Interim Management Statements

at September 30, 2013

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

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Board of Directors [1]

Chairman and Chief Executive Officer	Marco Tronchetti Provera
Deputy Chairman	Alberto Pirelli
Director	Carlo Acutis
Independent Director	Anna Maria Artoni
Director	Gilberto Benetton
Independent Director	Alberto Bombassei
Independent Director	Franco Bruni
Independent Director	Luigi Campiglio
Director	Paolo Fiorentino
Independent Director	Jean Paul Fitoussi
Independent Director	Pietro Guindani
Independent Director	Elisabetta Magistretti
Director	Massimo Moratti
Director	Gaetano Micciché
Director	Renato Pagliaro
Independent Director	Luigi Roth
Director	Luca Rovati
Lead Independent Director	Carlo Secchi
Independent Director	Manuela Soffientini
Director	Claudio Sposito
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	Luigi Roth
Independent Director	Anna Maria Artoni
Independent Director	Luigi Campiglio
Independent Director	Pietro Guindani

Nominations and Successions Committee

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

Strategies Committee

Chairman of the Committee	Marco Tronchetti Provera
Independent Director	Alberto Bombassei
Independent Director	Franco Bruni
General Counsel and Corporate Affairs	Francesco Chiappetta
Director	Paolo Fiorentino
Director	Gaetano Micciché
Director	Renato Pagliaro
Lead Independent Director	Carlo Secchi
Independent Director	Manuela Soffientini
Director	Claudio Sposito

Independent Auditor [3] Reconta Ernst & Young S.p.A.

Corporate Financial Reporting Manager [4] Francesco Tanzi

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.

1 Appointment: April 21, 2011. Expiry: Shareholders' Meeting called to approve the Annual Financial Report at December 31, 2013.
Manuela Soffientini, co-opted on March 1, 2012, was confirmed as Director by the Shareholders' Meeting on May 10, 2012. Jean Paul Fitoussi and Luca Rovati were appointed by the Shareholders' Meeting on May 10, 2012. Paolo Fiorentino and Claudio Sposito were co-opted on October 21, 2013. Gaetano Micciché was co-opted on November 5, 2013.

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

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

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

MACROECONOMIC AND MARKET SITUATION

The international economy

Between 2Q and 3Q 2013, the global economy gradually accelerated driven by the United States and accompanied by the first signs of recovery in Europe, while new fragilities surfaced in emerging markets.

In Europe, 2Q 2013 economic data exceeded expectations, lifted by the results of Germany, France, Portugal and the United Kingdom. The eurozone grew by 0.3% from the previous quarter driven principally by a strong export performance and ending six straight quarters of decline. Although the countries hardest hit by the debt crisis, such as Spain and Italy, remained mired in recession, the general trend of improvement extended across Europe. Access to credit, however, remains a problem, a factor that is curbing the recovery especially in peripheral countries.

Economic growth continued in the Nafta area, supported by a strong performance in the United States. GDP growth accelerated in 2Q 2013 to 2.5%, driven by consumer spending and residential property investments.

Economic activity in Brazil, the locomotive of Latin American economic growth, improved in 2Q with GDP expanding by 1.5% quarter-on-quarter. Industrial activity, however, remains weak. The expected end of quantitative easing in the United States – involving the injection of liquidity in the economy through bond purchases – has placed the real under pressure, aggravating inflation through the devaluation of the Brazilian currency. The Brazilian central bank responded firmly to inflationary pressures by raising its benchmark rate to 9.50%, marking a rise of 200 basis points between May and October.

The current level of short-term rates will have a negative impact on demand over future quarters. In Argentina, consumer spending continued to support economic growth in 2Q 2013.

Growth in the Asia-Pacific region accelerated slightly in 1H 2013, especially due to the recovery of the Japanese economy which was driven by an expansionary monetary policy intended to support internal demand. Chinese economic performance improved in 3Q 2013 (+7.8%, compared with +7.5% in the previous quarters), mainly due to structural measures announced in June aimed at reducing the risks of an excessive economic slowdown.

Exchange rates in the third quarter, as in the previous quarter, were characterised by the volatility linked to the U.S. Federal Reserve’s monetary policy and investor uncertainty regarding when the quantitative easing program would start to be wound down. This uncertainty had a generally positive impact on the foreign currencies that are considered reserve currencies, and a negative one on emerging markets with current account deficits or high inflation.

The euro rose against the U.S. dollar during 3Q 2013, moving from an average of USD 1.31 in July to USD 1.34 in September. The average quotation for the euro was USD 1.32 over the first nine months of 2013, compared to USD 1.28 over the same period in 2012.

The Japense currency remained stable against the U.S. dollar in the third quarter compared to 2Q 2013. The yen quoted in U.S. dollars, however, remains 21% below its level in 3Q 2012, prior to the election of Prime Minister Abe – in December 2012 – and the beginning of the expansionary monetary policy adopted by the Japanese central bank. Over the first nine months of 2013, the Japanese currency averaged JPY 97 to the U.S. dollar, down 18% over the same period in 2012.

The renminbi appreciated slightly in 3Q 2013, trading at an average of CNY 6.13 to the U.S. dollar, +0.5% from the previous quarter and 3.7% higher with respect to the third quarter of 2012.

Latin American currencies fell sharply against the U.S. dollar in 3Q 2013. The Brazilian real fell from BRL 2.23 to the U.S. dollar at the beginning of July to over 2.40 in the third week of August, before falling back to BRL 2.22 to the dollar at the end of September. The average exchange rate for 3Q 2013 was BRL 2.29 per dollar, down 11% from 3Q 2012. The Argentine peso also continued to lose ground at a faster pace than in the two previous quarters. The average of ARS 5.59 to the U.S. dollar in 3Q 2013 reflects a 6% depreciation with respect to the previous quarter and -18% from 3Q 2012.

Automotive market

Global registrations of light vehicles increased by about 3% in the first nine months of 2013 and were driven particularly by major markets like the United States, China and the United Kingdom.

In Europe, car registrations generally remained soft. The European Union contracted by 3.9% (Acea figures) year-on-year in 9M 2013. Only the United Kingdom (+11%) bucked the trend prevailing on the other major markets (-8.5% in France, -8.3% in Italy, -6% in Germany). Car registrations fell in Russia: -7% compared with the first nine months of 2012 (-8% in 3Q 2013). This trend reflected both the muted macroeconomic situation (economic slowdown and devaluation of the rouble) and government incentives that had sustained registrations in 2012.

Car registrations continued to rise in the Nafta area: +8% in 9M 2013, driven in particular by the United States market and the recovery in Canada.

Asian markets turned in a mixed performance: car registrations were up 14% in China, while car vehicle sales in Japan (-5%) were impacted by the termination of government eco-incentives.

The trend in car registrations South America was positive. Car sales recovered in Brazil during 3Q 2013, growing by 3.6%, offsetting the initial contraction (car registrations were down 2.8% in 9M 2013). In Argentina, car sales in 9M 2013 were 11% higher than in the same period of 2012.

The commercial vehicle market remained weak in Europe, with a 4% contraction during 9M 2013. Only the United Kingdom and Spanish markets expanded, driven by growth in the light commercial vehicle segment, while the French and especially Italian markets remained depressed year-on-year. The recovery in the construction industry positively impacted sales of industrial vehicles in Nafta. Light commercial vehicle sales rose by over 10% in the United States while sales of vehicles with a weight of over 6 tons continued to decline. In China, commercial vehicle sales accelerated in September, boosting the growth rate in 9M 2013 to +7.5% year on year. In Brazil, truck sales in 9M 2013 rose 15% year-on-year, driven by a recovery in the heavy segment while sales of light commercial vehicles remained below the levels reported in 9M 2012.

Tyre market

Tyre sales data for the first nine months of 2013 indicate, on the one hand, the healthy performance in emerging markets, and on the other, the weak performance in Europe, reflecting the ongoing recession.

The slowdown in the European consumer business at the end of 2012 continued into 2013, albeit with less intensity and a few signs of recovery in the third quarter. During the first three quarters of the year, net sales fell 2% in the original equipment segment and 1% in the replacement segment compared to the same period of 2012, although there were signs of recovery in 3Q 2013.

In the industrial segment, the European market, including Turkey, grew by 1% on a cumulative basis from 2012 in the original equipment segment and 8% in the replacement segment.

In 9M 2013 the Russian consumer market contracted both in the original equipment segment (-3%) and the replacement segment (-6%), and in both the summer and winter segments.

Net sales of original equipment in the consumer business of Nafta tracked expanding vehicle production by rising 4% year-on-year in 9M 2013. The replacement tyre segment remains weak, and fell by 3% in 9M 2013. Net of imported products, the industrial business was characterised by a 7% drop in sales in the original equipment segment between January and September as compared to the same period of 2012 (which had posted growth of +12%). The replacement segment grew slightly, by +2%, compared with the -13% dip reported in 2012.

Driven by good performances in Brazil and Argentina, the Latin American tyre market grew in both the consumer and industrial segments, and in both the original equipment and replacement segments during 9M 2013. In particular, the consumer business grew by 11% in both the original equipment and replacement segments.

During the first nine months of 2013, the industrial segment grew in both the original equipment and replacement segments, by 42% and 12%, respectively, as compared to the same period of 2012.

Among the Asian markets, China continued to perform as well in 3Q 2013 as in the first half of the year. The healthy pace of car sales sustained growth in the consumer original equipment segment. In Japan, net sales in the consumer original equipment segment slowed in the first eight months of 2013 after growing strongly in 2012. The market had benefited from incentives for the purchase of environmentally-friendly vehicles during 2012 before being terminated in autumn that year. On the other hand, net sales in the consumer replacement segment rose by 4% year-on-year in 9M 2013.

Commodities

In 3Q 2013, oil prices rose slightly, while natural rubber and butadiene prices tracked the weak performance of raw materials in general, contributing to lower inflation globally.

The price of Brent crude oil averaged USD 110/bbl, up 6% from the previous quarter. This increase was caused by worsening international tensions over the situation in Syria. For the first nine months of 2013, the price of Brent crude averaged USD 109/bbl, down 3% over the same period in 2012.

In 3Q 2013, natural rubber prices fell 4% after the sharp drop of 17% in the previous quarter. The average price for natural rubber in 9M 2013 was USD 2,586/ton, or 20% less than in 9M 2012. The steep fall in rubber prices, amounting to about 50% over the last two years, reflects the increase in supply following expansion in the cultivated area. That increase had been stimulated by peaks in demand in previous years, leading to an output that exceeds the current modest level of demand.

The prices for butadiene, the principal ingredient used in making synthetic rubber, fell even more sharply in 3Q 2013, hit by weak demand and the excess supply of natural rubber. Prices fell below euro 1,000/ton (euro 750/ton in August) for the first time since March 2010, and the average price in 3Q 2013, euro 842/ton, was 37% lower than in the previous quarter. Even the average price over the first nine months of 2013, euro 1,186/ton, was 37% lower over the same period in 2012. The price of butadiene was impacted not only by the oversupply of natural rubber, but also by the appreciation of the euro in 3Q 2013.

SIGNIFICANT EVENTS DURING THE FIRST NINE MONTHS OF 2013

On **January 15, 2013** the shareholders agreement of Pirelli & C. S.p.A. was renewed without any changes in its participants and the participating shares. All participants of this agreement affirmed their desire to renew it, which is set to expire on April 15, 2014.

On **January 15, 2013** Pirelli and the Ministry of Environment signed a new agreement to reduce the climate impact of activities related to tyre manufacturing and use. The agreement, signed by Minister Corrado Clini and Pirelli Chairman and CEO Marco Tronchetti Provera, defines the second phase of the agreement previously signed by the company with the Ministry in January 2012, as part of the international conference “Driving Sustainability: a Safe Road to the Future”. In this second phase, Pirelli and the Ministry of Environment will undertake technological experiments aimed at reducing the climate impact of activities related to the production and use of a representative car tyre, made by Pirelli in Brazil.

On **January 23, 2013** Pirelli initiated the Motorsport 2013 season by presenting the new versions of its Formula 1 tyres, the third such evolution in three years, and the original 17 inch tyre for Superbike championship competition, which marks a turning point in the most important motorcycle championship involving street model derivatives. Pirelli will participate in about 250 competitions, of which less than half as the sole tyre brand supplier, supplying tyres to more than 40 countries around the world, from the Americas to the Far East.

On **January 30, 2013** Pirelli and Russian Technologies announced the start-up of a new production line at the Voronezh factory, in southwest Russia. Following the investments in new technology made there, this new production line now meets Pirelli standards and will make it possible to produce premium tyre compounds, especially in the winter segment.

On **February 20, 2013** Pirelli & C. Ambiente S.p.A. and Clean Diesel Technologies Inc. (Nasdaq: CDTI) signed an agreement to set up a joint venture for the marketing and sale of emissions control devices in Europe and CSI countries. Through this joint venture the two companies aim to consolidate their leadership in technologies used to limit the pollution emissions of diesel or gasoline powered light or heavy vehicles in on and off-road applications in the original equipment and after market segments. The agreement calls for providing the joint venture with silicon carbide substrates by Pirelli & C. Eco Technology RO S.r.l. (Romania) and solutions for emissions controls by CDTI.

On **March 4, 2013** Mario Greco resigned as Director of the Company.

On **March 27, 2013** Pirelli & C. S.p.A, in relation to the extraordinary operation of the re-launch of the Prelios group approved by the Board of Prelios S.p.A. announced – in its role of financier to Prelios S.p.A – that it expressed its participation in the operation along with the other parties involved.

The process concluded in August and has had the following impact on Pirelli:

- a reserved capital increase for euro 70 million at Fenice S.r.l. (with the share of Pirelli being priced at euro 23 million), a newly formed corporate vehicle whose other shareholders include Intesa San Paolo S.p.A., Unicredit S.p.A. and Feidos 11 S.p.A. (a subsidiary of Feidos S.p.A.), subsequently used for subscription by Fenice S.r.l. of new, non-voting Prelios shares that may not be listed and which are convertible into ordinary shares upon the occurrence of certain events ("Class B Shares"); the shareholders of Fenice S.r.l. have also defined its governance, the procedures for transfer of shares held in it and disinvestment from those shares, including mechanisms in specific cases of premature exit for Feidos 11 and purchase for the other shareholders of Fenice S.r.l.;
- restructuring of the entire financial receivable of euro 173.5 million from Prelios S.p.A. at December 31, 2012, which have led to:
  - repayment of euro 3.6 million;
  - conversion of euro 21.5 million into Prelios S.p.A. ordinary shares without lock-up restrictions;
  - subscription of bonds destined for conversion, with a cash option for Prelios S.p.A. (of 7 years' duration) and with possible early conversion if certain events come to pass (the "convertendo") worth euro 148.4 million, of which about euro 67.5 million that confer the right of conversion into Class B shares, equal to about 28.9% of the total convertendo, and euro 80.9 million which confer conversion rights into Prelios S.p.A. ordinary shares.

Upon conclusion of the operation, Pirelli & C. S.p.A. owns about 13% of the voting shares of Prelios S.p.A. and about 33% of Fenice S.r.l..

The participation of Pirelli & C. S.p.A. in the operation of re-launching Prelios S.p.A. does not change in any way Pirelli's strategic focus on the core tyre business, but has as its sole objective the strengthening of Prelios' equity and finances with the aim of maximising the value of the credit Pirelli has with Prelios S.p.A.

On **April 15, 2013** a Memorandum of Understanding was signed by Pirelli and Rosneft for the first Pirelli premium flagship store in Russia. It will be located inside the new Rosneft service station in Sochi, on the Black Sea coast in the region of Krasnodar. The agreement represents a new, important step towards development of the strategic commercial and marketing collaboration agreement initialled by the two partners on December 20, 2012. The flagship store will be completed by 4Q 2013, will feature the "Pzero Platinum" brand and will enjoy the exposure generated by the 2014 Sochi Winter Olympics, of which Rosneft is a partner.

The agreement also calls for the opening of other similar sales outlets at Rosneft service stations located in areas offering access to premium customers. Finally, the agreement calls for Rosneft service stations to offer the Pirelli 'Safe&GO' tyre inspection service from 1Q 2014.

On **May 10, 2013** Vittorio Malacalza resigned as Deputy Chairman and member of the Pirelli & C. S.p.A. Board of Directors.

On **May 13, 2013** the Shareholders' Meeting of Pirelli & C. S.p.A. approved the annual financial report 2012, which closed with consolidated net income of euro 398.2 million, and parent company net income of euro 234.4 million, resolving to pay a dividend of euro 0.32 euro per ordinary share and euro 0.39 per savings share. The Shareholders' Meeting appointed Jean Paul Fitoussi (independent), Luca Rovati and Carlo Salvatori, who had been previously co-opted by the Board of Directors in July 2012, as Directors until the term of the current Board of Directors expires upon approval of the annual report 2013. The Shareholders' Meeting also authorised the Board of Directors to buy back and dispose of treasury shares up to the limit of 10% of share capital and for a maximum period of 18 months, and also approved certain amendments to the bylaws. The Shareholders' Meeting approved the Company remuneration policy, with a 98.6% majority of the voting shares.

On **June 5, 2013** the Pirelli & C. S.p.A. Block Voting Shareholders' Agreement announced that the parties to the Shareholders' Agreement gave their consent, on request:

- to Allianz S.p.A. to release from the Shareholders' Agreement the entire Pirelli & C. S.p.A. shareholding that had been contributed, amounting to 20,977,270 Pirelli & C. ordinary shares (4.41% of the share capital);
- to Fondiaria-Sai S.p.A. to release from the Shareholders' Agreement a total of 12,229,394 ordinary shares in Pirelli & C. S.p.A. (2.57% of the share capital);
- to Camfin S.p.A. to release from the Shareholders' Agreement a total of 33,300,000 ordinary shares in Pirelli & C. S.p.A. (7% of the share capital). In relation to this, Camfin announced on the same date that the 33,300,000 released ordinary shares in Pirelli & C. S.p.A. are not available for sale. The release is aimed at guaranteeing compliance with the rules of the Shareholders' Agreement that establish specific limits on the shares that each participant may hold in relation to the total number of contributed shares;
- to amend Article 2 of the Shareholders' Agreement by establishing that when it is renewed, the extension of the Shareholders' Agreement for the Participants that have not opted out shall be subject to the condition that the remaining financial instruments tied to the Shareholders' Agreement together represent at least 30% (rather than 33%, as previously envisaged) of the ordinary subscribed share capital of Pirelli & C. S.p.A.

The following are Parties to the Shareholders' Agreement:

Parties	Number of ordinary Shares granted	% of all shares granted	% of the total n. of ordinary shares issued
CAMFIN S.p.A.	63,369,168	42.24%	13.32%
MEDIOBANCA S.p.A.	21,922,205	14.61%	4.61%
EDIZIONE S.r.l.	21,921,364	14.61%	4.61%
ASSICURAZIONI GENERALI S.p.A. (*)	20,977,269	13.98%	4.41%
FONDIARIA - SAI S.p.A.	8,802,913	5.87%	1.85%
INTESA SANPAOLO S.p.A.	7,683,568	5.12%	1.62%
SINPAR S.p.A.	3,015,320	2.01%	0.63%
Massimo MORATTI (**)	2,343,392	1.56%	0.49%
Total	**150,035,199**	**100%**	**31.54%**

(*) n. 5,218,181 shares through Generali Vie S.A. and n. 15,759,088 shares through Generali Italia S.p.A.

(**) through CMC S.p.A. (including 1,838,459 shares fiduciary owned by Cordusio Società fiduciaria per azioni)

Lauro Sessantuno S.p.A., an entity that has made a global takeover bid on Camfin S.p.A. shares, has given notice in its takeover bid document that the shareholders of Lauro Sessantuno S.p.A. have agreed that they do not wish to alter the current ownership structure of Pirelli, other than to improve its competitiveness. In that perspective, these parties have agreed not to renew the participation of Camfin S.p.A. in the Pirelli Shareholders' Agreement at its next expiry date, scheduled to occur on April 15, 2014, unless jointly decided otherwise by Lauro Cinquantaquattro S.r.l. (whose share capital is wholly owned by Clessidra SGR S.p.A.) and Marco Tronchetti Provera & C. S.p.A.

As part of the rights issue by RCS Mediagroup S.p.A., on **July 4, 2013** Pirelli exercised all of its options on the 5,757,493 shares restricted by the Block Voting Shareholders' Agreement of the company and sold on the market 105,696 options on the remaining shares of RCS that Pirelli owned but were not restricted by the Shareholders' Agreement, resulting in a net outlay of about euro 21.3 million.

On **July 10, 2013** Pirelli received the 'Global Champion' prize as part of the Volkswagen Group Award, which that automotive group gives out every year to its best suppliers. This award recognises the excellence of Pirelli in global partnership, product quality, competitiveness, project management and flexibility. An annual supply of six million Ultra High Performance (UHP) tyres for over 200 automotive approvals, in sizes ranging from 15 to 21 inches, plus another 250 approved versions under development and ready to be produced over the coming years. A long list of prestige and premium models equipped with Pirelli tyres, and a global partnership that has extended far beyond Europe over the years, has grown in South America, Mexico, China, and now also Russia and the United States.

On **July 12, 2013** Pirelli announced that the new Business Plan 2013-2017 would be presented on November 6.

On **July24, 2013** Giulia Maria Ligresti resigned as Director of the Company.

In **August 2013**, in relation to the joint venture between Pirelli, Russian Technologies ("RT") and Fleming Family & Partners – now named GHP Asset Management Holdings Ltd. ("GHP") – Pirelli confirmed the strategic importance of the Russian market by seizing the opportunity to increase its stake in the project to 65%, as mutually agreed with the financial partner GHP and the shareholder RT. The stake held by RT remains unchanged at 25%, while GHP will reduce its share to 10% from the previous 25%. The agreements between the parties also envisage a mechanism for exit by GHP in 2017 (previously scheduled for 2015) that is applicable to the entire 10% share still held by GHP, as well as introduction of a new exit mechanism (put and call options) on a 15% share in the joint venture applicable to the total 25% stake held by RT.

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 understanding of 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.

Following the entry into force of the newly revised standard IAS 19 – Employee Benefits on January 1, 2013, the 2012 figures have been restated.
The table summarises the impact of this change on the principal balance sheet and income statement items in each quarter and their totals for all of 2012. Please see the notes and comments on the financial statements for additional details.

(in millions of euro)

	at 03.31.2012			at 06.30.2012			at 09.30.2012			at 12.31.2012		
	2012 reported	**2012 restated**	change	2012 reported	**2012 restated**	change	2012 reported	**2012 restated**	change	2012 reported	**2012 restated**	change
Profit & Loss impact												
Operating income - quarter	209.4	**212.7**	3.3	191.3	**192.6**	1.3	192.1	**195.5**	3.4	188.0	**191.7**	3.7
Operating income - cumulative				400.7	**405.3**	4.6	592.8	**600.8**	8.0	780.8	**792.5**	11.7
Net income (loss) - quarter	125.3	**123.6**	(1.7)	96.4	**94.9**	(1.5)	86.6	**84.8**	(1.8)	89.9	**88.2**	(1.7)
Net income (loss) - cumulative				221.7	**218.5**	(3.2)	308.3	**303.3**	(5.0)	398.2	**391.5**	(6.7)
Balance sheet impact												
Reserve	851.5	**853.2**	1.7	681.9	**685.1**	3.2	677.3	**682.3**	5.0	647.9	**654.6**	6.7
Net income (loss) - cumulative	125.3	**123.6**	(1.7)	221.7	**218.5**	(3.2)	308.3	**303.3**	(5.0)	398.2	**391.5**	(6.7)
Equity	2,320.1	**2,320.1**	0.0	2,246.9	**2,246.9**	0.0	2,328.9	**2,328.9**	0.0	2,389.4	**2,389.4**	0.0

In this document, the comments on the changes from September 30, 2012 always refer to the restated amount, unless otherwise indicated.

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The first nine months of 2013 were dominated by the difficult macroeconomic situation, which mainly affected Europe, and extremely volatile exchange rates (Brazilian real, Argentine peso, Turkish pound and Egyptian pound).
In this context, Pirelli has pursued its strategy of focusing on high value segments, by realizing 12% growth in volumes in the premium segment (+19% in 3Q 2013), three times higher than the aggregate growth in consumer business volumes, and a 3 percentage point improvement in profitability for the industrial business, with an EBIT margin of 13.5% (14.4% in 3Q 2013).

Consolidated net sales at September 30, 2013 totalled euro 4,649.9 million, up 8.3% before accounting for the translation effect. This was accomplished thanks to the increase in premium segment sales (49.6% of consumer business net sales, up 1.4 percentage points as compared with 9M 2012) and the growing contribution made by emerging markets (56.2% of tyre sales, with its share increasing by about 3 percentage points on an annualised basis).
Including the translation effect (-6.6%), Group net sales rose by 1.7% (to euro 4,574.1 million in 9M 2012).
In 3Q 2013 net sales on a like-for-like basis were up 7.7% year-on-year, while the severe negative translation effect (-9.9%), related principally to devaluation of the Brazilian real, Argentine peso, Turkish pound and Egyptian pound, completely wiped out the effects of higher sales volumes and improvement in the price/mix component, transforming the total change in net sales into a negative 2.2%.
Consolidated operating income totalled euro 581.7 million at September 30, 2013 and EBIT margin of 12.5% (operating income was euro 600.8 million at September 30, 2012, with an EBIT margin of 13.1%). Foreign exchange trends also impacted operating income, generating a negative change of about euro 37.6 million, of which euro 18.8 million in 3Q 2013.

At the operating level, the result benefited from the growth in volumes, improved price/mix and operating efficiency gains that, together with the reduction in the cost of raw materials, helped to balance the start-up costs of plants in Mexico and Russia, the conversion of the Settimo Torinese plant from truck to premium car tyre production, the growth in commercial costs related to development of the premium segment, and higher costs for production factors and other operating costs, including amortisation and depreciation.

Net income in 9M 2013 was euro 258.1 million, compared with euro 303.3 million in 9M 2012. The aggregate amount was impacted also by an increase in net financial expenses of about euro 45 million, related to the higher level of average indebtedness – especially during the first six months of 2013 – and a different mix of geographic areas of financing, the negative euro 8.3 million impact resulting from devaluation of the Venezuelan currency, and approximately euro 10 million in lower financial income on the loan to Prelios S.p.A. The 2012 result also benefited of non-recurring foreign exchange gains amounting to euro 8.7 million, related to the start-up of activities in Russia.

The aggregate impact of investments, negative for euro 22.9 million (mainly related to RCS Mediagroup and Mediobanca) is lower than the negative impact of euro 26.4 million at September 30, 2012.

The consolidated net financial (liquidity)/debt position was a negative euro 1,970.9 million, compared with a negative euro 1,205.2 million at December 31, 2012 and negative euro 1,732.6 million at June 30, 2013. The planned conversion of the financial receivable of Prelios S.p.A. into shares and equity instruments (the "convertendo") was carried out in 3Q 2013 following completion of the debt restructuring and capital increase process at the real estate company. The aggregate impact of these operations on the net financial (liquidity)/debt position of the Group was a worsening of about euro 193 million, including the cash payment of approximately euro 23 million for its share of the capital increase executed through Fenice S.r.l.

In 3Q 2013 the Group also paid its allocated portion (euro 21.3 million) of the capital increase by RCS Mediagroup.

The increase in net debt from December 31, 2012 reflects the typical seasonal change in net working capital, which was concentrated in the first quarter this year, and the payment of approximately euro 157 million in dividends to shareholders in the second quarter.

Net operating cash flow totalled a positive euro 45.3 million in the third quarter (just as in the second quarter), compared with a negative euro 62.1 million in the same period of 2012, due to careful management of working capital. For the nine months at September 30, 2013, net operating cash flow totalled a negative euro 83.2 million (in 9M 2012, it amounted to a negative euro 455.1 million).

Net sales by the **Tyre Business**, which generates 99.5% of Company net sales, totalled euro 4,625.8 million at September 30, 2013, for an increase of 1.8% (+8.4% net of the translation effect), being sustained by higher volumes (+6.0% in 9M 2013 and +5.4% in 3Q 2013) and the steady improvement in the price/mix component (+2.4% in 9M 2013 and +2.5% in 3Q 2013).

Volumes rose in both businesses, with +3.9% in the consumer business (+6.0% in 3Q 2013) due to rising net sales in South America and the good performance of the premium segment in China, NAFTA, and Europe; growth in the industrial business amounted to 11.8% (+4.0% in 3Q 2013) and was concentrated in South America.

In regard to the individual geographical areas, the growth in net sales on emerging markets (+7.8%) more than offset the decline in net sales in Europe and the NAFTA area (-5% for both). In particular, net sales in South America rose by 9.2% (including the translation effect), and they rose by 15.6% in Asia-Pacific, while Middle East Africa and Russia steadily returned to the results generated in 2012, with a negative third quarter in Russia (-17%) due to the sharp market slowdown.

Operating income totalled euro 599.8 million, with profitability of 13.0%. In 9M 2012 it totalled euro 620.3 million, or 13.7% of net sales. In 3Q 2013, operating income was euro 207.0 million (euro 202.1 million in Q3 2012), with EBIT margin of 13.7% compared with 13.1% in the same period of 2012.

Premium segment net sales in 9M 2013 amounted to euro 1,675.3 million, up 3.9% year-on-year, with a positive contribution of 8.6% in 3Q 2013, following the recovery in net sales that began in 2Q 2013 (+6.4%).

In terms of volumes, the premium segment grew by 11.7% in 9M 2013 due to the continuing recovery in 3Q, which volumes rose by 19.1% (+12.9% in 2Q 2013 and +4% in 1Q 2013).

Growth during 9M 2013 was concentrated in the emerging countries, where premium segment net sales rose by +24.7% from September 30, 2012 (+19.5% in 3Q 2013), while premium segment net sales in the NAFTA area remained steady at their 9M 2012 levels. In the grips of recession, the European area reported that premium segment net sales fell 2% overall, with a net recovery of 7% in 3Q 2103.

Looking at the various business segments, the consumer business was hardest hit by the European and Russian market contraction, posting net sales of euro 3,378.6 million in 9M 2013, up 0.9% year-on-year, (+0.6% in 3Q 2013). Operating income totalled euro 431.4 million (EBIT margin of 12.8%, -2 percentage points lower than the 9M 2012 figure, reflecting the negative translation effect, the costs of converting the truck plants at Settimo Torinese to premium car production, the start-up costs of activities in Mexico and Russia, and higher commercial costs for the development of premium products).

The industrial business, which is focused almost entirely on South America and other emerging markets, posted net sales of euro 1,247.2 million, up 4.3% on the 2012 figure (but with an 8.7% decrease in 3Q 2013 due to the negative 13.6% translation effect), with operating income rising 34% to euro 168.4 million, and EBIT margin increasing from 10.5% to 13.5%.

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

(in millions of euro)

	3° Q 2013	3° Q 2012 restated	09/30/2013	09/30/2012 restated	09/30/2012 reported	12/31/2012 restated	12/31/2012 reported
Net sales	**1,518.8**	**1,552.3**	**4,649.9**	**4,574.1**	**4,574.1**	**6,071.5**	**6,071.5**
Gross operating profit before restructuring expenses	279.9	267.6	813.4	817.9	809.9	1,102.9	1,091.2
% of net sales	18.4%	17.2%	17.5%	17.9%	17.7%	18.2%	18.0%
Operating income before restructuring expenses	208.8	199.2	596.9	619.0	611.0	831.6	819.9
% of net sales	13.7%	12.8%	12.8%	13.5%	13.4%	13.7%	13.5%
Restructuring expenses	(7.8)	(3.7)	(15.2)	(18.2)	(18.2)	(39.1)	(39.1)
Operating income	**201.0**	**195.5**	**581.7**	**600.8**	**592.8**	**792.5**	**780.8**
% of net sales	13.2%	12.6%	12.5%	13.1%	13.0%	13.1%	12.9%
Net income (loss) from equity investments	1.4	(23.7)	(22.9)	(26.4)	(26.4)	(52.2)	(52.2)
Financial income/(expenses)	(43.9)	(45.5)	(148.6)	(103.3)	(88.3)	(150.5)	(129.5)
Pre-tax income (loss)	**158.5**	**126.3**	**410.2**	**471.1**	**478.1**	**589.8**	**599.1**
Income tax	(50.5)	(41.5)	(152.1)	(167.8)	(169.8)	(198.3)	(200.9)
Tax rate %	31.9%	32.8%	37.1%	35.6%	35.5%	33.6%	33.5%
Total net income (loss)	**108.0**	**84.8**	**258.0**	**303.3**	**308.3**	**391.5**	**398.2**
Net income attributable to owners of Pirelli & C. S.p.A.			262.1	301.3	306.3	387.1	393.8
Total net earnings per share attributable to owners of Pirelli & C. S.p.A. (in euro)			0.537	0.617	0.628	0.793	0.807
Non-current assets			**4,002.5**	**3,814.2**	**3,814.2**	**3,877.2**	**3,877.2**
Inventories			1,052.9	1,153.7	1,153.7	1,102.6	1,102.6
Trade receivables			1,057.3	1,115.5	1,115.5	704.6	704.6
Trade payables			(1,005.8)	(1,054.9)	(1,054.9)	(1,268.7)	(1,268.7)
Operating Net working capital			**1,104.4**	**1,214.3**	**1,214.3**	**538.5**	**538.5**
% of net sales (°)			17.8%	19.9%	19.9%	8.9%	8.9%
Other receivables/other payables			13.6	(42.9)	(42.9)	11.0	11.0
Total net working capital			**1,118.0**	**1,171.4**	**1,171.4**	**549.5**	**549.5**
% of net sales (°)			18.0%	19.2%	19.2%	9.1%	9.1%
Net invested capital			**5,120.5**	**4,985.6**	**4,985.6**	**4,426.7**	**4,426.7**
Equity			**2,406.4**	**2,328.9**	**2,328.9**	**2,389.4**	**2,389.4**
Provisions			743.2	787.9	787.9	832.1	832.1
Net financial (liquidity)/debt position			**1,970.9**	**1,868.8**	**1,868.8**	**1,205.2**	**1,205.2**
Equity attribuitable to the owners of Pirelli & C. S.p.A.			2,334.0	2,278.6	2,278.6	2,337.4	2,337.4
Equity per share attributable to the owners of Pirelli & C. S.p.A. (in euro)			4.783	4.669	4.669	4.790	4.790
Total Tyre - net sales	**1,511.8**	**1,542.6**	**4,625.8**	**4,542.9**	**4,542.9**	**6,031.3**	**6,031.3**
% of net sales total	99.5%	99.4%	99.5%	99.3%	99.3%	99.3%	99.3%
Total Tyre - operating income	**207.0**	**202.1**	**599.8**	**620.3**	**612.3**	**820.8**	**809.1**
% on total tyre - net sales	13.7%	13.1%	13.0%	13.7%	13.5%	13.6%	13.4%
Total Tyre - net sales Consumer	**1,123.2**	**1,116.8**	**3,378.6**	**3,346.9**	**3,346.9**	**4,419.8**	**4,419.8**
% on total tyre - net sales	74.3%	72.4%	73.0%	73.7%	73.7%	73.3%	73.3%
Total Tyre - net sales Industrial	**388.6**	**425.8**	**1,247.2**	**1,196.0**	**1,196.0**	**1,611.5**	**1,611.5**
% on total tyre - net sales	25.7%	27.6%	27.0%	26.3%	26.3%	26.7%	26.7%
Total Tyre - net sales Premium	**570.6**	**525.4**	**1,675.3**	**1,612.3**	**1,612.3**	**2,075.9**	**2,075.9**
% on net sales Consumer	50.8%	47.0%	49.6%	48.2%	48.2%	47.0%	47.0%
Capital expenditure			238.3	327.4	327.4	470.9	470.9
Research and development expenses			145.1	132.2	132.2	178.9	178.9
% of net sales			3.1%	2.9%	2.9%	2.9%	2.9%
Research and development expenses - Premium			117.9	103.5	103.5	141.9	141.9
% on sales Premium			7.0%	6.4%	6.4%	6.8%	6.8%
Headcount (number at end of period)			38,133	37,269	37,269	37,338	37,338
Industrial sites (number)			23	23	23	23	23

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

To facilitate understanding of Group performance, the table below sets forth the income statement broken down by business segment.

(in millions of euro)

	Total Tyre		Other business		Total	
	09/30/2013	09/30/2012 restated	09/30/2013	09/30/2012 restated	09/30/2013	09/30/2012 restated
Net sales	**4,625.8**	**4,542.9**	**24.1**	**31.2**	**4,649.9**	**4,574.1**
Gross operating profit before restructuring expenses	827.5	833.7	(14.1)	(15.8)	813.4	817.9
Operating income before restructuring expenses	614.0	638.5	(17.1)	(19.5)	596.9	619.0
Restructuring expenses	(14.2)	(18.2)	(1.0)	-	(15.2)	(18.2)
Operating income	**599.8**	**620.3**	**(18.1)**	**(19.5)**	**581.7**	**600.8**
% of net sales	*13.0%*	*13.7%*			*12.5%*	*13.1%*
Net income (loss) from equity investments					(22.9)	(26.4)
Financial income/(expenses)					(148.6)	(103.3)
Pre-tax income (loss)					**410.2**	**471.1**
Income tax					(152.1)	(167.8)
Tax rate %					*37.1%*	*35.6%*
Total net income (loss)					**258.0**	**303.3**
Net financial (liquidity)/debt position					**1,970.9**	**1,868.8**

Group performance broken down on a quarterly basis is shown next:

(in millions of euro)

	1° Q		2° Q		3° Q		at 09/30	
	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	**4,649.9**	4,574.1
yoy	-1.3%	11.1%	8.8%	5.5%	-2.2%	5.3%	1.7%	7.5%
Gross operating profit before restructuring expenses	**255.3**	279.1	**278.2**	271.2	**279.9**	267.6	**813.4**	817.9
% of net sales	16.6%	17.9%	17.4%	18.5%	18.4%	17.2%	17.5%	17.9%
Operating income before restructuring expenses	**183.0**	214.7	**205.1**	205.1	**208.8**	199.2	**596.9**	619.0
% of net sales	11.9%	13.8%	12.9%	14.0%	13.7%	12.8%	12.8%	13.5%
Operating income	**179.8**	212.7	**200.9**	192.6	**201.0**	195.5	**581.7**	600.8
% of net sales	11.7%	13.7%	12.6%	13.1%	13.2%	12.6%	12.5%	13.1%
Pre-tax income (loss)	**114.6**	188.9	**137.1**	155.9	**158.5**	126.3	**410.2**	471.1
Total net income (loss)	**72.1**	123.6	**78.0**	94.9	**108.0**	84.8	**258.1**	303.3

Net sales

In 9M 2013 net sales totalled euro 4,649.9 million, up 1.7% from the previous year (euro 4,574.1 million), with 99.5% of net sales being generated by the Tyre Business, which is the core business of the Group. Excluding the negative translation effect (-6.6%), the like-for-like figure was up by 8.3%.

In 3Q 2013, net sales on a like-for-like basis rose by 7.7%, while they decreased by 2.2% after accounting for the negative 9.9% translation effect.

Operating income

Operating income in 9M 2013 was euro 581.7 million, with an EBIT margin of 12.5%. This result was down euro 19.1 million from the euro 600.8 million reported for the same period of 2012, with a negative consolidation translation effect amounting to euro 37.6 million. In 3Q 2013 operating income (euro 201.0 million) improved from the same period of 2012 (euro 195.5 million) which also includes the euro 18.8 million negative translation effect.

In 9M 2013, positive contributions were made by volumes (euro 75 million), the price/mix (euro 34 million), the lower cost of raw materials (euro 110 million), and gross efficiency gains (euro 55 million), which covered higher factor costs, including amortisation and depreciation, and the previously mentioned plant conversion costs at Settimo Torinese, start-up costs in Mexico and Russia, and higher commercial costs for development of the premium segment.

This result was also impacted by euro 15.2 million in restructuring charges and the expenses resulting from ongoing organisational streamlining measures. At September 30, 2012 restructuring charges totalled euro 18.2 million.

Net income (loss) from equity investments

Net income/(loss) from equity investments was a negative euro 22.9 million and essentially consists of euro 13.6 million from consolidation of the associate RCS Mediagroup S.p.A. according to the equity method, euro 13.1 million for the adjustment on the interim financial statements at June 30, 2013 of equity investments in Mediobanca S.p.A. (euro -10.4 million), Fin Priv. (negative euro 1.3 million) and Alitalia (negative euro 1.4 million), partially offset by dividends received and consolidation by the equity method of other associates.

Net income

Net income at September 30, 2013 was euro 258.1 million, down 14.9% from the euro 303.3 million for the nine months at September 30, 2012.

Net financial expenses rose from euro 103.3 million in September 2012 to euro 148.6 million. The euro 45.3 million increase, which occurred mainly in 1H 2013, was reflected:

- the higher average indebtedness during the period and greater exposure to currencies in countries where interest rates are higher than in the Eurozone;
- the recognition in 2012 of non-recurring exchange gains amounting to euro 8.7 million related to the start-up of activities in Russia;
- the negative euro 8.3 million impact of devaluation of the Venezuelan currency that occurred at the beginning of 2013;
- the euro 10.3 million in lower financial income from the loan to Prelios S.p.A..

Net financial expenses in 3Q 2013 amounted to euro 43.9 million, down slightly from euro 45.5 million in 3Q 2012.
The average cost of debt during the period was about 6.25%.

Tax charges totalled euro 152.1 million, with a tax rate of 37.1%.

The total net income attributable to owners of Pirelli & C. S.p.A. at September 30, 2013 was a positive euro 262.1 million (euro 0.54 per share) compared with euro 301.3 million at for the same period of 2012 (euro 0.62 per share).

Equity

Consolidated equity rose from euro 2,389.4 million at December 31, 2012 to euro 2,406.4 million at September 30, 2013.

Equity attributable to owners of Pirelli & C. S.p.A. at September 30, 2013 totalled euro 2,334.0 million (euro 4.78 per share) compared with euro 2,337.4 million at December 31, 2012 (euro 4.79 per share).

The change, whose details are illustrated in the following table, largely reflects the net income for the period, euro 258.1 million, the payment of the euro 156.7 million parent company dividend, the negative change resulting from changes in the translation rate of foreign equity investments (principally due to depreciation of the Brazilian, Venezuelan, Turkish, Egyptian and Argentine currencies), and the positive net effect of inflation/devaluation on the equity held in the Venezuelan subsidiary.

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2012	**2,337.4**	**52.0**	**2,389.4**
Translation differences	(164.1)	(4.3)	(168.4)
Net income (loss)	262.1	(4.0)	258.1
Adjustement to fair value of other financial assets/derivative instruments	21.1	-	21.1
Actuarial gains/(losses) on employee benefits	22.9	-	22.9
Dividend resolved	(156.7)	(3.1)	(159.8)
Venezuela inflation effect	45.2	1.8	47.0
Russia - change jv agreement	(33.9)	33.9	-
Other changes	-	(3.9)	(3.9)
Total changes	**(3.4)**	**20.4**	**17.0**
Equity at 09/30/2013	**2,334.0**	**72.4**	**2,406.4**

Cash flow – change in net financial (liquidity)/debt position

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

(in millions of euro)

	Q1		Q2		Q3		at 9/30	
	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	596.9	619.0
Amortisation and depreciation	72.3	64.4	73.1	66.1	71.1	68.4	216.5	198.9
Capital expenditures of property, plant and equipment and intangible assets	(79.7)	(80.1)	(84.3)	(114.8)	(74.3)	(132.5)	(238.3)	(327.4)
Change in workin capital/other	(492.4)	(511.1)	(5.6)	(237.3)	(160.3)	(197.2)	(658.3)	(945.6)
Operating cash flow	**(316.8)**	**(312.1)**	**188.3**	**(80.9)**	**45.3**	**(62.1)**	**(83.2)**	**(455.1)**
Ordinary financial income/(expenses)	(58.6)	(24.3)	(46.1)	(33.5)	(43.9)	(45.5)	(148.6)	(103.3)
Ordinary tax charges	(42.5)	(65.3)	(59.1)	(61.0)	(50.5)	(41.5)	(152.0)	(167.8)
Net operating cash flow	**(417.9)**	**(401.7)**	**83.1**	**(175.4)**	**(49.1)**	**(149.1)**	**(383.9)**	**(726.2)**
Financial investments/disinvestments	-	3.2	-	-	(31.6)	2.3	(31.6)	5.5
Real estate disposals	-	-	-	-	26.5	-	26.5	-
Russia Investment	-	(154.5)	-	-	-	(16.4)	-	(170.9)
Retail Investment	-	-	-	(106.2)	(4.1)	-	(4.1)	(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)	(16.9)	(11.1)
Foreign exchange differences/other	(49.6)	(8.5)	29.5	20.2	17.1	0.7	(3.0)	12.4
Net cash flow before divid. Paid/Prelios	**(475.0)**	**(567.9)**	**104.3**	**(265.4)**	**(45.4)**	**(166.1)**	**(416.1)**	**(999.4)**
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)**	**(765.7)**	**(1,131.7)**

Operating cash flow was negative for euro 83.2 million in 9M 2013, mainly due to the customary seasonal variation in net working capital, although this consumed less cash than in the same period of 2012. Just as in 2Q 2013, performance was positive in 3Q 2013, with a positive cash generation of euro 45.3 million, compared with a negative of euro 62.1 million during the corresponding period of 2012.

At September 30, 2013 capital expenditure on property, plant and equipment and intangible assets totalled euro 238.3 million (1.1 times depreciation and amortisation). Capital expenditure was mainly related to development of the premium segment (capacity and improved mix and quality) in Russia, Mexico, Romania and China.

Net cash flow before dividend paid/Prelios was negative for euro 416.1 million.

The financial restructuring of Prelios S.p.A. was completed in 3Q 2013. This involved conversion of the financial receivable held by Pirelli into shares and equity instruments (the "convertendo") issued by the company for euro 169.9 million, and indirect subscription of the capital increase, for euro 23 million paid through Fenice S.r.l., with a negative impact on net financial (liquidity)/debt position amounting to euro 192.9 million.

Net financial (liquidity)/debt position

At September 30, 2013 the Group's net borrowings totalled euro 1,970.9 million.

in millions of euro	09/30/2013	06/30/2013	12/31/2012
Current borrowings from banks and other financial institutions/derivative financial instruments	447.9	475.3	459.7
Non-Current borrowings from banks and other financial institutions	2,077.3	2,087.2	1,995.8
Total gross debt	**2,525.2**	**2,562.5**	**2,455.5**
Cash and cash equivalents	(273.6)	(384.6)	(679.8)
Securities held for trading	(145.0)	(131.0)	(224.7)
Current financial receivables	(53.3)	(55.2)	(84.4)
Non-current financial receivables	(82.4)	(259.1)	(261.4)
of which Prelios	-	*(173.5)*	*(173.5)*
Total financial receivables, cash and cash equivalents	**(554.3)**	**(829.9)**	**(1,250.3)**
Net financial (liquidity)/debt position	**1,970.9**	**1,732.6**	**1,205.2**

The increase in gross debt from December 2012 is essentially related to payment of the dividend. Cash and cash equivalents decreased to meet the cash flow requirements stemming from the season changes in net working capital.

Following conclusion of the capital transaction resolved by Prelios S.p.A. at the end of March 2013, aimed at relaunching the business development prospects and strengthening the financial position of the group owned by Prelios S.p.A., as well as rebalancing its overall financial structure, and as accepted by Pirelli, the financial receivable of euro 173.5 million outstanding at December 31, 2012 was converted into Prelios S.p.A. ordinary shares for euro 21.5 million, into equity instruments (the *convertendo*) for euro 148.4 million, while the remaining euro 3.6 million was repaid by Prelios and thus collected.

The **structure of gross debt**, which totals euro 2,525.2 million and of which about 79.7% matures beginning in 2015, is summarised as follows:

(in millions of euro)

	Financial Statements 09/30/2013	Maturity date				
		2013	2014	2015	2016	2017 and beyond
Use of committed credit facilities	630.0	-	-	630.0	-	-
Bond 5,125% - 2011/2016	500.0	-	-	-	500.0	-
EIB loans	262.5	12.5	-	100.0	100.0	50.0
USD private placement	111.1	-	-	-	-	111.1
Schuldschein	155.0	-	-	-	114.0	41.0
Other financing	866.6	348.0	154.4	52.0	126.0	186.2
Total gross debt	**2,525.2**	**360.5**	**154.4**	**782.0**	**840.0**	**388.3**
		14.3%	6.1%	31.0%	33.3%	15.3%

At September 30, 2013 the Group disposed of euro 570 million as the unused portion of the euro 1.2 billion committed credit facility (euro 625 million at December 31, 2012). When combined with the euro 419 million in cash or cash equivalents, this provides the Group with a liquidity margin amounting to euro 989 million.

Employees

Group headcount was 38,133 employees at September 30, 2013, as compared with 37,338 employees at December 31, 2012 and 37,269 employees at September 30, 2012. The growth in headcount was concentrated in South America and China.

OPERATING PERFORMANCE

TOTAL TYRE BUSINESS

The table below sets forth the consolidated results for 9M 2013 as compared with the same period of 2012:

(in millions of euro)

	3° Q 2013	3° Q 2012 restated	09/30/2013	09/30/2012 restated	09/30/2012 reported	12/31/2012 restated	12/31/2012 reported
Net sales	**1,511.8**	**1,542.6**	**4,625.8**	**4,542.9**	**4,542.9**	**6,031.3**	**6,031.3**
yoy	-2.0%	5.3%	1.8%	7.5%	7.5%	7.7%	7.7%
Gross operating profit before restructuring expenses	**284.7**	272.9	827.5	833.7	825.7	1,126.5	1,114.8
% of net sales	18.8%	17.7%	17.9%	18.4%	18.2%	18.7%	18.5%
Operating income before restructuring expenses	**214.6**	205.8	614.0	638.5	630.5	859.9	848.2
% of net sales	14.2%	13.3%	13.3%	14.1%	13.9%	14.3%	14.1%
Restructuring expenses	**(7.6)**	(3.7)	(14.2)	(18.2)	(18.2)	(39.1)	(39.1)
Operating income	**207.0**	**202.1**	**599.8**	**620.3**	**612.3**	**820.8**	**809.1**
% of net sales	13.7%	13.1%	13.0%	13.7%	13.5%	13.6%	13.4%

The following table illustrates the quarterly breakdown of operating income:

	1° Q		**2° Q**		**3° Q**		**at 09/30**	
(in millions of euro)	**2013**	2012 restated	**2013**	2012 restated	**2013**	2012 restated	**2013**	2012 restated
Net sales	**1,526.7**	1,542.6	**1,587.3**	1,457.7	**1,511.8**	1,542.6	**4,625.8**	4,542.9
yoy	-1.0%	11.4%	8.9%	*5.9%*	-2.0%	*5.3%*	1.8%	*7.5%*
Gross operating profit before restructuring expenses	**260.1**	283.6	**282.7**	277.2	**284.7**	272.9	**827.5**	833.7
% of net sales	17.0%	18.4%	17.8%	19.0%	18.8%	17.7%	17.9%	18.4%
Operating income before restructuring expenses	**188.8**	220.5	**210.6**	212.2	**214.6**	205.8	**614.0**	638.5
% of net sales	12.4%	14.3%	13.3%	14.6%	14.2%	13.3%	13.3%	14.1%
Operating income	**185.6**	218.5	**207.2**	199.7	**207.0**	202.1	**599.8**	620.3
% of net sales	*12.2%*	*14.2%*	*13.1%*	*13.7%*	*13.7%*	*13.1%*	*13.0%*	*13.7%*

Net sales

Net sales totalled euro 4,625.8 million, compared with euro 4,542.9 million at September 30, 2012. Excluding the translation effect (negative 6.6%), net sales rose by 8.4% due to the improvement in volumes (+6%) – especially in emerging markets (+13%) that represent the 56% of net sales in 9M 2013 – and the price/mix component (+2.4%).

The overall change in net sales from the same period in the previous year is summarised as follows:

	1° Q		2° Q		3° Q		at 09/30	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Volume	3.9%	-7.4%	8.8%	-7.6%	5.4%	-6.2%	6.0%	-6.8%
of which Premium volume	*4.0%*	*15.8%*	*12.9%*	*12.3%*	*19.1%*	*12.5%*	*11.7%*	*13.5%*
Price/mix	0.0%	16.5%	5.1%	11.1%	2.5%	8.6%	2.4%	11.8%
Change in scope of Russia	-	2.2%	-	3.5%	-	4.1%	-	3.2%
Change on a like-for-like basis	**3.9%**	**11.3%**	**13.9%**	**7.0%**	**7.9%**	**6.5%**	**8.4%**	**8.2%**
Translation effect	-4.9%	0.1%	-5.0%	-1.1%	-9.9%	-1.2%	-6.6%	-0.7%
Total change	**-1.0%**	**11.4%**	**8.9%**	**5.9%**	**-2.0%**	**5.3%**	**1.8%**	**7.5%**

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

(in millions of euro)

GEOGRAPHICAL AREA	**09/30/2013**			**09/30/2012**
	Euro\mln	*yoy*		
Italy	265.9	*-6%*	5.7%	6.2%
Rest of Europe	1,241.4	*-5%*	26.9%	28.6%
Russia	185.3	*0%*	4.0%	4.1%
Nafta	517.7	*-5%*	11.2%	12.0%
Central and South America	1,670.4	*9%*	36.1%	33.7%
Asia\Pacific	363.6	*16%*	7.9%	6.9%
Middle East\Africa	381.5	*0%*	8.2%	8.4%
TOTAL	**4,625.8**	*2%*	**100.0%**	**100.0%**

PRODUCT	**09/30/2013**			**09/30/2012**
	Euro\mln	*yoy*		
Car tyres	3,068.5	*2%*	66.3%	66.4%
Motorcycle tyres	310.1	*-6%*	6.7%	7.3%
Consumer	***3,378.6***	*1%*	***73.0%***	***73.7%***
Industrial vehicle tyres	1,183.7	*6%*	25.6%	24.6%
Steelcord	63.5	*-17%*	1.5%	1.7%
Industrial	***1,247.2***	*4%*	***27.0%***	***26.3%***

Operating income

Operating income at September 30, 2013 totalled euro 599.8 million (euro 620.3 million in 9M 2012), with EBIT margin of 13.0% (13.7% in 9M 2012).

So, the euro 20.5 million reduction in operating income from 1H 2012 was negatively impacted by the euro 37.6 million consolidated translation effect.

In 9M 2013, the change in volume was a positive euro 71.6 million, while the contribution made by the change in the price/mix component to the result was a positive euro 15.7 million. Taken together with efficiency gains (positive euro 55.5 million before the impact of the slowdown in production, amounting to a negative euro 24.1 million) and lower raw material costs (euro 110.4 million), these operating results nearly offset both the growth in production input costs (euro 100.7 million) and the increase in all other operating costs and depreciation and amortisation (euro 115.3 million). This last quantity mainly refers to:

- higher industrial costs (about euro 22 million), mainly related to transformation of the Settimo Torinese truck plant into a new plant making premium car tyres and to the start-up costs for the plants in Mexico and Russia;
- higher depreciation and amortisation (euro 28.4 million) as the result of intense investment activity during previous financial years;
- higher commercial costs (about euro 27 million) related to development of the premium segment;
- positive delta of euro 5 million between the impact of non-recurring events occurring in 1Q 2012 (euro 10 million for the positive balance of income and expenses) and in 2Q 2013 (euro 15 million, as the balance between gain on the sale of real estate in Brazil and the expenses related to settlement of a lawsuit in that country).

The quarterly changes as compared with September 2012 can be summarised as follows in the following table:

(in millions of euro)	**1° Q**	**2° Q**	**3° Q**	**at 09/30**
2012 Operating income restated	**218.5**	**199.7**	**202.1**	**620.3**
Foreign exchange effect	(9.6)	(9.2)	(18.8)	(37.6)
Prices/mix	(19.6)	20.2	15.1	15.7
Volumes	17.9	28.0	25.7	71.6
Cost of prodution factors (raw materials)	37.0	31.2	42.2	110.4
Cost of prodution factors (labour/energy/others)	(24.2)	(37.2)	(39.3)	(100.7)
Efficiency *	7.6	5.3	18.5	31.4
Ammortisation, depreciation and other	(40.8)	(39.9)	(34.6)	(115.3)
Restructuring expenses	(1.2)	9.1	(3.9)	4.0
Change	**(32.9)**	**7.5**	**4.9**	**(20.5)**
2013 Operating income	**185.6**	**207.2**	**207.0**	**599.8**
* of which slowdown impact	(5.5)	(7.5)	(11.1)	(24.1)

CONSUMER BUSINESS

The following table illustrates the 2013 results compared with the same period in 2012:

(in millions of euro)	1° Q		2° Q		3° Q		at 09/30	
	2013	2012 restated	2013	2012 restated	2013	2012 restated	2013	2012 restated
Net sales	1,116.7	1,151.8	1,138.7	1,078.3	1,123.2	1,116.8	3,378.6	3,346.9
yoy	*-3.0%*	*17.1%*	*5.6%*	*12.5%*	*0.6%*	*9.0%*	*0.9%*	*12.8%*
Gross operating profit before restructuring expenses	194.8	235.4	203.5	214.7	211.9	210.1	610.2	660.2
% of net sales	*17.4%*	*20.4%*	*17.9%*	*19.9%*	*18.9%*	*18.8%*	*18.1%*	*19.7%*
Operating income before restructuring expenses	138.0	187.3	146.7	164.4	155.3	157.8	440.0	509.5
% of net sales	*12.4%*	*16.3%*	*12.9%*	*15.2%*	*13.8%*	*14.1%*	*13.0%*	*15.2%*
Operating income	136.0	185.4	144.2	154.5	151.2	154.8	431.4	494.7
% of net sales	*12.2%*	*16.1%*	*12.7%*	*14.3%*	*13.5%*	*13.9%*	*12.8%*	*14.8%*

The next table shows the detailed breakdown of market performance:

	1° Q	2° Q	1° half 2013	3° Q	at 09/30/2013
EUROPE (*)					
Original Equipment	-9%	+3%	-3%	+0%	-2%
Replacement	-11%	+3%	-5%	+5%	-1%
NAFTA					
Original Equipment	+1%	+6%	+4%	+5%	+4%
Replacement	-7%	-3%	-4%	+0%	-3%
SOUTH AMERICA					
Original Equipment	+8%	+22%	+15%	+4%	+11%
Replacement	+6%	+17%	+11%	+11%	+11%
CINA					
Original Equipment	+16%	+14%	+15%	n.d.	+14% agosto
(*) excluding Russia					

Net sales at September 30, 2013 totalled euro 3,378.6 million, up 0.9% (+6.5% excluding the translation effect) as compared with 9M 2012.

Volumes increased overall by 3.9% (+1.2% in 1Q 2013, +4.6% in 2Q 2013, and +6.0% in 3Q 2013), being buoyed by exposure on emerging markets (+12%) that more than offset the contraction in volumes in Europe and the NAFTA area.

The premium segment confirmed its greater resilience, with volumes growing by 11.7% during 9M 2013, higher than the overall growth rate and was characterised by different regional dynamics. Premium segment net sales continued to grow strongly on emerging markets (volumes up by +36%, net sales up by 25%), especially in Asia (with net sales up 32%) and South America (net revenues were up 29%), while net sales in the NAFTA area were substantially stable. Europe reported a downturn in 9M 2013 (-2%) due to the previously mentioned consumer crisis in that area, the partial adjustment of prices to reflect current commodities scenario, and the different mix between sales segments with the greater weight of original equipment representing an investment in future development of the replacement channel. However, recovery began in 3Q 2013, with net sales up by 7% and volumes leaping by 18%.

The following table sets forth the breakdown of net sales:

	1° Q		**2° Q**		**3° Q**		**at 09/30**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Volume	1.2%	-5.1%	4.6%	-5.3%	6.0%	-6.1%	3.9%	-5.5%
of which Premium volume	*4.0%*	*15.8%*	*12.9%*	*12.3%*	*19.1%*	*12.5%*	*11.7%*	*13.5%*
Price/mix	-0.5%	18.8%	5.7%	13.6%	3.1%	9.6%	2.6%	13.7%
Change in scope of Russia	-	2.7%	-	4.4%	-	5.9%	-	4.6%
Change on a like-for-like basis	**0.7%**	**16.4%**	**10.3%**	**12.7%**	**9.1%**	**9.4%**	**6.5%**	**12.8%**
Translation effect	-3.7%	0.7%	-4.7%	-0.2%	-8.5%	-0.4%	-5.6%	0.0%
Total change	**-3.0%**	**17.1%**	**5.6%**	**12.5%**	**0.6%**	**9.0%**	**0.9%**	**12.8%**

Operating income totalled euro 431.4 million at September 30, 2013, with an EBIT margin of 12.8%, as compared with euro 494.7 million in the same period of 2012 (14.8% of net sales).

The drop in profitability reflected:

- the previously mentioned higher industrial costs (about euro 22 million) for transformation of the production plant in Settimo Torinese and the start-up costs for the plants in Mexico and Russia;
- rising inflation for factors of production, mainly related to the cost of labour in emerging countries;
- higher commercial costs for development of the premium segment (euro 27 million);

- the translation effect (negative euro 23.8 million) and increased depreciation and amortisation (negative euro 19.5 million);
- the costs related to the new activities that have not yet reached full operating capacity, especially in Russia and Sweden, where the seasonal nature of the business is more focused on the winter segment.

Car Business

In 9M 2013, 70% of net sales in the car business were generated by the replacement market and 30% by the original equipment market. In 1H 2012 the replacement segment accounted for 72% of net sales.
The change is mainly the consequence of rising original equipment sales in South America (where the market has been dynamic in 2013, contrasting with a downturn in 1H 2012, before the reintroduction of car purchase incentives), in Asia (due to continuous growth of the premium segment) and full operating activity in Russia as compared with the previous year. Net sales in the replacement segment fell in Europe and Russia, while growing significantly in all emerging areas.

The results of the car business suffered from:

- an unfavourable basis of comparison with 2012, which was characterised by strong growth for the price/mix component and for net sales in the premium segment;
- soft markets in Europe and Russia, characterised by falling demand and greater competition;
- the aforementioned increase in industrial costs and start-ups, and the higher commercial costs incurred for development of the premium segment, as well as unfavourable consolidation currency translation rates.

In 9M 2013 Pirelli reinforced its market presence by rolling out products offering constantly improving performance and responsiveness to environmental concerns, both for winter and summer tyres: the Cinturato P7 Blue, the first summer tyre to come in efficiency class A sizes for rolling resistance and wet braking in compliance with new European labelling requirements; the Winter Sottozero 3, developed to guarantee safety and performance for new sedans and sports cars in the winter season; the Winter Ice Zero, a studded tyre designed for harsh winter climates, dedicated to Nordic markets and Russia.

Over the past year, Pirelli has consolidated its role as a key partner in the sports car and prestige car segment by obtaining numerous product approvals, including those for the new Audi RS6 and RS7, BMW X5, Range Rover, Maserati Quattroporte and Ghibli, and Porsche Panamera, just to mention a few, demonstrating the technological reliability of its products in the P ZERO, Cinturato and Scorpion lines.

Continuous dedication to innovation has led to introduce the PNCS (Pirelli Noise Cancelling System) technology: Pirelli was the first tyre maker to integrate a tyre noise abatement solution in original equipment. The new system, initially developed for the new Audi RS6 and RS7 in the P ZERO tread, makes it possible to improve driving comfort without compromising the classic performance characteristics of this tyre.

Motorcycle Business

The target markets of the Motorcycle Business were heavily impacted by the continuing crisis, especially in Europe, with vehicle registrations down sharply and the operating context unfavourable, even in the replacement segment.

The Motorcycle Business also suffered from lower sales on the South American original equipment market, due to lower financing of motorcycle purchases, and in the NAFTA area, while the market was up in Asia.

Net sales in 9M 2013 totalled euro 310.1 million, down 6% from 2012, due to the aforementioned external conditions, with markets contracting in the various reference regions.

The breakdown of net sales by segment during the first nine months of 2013 was as follows: 81.1% in the replacement segment and 18.9% in the original equipment segment (in the previous year, the replacement segment accounted for 20% and the original equipment segment accounted for 80%).

New Metzeler 888 products were launched in 2013 for the custom segment, the Tourance Next and the Angel GT products. The new products won all comparative tests conducted by leading European motorcycle magazines.

INDUSTRIAL BUSINESS

The following table illustrates the 2013 results compared with the same period in 2012:

(in millions of euro)	1° Q		2° Q		3° Q		at 09/30	
	2013	2012	**2013**	2012	**2013**	**2012**	**2013**	2012
Net sales	410.0	390.8	448.6	379.4	388.6	425.8	1,247.2	1196.0
yoy	*4.9%*	*-2.6%*	*18.2%*	*-9.1%*	*-8.7%*	*-3.3%*	*4.3%*	*-5.0%*
Gross operating profit before restructuring expenses	65.3	48.2	79.2	62.5	72.8	62.8	217.3	173.5
% of net sales	*15.9%*	*12.3%*	*17.7%*	*16.5%*	*18.7%*	*14.7%*	*17.4%*	*14.5%*
Operating income before restructuring expenses	50.8	33.2	63.9	47.8	59.3	48.0	174.0	129.0
% of net sales	*12.4%*	*8.5%*	*14.2%*	*12.6%*	*15.3%*	*11.3%*	*14.0%*	*10.8%*
Operating income	49.6	33.1	63.0	45.2	55.8	47.3	168.4	125.6
% of net sales	*12.1%*	*8.5%*	*14.0%*	*11.9%*	*14.4%*	*11.1%*	*13.5%*	*10.5%*

The next table shows the detailed breakdown of market performance:

	1° Q	**2° Q**	**1° half 2013**	**3° Q**	**at 09/30/2013**
EUROPE (*)					
Original Equipment	-6%	+2%	-2%	+7%	+1%
Replacement	+1%	+12%	+7%	+9%	+8%
NAFTA					
Original Equipment	-11%	-10%	-10%	+0%	-7%
Replacement	-8%	+6%	+0%	+5%	+2%
SOUTH AMERICA					
Original Equipment	+44%	+51%	+48%	+33%	+42%
Replacement	+12%	+16%	+14%	+8%	+12%
CINA					
Original Equipment	-6%	+40%	+14%	n.d.	+15% agosto

(*) excluding Russia

Net sales totalled euro 1,247.2 million were up 4.3% from September 30, 2012 (euro 1,196.0 million), with a negative translation effect of 9.5%. Thus, like-for-like growth was 13.8%.

Net sales grew by 4.9% in 3Q 2013, but with a negative translation effect of 13.6%, the final result was a decrease of 8.7%.

The volume component was positive overall, rising by 11.8% in 9M 2013, mainly due to the good performance in South America (and lower growth in 3Q 2013, +4%, partly due to a less favourable comparable period, resulting from partial recovery in South America beginning in 3Q 2012 after the market contractions which occurred in 1H 2012). The price/mix component also made a positive contribution of +2% in 9M 2013 (+ 0.9% in 3Q 2013).

The following table sets forth the breakdown of net sales:

	1° Q		2° Q		3° Q		at 09/30	
	2013	2012	2013	2012	2013	2012	2013	2012
Volume	11.7%	-12.3%	20.6%	-11.3%	4.0%	-6.2%	11.8%	-9.6%
Price/mix	1.4%	11.2%	3.6%	5.3%	0.9%	6.0%	2.0%	7.2%
Change on a like-for-like basis	**13.1%**	**-1.1%**	**24.2%**	**-6.0%**	**4.9%**	**-0.2%**	**13.8%**	**-2.4%**
Translation effect	-8.2%	-1.5%	-6.0%	-3.1%	-13.6%	-3.1%	-9.5%	-2.6%
Total change	**4.9%**	**-2.6%**	**18.2%**	**-9.1%**	**-8.7%**	**-3.3%**	**4.3%**	**-5.0%**

Operating income totalled euro 168.4 million, equal to 13.5% of net sales, compared with euro 125.6 million at September 30, 2012 (10.5% of net sales).

The result for the period was positively impacted by expanding activity on the reference markets, especially in South America, where Pirelli increased its market share, and Middle East Africa.

The complete localisation of truck tyre production capacity in emerging markets, completed with conversion of the Italian truck tyre production activities to premium segment car tyre capacity, has had a positive impact on the business. The start-up costs for this conversion (about euro 10.2 million) were charged instead to the consumer business segment.

Truck Business

The market performance of the truck business varied from region to region and segment to segment in 9M 2013.

The original equipment channel recovered strongly in South America, rising +42%, after having been impacted in 2012 by the conversion of production capacity from Euro3 to Euro5 vehicles. The third quarter confirmed a strong 33% growth rate after the +51% increase in 2Q 2013. The NAFTA area bucked the trend, closing the period down 7%, although September marked the first month with a positive change in net sales.

The market grew slightly (+1%) in Europe as compared with 9M 2012, with a strong recovery especially in September (+17%) and with a positive performance in 3Q 2013 (+7%).

In the replacement segment, the South American market closed up by 12%, +8% in the third quarter, growing at a slower rate than in the second quarter (+16%) partly in consequence of a different basis of comparison. In Europe it expanded by 8% from the previous year, with a positive recovery trend in 3Q 2013 (+9%). The NAFTA area replacement segment performed substantially on par with 2012.

Against this backdrop, the profitability of this business segment has improved significantly from the first nine months of the previous year, notwithstanding the negative translation effect. It was driven by growing net sales volumes, especially in South America, and lower commodity prices. Special emphasis should also be given to the growing contribution made over the course of the year by the new industrial organisation, with 100% of production capacity being located on emerging markets and gradual introduction of new products.

The Driving Innovation event was held in Munich in March, being attended by over 300 participants, including journalists, fleets, dealers and business partners, coming from Europe, Turkey, Australia, China and Egypt. The content of this event, reported in the specialised press and online, was focused on the innovative, complete and integrated package of products and services designed for fleets.

This event also offered Pirelli another opportunity to confirm its goal of providing transport operators with a package of products and services allowing them to operate with maximum economic efficiency, safety and respect for the environment.

The product range was extended in the Series 01 lines, with the most recent ST:01 Neverending™ and ST:01 Base. They went on sale on the European market at the end of the second quarter, at the same time sales of the new associated Formula brand began. Finally, after the official launch of the Pirelli Fleet Solutions project in Munich, the gradual start-up of sales also got under way in Europe (beginning in Italy, Germany and Spain) of CyberFleet™. The agreement with the partner Marangoni was renewed for the tyre rebuilding activity (Novateck) following the excellent results achieved in South America.

Agricultural Business

Net sales during the first nine months of the year totalled euro 150.4 million, up 9.2% year-on-year. Volumes rose by 19%, accompanied by a negative translation effect related to the heavy concentration of this business in South America.

The third quarter was especially hard hit by the translation effect (-24%), which was only partially offset by the growth in volumes (+8.3%) and price/mix (+8%).

Nearly 90% of net sales are concentrated in South America, where the Brazilian agricultural market grew by 21% in 9M 2013 (replacement segment +8.1%; original equipment segment +30.5%). Pirelli has confirmed its leadership in this context, especially in the original equipment segment, focusing on growth in the rear and radial segment.

Steel Cord Business

Aggregate net sales of steel cord in 9M 2013 were lower than in the same period a year earlier. The consumer segment was down by 3.7% (with net sales to non-captive customers down by 8.8%), while the industrial segment (Truck+Agro/OTR) rose by 2.3% (with net sales to non-captive customers down 11.7%). The hose wire business, which is connected with the production of high pressure pipes for new vehicles, remained substantially stable with the results for the previous year (+0.7%).

In 1Q 2013, the decision to begin closure of the factory located in Merzig, Germany began to be implemented. Production terminated at the end of June 2013.

BUSINESS OUTLOOK IN 2013

High exchange rate volatility, seen in particular in the third quarter, and the changed scenario in the tyre market in Russia, have led Pirelli to partially review the guidance given last August.

In particular:

- **Consolidated** sales expected to be around 6.2 billion euro (about 6.3-6.35 billion euro previously) as a consequence of the following variables:
  - total volumes increasing by between 6% and 6.5% (5.5%-6.5% the previous target), driven by the Premium segment where volumes continue to show healthy grow above 13% in 2013.
  - the price/mix is seen growing by between 3% and 3.5% (3.5%-4% the previous target
  - exchange rates are expected to diminish by about 7% (around 6% previously) with a negative impact on Ebit of 70 million euro (previous indication 60 million).
- Consolidated Ebit at around 790 million euro (due to exchange rate effects and Russia performance compared with around 810 million euro the previous target). The variation is explained mainly by the aforementioned exchange rates dynamic, by results in Russia - affected by the steep slowdown of the tyre market in a weakening macroeconomic context - and by trends in the non-tyre businesses.
- Lower raw materials costs (impact on Ebit from 125 to 135 million euro), offset in part by the decline in Ebit.
- Investments confirmed at about 400 million euro.
- Cash generation, before dividends, confirmed at above 200 million euro and net financial position confirmed negative at below 1.4 billion euro, after the reclassification of Prelios’s credit (1.2 billion euro before the Prelios impact).

Revenues for the **Consumer** segment are expected to come in at around 4.5 billion euro (4.6 billion the previous guidance) which reflects:

- growth in volumes between 5% and 5.5% (4.5%-5.5% previously), with an increase of Premium confirmed at above 13%;
- price/mix between 3% and 3.5% (3.5%-4.5% previously);
- exchange rates effect about -6% (below -5% previously).

Ebit margin confirmed at >13%.

For the **Industrial** segment we foresee revenues at <1.7 billion euro (~1.7 billion the previous indication) deriving from:

- volumes up by 9%-9.5% (previously +9%);
- price/mix +2.5%/+3% (+3%/+4% previously)
- exchange rates effect about -9% (from -8% previously)

Ebit margin confirmed at >13%.

HIGHLIGHTS OF OTHER ACTIVITIES

The other activities are comprised by Pirelli & C. Eco Technology S.p.A., Pirelli & C. Ambiente S.p.A., and PZero S.r.l. and are broken down as follows:

(in millions of euro)

	Pirelli Eco Technology		Pirelli Ambiente		Pzero		Total other business	
	09/30/2013	09/30/2012	**09/30/2013**	09/30/2012	**09/30/2013**	09/30/2012	**09/30/2013**	09/30/2012
Net sales	16.7	20.3	**0.9**	2.1	**6.5**	8.8	**24.1**	31.2
Gross operating profit before restructuring expenses	**(2.8)**	(4.6)	**(0.8)**	(0.1)	**(10.5)**	(11.1)	**(14.1)**	(15.8)
Operating income before restructuring expenses	**(4.9)**	(7.2)	**(1.0)**	(0.6)	**(11.2)**	(11.7)	**(17.1)**	(19.5)
Restructuring expenses	-	-	-	-	(1.0)	-	**(1.0)**	-
Operating income	**(4.9)**	(7.2)	**(1.0)**	(0.6)	**(12.2)**	(11.7)	**(18.1)**	(19.5)

At September 30, 2013 net sales totalled euro 24.1 million, compared with euro 31.2 million at September 30, 2012, while the operating loss was euro 18.1 million, compared with the euro 19.5 million operating loss in 9M 2012.

The 2013 result reflects restructuring charges of euro 1.0 million for the PZero business, connected with revision of its overall business plan.

PARENT HIGHLIGHTS

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

(in millions of euro)

	09/30//2013	09/30/2012	12/31/2012
Operating income	**16.2**	9.8	17.5
Net financial income and net income from equity investments	**202.3**	220.0	211.2
Net income (loss)	**221.4**	244.7	234.4
Non-current financial assets	**1,606.7**	1,414.4	1,363.7
Equity	**1,954.6**	1,846.4	1,866.2
Net financial (liquidity)/debt position	**(104.9)**	(204.2)	(288.6)

At September 30, 2013 the company had positive net income of euro 221.4 million, inclusive of the dividend paid by the subsidiary Pirelli Tyre S.p.A. for the 2012 financial year (euro 210 million) and the impairment of certain equity investments that had an aggregate negative impact of euro 13.2 million (Mediobanca negative euro 10.4 million, Fin.Priv. negative euro 1.3 million, Alitalia negative euro 1.4 million).

The net financial (liquidity)/debt position was a positive euro 104.9 million, and was impacted during the period by the collection of dividends for euro 215 million and payment of the dividend to shareholders for euro 157 million, as well as the reclassification of euro 169.9 million for the financial receivable from Prelios S.p.A. as shares and equity instruments following completion of the extraordinary financial restructuring of that company.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On **October 16, 2013** Carlo Salvatori resigned as member of the company Board of Directors, due to the recent overlapping of professional commitments.

On **October 21, 2013** the Board of Directors of Pirelli & C. S.p.A. co-opted Claudio Sposito and Paolo Fiorentino.
They were appointed after the resignation of Directors Vittorio Malacalza and Giulia Maria Ligresti, which were notified on May 10, 2013 and July 24, 2013, respectively.

On **October 21, 2013** the leadership of the Pirelli & C. S.p.A. Shareholder Block Agreement voted to appoint lawyer Alessandro Pedersoli to open consultations between all adherents to the pact in view of its upcoming expiry (15 April 2014) and to evaluate a possible early winding up of the agreement.

On **October 31, 2013** the RCS Mediagroup S.p.A. Shareholder Lock-up and Consultation Agreement to which Pirelli belonged, was wound up in advance and has ceased to have any binding effects. As a consequence, from the date of conclusion of the Pact, each participant is entirely free to take any decision regarding the exercise of its rights regarding its shareholdings, expressly including to dispose of its shares in complete freedom, unconstrained by any pre-emptive offer from other members. From the date of winding up of the pact, Pirelli’s stake in RCS Mediagroup will therefore be reclassified in the financial statements among assets available-for-sale.

On October 31, 2013, at the end of the consultation promoted by the leaders of the Pirelli & C. S.p.A. Shareholder Block Agreement, the participants (Assicurazioni Generali S.p.A., Camfin S.p.A., Edizione S.r.l., Fondiaria – Sai S.p.A., Intesa Sanpaolo S.p.A., Mediobanca S.p.A., Massimo Moratti and Sinpar S.p.A.) decided to wind up the agreement in advance of the 15 April 2014 expiry date.

Therefore all adherents to the pact are definitively and irrevocably free from all commitments and obligations deriving from the pact.

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 based on IFRSs figures (“Non-GAAP Measures”). These performance measures are presented to facilitate understanding of Group operating performance and should not be considered as substitutes for the information required under the IFRSs.

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

- **Gross Operating Profit (EBITDA):** gross operating profit is an intermediate economic measure deriving from operating income, but excluding depreciation of property, plant and equipment and amortisation of 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 consists of the sum of "inventories," "trade receivables" and "trade payables";
- **Net working capital:** this measure consists of 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” presents a table showing the items of the balance sheet used to calculate this measure.

OTHER INFORMATION

Related party transactions

Related party transactions, including intercompany transactions, are neither unusual nor exceptional, but are part of the ordinary course of business of Group companies. Such transactions, when not carried out at standard conditions or dictated by specific laws, are in any case settled on an arm's length basis and executed in compliance with the rules set out in the Group Procedure for Related Party Transactions.

The effects of related party transactions on the consolidated income statement, balance sheet, and statement of cash flows of the Pirelli Group at September 30, 2013 are shown below.

RELATIONS WITH ASSOCIATES and JV

(in millions of euro)

Revenue from sales and services	1.2	The amount mainly concerns services provided by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd (euro 0.4 million); Pirelli & C. Ambiente S.p.A. to Idea Granda Società Consortile S.r.l. (euro 0.6 million).
Other income	0.6	The amount mainly refers to rental income and associated operating expenses to Prelios Group.
Other costs	35.0	The amount mainly concerns: costs for purchase of products of Pirelli Tyre Co. Ltd (euro 15.9 million) from Sino Italian Wire Technology Co. Ltd and puchase of energy of Pirelli Deutschland GmbH from Industriekraftwerk Breuberg GmbH (euro 18,7 milion).
Financial income	1.2	The amount relates to interest income on the loan granted by Pirelli International Ltd (euro 0.3 milion) and Pirelli Tyre Co. Ltd (euro 0.5 million) to Sino Italian Wire Technology Co. Ltd. and Pirelli & C. Ambiente S.p.A. to GWM Renewable Energy II S.p.A. (euro 0,3 million).
Current trade receivables	4.3	The amount mainly concerns receivables for provision of services by: Pirelli Tyre S.p.A. to Sino Italian Wire Technology Co. Ltd (euro 3.6 million); Pirelli & C. Ambiente S.p.A. to Idea Granda Società Consortile S.r.l. (euro 0.6 million).
Current other receivables	1.6	The amount mainly concerns: receivable disposal plant of Pirelli & C. Ambiente S.p.A. to GWM Renewable Energy II S.p.A. (euro 1.4 million) .
Current financial receivables	31.6	The amount concerns mainly of receivables of: Pirelli International Ltd. (euro 7,5 million) and Pirelli Tyre Co. Ltd (euro 15.7 million) from Sino Italian Wire Technology Co. Ltd; Pirelli & C. Ambiente S.p.A. from GWM Renewable Energy II S.p.A. (euro 8.2 million)
Current trade payables	38.4	The amount consists of payables for provision of services by: Sino Italian Wire Technology Co. Ltd t to Pirelli Tyre Co. Ltd to (euro 6.4 million) and Industriekraftwerk Breuberg GmbH to Pirelli Deutschland GmbH (euro 31,8 milion) for purchase of energy.
Current trade payables	0.3	The amount mainly refers to Pirelli & C. Ambiente S.p.A..
Current borrowings from banks and other financial institutions	0.1	The amount mainly refers to ordinary current account of Pirelli Servizi Amministrativi e Tesoreria S.p.A. and Corimav (euro 0.1 million).

It has to be pointed out that during 3Q 2013:

- the financial restructuring of Prelios S.p.A. was completed. This involved conversion of the financial receivable held by Pirelli into shares and equity instruments (the "convertendo") issued by the company for euro 169.9 million, and indirect subscription of the capital increase, for euro 23 million paid through Fenice S.r.l., with a negative impact on net financial (liquidity)/debt position amounting to euro 192.9 million;
- as part of the rights issue by the associate RCS Mediagroup S.p.A., Pirelli exercised all of its options on the 5,757,493 shares restricted by the Block Voting Shareholders' Agreement of the company and sold on the market 105,696 options on the remaining shares of RCS that Pirelli owned but were not restricted by the Shareholders' Agreement, resulting in a net outlay of about euro 21.3 million;
- share capital increase of the JV PT Evoluzione Tyres (Indonesia) has been paid for euro 10.3 million.

TRANSACTIONS WITH RELATED PARTIES TO PIRELLI THROUGH DIRECTORS

(in millions of euro)

Revenue from sales and services	0.3	The amount mainly refers to services provided by Poliambulatorio Bicocca S.r.l., Pirelli Sistemi Informativi S.p.A. and Pirelli & C. S.p.A. to Camfin Group (euro 0.2 million) and Prelios Group (euro 0.1 million).
Other income	1.3	The amount mainly refers to rental income and operating expenses to Prelios Group (euro 1,2 million).
Other costs	9.8	The amount mainly refers to advertising costs owed to FC Internazionale Milano S.p.A. (euro 9.7 million) and services (euro 0.1 milioni) owed to the Prelios Group.
Current trade receivables	0.4	The amount mainly refers to receivables connected to the services provided to Camfin Group (euro 0,4 million).
Current trade payables	3.3	The amount mainly refers to payables to FC Internazionale Milano S.p.A. (euro 3.3 million).
Investments in other financial assets (cash outflow)	0.6	This refers to the advances form shareholders of F.C. Internazionale Milano S.p.A. (euro 0.6 million).

RELATED PARTY TRANSACTIONS

(in milllions of euro)

Other costs	1.8	The amount mainly refers to insurance costs of Pirelli Industrie Pneumatici S.r.l. (euro 0.2 million), Pirelli Tyre S.p.A. (euro 1,1 million) and 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..
Current other receivables	0.4	The amount refers to insurance costs shown above of Pirelli Tyre S.p.A. (euro 0.2 million) and of Pirelli Industrie Pneumatici S.r.l. (euro 0.2 million) owed to Assicurazioni Generali S.p.A..
Current trade payables	0.1	The amount mainly refers to payables of Pirelli Tyre S.p.A. to Assicurazioni Generali S.p.A. (euro 0.1 million).

Waiver to publish disclosure documents

In light of the simplifications to regulatory measures introduced by Consob in the Issuers Regulation no. 11971/99, the Board of Directors has resolved to exercise the waiver, granted in Art. 70(8) and Art. 71(1-bis) of that regulation, of the obligation to publish the disclosure documents that are prescribed in the event of significant mergers, demergers, capital increases through contribution in kind, acquisitions and disposals.

The Board of Directors

Milan, November 5, 2013

FINANCIAL STATEMENTS

FORM AND CONTENTS

The Interim Management Statements at September 30, 2013 have been prepared in accordance with Art. 154 *ter* of 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 Annual Financial Report at December 31, 2012, to which reference is made for more details, with the exception of the following standards that are applicable beginning January 1, 2013:

- Amendments to IAS 1 – Presentation of Financial Statements – presentation of items of other comprehensive income: the amendment to this standard calls for a new method of presenting the other components recognised in equity, which will have to grouped between those which in future may be recycled to the income statement and those for which this possibility is not envisaged. The following are examples of reclassification to the Income Statement: translation differences, fair value adjustment of cash flow hedge derivatives, fair value adjustment of available-for-sale financial assets. The actuarial gains/losses for defined benefit pension plans are an example of items not subject to reclassification to the Income Statement. These changes are reflected in the statement of comprehensive income at September 30, 2013 and in the comparative statement of comprehensive income at September 30, 2012;

- IAS 19 revised – Employee Benefits: for the Group, the principal change introduced by the amended standard concerns the elimination of the "expected rteurn on plan assets" and "interest expense" for defined benefit plans, which are replaced by a new quantity named "net interest", calculated by applying the discount rate that was previously used only for the gross liability to the net liability (i.e. the gross liability net of plan assets). The transition to the new accounting standard has not had any impact on equity. The elimination of "expected return on plan assets" and the "interest expense", replaced by a new quantity named "net interest", has caused a restatement of 2012 figures. Moreover, beginning January 1, 2013, net interest is classified under financial expenses, and no longer as a component of the operating result.

These effects are summarised in the following table:

(in thousands of euro)

	30-Sep-12				TOTAL YEAR 2012		
	2012 reported	**2012 restated**	change		2012 reported	**2012 restated**	change
Operating income	592,829	**600,800**	7,971		780,791	**792,472**	11,681
Net income (loss)	308,326	**303,301**	-5,025		398,236	**391,560**	-6,676
Reserve	677,329	**682,354**	5,025		647,908	**654,584**	6,676
Equity	2,328,940	**2,328,940**	0		2,389,429	**2,389,429**	0

- Amendments to IAS 12 – Income Taxes – Deferred Taxes: recovery of underlying assets: no impact on the Group because changes are not applicable;

- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Severe hyperinflation and elimination of fixed dates for first-time adopters: no impact on the Group because changes are not applicable;

- IFRS 13 – Fair Value Measurement: no impact on this Interim Management Report;

- Amendments to IFRS 7 – Financial Instruments: Disclosure – Offsetting of Financial Assets and Liabilities: no impact on the Group;

- Amendments to IAS 32 – Financial Instruments: Presentation – offsetting of financial assets and liabilities: no impact on the Group;

- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Government Loans: no impact on the Group;

- "Improvements" to IFRSs (issued by the IASB in May 2012): no material impact on the Group.

CONSOLIDATED BALANCE SHEET (in thousands of euro)

	09/30/2013	12/31/2012 *
Property, plant and equipment	2,524,944	2,623,444
Intangible assets	1,013,025	1,022,484
Investments in associates	185,971	113,171
Other financial assets	278,543	118,125
Deferred tax assets	200,566	207,110
Other receivables	195,355	370,210
Tax receivables	8,492	9,297
Non-current assets	**4,406,896**	**4,463,841**
Inventories	1,052,948	1,102,560
Trade receivables	1,057,275	704,558
Other receivables	323,522	341,404
Securities held for trading	144,972	224,717
Cash and cash equivalents	273,603	679,794
Tax receivables	58,284	28,246
Derivative financial instruments	40,083	47,703
Current assets	**2,950,687**	**3,128,982**
Total Assets	**7,357,583**	**7,592,823**
Equity attributable to owners of the Parent:	2,334,002	2,337,403
- Share capital	1,343,285	1,343,285
- Reserves	728,618	607,009
- Net income (loss)	262,099	387,109
Equity attributable to non-controlling interests:	72,424	52,026
- Reserves	76,384	47,575
- Net income (loss)	(3,960)	4,451
Equity	**2,406,426**	**2,389,429**
Borrowing from bank and other financial institutions	2,077,354	1,995,775
Other payables	73,931	70,643
Provisions for liabilities and charges	131,442	142,230
Provisions for deferred tax liabilities	49,817	56,056
Employee benefit obligations	451,223	522,957
Tax payable	5,564	4,172
Non-current liabilities	**2,789,331**	**2,791,833**
Borrowing from bank and other financial institutions	443,146	440,526
Trade payables	1,005,825	1,268,683
Other payables	441,102	417,556
Provisions for liabilities and charges	110,688	110,839
Tax payables	82,433	77,609
Derivative financial instruments	78,632	96,348
Current liabilities	**2,161,826**	**2,411,561**
Total liabilities and equity	**7,357,583**	**7,592,823**

* The figures of 2012 have been restated due to the new standard IAS 19 revised "employee benefits" being effective from 1/1/2013

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	1/1 - 09/30/2013	1/1 - 09/30/2012 *
Revenues from sales and services	4,649,865	4,574,071
Other income	147,639	124,194
Change in inventories of work in progress, semi-finished and finished products	3,610	44,176
Raw materials and consumables (net of change in inventories)	(1,756,969)	(1,648,490)
Personal expenses	(901,107)	(896,764)
Amortisation,depreciation and impairment	(216,774)	(198,844)
Other costs	(1,347,016)	(1,400,395)
Additions to property plant and equipment for internal work	2,436	2,852
Operating income	**581,684**	**600,800**
Net income (loss) from equity investments	(22,912)	(26,448)
- share of net income (loss) of asscoiates and jv	*(10,726)*	*(23,174)*
- gains on equity investments	*367*	*503*
- losses on equity investments	*(13,248)*	*(4,778)*
- dividends	*695*	*1,001*
Financial income	44,203	29,953
Financial expenses	(192,786)	(133,192)
Net income (loss) before income tax	**410,189**	**471,113**
Income tax	(152,049)	(167,812)
Net income (loss)	**258,140**	**303,301**

Attributable to:

Owners of the parent	262,099	301,303
Non-controlling interests	(3,959)	1,998

* The figures of 2012 have been restated due to the new standard IAS 19 revised "employee benefits" being effective from 1/1/2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		01/01 - 09/30/2013	01/01 - 09/30/2012 *
A	**Net income (loss) for the period**	**258,140**	**303,301**
Components of other comprehensive income:			
	B - Items that will not be reclassified to income statement:		
	- Net actuarial gains (losses) on employee benefits	22,949	(19,315)
	- Tax effect	(5,403)	(294)
	Total B	17,546	(19,609)
	C - Items reclassified / that may be reclassified to income statement:		
	Exchange differences from translation of foreign financial statements	(168,389)	(33,345)
	Fair value adjustment of other financial assets:		
	- Gains / (losses) for the period	23,548	(6,015)
	- (Gains) / losses reclassified to income statement	131	(413)
	Fair value adjustment of derivatives designated as cash flow hedges:		
	- Gains / (losses) for the period	(10,426)	(12,527)
	- (Gains) / losses reclassified to income statement	13,991	25,002
	- Tax effect	(760)	(1,759)
	Total C	(141,905)	(29,057)
	Share of other comprehensive income related to associates and joint ventures	-	(235)
	Total D	-	(235)
E	**Total components of other comprehensive income (B+C+D)**	**(124,359)**	**(48,901)**
A+E	**Total comprehensive income (loss) for the period**	**133,781**	**254,400**
	Attributable to:		
	- Owners of the Parent	142,072	252,961
	- Non-controlling interests	(8,290)	1,439

* The figures of 2012 have been restated due to the new standard IAS 19 revised "employee benefits" being effective from 1/1/2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 09/30/2013

(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 12/31/2012	**1,343,285**	**(1,606)**	**(531,446)**	**1,527,170**	**2,337,403**	**52,026**	**2,389,429**
Other comprehensive income	-	(164,058)	44,030	-	(120,028)	(4,331)	(124,359)
Net income (loss)	-	-	-	262,099	262,099	(3,960)	258,139
Total other comprehensive income	**-**	**(164,058)**	**44,030**	**262,099**	**142,071**	**(8,291)**	**133,780**
Russia - change jv agreement	-	-	-	(33,949)	(33,949)	33,949	-
Dividends paid	-	-	-	(156,743)	(156,743)	(3,129)	(159,872)
Venezuela inflation effect	-	-	-	45,194	45,194	1,775	46,969
Other	-	-	-	26	26	(3,906)	(3,880)
Total at 09/30/2013	**1,343,285**	**(165,664)**	**(487,416)**	**1,643,797**	**2,334,002**	**72,424**	**2,406,426**

(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 12/31/2012	**2,001**	**(44,971)**	**(539,558)**	**51,082**	**(531,446)**
Other comprehensive income	23,679	3,565	22,949	(6,163)	44,030
Other changes	-	-	-	-	-
Balance at 09/30/2013	**25,680**	**(41,406)**	**(516,609)**	**44,919**	**(487,416)**

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)	(15,556)	-	(48,342)	(559)	(48,901)
Net income (loss)	-	-	-	301,303	301,303	1,998	303,301
Total gains (losses)	**-**	**(32,786)**	**(15,556)**	**301,303**	**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 09/30/2012	**1,343,285**	**31,660**	**(531,259)**	**1,434,968**	**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	(19,315)	(2,053)	(15,555)
Other changes	(2,543)	-	334	-	(2,209)
Balance at 9/30/2012	**(28,186)**	**(43,065)**	**(505,542)**	**45,534**	**(531,258)**

CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of euro)

		at 09/30/2013	at 09/30/2012 *
	Net income (loss) from continuing operations before taxes	410,189	471,113
	Amortisation, depreciation, impairment losses and reversals of impaired property, plant and equipment and intangible assets	216,774	198,844
	Reversal of financial expenses	192,786	133,192
	Reversal of financial income	(44,203)	(29,953)
	Reversal of dividends	(695)	(1,001)
	Reversal of gains/(losses) on equity investments	12,881	4,275
	Reversal of share of net income from associates and joint ventures	10,726	23,174
	Income taxes	(152,049)	(167,812)
	Change in inventories	(26,663)	(97,988)
	Change in trade receivables	(399,965)	(369,356)
	Change in trade payables	(173,600)	(335,653)
	Change in other receivables/payables	11,553	(66,817)
	Change in provisions for employee benefits and other provisions	(40,569)	(36,774)
	Other changes	(1,110)	(48,680)
A	**Net cash flows provided by (used in) operating activities**	**16,056**	**(323,436)**
	Purchase of property, plant and equipment	(231,372)	(319,515)
	Disposal of property, plant and equipment	4,628	2,099
	Purchase of intangible assets	(6,900)	(7,903)
	Acquisitions of equity investments in subsidiaries - Russia	-	(170,278)
	Acquisitions of retail investments	(11,174)	(90,937)
	Disposals (Acquisition) of equity investments	(56,206)	2,421
	Dividends received	695	1,001
B	**Net cash flows provided by (used in) investing activities**	**(300,329)**	**(583,112)**
	Increase (reduction) in equity	-	5,487
	Change in financial payables	70,754	841,185
	Change in financial receivables/Securities held for trading	67,075	(96,340)
	Financial income (expenses)	(148,583)	(88,269)
	Dividends paid	(159,789)	(135,286)
C	**Net cash flows provided by (used in) financing activities**	**(170,543)**	**526,777**
D	**Total cash flows provided (used) during the period (A+B+C)**	**(454,816)**	**(379,771)**
E	**Cash and cash equivalents at beginning of year**	**665,004**	**542,443**
F	Exchange differences on translation of cash and cash equivalents	(35,684)	(2,820)
G	**Cash and cash equivalents at end of the period (D+E+F) (°)**	**174,504**	**159,852**
(°)	**of which:**		
	cash and cash equivalents	273,603	227,343
	bank overdrafts	(99,099)	(67,491)

* The figures of 2012 have been restated due to the new standard IAS 19 revised "employee benefits" being effective from 1/1/2013

<u>Net financial (liquidity)/debt position</u>

(alternative performance measure not envisaged by the accounting standards)

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

(in thousands of euro)

	09/30/2013	12/31/2012
Current borrowing from bank and other financial institutions	443,146	440,526
Current derivative financial instruments (liabilities)	4,746	19,168
Non-current borrowing from bank and other financial institutions	2,077,354	1,995,775
Total gross debt	**2,525,246**	**2,455,469**
Cash and cash equivalents	(273,603)	(679,794)
Securities held for trading	(144,972)	(224,717)
Current financial receivables	(41,886)	(66,290)
Current derivative financial instruments (assets)	(11,436)	(18,136)
Net financial debt *	**2,053,349**	**1,466,532**
Non-current financial receivables	(82,499)	(261,327)
Total net financial (liquidity) debt position	**1,970,850**	**1,205,205**

* 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 nine months		Change in %
	09/30/2013	09/30/2012		2013	2012	
Venezuela Bolivar Fuerte	8.5082	5.5599	53.03%	8.5082	5.5599	53.03%
Swedish Krona	8.6575	8.4498	2.46%	8.5800	8.7329	(1.75%)
Australian Dollar	1.4486	1.2396	16.86%	1.3460	1.2386	8.67%
Canadian Dollar	1.3912	1.2684	9.68%	1.3478	1.2842	4.95%
Singapore Dollar	1.6961	1.5848	7.02%	1.6479	1.6126	2.19%
U.S. Dollar	1.3505	1.2930	4.45%	1.3167	1.2813	2.76%
Taiwan Dollar	39.9613	37.8655	5.53%	39.1331	38.0617	2.81%
Swiss Franc	1.2225	1.2099	1.04%	1.2313	1.2043	2.24%
Egyptian Pound	9.3121	7.8841	18.11%	9.0482	7.7587	16.62%
Turkey Lira (new)	2.7533	2.3196	18.70%	2.4588	2.3107	6.41%
New Romanian Leu	4.4620	4.5383	(1.68%)	4.4083	4.4354	(0.61%)
Argentinean Peso	7.8235	6.0732	28.82%	6.9676	5.7255	21.69%
Mexican Peso	17.8126	16.6348	7.08%	16.7269	16.9608	(1.38%)
South African Rand	13.5985	10.7125	26.94%	12.4841	10.3084	21.11%
Brazilian Real	3.0200	2.6256	15.02%	2.8000	2.4618	13.74%
Chinese Renminbi	8.3029	8.1989	1.27%	8.1831	8.0939	1.10%
Russian Ruble	43.6497	40.2074	8.56%	41.7206	39.7633	4.92%
British Pound	0.8361	0.7981	4.76%	0.8518	0.8122	4.88%
Japanese Yen	131.7800	100.3700	31.29%	127.2421	101.6924	25.12%

Certification pursuant to Article 154-bis, paragraph 2 of Legislative Decree 58 of February 24, 1998 (“Consolidated Law on Finance”)

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, paragraph 2 of the Consolidated Law on Finance, that the accounting information contained in the interim management statements at September 30, 2013 corresponds with the company’s accounting records.

Milan, November 5, 2013

Francesco Tanzi
Corporate Financial
Reporting Manager