



PRESS RELEASE

PIRELLI & C. SPA BOARD APPROVES CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013:

- RESULTS IN LINE WITH 2013 TARGETS
 - PROFITABILITY 13%, ROI 20%
 - 2013 REVENUES +8.4% EXCLUDING EXCHANGE RATE IMPACT
- PREMIUM VOLUMES +15.3% IN 2013, BETTER THAN TARGET OF "ABOVE 13%", +27.5% IN Q4
- ELEVATED NET CASH GENERATION, 232.4 MILLION IN 2013 (TARGET OVER 200 MILLION), IN Q4 NET CASH GENERATION 648.5 MILLION EURO

PIRELLI & C. SPA

2013 Results

- REVENUE 6,146.2 MILLION EURO (+1.2% COMPARED WITH 6,071.5 MILLION IN 2012), AN INCREASE OF 8.4% EXCLUDING EXCHANGE RATE IMPACT
- PREMIUM REVENUE 2,210.0 MILLION EURO (+6.5% COMPARED WITH 2,075.4 MILLION IN 2012)
- TOTAL VOLUMES +5.7%, PREMIUM VOLUMES +15.3%, INDUSTRIAL VOLUMES +8.7%
 - EBIT 791.0 MILLION EURO (IN LINE WITH 792.5 MILLION IN 2012)
 - EBIT MARGIN 12.9% (13.1% IN 2012)
- NET PROFIT 306.5 MILLION EURO (391.5 MILLION IN 2012) DISCOUNTS SHAREHOLDING RESULTS AND NET FINANCIAL CHARGES
- NET FINANCIAL POSITION NEGATIVE 1,322.4 MILLION EURO (1,970.9 MILLION EURO ON 30 SEPT. 2012 AND 1,205.2 MILLION EURO IN 31 DEC. 2012), ACHIEVES TARGET OF LEVEL BELOW 1.4 BILLION EURO

TYRE ACTIVITIES

- REVENUES 6,115.8 MILLION EURO (+1.4% COMPARED WITH 6,031.3 MILLION IN 2012), AN INCREASE OF 8.6% EXCLUDING EXCHANGE RATE EFFECT
 - EBIT 822.0 MILLION EURO (820.8 MILLION IN 2012), EBIT MARGIN 13.4% (13.6% NEL 2012)
- CONSUMER EBIT MARGIN 13.3% (14.5% NEL 2012), INDUSTRIAL EBIT MARGIN 13.8% (11.1% A YEAR EARLIER)

Fourth quarter results

- REVENUES 1,490.0 MILLION EURO, IN LINE WITH 1,488.4 MILLION A YEAR EARLIER, AN INCREASE OF 9.2% WITHOUT EXCHANGE RATE EFFECT
- EBIT 222.2 MILLION EURO (+10.8% COMPARED WITH 200.5 A YEAR EARLIER), EBIT MARGIN 14.9% (13.5% IN 2012)
- CONSUMER EBIT MARGIN 15% (13.8% IN 2012), INDUSTRIAL EBIT MARGIN 14.7% (12.6% IN 2012)

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- THE BOARD ON JUNE 12 WILL PROPOSE TO SHAREHOLDERS THE DISTRIBUTION OF A DIVIDEND OF 0.32 EURO PER ORDINARY SHARE (0.32 THE PRIOR YEAR) AND 0.39 EURO PER SAVINGS SHARE (0.39 THE PRIOR YEAR), AND THEREFORE UNCHANGED FROM THE PRIOR YEAR

2014 TARGETS

- CONSOLIDATED EBIT CONFIRMED AT AROUND 850 MILLION EURO AFTER RESTRUCTURING COSTS OF 50 MILLION EURO
- IMPROVED PRICE MIX (+4%/+5% FROM +3%/+4%) AND RAW MATERIAL SCENARIO OFFSET IMPACT ON EBIT OF GREATER EXPECTED EXCHANGE RATE VOLATILITY
 - CONSOLIDATED SALES AROUND 6.2 BILLION EURO (FROM 6.6 BILLION) ESSENTIALLY BECAUSE OF WORSENING EXCHANGE RATE EFFECT -9%/-10% (-2%/-3% INDICATED LAST NOVEMBER)
- INVESTMENTS CONFIRMED AT UP TO 400 MILLION EURO
- CASH GENERATION CONFIRMED AT ABOVE 250 MILLION EURO AND NET FINANCIAL POSITION APPROXIMATELY NEGATIVE 1.2 BILLION EURO

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Following the coming into effect from January 1^o, 2013 of the new principle IAS 19 revised "Employee Benefits", the data relative to 2012 have been restated. In the present document, comments of variation compared with December 31, 2012 are always refer to the restated data, unless otherwise indicated.

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Milan, 27 March 2014 – The Board of Directors of Pirelli & C. SpA today reviewed and approved results for the year ended December 31st, 2013.

The 2013 **operating results** of the Pirelli group show revenue growth and stable profitability, regardless of exchange rate volatility and the difficult macro-economic context, which affected Europe in particular. The positive performance of emerging markets more than offset the weakness of mature markets, with an increase of revenues of 4.3% compared with a reduction of sales in Europe (-2.2%) and in the Nafta area (-1.5%). There were particularly positive performances in South America (+5.2%) and Apac (+14.5%), while Russia remained substantially in line with the previous year and the Middle East Africa area saw a decline of 5% compared with the prior year, impacted by elevated exchange rate volatility.

Notwithstanding the unfavorable exchange rate impact, linked in particular to the devaluation of Latin American currencies, revenues saw growth of 1.2% to over 6.1 billion euro, which adjusted for the exchange rate effect is 8.4%, while Ebit was in line with 2012 levels and 2013 targets. In the fourth quarter alone, in particular, profitability improved markedly when compared both with the same period a year earlier and the preceding quarter thanks to a better product mix, as can be seen in the strong growth of Premium volumes. Tyre Ebit in the last quarter was 222.2 million euro, an increase from 200.5 million euro a year earlier and equal to 14.9% of sales, up from 13.5%. Profitability improved in both the Consumer business, which saw a fourth quarter Ebit margin of 15% (13.8% in the same period of 2012) and the Industrial business (Ebit margin 14.7% from the prior 12.6%).

Total volumes grew 5.7% in 2013, thanks to the favorable performance of both business segments: +4.6% in Consumer thanks to sales' increases in emerging markets, where volumes grew by 9.7%, and the good performance of Premium above all in Asia, South America and Nafta, while in Industrial volumes grew 8.7%, centred mainly in South America.

The **Premium** volumes, in particular, confirmed a rate of growth over three times greater than that of the entire Consumer segment and particularly favourable dynamics in emerging countries. Premium volumes grew by 15.3% in 2013, with a particularly positive performance in the fourth quarter, which saw an increase of 27.5%.

The **commitment to Research & Development activities**, fundamentally aimed at ensuring the constant product innovation which typifies Pirelli, was positioned among the highest levels of the sector. In 2013 Pirelli invested a total of 199.2 million euro – equal to 3.2% of sales - of which 163.3 million euro for activities linked to Premium products – equal to 7.4% of revenues in the segment.

Pirelli & C. SpA

Consolidated **revenues** on December 31st, 2013 stood at 6,146.2 million euro, an increase of 1.2% from 6,071.5 million euro a year earlier. Excluding the negative 7.2% impact linked to exchange rates, total revenues grew 8.4%. In the fourth quarter, in particular, revenues totaled 1,496.3 million euro, steady compared with 1,497.4 million euro in the corresponding prior period. Excluding exchange rate effects, which had a negative impact of 9.1%, revenues in the quarter grew 9%.

The **gross operating margin (Ebitda) before restructuring costs** was 1,105.4 million euro, in line with 1,102.9 million euro in 2012. In the fourth quarter, in particular, the gross operating margin was 292.0 million euro, an increase of 2.4% compared with 285.0 million euro in the same period of 2012.

The **operating result (Ebit)** was 791.0 million euro, in line with 792.5 million in 2012, even with a negative exchange rate impact of 62.7 million euro. The results were positively impacted by the contributions from volumes (+98 million euro) and price/mix (+47 million euro), the lower cost of raw material (+136 million

euro) and gross efficiencies (+74 million euro), which covered higher production costs, including amortizations. The operating result was further impacted by restructuring charges of 25.5 million euro (39.1 million euro on December 31st, 2012) linked to the ongoing rationalization of structures.

The **Ebit margin** – expressed as a percentage of sales – in 2013 stood at 12.9% compared with 13.1% the prior year.

In the fourth quarter, Ebit was 209.3 million euro (+9.1% compared with 191.7 million in the fourth quarter of 2012), with an Ebit margin of 14.0%, an improvement from 12.8% in the same period of 2012.

On December 31st, 2013, the **result from shareholdings** was negative 78.3 million euro (-52.2 million in the same period of 2012) mainly as a consequence of:

- 44.3 million relative to the fair value adjustment of the Prelios convertible financial instrument;
- 12.8 million due to the consolidation with the net equity method of the Prelios affiliate;
- 21.2 million relative to RCS Mediagroup (-4.9 million) which following the dissolution of the shareholder pact was reclassified as a financial activity affiliate available for sale; Mediobanca (-10.4 million), Fin.Priv (-1.3 million) and Alitalia (-4.9 million)

The **total consolidated net profit** was 306.5 million euro, a decrease of 21.7% from 391.5 million in 2012. The total was impacted by the results of shareholdings and the increase of approximately 45 million euro in financial charges (which amounted to 195.8 million euro) as a result of higher average level of debt above all in the first six months of 2013 and the diverse geographic mix of financings, the negative 8.3 million euro effect deriving from the devaluation of the Venezuelan currency on the local operations. In 2012 there was a benefit from financial gains deriving from the financing to Prelios S.p.A. of about 13 million euro and one-time income on exchange rates of 8.7 million euro linked to the launch of the activities in Russia.

In the fourth quarter of 2013 net profit was 48.4 million euro, a decrease of 45.1% from 88.2 million euro in the fourth quarter of 2012 essentially due to the Prelios impact (55.4 million euro).

Consolidated net profit attributable to Pirelli & C. Spa on December 31, 2013 amounted to 303.6 million euro compared with 387.1 million euro in the same period of 2012. Mainly following the impact of Prelios (-57.1 million euro).

Consolidated assets on December 31, 2013 stood at 2,436.6 million euro compared with 2,389.4 million euro on December 31, 2012. **Net consolidated assets attributable to Pirelli & C. SpA** amounts to 2,376.1 million euro compared with 2,337.4 million euro on December 31, 2012.

The **consolidated net financial position** was negative 1.322,4 million euro, in line with the target of below 1.4 billion euro announced last November, compared with 1,970.9 million euro on 30 September 2013 and 1,205.2 million euro on December 31, 2012. The variation from December 31, 2012 reflects, among other things, the dividend payment to shareholders in the second quarter of approximately 159.8 million euro, material and immaterial investments of 413.1 million euro, the conversion of a financial credit towards Prelios into shares and equity instruments following the closing of the real estate company's debt restructuring process and capital increase, with a total impact on the net financial position of 193 million euro, including the capital increase carried out through the company Fenice Srl of about 23 million.

The **total net cash flow**, before the effects of the financial reorganization of Prelios and the parent group's dividend payment, was positive 232.4 million euro (-335.8 million in 2012), in line with the target of over 200 million euro.

The **net cash flow from operations' management** in 2013 was positive 720.1 million euro, in marked improvement from the 281.1 million of the corresponding year earlier period, essentially due to the better management of working capital above all in the second quarter.

The **Group headcount** was 37,979 on December 31st, 2013 compared with 37,338 at the end of 2012.

The **parent group Pirelli & C. SpA** closed the year with a net profit of 191.9 million euro (234.4 million euro in 2012) after receiving dividends from unit Pirelli Tyre S.p.A. of 310 million euro and the adjustment of the values of activities which had a negative impact of 126.7 million euro.

The Board will propose to shareholders the distribution of a **dividend** of 0.32 euro per ordinary share (0.32 the prior year) and 0.39 euro per savings share (0.39 the prior year), equal to a total dividend payout of 156.7 million euro.

Tyre Activities

Sales on December 31, 2013 totaled 6,115.8 million euro, an increase of 1.4% from 6,031.3 million euro in 2012. Excluding the exchange rate effect (negative 7.2%) revenues grew 8.6%. This performance reflects volume growth (+5.7%), particularly relevant in emerging markets (+10.2%) which represented 55.7% of tyre sales during the year, and the component price/mix (+2.9%). In the fourth quarter, revenues were 1,490.0 million euro, substantially unchanged (+0.1%) compared with 1,488.4 million in the same period of 2012. Excluding the exchange rate effect, negative 9.1%, revenues increased by 9.2%.

With regard to the **Premium segment**, revenues on December 31, 2013 amounted to 2,210.0 million euro, an increase of 6.5% compared with 2,075.4 in the same year earlier period.

The **operating result (Ebit)** on December 31, 2013 was 822.0 million euro, an increase of 1.2 million euro (+0.1%) compared with 820.8 million euro in the same period a year earlier, with a margin equal to 13.4% (13.6% in 2012). The operating result reflects:

- The positive impact of the volume component (97.7 million euro);
- The price/mix contribution (47.3 million euro);
- Gross efficiencies before slowdown impacts of 74.0 million euro;
- Raw material costs 136.2 million euro lower;

which compensated for:

- The increase in the cost of production factors of 138.5 million euro;
- The increase of all other operating costs and amortizations of 168.4 million euro, mainly stemming from: 25.5 million for the transformation of the Settimo Torinese truck site into a new plant for the production of Premium Car tyres and start-up costs for the plants in Mexico and Russia; 34.2 million for greater amortizations; 30.3 million for greater commercial costs linked to the development of Premium;
- The negative exchange rate impact of 62.7 million euro.

In the fourth quarter the operating result (Ebit) was 222.2 million euro, an increase of 10.8% compared with 200.5 million euro in the corresponding period a year earlier, with an Ebit margin growing to 14.9% from 13.5% a year earlier.

- In the **Consumer business (Car/Light Truck and Moto tyres)**, sales totaled 4,478.9 million euro, an increase of 1.3% compared with 4,419.8 million euro in the corresponding period of 2012. Excluding the exchange rate effect, which had a negative impact of 6.5%, revenues in 2013 grew 7.8%. In total, **volumes** rose 4.6%, with the fourth quarter registering an increase of 6.9%.

Premium is confirmed as the driver of growth, with an increase in volumes (+15.3% in 2013) more than three times more than that of the entire Consumer segment and characterized by diverse regional dynamics. Growth continues to be strong in emerging markets (volumes +33%; revenues +22%), in particular in Asia (revenues +29%) and South America (revenues +25%), while in Russia revenue growth was more contained (+2%), in the Nafta area (+3%).

Europe saw revenue growth of 1.7% and volumes up 10.9%, thanks to the improvement clocked in the last quarter of 2013. The overall performance in Europe discounted the consumer crisis linked to the macro-economic performance, a partial adjustment of prices to the actual raw material scenario and a diverse mix of sales' channels, with greater weight in original equipment which is an investment for the future development of the replacement channel.

In the fourth quarter of 2013 revenues grew by 2.6% to 1,100.3 million euro (1,072.9 million euro in the same period of 2012). Excluding the exchange rate effect, which had a negative impact of 9.4%, revenues grew 12%. In the fourth quarter of 2013, **Premium** volumes grew 27.5%, after growing 19.1% in the third quarter of 2013 and 11.1% compared with the fourth quarter of 2012.

The operating result (Ebit) on December 31, 2013 was 596.4 million euro, with a margin of 13.3%, compared with 642.7 million euro in the same period of 2012 (14.5% of sales). In the fourth quarter Ebit was 165.0 million euro, compared with 148.0 million in the same period of 2012, with an Ebit margin of 15% (13.8% in the same period of 2012).

- In the **Industrial Business (Industrial Vehicles and Steelcord)** sales were 1,636.9 million euro, an increase of 1.6% compared with December 31, 2012 (1,611.5 million euro). Excluding the exchange rate effect, negative 9.2%, revenues grew 10.8%. In the fourth quarter revenues were 389.7 million euro, a decline of 6.2% from 415.5 million euro in the same year earlier period, but 2.2% higher with the exclusion of the exchange rate effect which had a negative impact of 8.4%.

The volume component was particularly positive, which grew 8.7% over the course of 2013 (-6.5% in the same period of 2012), essentially due to the good performance of South America. The price/mix component registered growth of 2.1% in 2013 and 2.5% in the fourth quarter.

The operating result (Ebit) reached 225.6 million euro, equal to 13.8% of sales compared with 178.1 million euro registered on December 31, 2012 (11.1% of sales). In the fourth quarter Ebit was 57.2 million euro, with a profitability of 14.7% compared with 52.5 million euro in the same period of 2012 (12.6%). The result for the period benefitted from the growth of activity in the reference markets, especially South America, where Pirelli increased its market share, and Middle East Africa, and the exclusive location of Truck production capacity in countries characterized by competitive cost bases.

Investments in Research & Development delivered significant results in all business segments:

- The launch in the car business of 10 new product lines, of the 20 foreseen for the period 2011-2015, in line with the plans announced;
- In Truck the evolution of the Winter, Regional and Offroad products of the :01 range was successfully completed;
- In Moto the new Enduro and Sport Touring products obtained the maximum recognition in 2013 tests;
- The first generation of the Cyber Tyre (technology which enables the real-time monitoring of a tyre's parameters thus reducing fuel costs and optimizing efficiency in tyre maintenance operations) was brought to market beginning from 2012 and the second will be launched by 2015.

Over the course of 2013, the traditional activities focused on the development of new high-end *Premium* products (*UHP*, *winter*, *runflat*, *SUV* and moto tyres), were accompanied by a growing strategic attention to the reduction of environmental impact, through a "*Green Performance*" strategy which calls for 360° eco-innovation and in technology, exploiting the technological components and most advanced know-how, resulting from intense research activity in the areas of materials, modeling, profiles, tread design and production processes.

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Sustainability Report

The Board also approved the Sustainability Report, which is part of the Annual Report. The Sustainability Report is prepared in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative – in particular the Comprehensive version of the GRI-G4 version - and is inspired by the principles of inclusivity, materiality and compliance with the AA1000 Standard. The contents of the report are centred on the concept of materiality, and as such include the themes which are most relevant for the Company and of greatest interest to the Group's Stakeholders, highlighting in 2013 that which was illustrated in 2012, with visibility on the performance of the last three years and the new 2014 and/or multi-year targets.

In 2013, the commitment to creating value allowed Pirelli to reconfirm its place on some of the world's most prestigious sustainability stock market indices at the world level. Among them, the Dow Jones Sustainability Indices, which for the seventh consecutive year recognized Pirelli's leadership in the ATX Auto Components sector, the FTSE4Good indices of the London Stock Exchange, which gave Pirelli a rating of 100/100, the Carbon Disclosure Leadership Index (CDLI), which gives Pirelli a rating of 96, the highest in the world for a tyre maker, the Global Compact 100 index, in which Pirelli was the only tyre maker among the 100 companies that compose the index at the global level, and the analysis of Oekom Research AG, which classifies Pirelli as the world leader among automotive sector suppliers.

Significant events after December 31, 2013

On **January 16, 2014**, following the decision of the World Motor Sport Council which confirmed Pirelli as the sole tyre for the Formula One FIA World Championship, Pirelli announced that it renewed the relative contract with FIA. The duration of the agreement is three years, beginning from the 2014 season. Pirelli will continue to determine the tyres' specifics and manage all aspects of their development, in close cooperation with FIA and the teams, and within the parameters established in Formula One FIA Sporting and Technical Regulations.

On **February 28, 2014** Pirelli & C. S.p.A. and Bekaert announced the signing of an agreement for the sale of 100% of Pirelli's steelcord activities to Bekaert for a total value (*enterprise value*) of approximately 255 million euro. The sale of its steelcord activities will allow Pirelli to exit an activity lacking competitive scale and to focus on Premium tyres where the margins are higher. As a part of the agreement, a supply agreement was also defined for the long-term supply and joint development of products with the aim of enhancing R & D activities and ensure that the passage to the new arrangement will be in line with respective growth plans. The closing of the operation, subject to regulatory approval, is expected in the second half of the year and includes all five of Pirelli's steelcord factories located in Italy, Turkey, Romania, China and Brazil. The economic and financial impact of the sale was not included in the estimates contained in Pirelli's industrial plan last November.

On **February 28, 2014** Pirelli & C. S.p.a. announced that it had closed with effect from December 31, 2013 its medium-long term cash incentive plan for management - *Long Term Incentive* (LTI) – adopted in 2012 in support of the targets for the three year period 2012-2014 without payment, not even pro-quota, of the three year incentive. The Company announced that it had adopted a new plan - always for all management (about 330 participants) – linked to the targets for the period 2014/2016 contained in the industrial plan presented on November 6, 2013. The three year LTI plan, in line with the mechanisms of variable retribution adopted at the international level, and also based on the performance of Pirelli shares (so-called TSR) and allows for the alignment of the management's interests with those of shareholders. Also the 2014/2016 plan, as in the past, is completely self-financing, in that the relative burdens are included in the economic data of the industrial plan. The participants of the 2014/2016 LTI Plan include, among others, the Chairman and CEO of Pirelli & C. Marco Tronchetti Provera, the Vice President Alberto Pirelli (in his role as *senior manager*), the COO Gregorio Borgo, directors with strategic responsibility Maurizio Boiocchi (*Chief Technical Officer*), Maurizio Sala (*Chief Planning and Controlling Officer*),

Francesco Tanzi (*Chief Financial Officer* and Director indicated for the preparation of the company's financial and accounting documents) and Christian Vasino (*Chief Human Resources Officer*).

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Outlook for 2014

In light of the performance in the last quarter of 2013 and in the first months of 2014, Pirelli confirms the 2014 targets indicated last November in terms of:

- Ebit at 850 million euro after restructuring costs of 50 million euro
- investments below 400 million euro
- cash generation before dividends above 250 million euro
- net financial position negative at around 1.2 billion euro

Consolidated sales are expected to be around 6.2 billion euro (compared with the previous target of around 6.6 billion euro) essentially because of a more cautious exchange rate scenario, expected at -9%/-10% compared with the prior target of -2%/-3%.

In organic terms, that is excluding exchange rate effects, growth is expected at >+9%/+10% compared with the previous estimate of >+8%/+9% in the following context:

- volumes above +5% (in line with previous targets) but with a greater contribution from Premium component (growth above +14% compared with prior target of about +12%). The volume growth estimates in Consumer and Industrial remain unchanged, respectively >+6 and between +4% and +4.5%);
- price/mix improving to +4%/+5% (previous targets +3%/+4%)

The target for the operating result (Ebit) excluding restructuring charges is confirmed at 850 million euro, as a consequence of:

- an improvement in the price/mix contribution to +4%/+5% (previously +3%/+4%), as already noted, with a positive impact on the operating result of about 15 million euro.
- lower raw material costs compared with previous estimates (-75 million euro compared with -120 million euro previously);
- already mentioned greater exchange rate volatility, with a total negative impact on the operating result of -110 million euro compared with the previous -50 million euro;

Variations to the calendar of Company events and dividend payments

Pirelli announces that the Shareholders' Meeting of Pirelli & C. will take place on Thursday, June 12th 2014, in Milan and in a single call, and no longer on Friday, May 9th as previously announced. The change was opportune taking into account the agreements in principle announced to the market and to the company relative to the current major shareholder Camfin SpA and allows for the presentation of lists that are consistent with the expected new shareholder structure of Pirelli & C. SpA in view of the expected renewal through list vote of the Board of Directors, which is lapsing as it concludes its mandate with the Shareholders' Meeting called to approve 2013 results, The Shareholders' Meeting will also be called upon to deliberate with regard to the nomination of the Board of Directors, setting its duration, number of members and relative compensation.

Pirelli also announces, in accordance with Borsa Italiana SpA, for the purposes of proceeding with the payment of the dividend proposed today by the Board in the shortest time possible following approval by Shareholders, the date of payment set for June 19, 2014, the ex-coupon date is June 16, 2014 and the record date in June 18, 2014.

It will also be proposed to shareholders to authorize the acquisition and disposition of its own shares for a period of 18 months and up to 10% of capital, which is a renewal of an analogous authorization decided on May 13, 2013 and lapsing on November 13, 2014. In this regard, it should be noted that as of today no shares have been bought in execution of said authorization.

In conclusion, Shareholders will be called upon to express via consultative vote on Policies relating to matters of retribution as well as, as already announced to the market, to approve, in the part linked to Total Shareholder Return, the adoption of a three year incentive plan 2014-2017 LTI (Long Term Incentive) for the Company's management – correlated to the targets for the period 2013/2016 contained in the 2013-2017 Industrial Plan – as announced to the market on November 13, 2014. The relative informational document will be made available to the public in accordance with the law.

Board authorizes issue of bonds to a maximum of 1 billion euro

With the aim of quickly taking advantage of the best financing opportunities in support of the business's continuing growth, drawing on the Euro Medium Term Note Programme adopted in November 2012, the Board has authorized with date from May 1, 2014, the issue of non-convertible bonds up to a maximum nominal value of 1 billion euro (or equivalent amount in other currencies) – with the option of re-acquisition and/or exchange also with, and of, already issued bonds - to be placed by April 2015, also in multiple tranches, on international markets. An analogous authorization decided on November 12, 2012, expired at the end of 2013.

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Conference call

The results for the year ended December 31, 2013 will be illustrated today, Thursday March 27, 2014 at 6.30 pm during a conference call with the participation of the Chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and the top management. Journalists will be able to follow the presentation by telephone, without the possibility of asking questions, by dialing either **+39.02.3859.1420** or **800.145.655**. The presentation will also be webcast – in real time – at www.pirelli.com in the Investors section where the slides will also be available.

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The executive indicated for the preparation of the accounting documents of Pirelli & C. S.p.A. Mr. Francesco Tanzi, declares in accordance with section 2 of article 154 bis of the Financial Law (Testo Unico della Finanza) that the accounting information contained in the present communication corresponds to the documentary results, books and accounts.

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Attached are prospectuses related to the profit and loss account, to equity data in summary and to consolidated financial reports. The company notes that these attachments are not subject to review by the auditing company

Group – Pirelli & C. Spa

(in millions of euro)

	12/31/2013	12/31/2012 restated	12/31/2012 reported
Net sales	6.146,2	6.071,5	6.071,5
Gross operating profit before restructuring expenses	1.105,4	1.102,9	1.091,2
% of net sales	18,0%	18,2%	18,0%
Operating income before restructuring expenses	816,5	831,6	819,9
% of net sales	13,3%	13,7%	13,5%
Restructuring expenses	(25,5)	(39,1)	(39,1)
Operating income	791,0	792,5	780,8
% of net sales	12,9%	13,1%	12,9%
Net income (loss) from equity investments	(78,3)	(52,2)	(52,2)
Financial income/(expenses)	(195,8)	(150,5)	(129,5)
Pre-tax income (loss)	516,9	589,8	599,1
Income tax	(210,4)	(198,3)	(200,9)
Tax rate %	40,7%	33,6%	33,5%
Total net income (loss)	306,5	391,5	398,2
Net income attributable to owners of Pirelli & C. S.p.A.	303,6	387,1	393,8
Total net earnings per share attributable to owners of Pirelli & C. S.p.A. (in euro)	0,622	0,793	0,807
Non-current assets	4.043,0	3.877,2	3.877,2
Inventories	987,3	1.102,6	1.102,6
Trade receivables	666,4	704,6	704,6
Trade payables	(1.244,5)	(1.268,7)	(1.268,7)
Operating Net working capital	409,2	538,5	538,5
% of net sales ^(°)	6,7%	8,9%	8,9%
Other receivables/other payables	3,0	11,0	11,0
Total net working capital	412,2	549,5	549,5
% of net sales ^(°)	6,7%	9,1%	9,1%
Net invested capital	4.455,2	4.426,7	4.426,7
Equity	2.436,6	2.389,4	2.389,4
Provisions	696,2	832,1	832,1
Net financial (liquidity)/debt position	1.322,4	1.205,2	1.205,2
Equity attributable to the owners of Pirelli & C. S.p.A.	2.376,1	2.337,4	2.337,4
Equity per share attributable to the owners of Pirelli & C. S.p.A. (in euro)	4,869	4,790	4,790
Total Tyre - net sales	6.115,8	6.031,3	6.031,3
% of net sales total	99,5%	99,3%	99,3%
Total Tyre - operating income	822,0	820,8	809,1
% on total tyre - net sales	13,4%	13,6%	13,4%
Total Tyre - net sales Consumer	4.478,9	4.419,8	4.419,8
% on total tyre - net sales	73,2%	73,3%	73,3%
Total Tyre - net sales Industrial	1.636,9	1.611,5	1.611,5
% on total tyre - net sales	26,8%	26,7%	26,7%
Total Tyre - net sales Premium	2.210,0	2.075,9	2.075,9
% on net sales Consumer	49,3%	47,0%	47,0%
Capital expenditure	413,1	470,9	470,9
Research and development expenses	199,2	178,9	178,9
% of net sales	3,2%	2,9%	2,9%
Research and development expenses - Premium	163,3	141,9	141,9
% on sales Premium	7,4%	6,8%	6,8%
Headcount (number at end of period)	37.979	37.338	37.338
Industrial sites (number)	23	23	23

Data by Business Sector

(in millions of euro)

	Total Tyre		Other business		Total	
	2013	2012 restated	2013	2012 restated	2013	2012 restated
Net sales	6.115,8	6.031,3	30,4	40,2	6.146,2	6.071,5
Gross operating profit before restructuring expenses	1.130,3	1.126,5	(24,9)	(23,6)	1.105,4	1.102,9
Operating income before restructuring expenses	845,4	859,9	(28,9)	(28,3)	816,5	831,6
Restructuring expenses	(23,4)	(39,1)	(2,1)	-	(25,5)	(39,1)
Operating income	822,0	820,8	(31,0)	(28,3)	791,0	792,5
<i>% of net sales</i>	<i>13,4%</i>	<i>13,6%</i>			<i>12,9%</i>	<i>13,1%</i>
Net income (loss) from equity investments					(78,3)	(52,2)
Financial income/(expenses)					(195,8)	(150,5)
Pre-tax income (loss)					516,9	589,8
Income tax					(210,5)	(198,3)
Tax rate %					<i>40,7%</i>	<i>33,6%</i>
Total net income (loss)					306,5	391,5
Net financial (liquidity)/debt position					1.322,4	1.205,2

Data by quarter

(in millions of euro)

	1° Q		2° Q		3° Q		4° Q		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net sales	1.536,3	1.556,5	1.594,8	1.465,3	1.518,8	1.552,3	1.496,3	1.497,4	6.146,2	6.071,5
<i>yoy</i>	<i>-1,3%</i>	<i>11,1%</i>	<i>8,8%</i>	<i>5,5%</i>	<i>-2,2%</i>	<i>5,3%</i>	<i>-0,1%</i>	<i>5,3%</i>	<i>1,2%</i>	<i>7,5%</i>
Gross operating profit before restructuring expenses	255,3	279,1	278,2	271,2	279,9	267,6	292,0	285,0	1.105,4	1.102,9
<i>% of net sales</i>	<i>16,6%</i>	<i>17,9%</i>	<i>17,4%</i>	<i>18,5%</i>	<i>18,4%</i>	<i>17,2%</i>	<i>19,5%</i>	<i>19,0%</i>	<i>18,0%</i>	<i>18,2%</i>
Operating income before restructuring expenses	183,0	214,7	205,1	205,1	208,8	199,2	219,6	212,6	816,5	831,6
<i>% of net sales</i>	<i>11,9%</i>	<i>13,8%</i>	<i>12,9%</i>	<i>14,0%</i>	<i>13,7%</i>	<i>12,8%</i>	<i>14,7%</i>	<i>14,2%</i>	<i>13,3%</i>	<i>13,7%</i>
Operating income	179,8	212,7	200,9	192,6	201,0	195,5	209,3	191,7	791,0	792,5
<i>% of net sales</i>	<i>11,7%</i>	<i>13,7%</i>	<i>12,6%</i>	<i>13,1%</i>	<i>13,2%</i>	<i>12,6%</i>	<i>14,0%</i>	<i>12,8%</i>	<i>12,9%</i>	<i>13,1%</i>
Pre-tax income (loss)	114,6	188,9	137,1	155,9	158,5	126,3	106,7	118,7	516,9	589,8
Total net income (loss)	72,1	123,6	78,0	94,9	108,0	84,8	48,4	88,2	306,5	391,5

Cashflow statement

(in millions of euro)

	Q1		Q2		Q3		Q4		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Operating income (EBIT) before restructuring expenses	183,0	214,7	205,1	205,1	208,8	199,2	219,6	212,5	816,5	831,6
Amortisation and depreciation	72,3	64,4	73,1	66,1	71,1	68,4	72,4	72,4	288,9	271,3
Capital expenditures of property, plant and equipment and intangible assets	(79,7)	(80,1)	(84,3)	(114,8)	(74,3)	(132,5)	(174,8)	(143,5)	(413,1)	(470,9)
Change in working capital/other	(492,4)	(511,1)	(5,6)	(237,3)	(160,3)	(197,2)	686,1	594,7	27,8	(350,9)
Operating cash flow	(316,8)	(312,1)	188,3	(80,9)	45,3	(62,1)	803,3	736,2	720,1	281,1
Ordinary financial income/(expenses)	(58,6)	(24,3)	(46,1)	(33,5)	(43,9)	(45,5)	(47,2)	(47,2)	(195,8)	(150,5)
Ordinary tax charges	(42,5)	(65,3)	(59,1)	(61,0)	(50,5)	(41,5)	(58,3)	(30,5)	(210,4)	(198,3)
Net operating cash flow	(417,9)	(401,7)	83,1	(175,4)	(49,1)	(149,1)	697,8	658,4	313,9	(67,7)
Financial investments/disinvestments	-	3,2	-	-	(31,6)	2,3	(7,5)	-	(39,1)	5,5
Real estate disposals	-	-	-	-	26,5	-	-	20,5	26,5	20,5
Russia Investment	-	(154,5)	-	-	-	(16,4)	-	-	-	(170,9)
Impact of consolidating of Sino Italiana Wire	-	-	-	-	-	-	(39,5)	-	(39,5)	-
Retail Investment	-	-	-	(106,2)	(4,1)	-	(7,9)	(0,0)	(12,0)	(106,2)
Other dividends paid	-	(2,2)	(3,1)	(0,7)	-	-	-	-	(3,1)	(2,9)
Cash Out for restructuring operations	(7,5)	(4,2)	(5,2)	(3,3)	(4,2)	(3,6)	(5,7)	(12,4)	(22,6)	(23,5)
Foreign exchange differences/other	(49,6)	(8,5)	29,5	20,2	17,1	0,7	11,3	(3,0)	8,3	9,4
Net cash flow before divid. paid/Prelios	(475,0)	(567,9)	104,3	(265,4)	(45,4)	(166,1)	648,5	663,5	232,4	(335,8)
Dividend paid by Parent	-	-	(156,7)	(132,3)	-	-	-	-	(156,7)	(132,3)
Receivable conversion/Prelios share capital increase	-	-	-	-	(192,9)	-	-	-	(192,9)	-
Net cash flow	(475,0)	(567,9)	(52,4)	(397,7)	(238,3)	(166,1)	648,5	663,5	(117,2)	(468,1)