2930	1.3503	(4.24%)	1.2813	1.4070	(8.93%)
Taiwan Dollar	37.8655	41.1369	(7.95%)	38.0617	40.9341	(7.02%)
Swiss Franc	1.2099	1.2170	(0.58%)	1.2043	1.2342	(2.42%)
Egyptian Pound	7.8841	8.0527	(2.09%)	7.7587	8.3446	(7.02%)
Turkey Lira (new)	2.3196	2.5278	(8.24%)	2.3107	2.2883	0.98%
New Romanian Leu	4.5383	4.3575	4.15%	4.4354	4.2056	5.47%
Argentinean Peso	6.0732	5.6780	6.96%	5.7255	5.7578	(0.56%)
Mexican Peso	16.6348	18.5969	(10.55%)	16.9608	16.9371	0.14%
South African Rand	10.7125	10.9085	(1.80%)	10.3084	9.8240	4.93%
Brazilian Real	2.6256	2.5040	4.86%	2.4618	2.2978	7.14%
Chinese Renminbi	8.1989	8.5810	(4.45%)	8.0939	9.1414	(11.46%)
Russian Ruble	40.2074	43.3979	(7.35%)	39.7633	40.4900	(1.79%)
British Pound	0.7981	0.8667	(7.92%)	0.8122	0.8715	(6.81%)
Japanese Yen	100.3700	103.7900	(3.30%)	101.6924	113.2573	(10.21%)

Certification pursuant to Article 154-*bis*(2)

of Legislative Decree 58 of February 24, 1998 ("Consolidated Finance Law")

I, Francesco Tanzi, the Corporate Financial Reporting Manager of Pirelli & C. S.p.A., with registered office at Viale Piero e Alberto Pirelli 25, Milan, Italy, share capital of euro 1,345,380,534.66, taxpayer identification number, VAT registration number and entry in the Milan Companies Register at number 00860340157, hereby

Certify

pursuant to Article 154-bis(2) of the Consolidated Finance Law, that the accounting information contained in the interim management statements at September 30, 2012 corresponds with the company's accounting records.

Milan, November 12, 2012

Francesco Tanzi
Corporate Financial
Reporting Manager