



PIRELLI 9M 2013 RESULTS

MILANO – NOVEMBER 5, 2013



AGENDA



9M 2013 RESULTS



TYRE BUSINESS 9M 2013 OVERVIEW



2013 OUTLOOK & TARGETS



APPENDIX

PIRELLI KEY FINANCIAL RESULTS

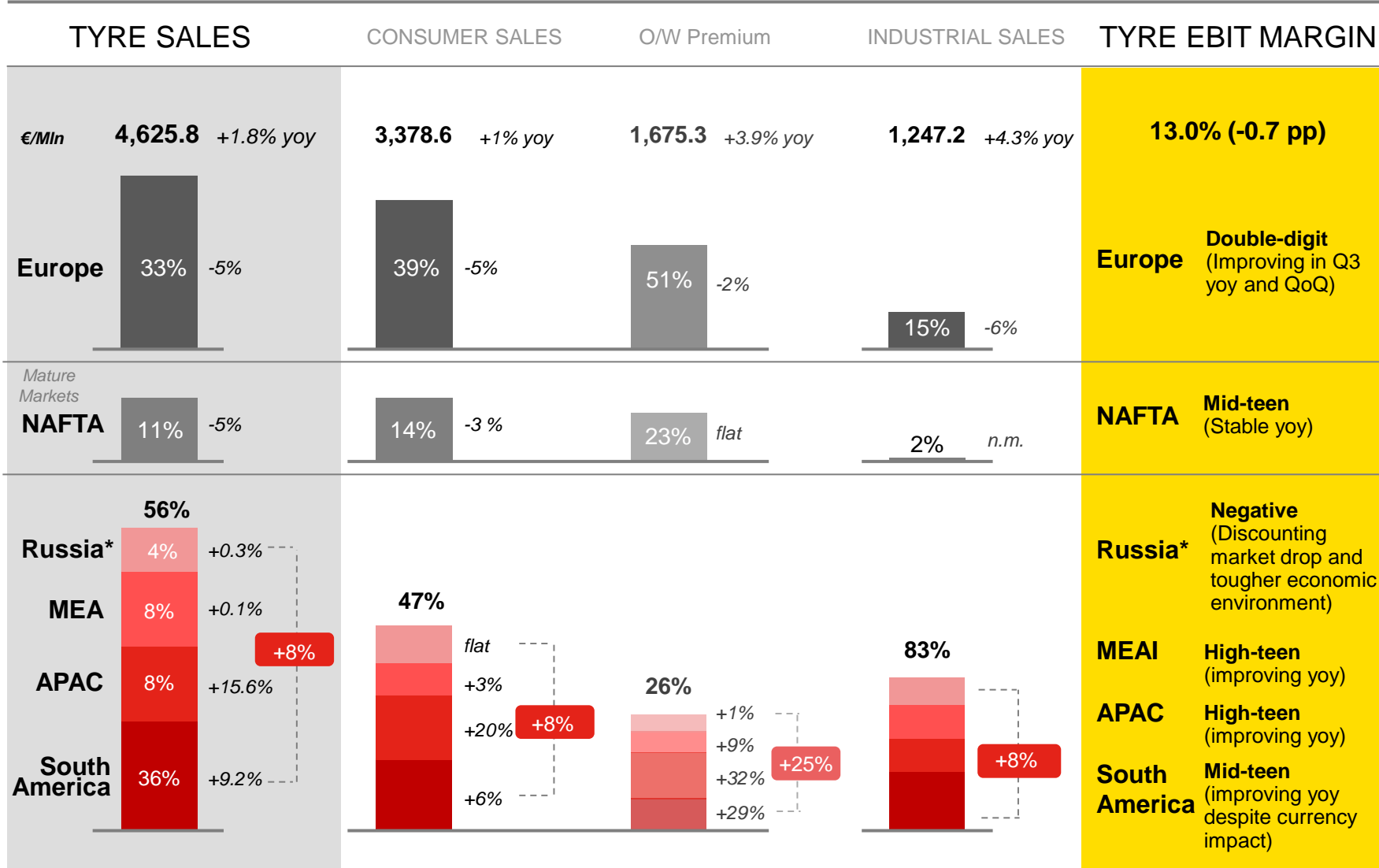
	9M13	9M12*	Δ yoy	3Q13	3Q12*	Δ yoy	3Q HIGHLIGHTS
Revenues	4,649.9	4,574.1	+1.7%	1,518.8	1,552.3	-2.2%	<ul style="list-style-type: none"> • Solid organic growth sustained by the strong premium performance (+19% volumes) and a slight progressive improvement of pricing. Forex Impact (-10%) reflects currency depreciation in emerging markets. • Profitability growth fueled by top line performance drivers. Efficiency gains and raw material tailwind covered higher input costs and FX impact. • +30% Net Income growth thanks to better yoy results from equity participations and lower financial charges. • +24 €/Mln Net of Prelios and RCS (166 €/Mln in 3Q in 2012)
<i>Organic growth**</i>			+8.3%			+7.7%	
EBITDA before Restr. Costs	813.4	817.9	-0.6%	279.9	267.6	+4.6%	
<i>Margin</i>	17.5%	17.9%		18.4%	17.2%		
EBIT before Restr. Costs	596.9	619.0	-3.6%	208.8	199.2	+4.8%	
<i>Margin</i>	12.8%	13.5%	-0.7 pp	13.7%	12.8%	+0.9 pp	
Restructuring Costs	(15.2)	(18.2)		(7.8)	(3.7)		
EBIT	581.7	600.8	-3.2%	201.0	195.5	+2.8%	
<i>Margin</i>	12.5%	13.1%	-0.6 pp	13.2%	12.6%	+0.6 pp	
PBT	410.2	471.1		158.5	126.3		
<i>Tax Rate</i>	37.1%	35.6%		31.9%	32.9%		
Net Income	258.1	303.3		108.0	84.8		
Attributable Net Income	262.1	301.3		110.7	85.0		
Investments***	238.3	327.4		74.3	132.5		
Net Debt	1,970.9	1,868.8		+238 €/Mln in 3Q 2013			

(*) IAS 19 Restated

(**) Excluding exchange rate effects

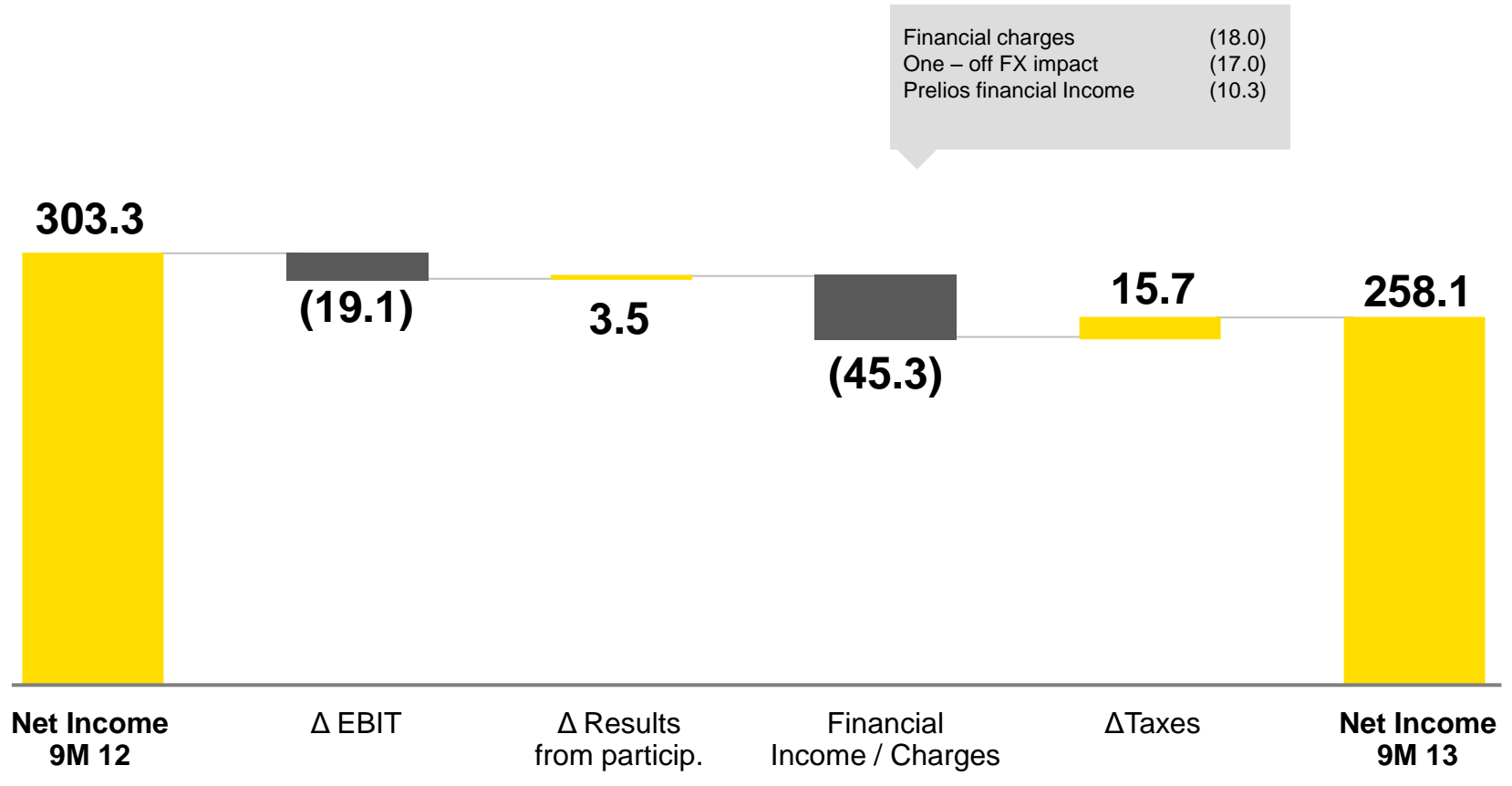
(***) Tangible and intangible investments

9M 2013 PERFORMANCE BY REGION



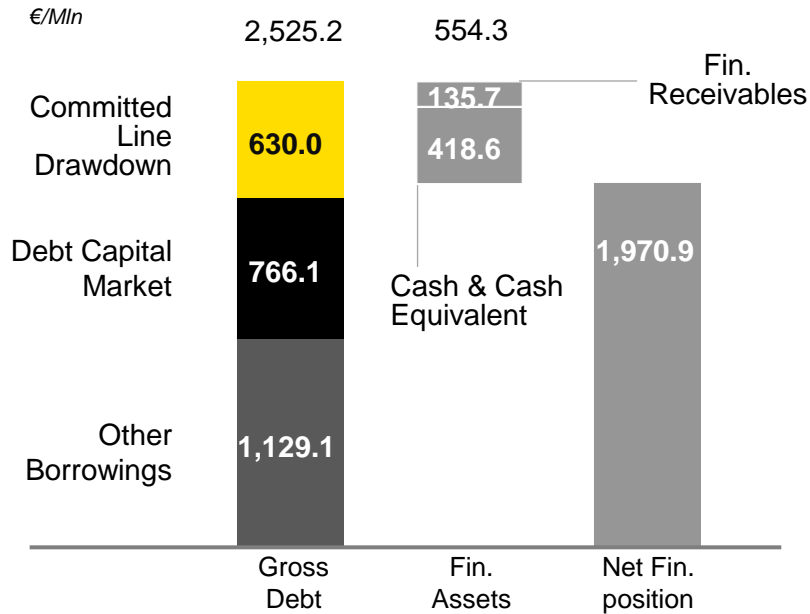
*Import sales included

PIRELLI NET INCOME 9M 2013 VS 9M 2012



PIRELLI DEBT STRUCTURE AS OF SEPTEMBER 30, 2013

NET FINANCIAL POSITION

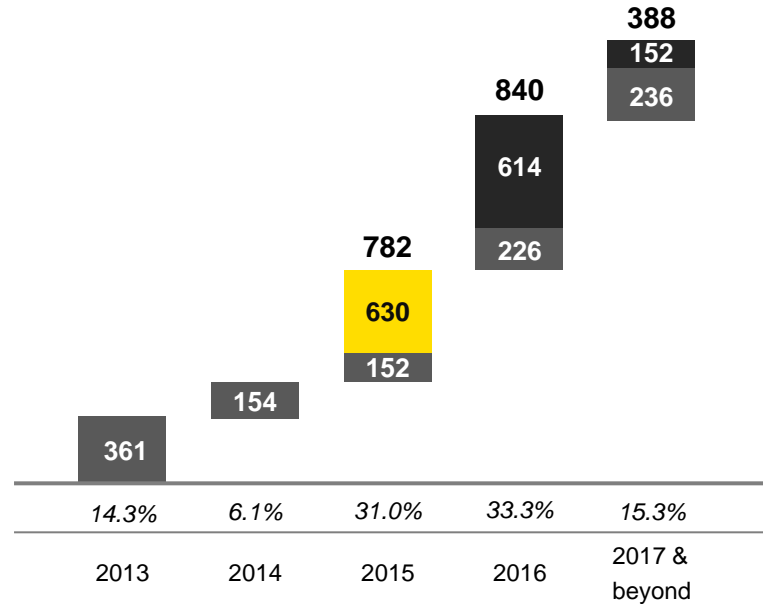


Liquidity profile

€/Mln

Liquidity position	418.6
Total committed lines not drawn due 2015	570.0
Liquidity Margin	988.6

GROSS DEBT MATURITY



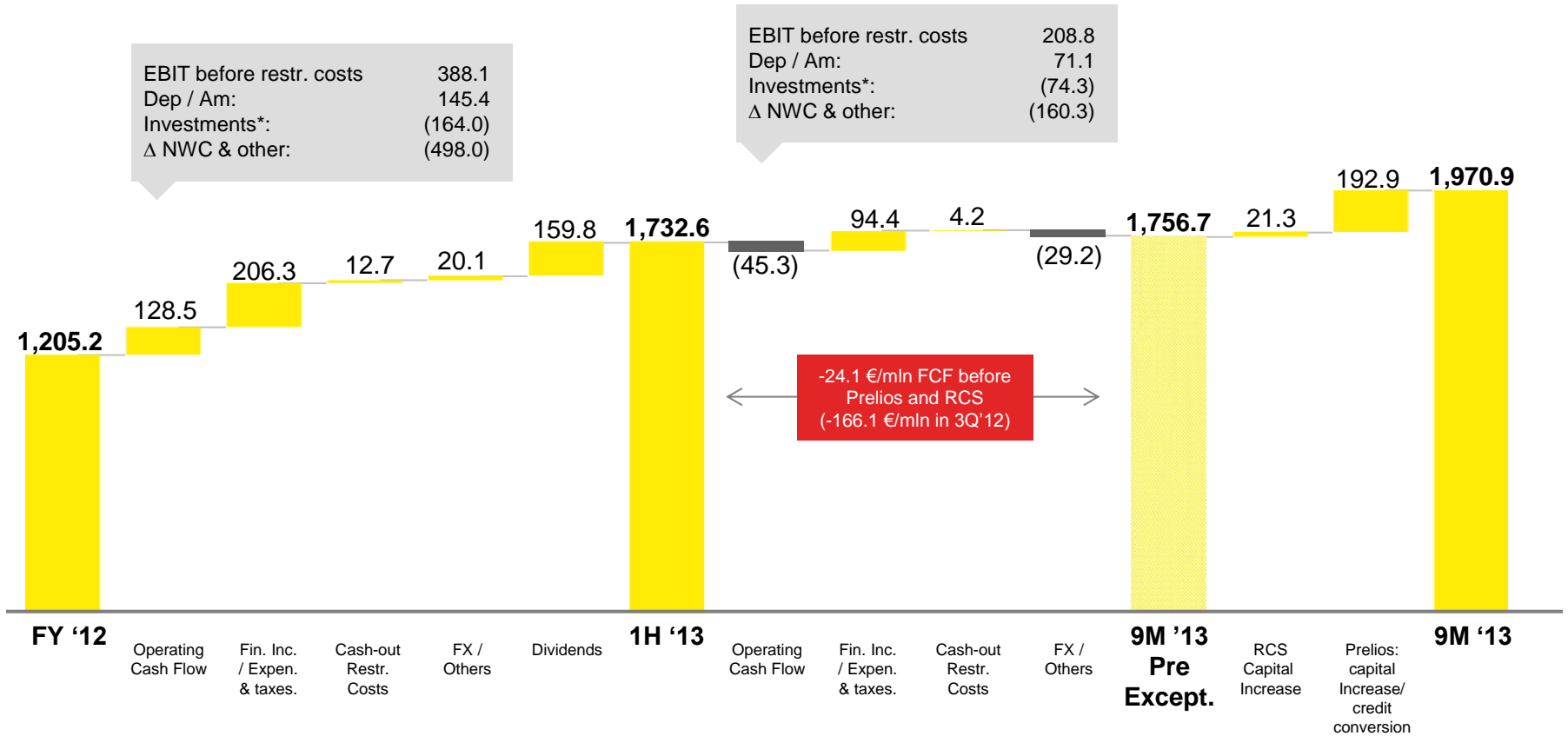
Debt profile

- > 75% of the debt maturity beyond 2014
- Cost of debt ~ 6.25%
- Gross debt profile ~76% Fixed and ~24% Floating
- Average debt maturity: ~ 2.7 years

* Before deferred tax assets (positive impact)

PIRELLI 9M 2013 NET FINANCIAL POSITION

€/Mln



(*Tangible and intangible investments)

AGENDA



9M 2013 RESULTS



TYRE BUSINESS 9M 2013 OVERVIEW



2013 OUTLOOK & TARGETS



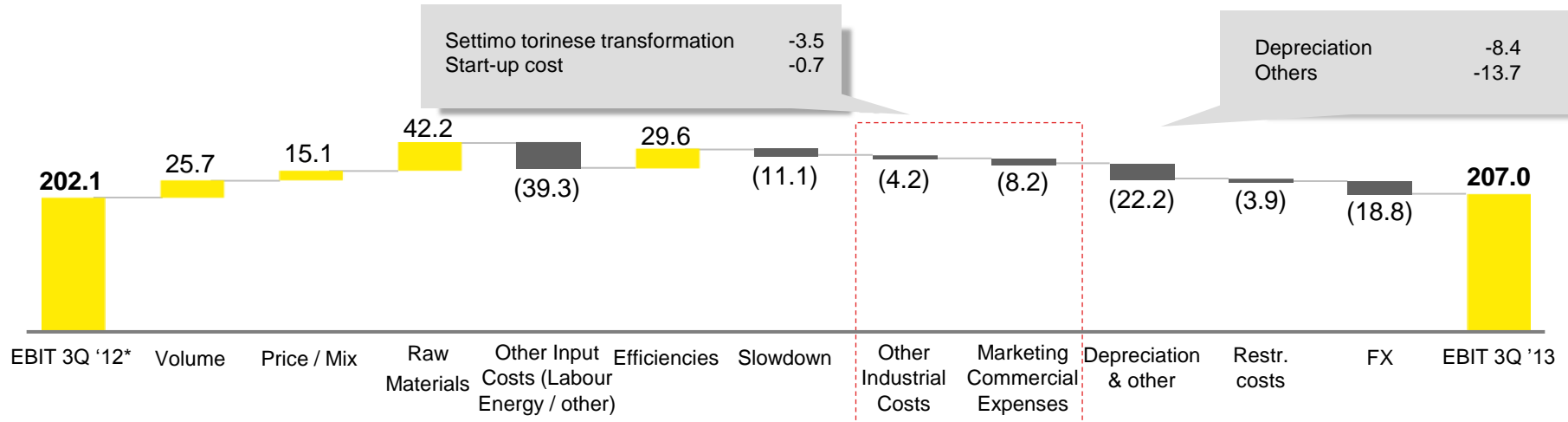
APPENDIX

KEY TYRE RESULTS

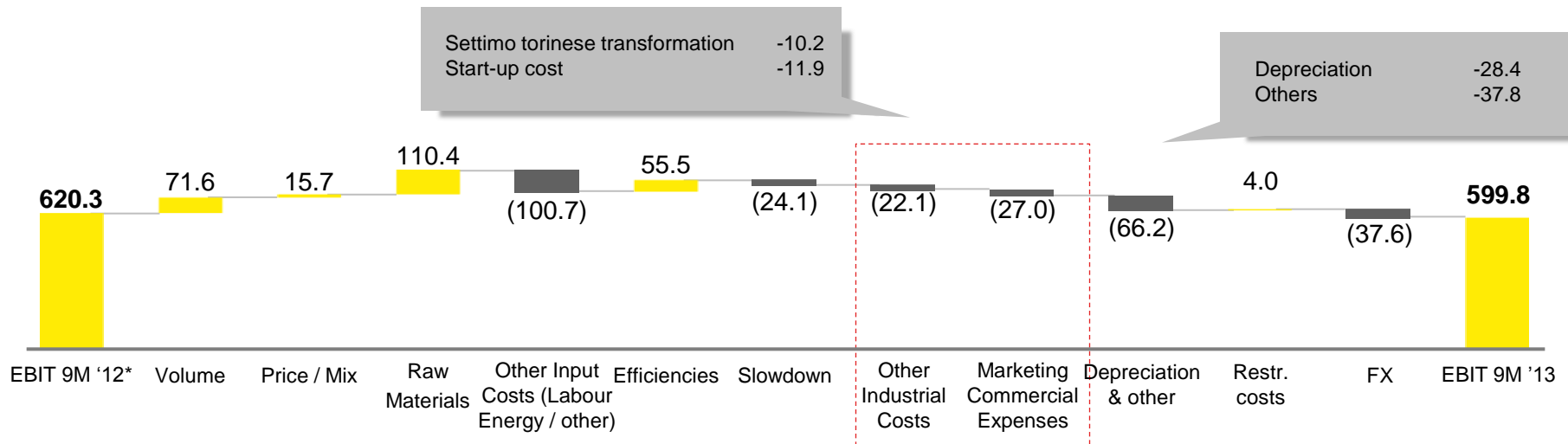
	1Q'13	yoy%	2Q'13	yoy%	3Q'13	yoy%	9M'13	yoy%
€/Mln								
Revenues	1,526.7	-1.0%	1,587.3	+8.9%	1,511.8	-2.0%	4,625.8	+1.8%
EBITDA before Restr. Costs	260.1	-8.3%	282.7	+2.0%	284.7	+4.3%	827.5	-0.7%
<i>Margin</i>	17.0%	-1.4 p.p.	17.8%	-1.2 p.p.	18.8%	+1.1 p.p.	17.9%	-0.5 p.p.
EBIT before Restr. Costs	188.8	-14.4%	210.6	-0.8%	214.6	+4.3%	614.0	-3.8%
<i>Margin</i>	12.4%	-1.9 p.p.	13.3%	-1.3 p.p.	14.2%	+0.9 p.p.	13.3%	-0.8 p.p.
Restructuring Costs	(3.2)		(3.4)		(7.6)		(14.2)	
EBIT	185.6	-15.1%	207.2	+3.8%	207.0	+2.4%	599.8	-3.3%
<i>Margin</i>	12.2%	-2.0 p.p.	13.1%	-0.6 p.p.	13.7%	+0.6 p.p.	13.0%	-0.7 p.p.

	1Q'13	2Q'13	3Q'13	9M'13
Revenue drivers				
Δ Price/Mix	0%	+5.1%	+2.5%	+2.4%
Δ Volume	+3.9%	+8.8%	+5.4%	+6.0%
o/w Premium	+4.0%	+12.9%	+19.1%	+11.7%
Δ Rev. (before exchange rate impact)	+3.9%	+13.9%	+7.9%	+8.4%
Δ Exchange Rate	-4.9%	-5.0%	-9.9%	-6.6%

PIRELLI TYRE OPERATING PERFORMANCE



Investment for future growth



Investment for future growth

(*) IAS 19 Restated

CONSUMER BUSINESS: PIRELLI PERFORMANCE

	1Q'13	yoy%	2Q'13	yoy%	3Q'13	yoy%	9M'13	yoy%	3Q HIGHLIGHTS
€/Mln									
Revenues	1,116.7	-3.0%	1,138.7	+5.6%	1,123.2	+0.6%	3,378.6	+0.9%	<ul style="list-style-type: none"> • Sound operating performance led to a quarter on quarter improvement of profitability, despite forex impact.
EBITDA before Restr. Costs	194.8	-17.2%	203.5	-5.2%	211.9	+0.9%	610.2	-7.6%	
Margin	17.4%	-3.0 p.p.	17.9%	-2.0 p.p.	18.9%	+0.1 p.p.	18.1%	-1.6 p.p.	
EBIT before Restr. Costs	138.0	-26.3%	146.7	-10.8%	155.3	-1.6%	440.0	-13.6%	
Margin	12.4%	-3.9 p.p.	12.9%	-2.3 p.p.	13.8%	-0.3 p.p.	13.0%	-2.2 p.p.	
EBIT	136.0	-26.6%	144.2	-6.7%	151.2	-2.3%	431.4	-12.8%	
Margin	12.2%	-3.9 p.p.	12.7%	-1.6 p.p.	13.5%	-0.4 p.p.	12.8%	-2.0 p.p.	

	1Q'13	2Q'13	3Q'13	9M'13	3Q HIGHLIGHTS
Revenue drivers					
Δ Price/Mix	-0.5%	+5.7%	+3.1%	+2.6%	<ul style="list-style-type: none"> • Volume growth accelerates with Premium reaching a record performance • Price on the way to stabilization; • Mix trend reflecting a different yoy comparison (higher winter sales in 3Q 2012) and Russia slowdown
Δ Volume	+1.2%	+4.6%	+6.0%	+3.9%	
o/w Premium	+4.0%	+12.9%	+19.1%	+11.7%	
Δ Rev. (before exchange rate impact)	+0.7%	+10.3%	+9.1%	+6.5%	
Δ Exchange Rate	-3.7%	-4.7%	-8.5%	-5.6%	

INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

	1Q'13	yoy%	2Q'13	yoy%	3Q'13	yoy%	9M'13	yoy%	3Q HIGHLIGHTS
€/Mln									
Revenues	410.0	+4.9%	448.6	+18.2%	388.6	-8.7%	1,247.2	+4.3%	<ul style="list-style-type: none"> • Peak profitability of the year: >14% EBITmargin
EBITDA before Restr. Costs	65.3	+35.5%	79.2	+26.7%	72.8	+15.9%	217.3	+25.2%	
Margin	15.9%	+3.6 p.p.	17.7%	+1.2 p.p.	18.7%	+4.0 p.p.	17.4%	+2.9 p.p.	
EBIT before Restr. Costs	50.8	+53.0%	63.9	+33.7%	59.3	+23.5%	174.0	+34.9%	
Margin	12.4%	+3.9 p.p.	14.2%	+1.6 p.p.	15.3%	+4.0 p.p.	14.0%	+3.2 p.p.	
EBIT	49.6	+49.8%	63.0	+39.4%	55.8	+18.0%	168.4	+34.1%	
Margin	12.1%	+3.6 p.p.	14.0%	+2.1 p.p.	14.4%	+3.3 p.p.	13.5%	+3.0 p.p.	

	1Q'13	2Q'13	3Q'13	9M'13	3Q HIGHLIGHTS
Revenue drivers					
Δ Price/Mix	+1.4%	+3.6%	+0.9%	+2.0%	<ul style="list-style-type: none"> • Volume trend reflects the unfavorable comparison basis (-6.2% in 3Q 2012). Yet 9M results in line with FY target. • Strong volatility of South American and MEA currencies.
Δ Volume	+11.7%	+20.6%	+4.0%	+11.8%	
Δ Rev. (before exchange rate impact)	+13.1%	+24.2%	+4.9%	+13.8%	
Δ Exchange Rate	-8.2%	-6.0%	-13.6%	-9.5%	

AGENDA








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TYRE BUSINESS 9M 2013 OVERVIEW

2013 OUTLOOK & TARGETS

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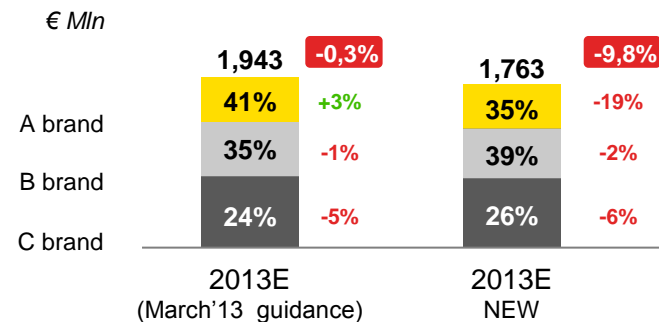
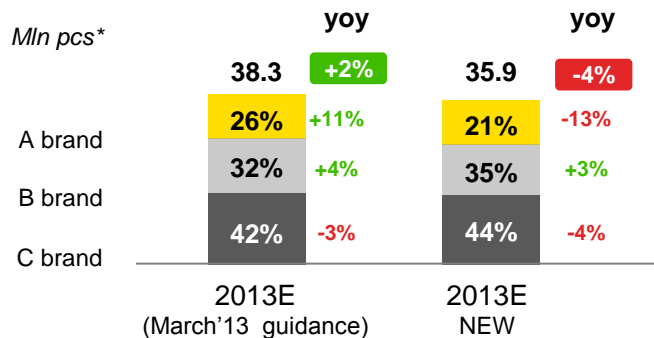
2013 OUTLOOK BY REGION

Region	OLD GUIDANCE AUGUST'13		NEW GUIDANCE NOVEMBER'13		HIGHLIGHTS
	Revenue trend	EBIT%	Revenue trend	EBIT%	
Europe	• Slight reduction	• High single-digit (lower yoy)	Confirmed	Confirmed	Positive sign of demand recovery
NAFTA	• Low single-digit growth	• Mid-teens (improving yoy)	Almost flat due to FX impact 	Confirmed	Improving Premium position
Russia	• High single-digit growth	• Slightly negative	Flat yoy 	Negative 	Slowdown in domestic macroeconomy and market
South America	• Double-digit growth	• Mid-teens (stable yoy)	High Single digit due to FX impact	Confirmed	Increasing market share in OE (Car + Truck) and consolidated leadership in Replacement
MEAI	• Low single-digit growth	• High teens (up yoy)	Slightly negative due to FX impact 	Confirmed	Organic growth in line with expectations
Asia Pacific	• Double-digit growth	• High teens (up yoy)	Mid-teen growth 	Confirmed	Successful launch of new Premium with positive impact on Profitability

RUSSIA: DROP IN DEMAND LEADS TO GUIDANCE REVISION

MARKET UPDATE

TYRE REPLACEMENT MARKET



HEADWINDS

- Russian economy slowdown, with 2013 GDP forecast revised from +3.4% to +1.8%
- Rising interest rate and difficult access to credit
- Overstocked market, both for summer and winter
- Fewer car registrations (-6,6% in 9M; -5.1% expected for the FY) affecting winter market

9M Pirelli performance

- **Slower than expected development of top line:**
 - Volume growth mostly in B and C segments in line with market
 - Winter range not yet fully available, industrialization under way
- **Negative profitability discounts:**
 - sales mix trend with a push on second brand
 - sub-optimal saturation of factories
 - marketing expenses to build Brand Consideration not yet capitalized

FY 13 Guidance: flat revenues yoy at ~240 €/mln and negative high single-digit EBIT margin

*Pirelli estimates based on Europol

PIRELLI 2013 TARGETS UPDATE

	2013 TARGETS AUGUST '13	yoy%	2013 TARGETS UPDATE	yoy%
€/Mln				
Revenues	6.3 / 6.35	> +4%	~6.2	>+2%
Volumes	~ +5.5% / ~ +6.5%		+6% / +6.5%	
Emerging markets	High single-digit		Confirmed	
Mature markets	~ flat		Confirmed	
Premium	>13%		Confirmed	
Price/mix	~ +3.5% / ~ +4%		+3% / +3.5%	
Foreign Exchange	~ -6%		~ -7%	
Raw Materials impact	+125€/Mln		+135€/Mln	
EBIT	at the floor of previous guidance: ~810 € Mln €		~790 € Mln	
Capex	~400 €/Mln		Confirmed	
Net cash flow before dividends	>200 €/Mln Before Prelios impact		Confirmed	
NFP	< 1.2 before reconfiguration of Prelios Credit Impact		Confirmed	

Δ vs previous EBIT guidance (€/Mln)
-10 FX impact
+10 Raw Mat
-15 Russia EBIT
-5 minor Business

2013 CONSUMER & INDUSTRIAL TARGETS

CONSUMER BUSINESS

	2013 Targets August '13	2013 Targets November '13
▶ Revenues	~ 4.6	~ 4.5
▶ Volumes	+4.5% / +5.5%	+5% / +5.5%
o/w Premium	>13%	Confirmed
▶ Price/mix	+3.5% / +4.5%	+3% / +3.5%
▶ Forex	-5%	-6%
EBIT %	>13%	Confirmed
EBIT before restructuring	>13.5%	Confirmed

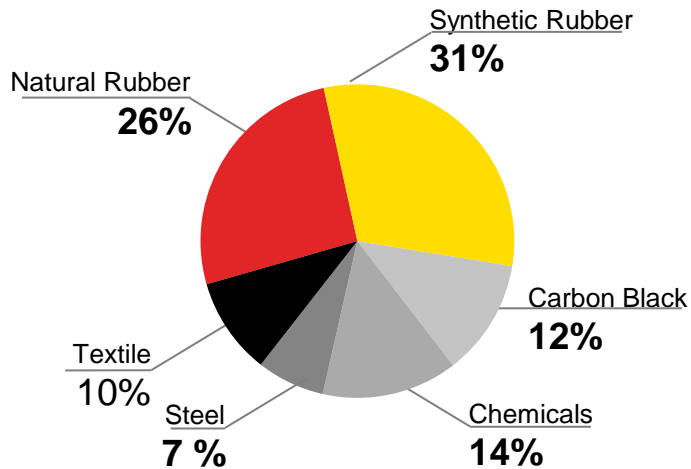
INDUSTRIAL BUSINESS

	2013 Targets August '13	2013 Targets November '13
▶ Revenues	~ 1.7	< 1.7
▶ Volumes	+9%	+9%+9.5%
▶ Price/mix	+3% / +4%	+2.5% / +3%
▶ Forex	-8%	-9%
EBIT %	>13%	Confirmed
EBIT before restructuring	>13.5%	Confirmed

2013 RAW MATERIALS GUIDANCE

BREAKDOWN FY 2012

(based on purchase cost)



GUIDANCE AUGUST 2013

Update Nov 2013

Average Cost of Goods Sold €/Mln	2012A	2013	Δ yoy (2013 vs 2012)	2013	Δ yoy (2013 vs 2012)
Natural Rubber TSR20 (\$/ton)	3,450	~ 2,700	+150	~ 2,700	+150
Brent Oil (\$/barrell)	111	Confirmed	+5	Confirmed	+5
Butadiene EU (€/ton)	1,868	~ 1,400	+75	~ 1,300	+90
FX (R\$, TRY, EGP, US\$)			~(105)		~(110)
TOTAL			~+125		~+135

AGENDA



9M 2013 RESULTS



TYRE BUSINESS 9M 2013 OVERVIEW



2013 OUTLOOK & TARGETS



APPENDIX

PIRELLI GROUP – 9M 13 RESULTS

Profit & Loss and Net Financial Position by Business Unit

	PIRELLI TYRE		OTHER		PIRELLI & C. CONS.	
	9M 13	9M 12	9M 13	9M 12	9M 13	9M 12
€/Mln						
SALES	4,625.8	4,542.9	24.1	31.2	4,649.9	4,574.1
EBITDA before Restr. Costs	827.5	833.7	(14.1)	(15.8)	813.4	817.9
<i>%on sales</i>	<i>17.9%</i>	<i>18.4%</i>			<i>17.5%</i>	<i>17.9%</i>
EBIT before Restr. Costs	614.0	638.5	(17.1)	(19.5)	596.9	619.0
<i>%on sales</i>	<i>13.3%</i>	<i>14.1%</i>			<i>12.8%</i>	<i>13.5%</i>
Restructuring Costs	(14.2)	(18.2)	(1.0)	(0.0)	(15.2)	(18.2)
EBIT	599.8	620.3	18.1	19.5	581.7	600.8
<i>%on sales</i>	<i>13.0%</i>	<i>13.7%</i>			<i>12.5%</i>	<i>13.1%</i>
Results from equity participations					(22.9)	(26.4)
Financial Income/Charges					(148.6)	(103.3)
EBT					410.2	471.1
Fiscal Changes					(152.1)	(167.8)
Net Income					258.1	303.3
Attributable Net Income					262.1	301.3
Net Financial Position					1,970.9	1,868.8

PIRELLI GROUP – Q3 13 RESULTS

Profit & Loss and Net Financial Position by Business Unit

	PIRELLI TYRE		OTHER		PIRELLI & C. CONS.	
	Q3 13	Q3 12	Q3 13	Q3 12	Q3 13	Q3 12
€/Mln						
SALES	1,511.8	1,542.6	7.0	9.7	1,518.8	1,552.3
EBITDA before Restr. Costs	284.7	272.9	(4.8)	(5.3)	279.9	267.6
<i>%on sales</i>	<i>18.8%</i>	<i>17.7%</i>			<i>18.4%</i>	<i>17.2%</i>
EBIT before Restr. Costs	214.6	205.8	(5.8)	(6.6)	208.8	199.2
<i>%on sales</i>	<i>14.2%</i>	<i>13.3%</i>			<i>13.7%</i>	<i>12.8%</i>
Restructuring Costs	(7.6)	(3.7)	(0.2)	(0.0)	(7.8)	(3.7)
EBIT	207.0	202.1	(6.0)	(6.6)	201.0	195.5
<i>%on sales</i>	<i>13.7%</i>	<i>13.1%</i>			<i>13.2%</i>	<i>12.6%</i>
Results from equity participations					1.4	(23.7)
Financial Income/Charges					(43.9)	(45.5)
EBT					158.5	126.3
Fiscal Changes					(50.5)	(41.5)
Net Income					108.0	84.8
Attributable Net Income					110.7	85.0
Net Financial Position					1,970.9	1,868.8

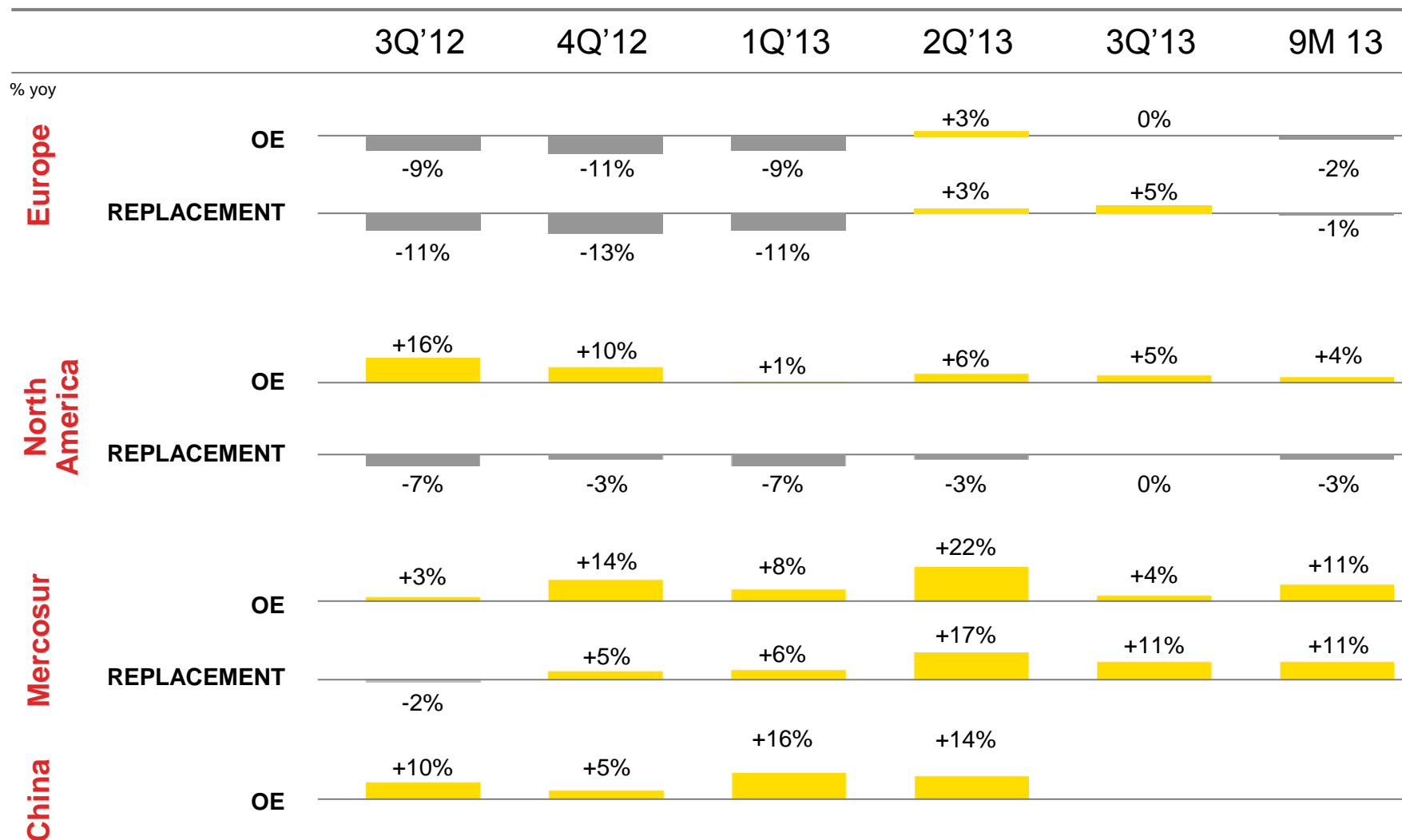
PIRELLI BALANCE SHEET

	9M 13	FY12
<i>€/Mln</i>		
FIXED ASSETS	4,002.5	3,877.2
Inventories	1,052.9	1,102.6
Trade receivables	1,057.3	704.6
Trade payables	(1,005.8)	(1,268.7)
NET OPERATING WORKING CAPITAL	1,104.4	538.5
Other payables/receivables	13.6	11.0
Net Working Capital	1,118.0	549.5
NET INVESTED CAPITAL	5,120.5	4,426.7
Total Net Equity	2,406.4	2,389.4
Provisions	743.2	832.1
Net Financial Position	1,970.9	1,205.2
TOTAL	5,120.5	4,426.7
Attributable Net Equity	2,334.0	2,337.4
Equity per Share (euro)	4.78	4.79

PIRELLI GROUP CASH FLOW

	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	9M 13
<i>€/Mln</i>						
EBIT before restructuring costs	199.2	212.6	183.0	205.1	208.8	596.9
Depreciation / Amortization	68.4	72.4	72.3	73.1	71.1	216.5
Net investments	(132.5)	(143.5)	(79.7)	(84.3)	(74.3)	(238.3)
Working capital / other variations	(197.2)	594.7	(492.4)	(5.6)	(160.3)	(658.3)
OPERATING CASH FLOW	(62.1)	736.2	(316.8)	188.3	45.3	(83.2)
Financial income (expenses)	(45.5)	(47.2)	(58.6)	(46.1)	(43.9)	(148.6)
Taxes	(41.5)	(30.5)	(42.5)	(59.1)	(50.5)	(152.1)
NET OPERATING CASH FLOW	(149.1)	658.5	(417.9)	83.1	(49.1)	(383.9)
Financial investments / divestments	2.3	-	-	-	(31.6)	(31.6)
Property divestments	-	20.5	-	-	26.5	26.5
Russian JV	(16.4)	-	-	-	-	-
Retail development investments	-	-	-	-	(4.1)	(4.1)
Credit conversion / Prelios capital increase	-	-	-	-	(192.9)	(192.9)
Dividends paid	-	-	-	(156.7)	-	(156.7)
Other dividends paid	-	-	-	(3.1)	-	(3.1)
Cash-out for restructuring	(3.6)	(12.4)	(7.5)	(5.2)	(4.2)	(16.9)
Exchange rate differentials / Others	0.7	(3.0)	(49.6)	29.5	17.1	(3.0)
NET CASH FLOW	(166.1)	663.6	(475.0)	(52.4)	(238.3)	(765.7)

CONSUMER BUSINESS: KEY MARKET TRENDS



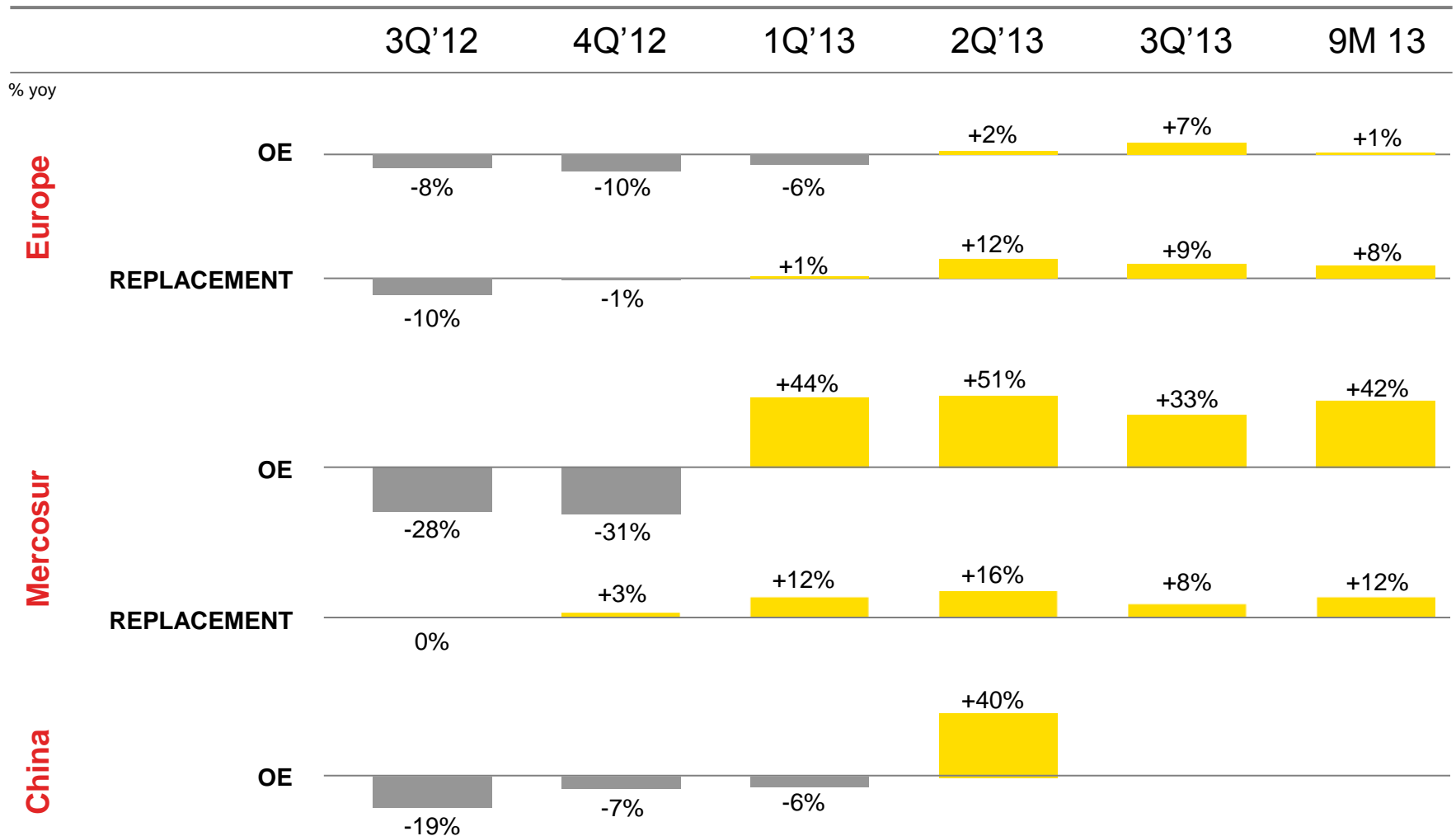
(*)Turkey and Russia included

(**)Turkey included

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

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

INDUSTRIAL BUSINESS: KEY MARKET TRENDS



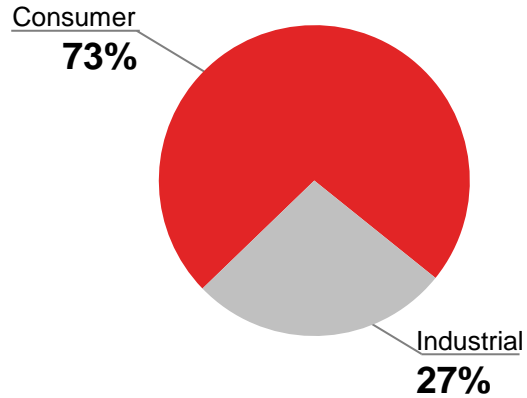
(*)Turkey included and Russia excluded

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

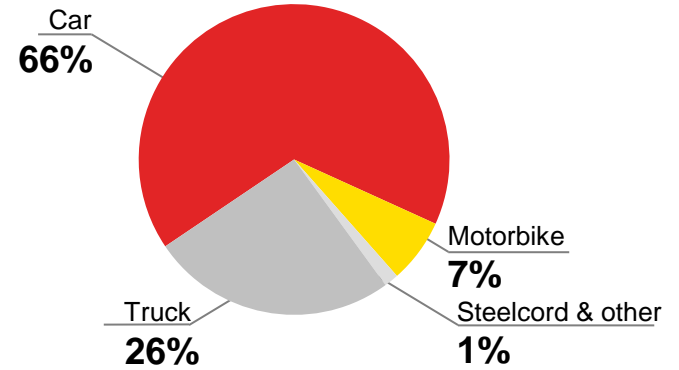
Source: major external data provider for each Region and Pirelli estimates

9M 2013 PIRELLI TYRE MIX

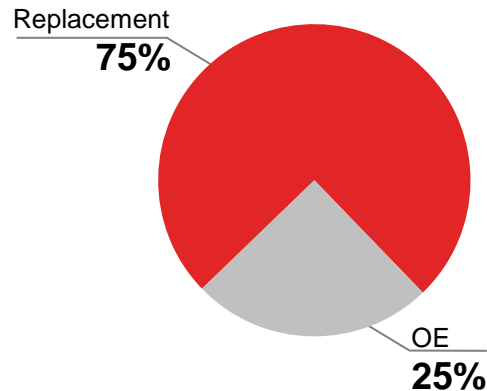
SALES BY BUSINESS



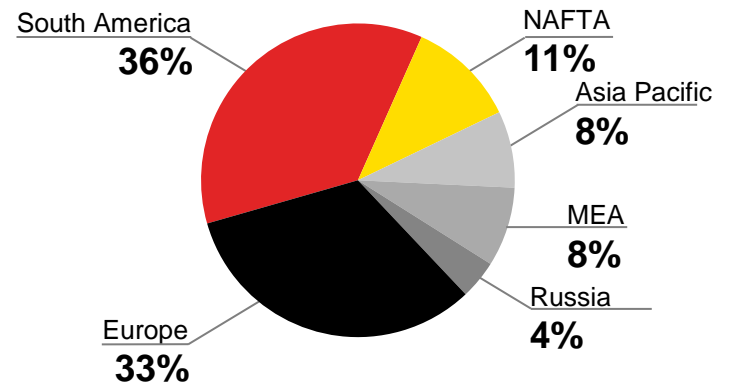
SALES BY SEGMENT



SALES BY CHANNEL

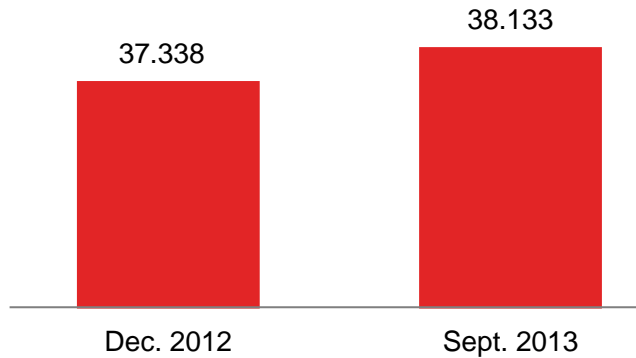


SALES BY REGION

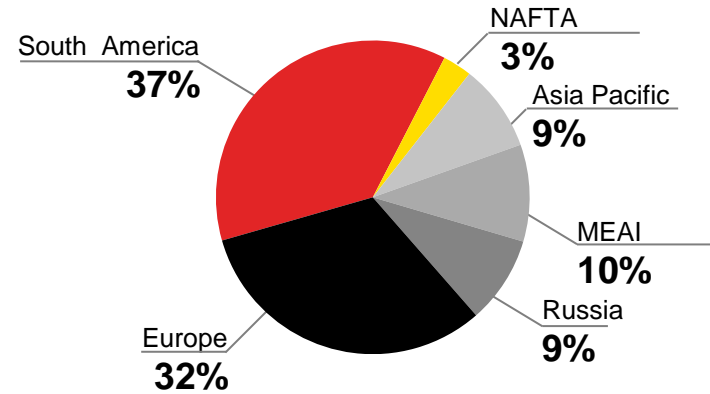


SEPTEMBER 2013 PIRELLI PEOPLE

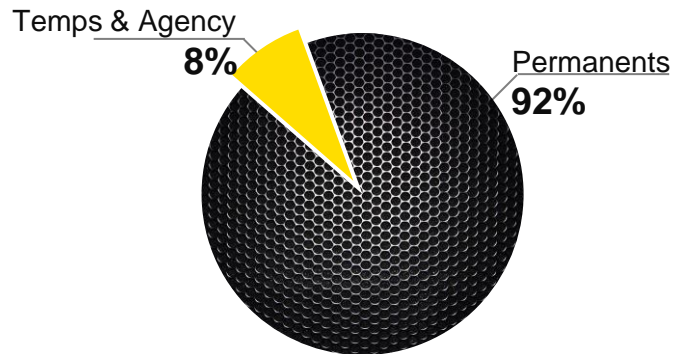
HEADCOUNT



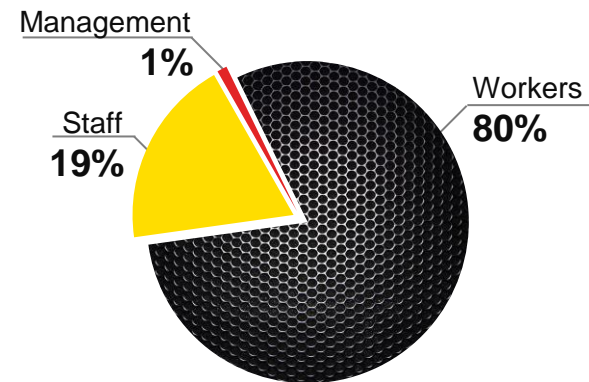
PEOPLE BY REGION



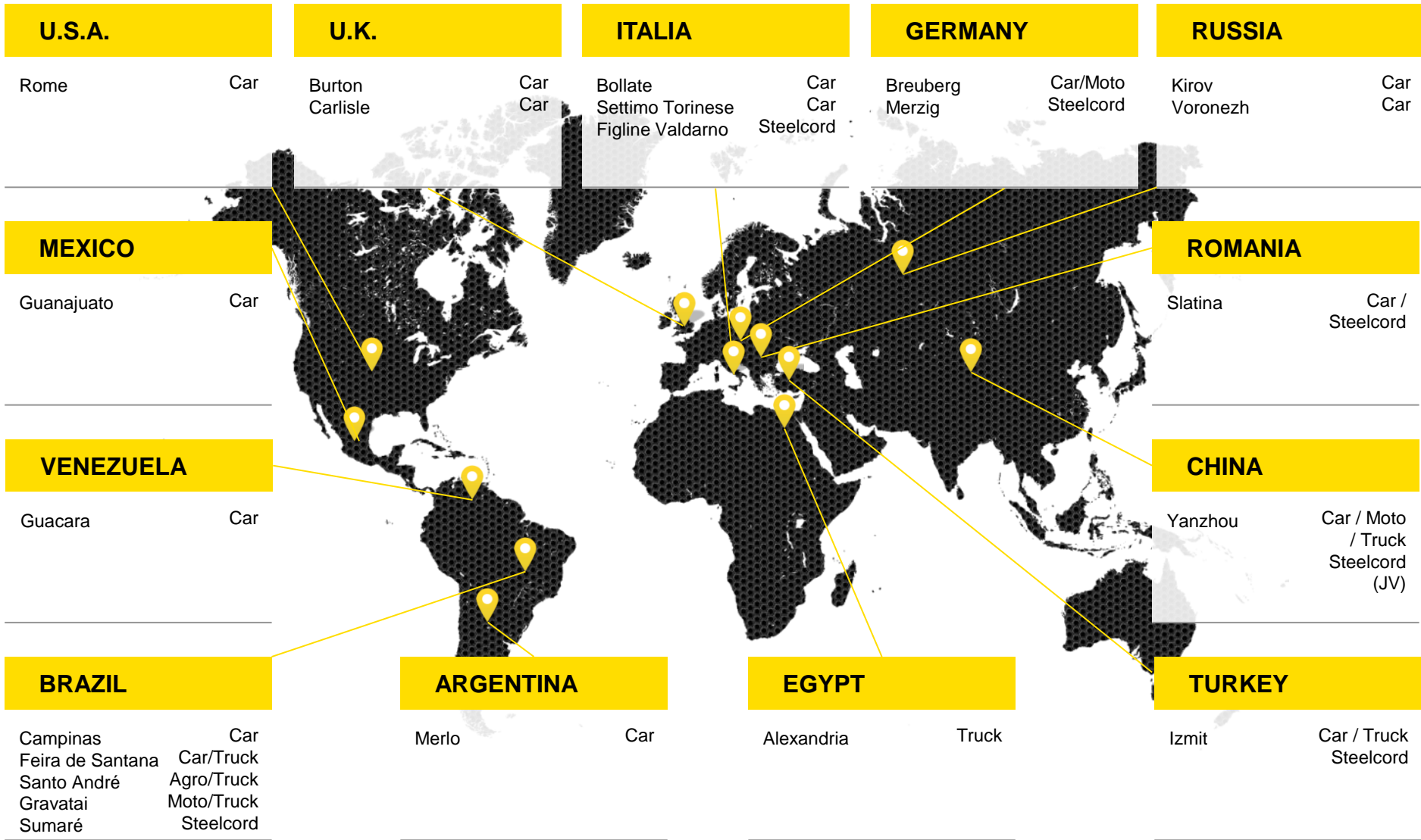
PEOPLE BY CONTRACT



PEOPLE BY CLUSTER

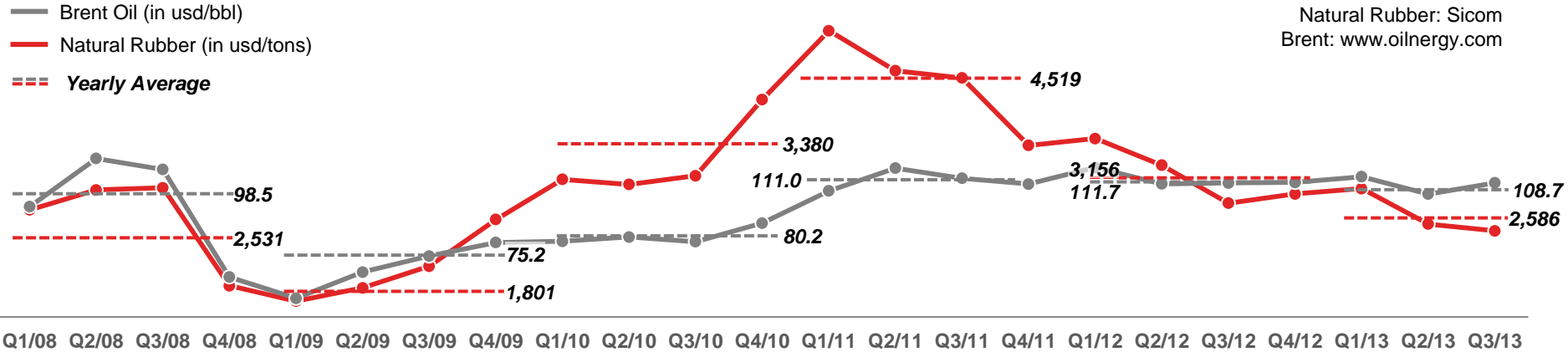


PIRELLI PLANTS IN THE WORLD



RAW MATERIALS

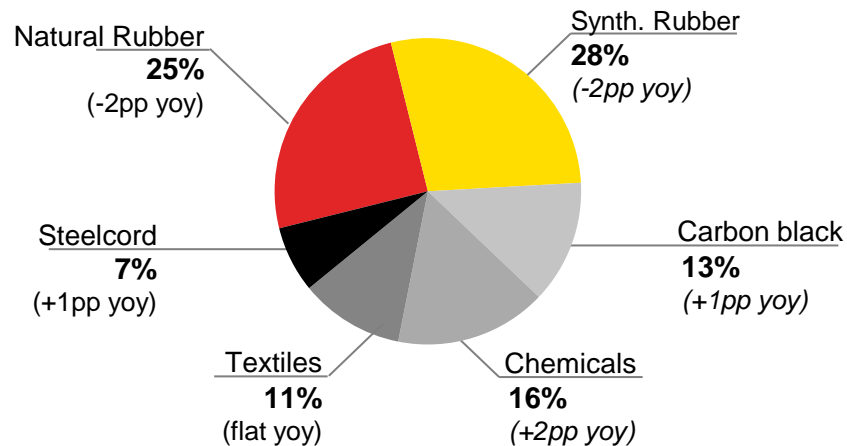
RAW MATERIAL PRICE TREND



9M 2013 MIX (BASED ON PURCHASING COST)

38%

Raw mat. costs
on sales



DISCLAIMER

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Statement

The Manager mandated to draft corporate accounting documents of Pirelli & C. SpA. Francesco Tanzi, attests – as per art.154-bis. comma 2 of the Testo Unico della Finanza (D.Lgs. 58/1998) – that all the accounting information contained in this presentation correspond to the documented results, books and accounting of the Company.