

The Pirelli logo, consisting of the word "PIRELLI" in a bold, red, sans-serif font, is centered within a bright yellow rectangular background.

# PIRELLI FY 2014 RESULTS

MILANO – MARCH 31, 2015



# AGENDA



## FY 2014 RESULTS



FY 2014 TYRE OVERVIEW



2015 TARGETS



APPENDIX

# FY 2014 RESULTS VS GUIDANCE

	<b>2014 targets November 2014</b> <i>(including Steel Cord)</i>	<b>2014 targets restated</b> <i>(with Steel Cord as discontinued operations)</i>	<b>FY 2014 Results</b> <i>(with Steel Cord as discontinued operations)</i>
<b>Revenues</b>	>6.1 / <6.2 €/bln	<b>&gt;6.0 / &lt;6.1 €/bln</b>	<b>6.0 €/bln</b>
• Volumes	> +2.5%	> +2.5%	+2.0%
- o/w Premium	>+16%	>+16%	+17.8%
• Price/mix	~ +4% / ~+5%	~ +4% / ~+5%	+4.2%
• Foreign Exchange	~ -7% / ~ -7.5%	~ -7% / ~ -7.5%	-6.6%
Total Revenues Growth	~ flat	~ flat	-0.7%
<b>EBIT post restructuring</b>	~ 850 €/mln	~ 840 €/mln	<b>838 €/mln</b>
• Non-recurring expenses (restructuring costs and asset valuation adjustments)	40 €/mln	40 €/mln	31 €/mln
<b>Capex</b>	<400 € mln		<b>378 €/mln</b>
<b>Net Cash Flow</b> before Dividends and Steelcord disposal	> 250 € mln		<b>312 €/mln</b>
<b>NFP</b>	~1.2 € bln		<b>980 €/mln</b> (~1.17 € bln exc. Steel Cord disposal impact )
<b>ROI**</b>	~22%	~22%	<b>22.3%</b> (+2.5 pp yoy)

# PIRELLI KEY FINANCIAL RESULTS

	FY 13*	FY 14	Δ YOY	Q4 13*	Q4 14	Δ YOY
<b>Revenues</b>	<b>6,061.0</b>	<b>6,018.1</b>	-0.7%	<b>1,474.6</b>	<b>1,489.4</b>	+1.0%
<i>Organic Growth**</i>			+5.9%			+4.1%
<b>EBITDA before Restr. Costs</b>	<b>1,095.0</b>	<b>1,168.0</b>	+6.7%	<b>288.2</b>	<b>300.3</b>	+4.2%
<i>Margin</i>	18.1%	19.4%	+1.3p.p.	19.5%	20.2%	+0.7p.p.
<b>EBIT before Restr. Costs</b>	<b>810.2</b>	<b>869.2</b>	+7.3%	<b>216.8</b>	<b>221.4</b>	+2.1%
<i>Margin</i>	13.4%	14.4%	+1.0p.p.	14.7%	14.9%	+0.2p.p.
<b>Restructuring Costs</b>	(25.5)	(31.3)		(10.3)	(13.2)	
<b>EBIT</b>	<b>784.7</b>	<b>837.9</b>	+6.8%	<b>206.5</b>	<b>208.2</b>	+0.8%
<i>Margin</i>	12.9%	13.9%	+1.0p.p.	14.0%	14.0%	+0.0p.p.
<b>Results from Equity Investments</b>	(78.3)	(87.0)		(55.4)	(54.7)	
<b>Financial Income / (Charges)</b>	(192.9)	(262.4)		(46.1)	(126.7)	
<b>PBT</b>	<b>513.5</b>	<b>488.5</b>		<b>105.0</b>	<b>26.8</b>	
<i>Tax Rate</i>	40.7%	35.5%		54.8%	33.6%	
<b>Discontinued Operations</b>	2.0	17.6		0.9	15.0	
<b>Net Income</b>	<b>306.5</b>	<b>332.8</b>		<b>48.4</b>	<b>32.8</b>	
<b>Attributable Net Income</b>	<b>303.6</b>	<b>319.3</b>		<b>41.5</b>	<b>28.8</b>	
<b>Investments***</b>	<b>413.1</b>	<b>378.1</b>				
<b>Net Debt</b>	<b>1,322.4</b>	<b>979.6</b>				

FY14 financial charges discount 72 € mln related to the devaluation of the Venezuela Bolivar

FY14 lower tax rate benefits from:

- Better geographical mix
- Positive effect of deferred tax assets

FY14 discontinued operations include 14.6 €/mln capital gain on the Steel Cord activities disposal (Italy, Romania and Brazil)

\* Restated with Steel Cord among discontinued operations

\*\* Excluding exchange rate effects

\*\*\* Tangible and Intangible investments

# FY 2014 PERFORMANCE BY REGION

Tyre Sales			Consumer Sales			Industrial Sales			Tyre EBIT Margin**
€/Mln		Δ YOY		Δ YOY		Δ YOY			
<b>Total</b>	<b>6,007.5</b>	-0.4%	<b>Organic growth*</b>		<b>4,610.3</b>	+2.9%	<b>Organic growth*</b>		<b>14.7% (+0.8 pp)</b>
			<b>+6.2%</b>				<b>+8.9%</b>		
<b>Europe</b>	<b>34%</b>	+4.6%	<b>+4.2%</b>		<b>40%</b>	+5.1%	<b>+4.7%</b>		<b>Europe</b> <b>Mid-teens</b> (improving YOY from double-digit in FY 2013)
<b>NAFTA</b>	<b>12%</b>	+4.7%	<b>+5.3%</b>		<b>15%</b>	+5.3%	<b>+6.0%</b>		<b>NAFTA</b> <b>Mid-teens</b> (improving YOY)
<b>Russia &amp; CIS</b>	<b>54%</b>	-4.3%	<b>+8.7%</b>						<b>Russia</b> <b>Mid single digit</b> (negative in FY 2013)
<b>MEAI</b>	<b>4%</b>	-6.4%	<b>+10.4%</b>		<b>45%</b>	+0.3%	<b>+13.4%</b>		<b>MEAI</b> <b>High-teens</b> (improving YOY)
<b>APAC</b>	<b>8%</b>	+0.2%	<b>+6.8%</b>						<b>APAC</b> <b>Twenties</b> (improving YOY)
<b>South America</b>	<b>9%</b>	+16.0%	<b>+17.5%</b>						<b>South America</b> <b>Low-teens</b> (declining YOY)
<b>South America</b>	<b>33%</b>	-9.5%	<b>+5.4%</b>						

\* Excluding exchange rate effects

\*\* Before Restr. Costs

# PREMIUM OUTPERFORMANCE IN EVERY MARKET: VOLUME GROWTH 2x THE MARKET

€/Mln

Δ YOY

**Organic growth\***

**Total** 2,274.4      2,536.0      +12%

**+13%**

**Europe** 51%      49%      +8%

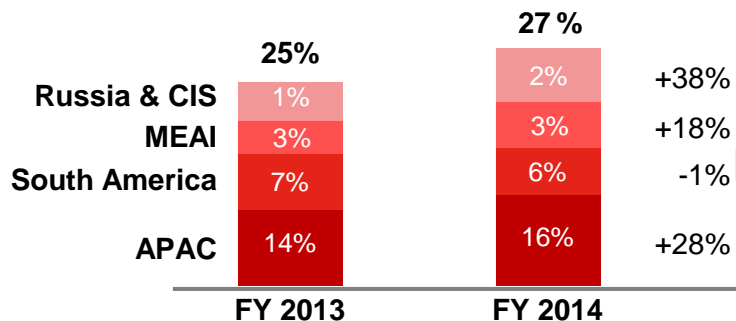
**+7%**

- Consolidated leadership in Super Premium: 22% total mkt share in ≥ 18" segment, >+1pp vs. 2013 YE
- Strong customer appreciation of marked items supporting profitability

**NAFTA** 24%      24%      +10%

**+11%**

- Successful product innovation: 4 new US tailored products
- Increased geo-coverage of areas with higher Premium potential



**+54%**

**+23%**

**+20%**

**+30%**

**+28%**

- **Russia and CIS:** doubled Premium mkt share thanks to a wider product range and market coverage
- **MEAI:** sound growth in key markets
- **South America:** Premium outperformance and successful introduction of Green products, SUV/LT
- **APAC:** region with highest growth especially in Super Premium, full advantage of OE pull-through

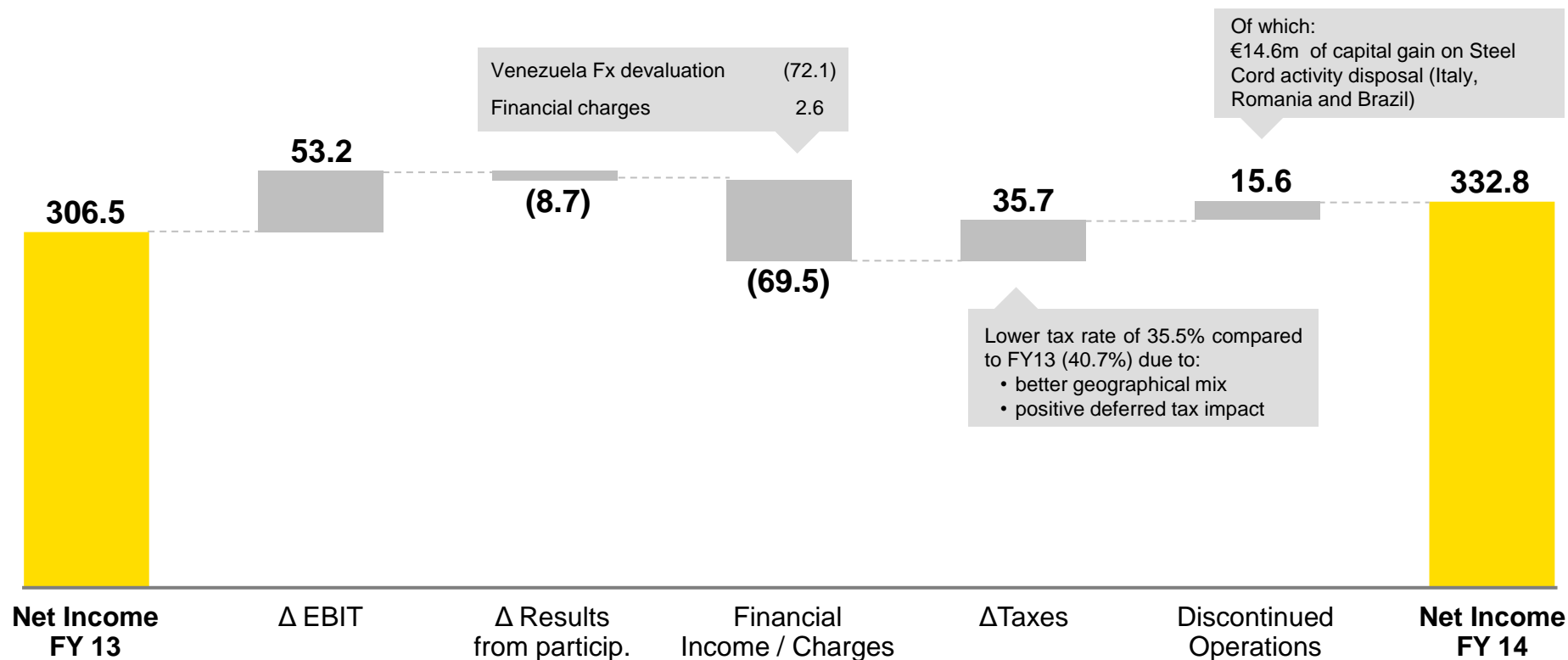
**Weight on Consumer Revenues**

51%

55%

\* Excluding exchange rate effects

# PIRELLI NET INCOME FY 2014 VS FY 2013



# DIVIDEND PROPOSAL

Dividend Proposal to be filed with Pirelli & C. AGM (May 14, 2015)

	DPS (€)			# of Shares*	Dividends (€/mln)	
	2014	2013	Δ % yoy	<i>mln</i>	2014	Δ % yoy
Ordinary shares	0.367	0.320	+14.7%	475.4	174.5	+14.7%
Savings shares	0.431	0.390	+10.5%	11.8	5.1	+10.5%
					179.6	+14.6%
					40.5% of Group Net Income adjusted (net of non recurring items**)	

## Dividend Payment Schedule

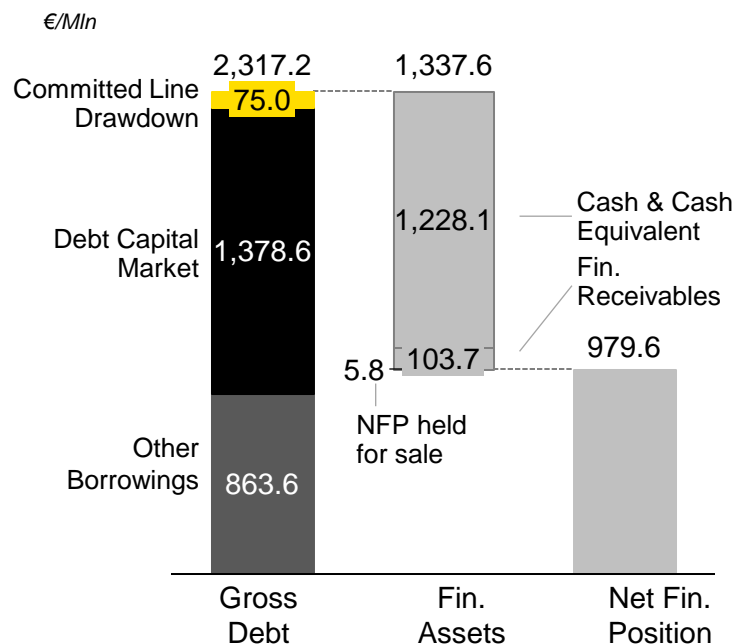
- **Coupon Detachment:** May 18th, 2015
- **Dividend Payment:** May 20th, 2015, record date May19th

\* Excluding treasury shares; \*\*Net of results from equity participations, Bolivar devaluation impact and Steel Cord capital gain

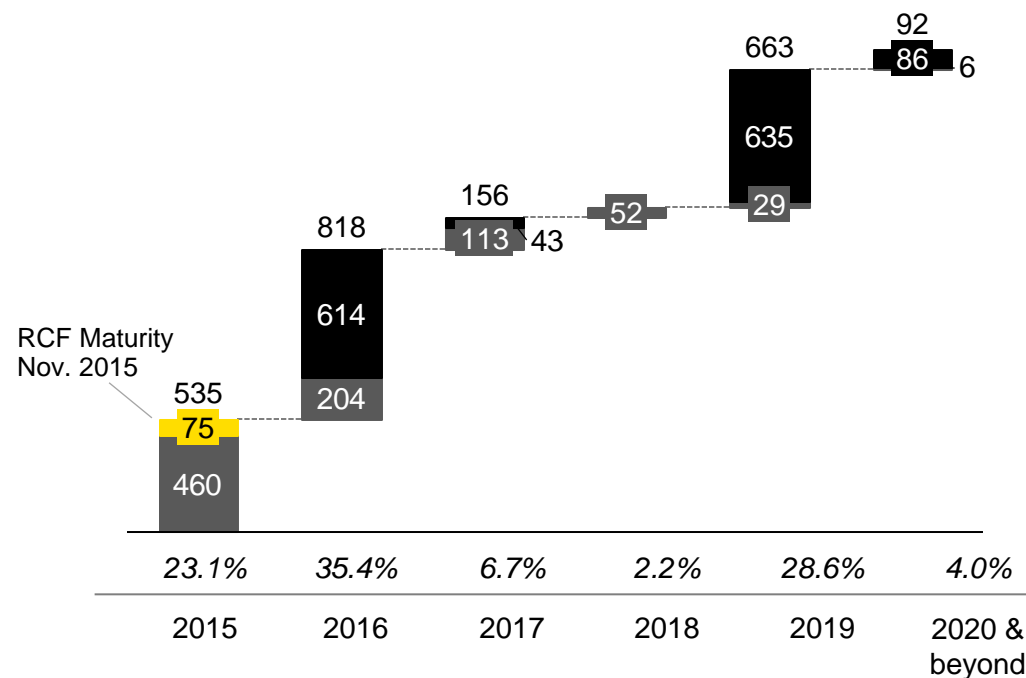


# PIRELLI DEBT STRUCTURE AS OF DECEMBER 31, 2014

## Net Financial Position



## Gross Debt Maturity



## Liquidity Profile

€/Mln

Liquidity position	1,228.1
Total committed lines not drawn due 2015	1,125.0
<b>Liquidity Margin</b>	<b>2,353.1</b>

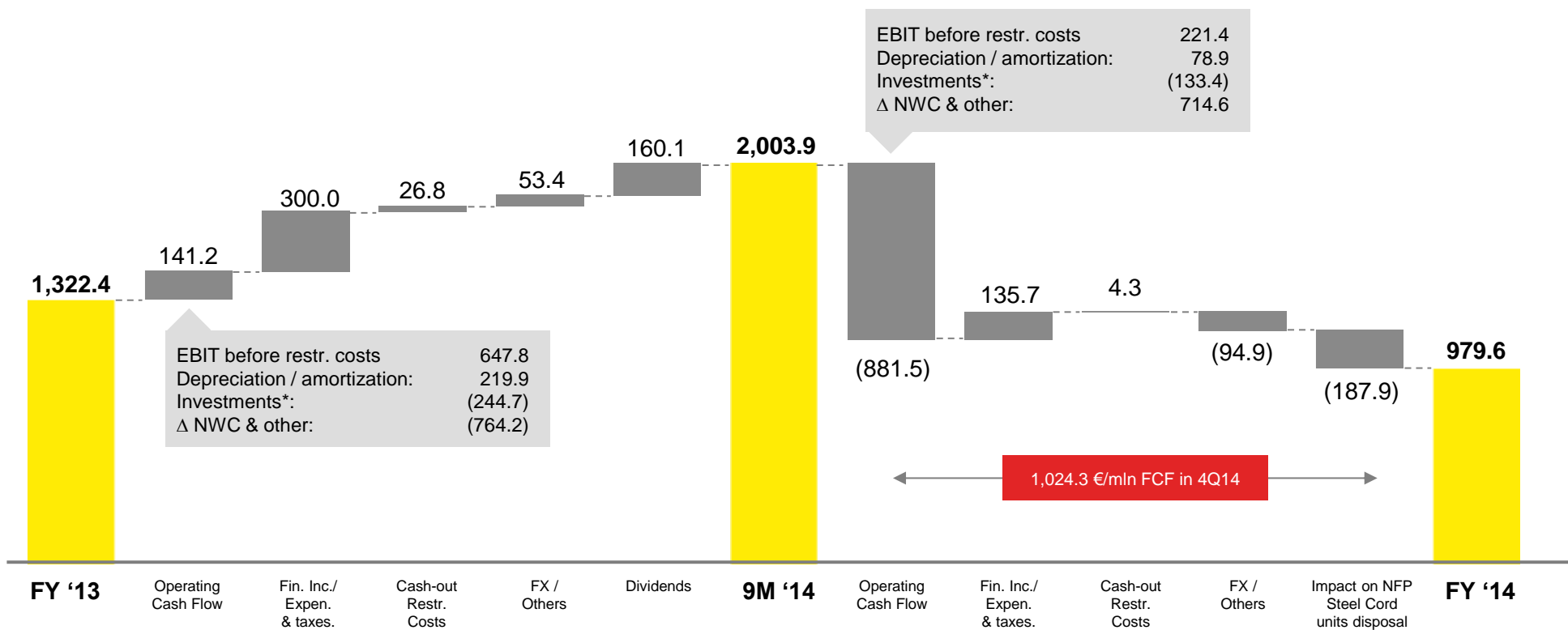
## Debt Profile

- ~ 77% of the debt maturity beyond 2015
- Cost of debt\* 6.05% as of December 31, 2014
- Gross debt profile ~80% Fixed and ~20% Floating
- Average debt maturity: ~ 2.6 years

\*Cost of debt <6.5% across the 2013 – 2017 industrial plan horizon due to exposure of the debt to high interest rate countries

# PIRELLI FY 2014 NET FINANCIAL POSITION

€/Mln



\* Tangible and intangible investments

# AGENDA



FY 2014 RESULTS



**FY 14 TYRE OVERVIEW**



2015 TARGETS



APPENDIX

# KEY TYRE RESULTS

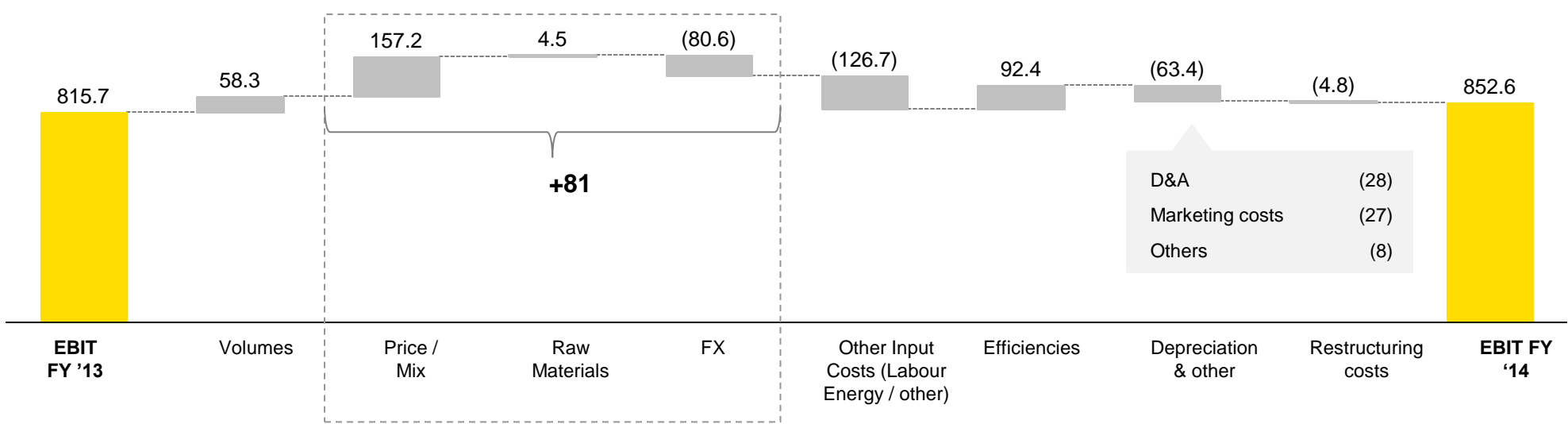
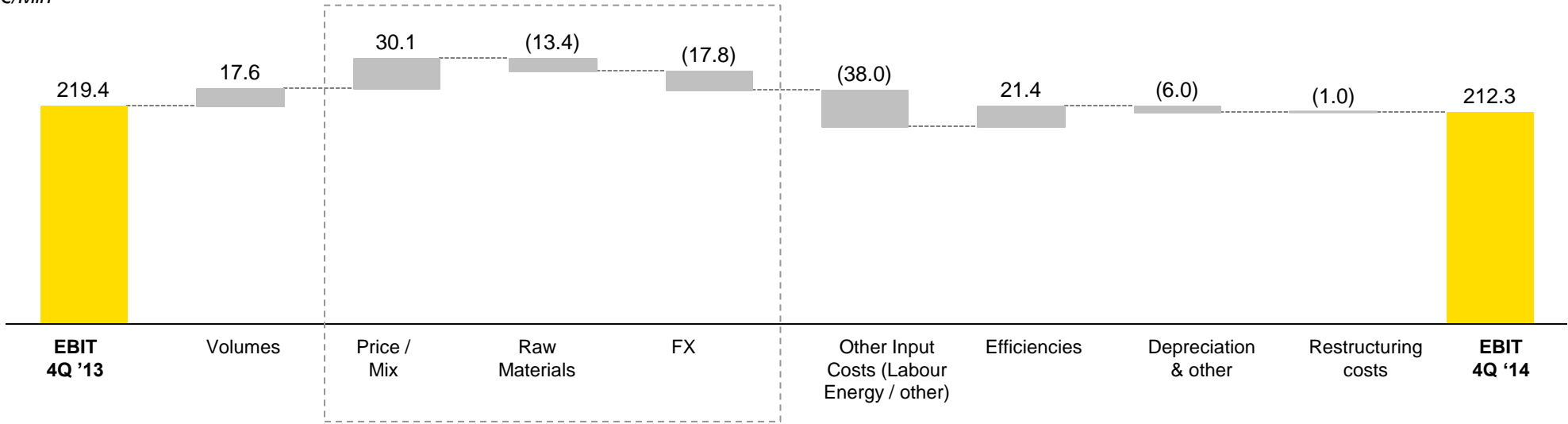
€/Min

	Q1'14	Δ %	Q2'14	Δ %	Q3'14	Δ %	Q4'14	Δ %	FY'14	Δ %
<b>Revenues</b>	<b>1,469.5</b>	<b>-2.4%</b>	<b>1,511.3</b>	<b>-3.6%</b>	<b>1,539.2</b>	<b>+3.3%</b>	<b>1,487.5</b>	<b>+1.3%</b>	<b>6,007.5</b>	<b>-0.4%</b>
<i>o/w Premium</i>	639.9	+12.9%	645.2	+12.6%	648.8	+11.1%	602.1	+9.4%	2,536.0	+11.5%
<b>EBITDA before restr. costs</b>	<b>280.3</b>	<b>+8.7%</b>	<b>308.7</b>	<b>+9.9%</b>	<b>287.2</b>	<b>+1.7%</b>	<b>300.7</b>	<b>+0.6%</b>	<b>1,176.9</b>	<b>+5.1%</b>
<i>Margin</i>	19.1%	+2.0p.p.	20.4%	+2.5p.p.	18.7%	-0.3p.p.	20.2%	-0.2p.p.	19.6%	+1.0p.p.
<b>EBIT before restr. costs</b>	<b>210.3</b>	<b>+12.2%</b>	<b>236.1</b>	<b>+12.6%</b>	<b>211.7</b>	<b>-0.8%</b>	<b>222.3</b>	<b>-2.8%</b>	<b>880.4</b>	<b>+4.9%</b>
<i>Margin</i>	14.3%	+1.8p.p.	15.6%	+2.2p.p.	13.8%	-0.5p.p.	14.9%	-0.7p.p.	14.7%	+0.8p.p.
<b>EBIT</b>	<b>204.9</b>	<b>+11.2%</b>	<b>229.1</b>	<b>+11.1%</b>	<b>206.3</b>	<b>+0.3%</b>	<b>212.3</b>	<b>-3.2%</b>	<b>852.6</b>	<b>+4.5%</b>
<i>Margin</i>	13.9%	+1.7p.p.	15.2%	+2.0p.p.	13.4%	-0.4p.p.	14.3%	-0.6p.p.	14.2%	+0.7p.p.

Revenue drivers	Q1'14	Q2'14	Q3'14	Q4'14	FY'14
Δ Price/Mix	+4.6%	+6.0%	+3.3%	+2.8%	+4.2%
Δ Volumes	+3.8%	-0.2%	+3.1%	+1.6%	+2.0%
<i>o/w Premium</i>	+22.2%	+20.9%	+17.3%	+10.7%	+17.8%
Δ Revenues (before exchange rate impact)	+8.4%	+5.8%	+6.4%	+4.4%	+6.2%
Δ Exchange Rate	-10.8%	-9.4%	-3.1%	-3.1%	-6.6%

# PIRELLI TYRE OPERATING PERFORMANCE

€/Min



# CONSUMER BUSINESS: PIRELLI PERFORMANCE

€/Min

	Q1'14	Δ %	Q2'14	Δ %	Q3'14	Δ %	Q4'14	Δ %	FY'14	Δ %
<b>Revenues</b>	<b>1,128.7</b>	<b>+1.1%</b>	<b>1,159.6</b>	<b>+1.8%</b>	<b>1,178.0</b>	<b>+4.9%</b>	<b>1,144.0</b>	<b>+4.0%</b>	<b>4,610.3</b>	<b>+2.9%</b>
<i>o/w Premium</i>	639.9	+12.9%	645.2	+12.6%	648.8	+11.1%	602.1	+9.4%	2,536.0	+11.5%
% revenues	56.7%	+5.9p.p.	55.6%	+5.3p.p.	55.0%	+3.0p.p.	52.6%	+2.6p.p.	55.0%	+4.2p.p.
<b>EBITDA before restr. costs</b>	<b>219.4</b>	<b>+12.6%</b>	<b>245.1</b>	<b>+20.4%</b>	<b>228.0</b>	<b>+7.6%</b>	<b>242.2</b>	<b>+5.6%</b>	<b>934.7</b>	<b>+11.3%</b>
<i>Margin</i>	19.4%	+2.0pp	21.1%	+3.2pp	19.4%	+0.5pp	21.2%	+0.4p.p.	20.3%	+1.6p.p.
<b>EBIT before restr. costs</b>	<b>162.7</b>	<b>+17.9%</b>	<b>186.8</b>	<b>+27.3%</b>	<b>167.3</b>	<b>+7.7%</b>	<b>180.4</b>	<b>+4.8%</b>	<b>697.2</b>	<b>+13.9%</b>
<i>Margin</i>	14.4%	+2.0pp	16.1%	+3.2p	14.2%	+0.4pp	15.8%	+0.1p.p.	15.1%	+1.4p.p.
<b>EBIT</b>	<b>158.8</b>	<b>+16.8%</b>	<b>181.3</b>	<b>+25.7%</b>	<b>164.2</b>	<b>+8.6%</b>	<b>172.1</b>	<b>+4.3%</b>	<b>676.4</b>	<b>+13.4%</b>
<i>Margin</i>	14.1%	+1.9pp	15.6%	+2.9p.p.	13.9%	+0.4pp	15.0%	0.0p.p.	14.7%	+1.4p.p.
<b>Revenue drivers</b>	<b>Q1'14</b>		<b>Q2'14</b>		<b>Q3'14</b>		<b>Q4'14</b>		<b>FY'14</b>	
Δ Price/Mix	+4.4%		+5.8%		+3.1%		+2.5%		+3.9%	
Δ Volumes	+5.9%		+4.3%		+5.3%		+4.5%		+5.0%	
<i>o/w Premium</i>	+22.2%		+20.9%		+17.3%		+10.7%		+17.8%	
Δ Revenues (before exchange rate impact)	+10.3%		+10.1%		+8.4%		+7.0%		+8.9%	
Δ Exchange Rate	-9.2%		-8.3%		-3.5%		-3.0%		-6.0%	

# INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

€/Min

	Q1'14	Δ %	Q2'14	Δ %	Q3'14	Δ %	Q4'14	Δ %	FY'14	Δ %
Revenues	340.8	-12.2%	351.7	-18.1%	361.2	-1.4%	343.5	-6.7%	1,397.2	-10.0%
EBITDA before restr. costs	60.9	-3.3%	63.6	-17.7%	59.2	-15.9%	58.5	-15.9%	242.2	-13.6%
Margin	17.9%	+1.7p.p.	18.1%	+0.1p.p.	16.4%	-2.8p.p.	17.0%	-1.9pp	17.3%	-0.8pp
EBIT before restr. costs	47.6	-3.8%	49.3	-21.7%	44.4	-23.4%	41.9	-25.7%	183.2	-19.3%
Margin	14.0%	+1.3p.p.	14.0%	-0.7p.p.	12.3%	-3.5p.p.	12.2%	-3.1pp	13.1%	-1.5pp
EBIT	46.1	-4.6%	47.8	-23.0%	42.1	-22.8%	40.2	-26.1%	176.2	-19.7%
Margin	13.5%	+1.1p.p.	13.6%	-0.9p.p.	11.7%	-3.2p.p.	11.7%	-3.1pp	12.6%	-1.5pp

Revenue drivers	Q1'14	Q2'14	Q3'14	Q4'14	FY'14
Δ Price/Mix	+5.4%	+6.5%	+4.0%	+3.9%	+5.0%
Δ Volumes	-2.2%	-12.2%	-3.6%	-7.3%	-6.5%
Δ Revenues (before exchange rate impact)	+3.2%	-5.7%	+0.4%	-3.4%	-1.5%
Δ Exchange Rate	-15.4%	-12.4%	-1.8%	-3.3%	-8.5%

# AGENDA



FY 2014 RESULTS



FY 14 TYRE OVERVIEW



**2015 TARGETS**



APPENDIX



# PIRELLI PRIORITIES IN 2015

## CAR



**> Maintain Prestige and Premium leadership through OE business via:**

- Technological innovation
- Leading homologation portfolio
- Growing product specialties

**> Grow replacement market share working on:**

- Car dealer pull-through
- Geolocalized Premium vehicle park coverage
- Reduced weight of generic wholesalers
- Consumer Marketing initiatives
- Product renewal in Medium segment

## MOTO



**> Initial production volumes from Indonesia plant**

**> Strengthen technological leadership and expand in Asia Pacific**

## INDUSTRIAL



**> Prepare a more focused and independent organization unit while actively seeking a partnership**

**> Enhanced Truck business model, more fleet-centric, with an enriched value proposition**







Continuous grip on efficiency,  $\geq$  London Plan program  
Ready to act with contingency plan to counterbalance volatility in Venezuela and Argentina

# 2015 REGIONAL TARGETS

## Tyre Market

## 2015 Pirelli Tyre Business Target

## Highlights

			Revenues	EBIT Margin*	
APAC		<b>Car &gt;+4% YOY,</b> o/w Premium >+10% <b>Truck* &gt;+1%</b>	Mid teen organic growth (>20% in €)	Twenties increasing YOY	<ul style="list-style-type: none"> <li>Outperforming Premium market leveraging on OE pull-through, new product launch and retail development</li> </ul>
NAFTA		<b>Car &gt; 3% YOY,</b> o/w Premium > 6% <b>Truck &gt;+2%</b>	High single-digit organic growth (mid-teens in €)	Mid-teens increasing YOY	<ul style="list-style-type: none"> <li>Enhancing our Premium position focusing on ≥18", marked tyres, tailor-made products and market coverage</li> <li>Mexico plant boosting profitability</li> </ul>
EUROPE		<b>Car &gt; 1% YOY,</b> o/w Premium >+7% <b>Truck * &gt;+2%</b>	Mid single-digit organic growth	Mid-teens stable YOY	<ul style="list-style-type: none"> <li>Consolidating our leadership in Premium fully benefiting from OE pull-through, new product launch and selected retail approach</li> </ul>
MEAI		<b>Car &gt;+2% YOY,</b> o/w Premium > 5% <b>Truck * &gt;+2%</b>	Low single-digit organic growth (high teens in €)	High-teens stable YOY	<ul style="list-style-type: none"> <li>Outgrowing Premium segment in key countries</li> <li>Improving product and service offer in Truck</li> </ul>
LATAM		<b>Car flat YOY,</b> o/w Premium ~+15% <b>Truck * &gt;3%</b>	High single-digit organic growth (flat in €)	Low-teens increasing YOY	<ul style="list-style-type: none"> <li>Maintaining leadership in OE by focusing on value</li> <li>Mix improvement: Premium and SUV</li> <li>Distribution: leveraging on Equity and growing share of wallet in multibrand</li> </ul>
RUSSIA		<b>Car -7% YOY,</b> o/w Premium -12% <b>Truck * -2%</b>	Mid single-digit organic growth (mid-teen decline in €)	High single-digit increasing YOY	<ul style="list-style-type: none"> <li>Increasing profitability through mix improvement, efficiencies and export</li> </ul>
<b>TOTAL</b>		<b>Car +2,5% YOY,</b> o/w Premium +7% <b>Truck * +2%</b>			

\* All steel only

\* Before Restructuring Costs

# VENEZUELA & ARGENTINA: THE SCENARIO IN 2015

Venezuela

## Macro Scenario

Challenging economic scenario:

- Real GDP: -3,5% YOY in 2014
- Car Tyre market (OE+RT) -30% in 2014, -40% in 2015E\*\*
- Concerns for change to existing multi-tiered exchange rate regime

## Pirelli 2014 Exposure

- 1 plant: Capacity already reduced to ~1.0 mln pcs Car over the last 2 years, 100% Local for Local
- ~ 3% weight on tyre revenues
- Cash position due to ongoing capital restraints

## 2015 Targets Underlying Assumptions

- Action plan to face the current crisis:
  - Temporary reduction of production output (50% capacity utilization) due to lack of raw material availability
  - Temporary stop to imports of finished products
- Weight on 2015 revenues <2% (-1pp yoy)
- Cautious planning assumptions already reflect current difficult scenario:

FX impact (€/mln)	Q1 '14	Q4 '14	FY '14	FY '15
USD/VEF	10.7	12	12	20
Cash devaluation	-46	-11	-57	-70
Fin. Charges*	0	-72	-72	~ -30

Argentina

Uncertain outlook:

- Real GDP -0,8% in 2014 and -1.4% in 2015 (Jan. '15 estimate)
- Car Tyre market -7.5% in 2014, stable in 2015E\*\*

- Market leader
- 1 plant, ~5.1 mln pcs car capacity in 2014, 63% Local for Local
- Limited cash position

- Possible slowdown of imports imposed by government due to currency imbalance, mitigated by increase in exports
- Forex devaluation already factored in our guidance: USD/ARS 11.5
- Weight on 2015 revenues: <5% (stable YOY)

**2015 Ebit risk of 30€/mln should the above scenario further deteriorate**  
(utilization rate down to 30% in Venezuela and volumes -10/-15% yoy in Argentina)

\* Reclassification in Profit & Losses of exchange rate losses not realized already recognized in equity

Source: IHS Global Insight, Jan. 2015; Cavanez; Adefa; \*\* Pirelli estimate, Feb. 2015

# FY 2015 GUIDANCE

## FY 2014 Results

## 2015 Guidance

<b>Revenues</b>	<b>6.0 € bln</b>
• Volumes	+2.0%
- o/w Premium	+17.8%
• Price/mix	+4.2%
• Foreign Exchange	-6.6%
Total revenues growth	-0.7%
<b>EBIT post restructuring</b>	<b>838 € mln</b>
• Non-recurring expenses (restructuring costs and asset valuation adjustments)	31
<b>Capex</b>	<b>378 € mln</b>
<b>Net cash flow</b> before dividends and Steel Cord disposal	<b>312 € mln</b>
<b>NFP</b>	<b>980 € mln</b> (~1,17 € bln excl Steel Cord disposal impact)

<b>Revenues</b>	<b>~ 6.4 € bln</b>
• Volumes	≥ +3%
- o/w Premium	≥ +10%
• Price/mix	≥ +4%
• Foreign Exchange	~ -1%
Total revenues growth	~ +6%/+6.5%

<b>EBIT post restructuring</b>	<b>~ 930 € mln</b>
• Non-recurring expenses (restructuring costs and asset valuation adjustments)	~40

<b>Capex</b>	<b>&lt; 400 € mln</b>
--------------	-----------------------

<b>Net cash flow</b> before dividends and Steel Cord disposal	<b>≥ 300 € mln</b>
------------------------------------------------------------------	--------------------

Forex Guidance (yearly avg)		
	2014	2015
EUR/USD	1.33	1.22
EUR/RUB	51	65.0
USD/BRL	2.35	2.65
USD/VEF*	12	20
USD/ARS	8.12	11.5

**2015 EBIT risk of 30€/mln** should Venezuela and Argentina scenarios further deteriorate, with utilization rate down to 30% in Venezuela and volumes -10/-15% YoY in Argentina

\* 2014 YE Exchange rate

# 2015 CONSUMER & INDUSTRIAL GUIDANCE

## Consumer Business

	FY 2014 Results	2015 Guidance
<b>Revenues</b>	<b>4.6 € bln</b>	<b>~ 4.9 € bln</b>
• Volumes	+5%	~+3%
- o/w Premium	+17.8%	≥+10%
• Price/mix	+3.9%	≥ +4%
• Forex	-6%	~ -1%
<b>Total</b>	<b>+2.9%</b>	<b>+6%/+6.5%</b>
<b>EBIT margin before non-recurring items</b>	<b>15.1%</b>	<b>≥16%</b>

## Industrial Business

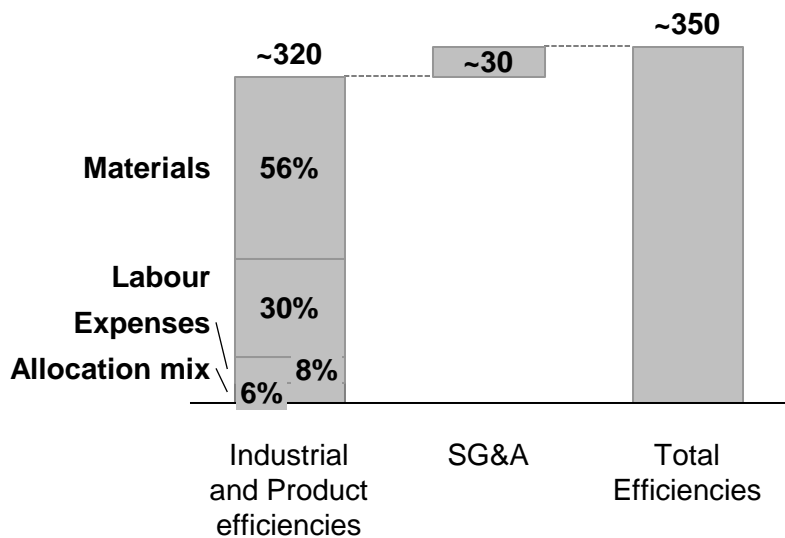
	FY 2014 Results	2015 Guidance
<b>Revenues</b>	<b>1.4 € bln</b>	<b>~1.5 € bln</b>
• Volumes	-6.5%	+4.5%/5%
• Price/mix	+5.0%	~ +4.5%
• Forex	-8.5%	~ -2%
<b>Total</b>	<b>-10.0%</b>	<b>+7%/+7.5%</b>
<b>EBIT margin before non-recurring items</b>	<b>13.1%</b>	<b>~12%</b>
<b>EBIT margin before non-recurring items*</b> (100% net of Steel Cord)	<b>11.7%</b>	<b>~12%</b>

\* Net of 100% Steel Cord business in order to make 2015 profitability trend comparable (2014A reported Ebit is only excluding third parties Steel Cord contribution)

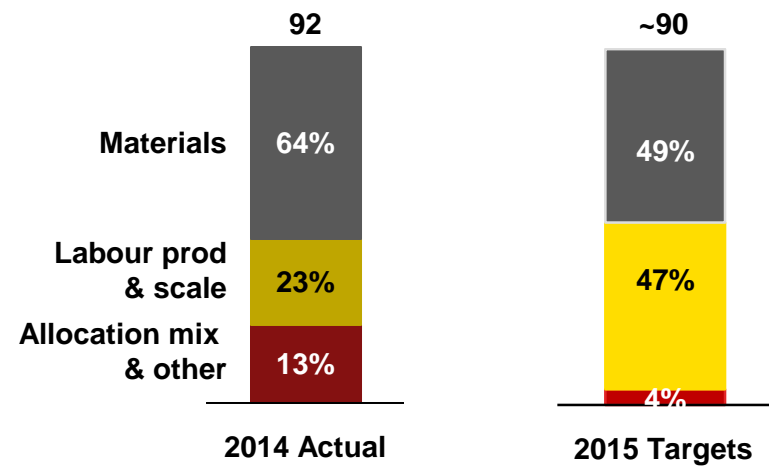
# EFFICIENCY PROGRAM: RESULTS AND TARGETS

€/mln

## 2014-2017 Efficiency Plan

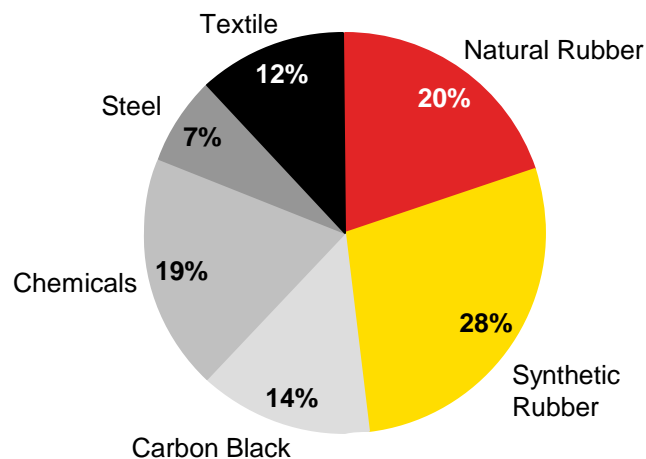


## 2014 results and 2015 targets



# 2015 RAW MATERIAL GUIDANCE

## Raw material breakdown FY 2014



35% on Revenues

## 2014 Actual

## 2015 Guidance

### Average cost of goods sold (€/Mln)

#### Natural Rubber TSR20 (\$/ton)

#### Brent Oil (\$/barrell)

#### Butadiene EU (€/Ton)

#### FX

#### Total

### Foreign Exchange Rate scenario (Yearly average)

	2014 Actual	2015 assumptions
EUR/USD	1.33	1.22
EUR/RUB	51	65
USD/BRL	2.35	2.65
USD/ARS	8.12	11.5
USD/VEF*	12.0	20

2014A	Δ YOY
~1.950	+144
109	-2
~950	+45
	-182
	+5

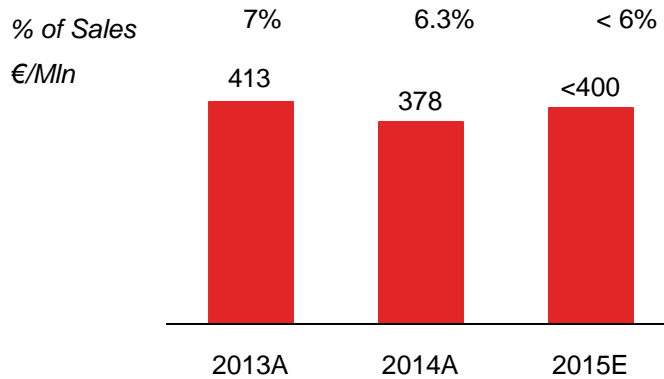
2015E	Δ YOY
~1.700	+55
78	+117
~950	-2
	-164
	+6

\* YE 2014 Exchange rate

# 2015 CAPEX AND CAPACITY:

## PREMIUM EXPANSION IN LOW-COST COUNTRIES, MIX AND QUALITY IMPROVEMENT IN MATURE MARKETS

### Capex



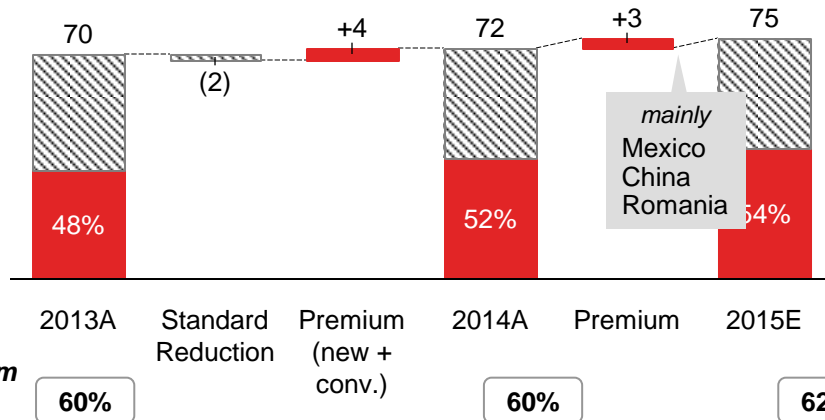
### Capex by destination

	2013A	2014A	2015E
<b>Capacity</b>	34%	36%	37%
<i>o/w Premium</i>	29%	29%	36%
<b>Mix &amp; Quality</b>	40%	32%	35%
<b>Others</b>	26%	32%	28%

### Capacity

#### Consumer

Mln pcs



Premium in new plants

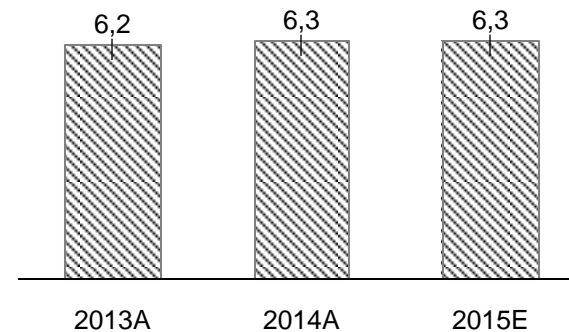
60%

60%

62%

#### Industrial

Mln pcs





# 2015 PROFITABILITY GUIDANCE

Driver	FY 2014 Results Impact	2015 Guidance Impact
Volumes	+2.0% of sales	≥3% of sales
Price/Mix	+4.2% of sales	≥+4% of sales
Forex	-6.6% of sales	-1% of sales
	<b>Δ YoY on EBIT</b>	<b>Δ YoY on EBIT</b>
Efficiencies	+92 €/mln	~+90 €/mln
Raw Materials	+4.5 €/mln	+6 €/mln
Other Input Costs	-127 €/mln	~ -135 €/mln
D&A, Other Costs	-67 €/mln	-80 €/mln
Minor businesses	+18 € (FY14 EBIT: -11 €/mln)	~ slightly positive (FY15E EBIT: < -10 €/mln )
Restructuring costs	-5.8 €/mln (FY'14 Restr. Costs: -31€/mln)	-10 €/mln
Cost of debt	6.05%	<6%
Tax rate	35.5%	35%
Operating Working Capital	5.6%	>5%

# AGENDA



FY 2014 RESULTS



FY 2014 TYRE OVERVIEW



2015 TARGETS



**APPENDIX**

# PIRELLI GROUP – 2014 QUARTERLY RESULTS

	Q1'14		Q2'14		Q3'14		Q4'14		FY'14	
	Tyre	Group	Tyre	Group	Tyre	Group	Tyre	Group	Tyre	Group
<b>SALES</b>	<b>1,469.5</b>	<b>1,473.2</b>	<b>1,511.3</b>	<b>1,513.7</b>	<b>1,539.2</b>	<b>1,541.8</b>	<b>1,487.5</b>	<b>1,489.4</b>	<b>6,007.5</b>	<b>6,018.1</b>
<b>EBITDA</b> before Restr. Costs	<b>280.3</b>	<b>277.3</b>	<b>308.7</b>	<b>305.5</b>	<b>287.2</b>	<b>284.9</b>	<b>300.7</b>	<b>300.3</b>	<b>1,176.9</b>	<b>1,168.0</b>
<i>% of sales</i>	19.1%	18.8%	20.4%	20.2%	18.7%	18.5%	20.2%	20.2%	19.6%	19.4%
<b>EBIT</b> before Restr. Costs	<b>210.3</b>	<b>206.7</b>	<b>236.1</b>	<b>232.2</b>	<b>211.7</b>	<b>208.9</b>	<b>222.3</b>	<b>221.4</b>	<b>880.4</b>	<b>869.2</b>
<i>% of sales</i>	14.3%	14.0%	15.6%	15.3%	13.8%	13.5%	14.9%	14.9%	14.7%	14.4%
Restructuring Costs	(5.4)	(5.7)	(7.0)	(7.0)	(5.4)	(5.4)	(10.0)	(13.2)	(27.8)	(31.3)
<b>EBIT</b>	<b>204.9</b>	<b>201.0</b>	<b>229.1</b>	<b>225.2</b>	<b>206.3</b>	<b>203.5</b>	<b>212.3</b>	<b>208.2</b>	<b>852.6</b>	<b>837.9</b>
<i>% of sales</i>	13.9%	13.6%	15.2%	14.9%	13.4%	13.2%	14.3%	14.0%	14.2%	13.9%
Results from equity participations		(13.8)		(13.4)		(5.1)		(54.7)		(87.0)
Financial Income / (Charges)		(43.3)		(48.8)		(43.6)		(126.7)		(262.4)
<b>EBT</b>		<b>143.9</b>		<b>163.0</b>		<b>154.8</b>		<b>26.8</b>		<b>488.5</b>
Fiscal Charges		(53.5)		(61.3)		(49.5)		(9.0)		(173.3)
Discontinued Operations		1.1		0.6		0.9		15.0		17.6
<b>Net Income</b>		<b>91.5</b>		<b>102.3</b>		<b>106.2</b>		<b>32.8</b>		<b>332.8</b>
<b>Attributable Net Income</b>		<b>89.7</b>		<b>99.4</b>		<b>101.4</b>		<b>28.8</b>		<b>319.3</b>
<b>Net Financial Position</b>		<b>1,965.6</b>		<b>1,935.2</b>		<b>2,003.9</b>		<b>979.6</b>		<b>979.6</b>

# PIRELLI GROUP – 2013 QUARTERLY RESULTS – RESTATED\*

	Q1'13		Q2'13		Q3'13		Q4'13		FY'13	
	Tyre	Group	Tyre	Group	Tyre	Group	Tyre	Group	Tyre	Group
<b>SALES</b>	<b>1,505.5</b>	<b>1,514.6</b>	<b>1,567.9</b>	<b>1,575.4</b>	<b>1,489.4</b>	<b>1,496.4</b>	<b>1,468.3</b>	<b>1,474.6</b>	<b>6,030.6</b>	<b>6,061.0</b>
<b>EBITDA before Restr. Costs</b>	<b>257.8</b>	<b>253.0</b>	<b>280.8</b>	<b>276.3</b>	<b>282.3</b>	<b>277.5</b>	<b>299.0</b>	<b>288.2</b>	<b>1,119.9</b>	<b>1,095.0</b>
<i>% of sales</i>	<i>17.1%</i>	<i>16.7%</i>	<i>17.9%</i>	<i>17.5%</i>	<i>19.0%</i>	<i>18.5%</i>	<i>20.4%</i>	<i>19.5%</i>	<i>18.6%</i>	<i>18.1%</i>
<b>EBIT before Restr. Costs</b>	<b>187.5</b>	<b>181.7</b>	<b>209.7</b>	<b>204.2</b>	<b>213.3</b>	<b>207.5</b>	<b>228.6</b>	<b>216.8</b>	<b>839.1</b>	<b>810.2</b>
<i>% of sales</i>	<i>12.5%</i>	<i>12.0%</i>	<i>13.4%</i>	<i>13.0%</i>	<i>14.3%</i>	<i>13.9%</i>	<i>15.6%</i>	<i>14.7%</i>	<i>13.9%</i>	<i>13.4%</i>
Restructuring Costs	(3.2)	(3.2)	(3.4)	(4.2)	(7.6)	(7.8)	(9.2)	(10.3)	(23.4)	(25.5)
<b>EBIT</b>	<b>184.3</b>	<b>178.5</b>	<b>206.3</b>	<b>200.0</b>	<b>205.7</b>	<b>199.7</b>	<b>219.4</b>	<b>206.5</b>	<b>815.7</b>	<b>784.7</b>
<i>% of sales</i>	<i>12.2%</i>	<i>11.8%</i>	<i>13.2%</i>	<i>12.7%</i>	<i>13.8%</i>	<i>13.3%</i>	<i>14.9%</i>	<i>14.0%</i>	<i>13.5%</i>	<i>12.9%</i>
Results from equity participations		(6.6)		(17.7)		1.4		(55.4)		(78.3)
Financial Income/charges		(58.0)		(45.5)		(43.3)		(46.2)		(192.9)
<b>EBT</b>		<b>113.9</b>		<b>136.8</b>		<b>157.8</b>		<b>104.9</b>		<b>513.5</b>
Fiscal Charges		(42.2)		(59.0)		(50.3)		(57.5)		(209.0)
Net income before discontinued ops.		<b>71.7</b>		<b>77.8</b>		<b>107.5</b>		<b>47.4</b>		<b>304.5</b>
Discontinued operations		<b>0.4</b>		<b>0.2</b>		<b>0.5</b>		<b>0.9</b>		<b>2.0</b>
<b>Net Income</b>		<b>72.1</b>		<b>78.0</b>		<b>108.0</b>		<b>48.3</b>		<b>306.5</b>
<b>Attributable Net Income</b>		72.9		78.5		110.7		41.4		303.6
<b>Net Financial Position</b>		<b>1,680.2</b>		<b>1,732.6</b>		<b>1,970.9</b>		<b>1,322.4</b>		<b>1,322.4</b>

\* Restated including Steel Cord among discontinued operations

# PIRELLI GROUP CASH FLOW

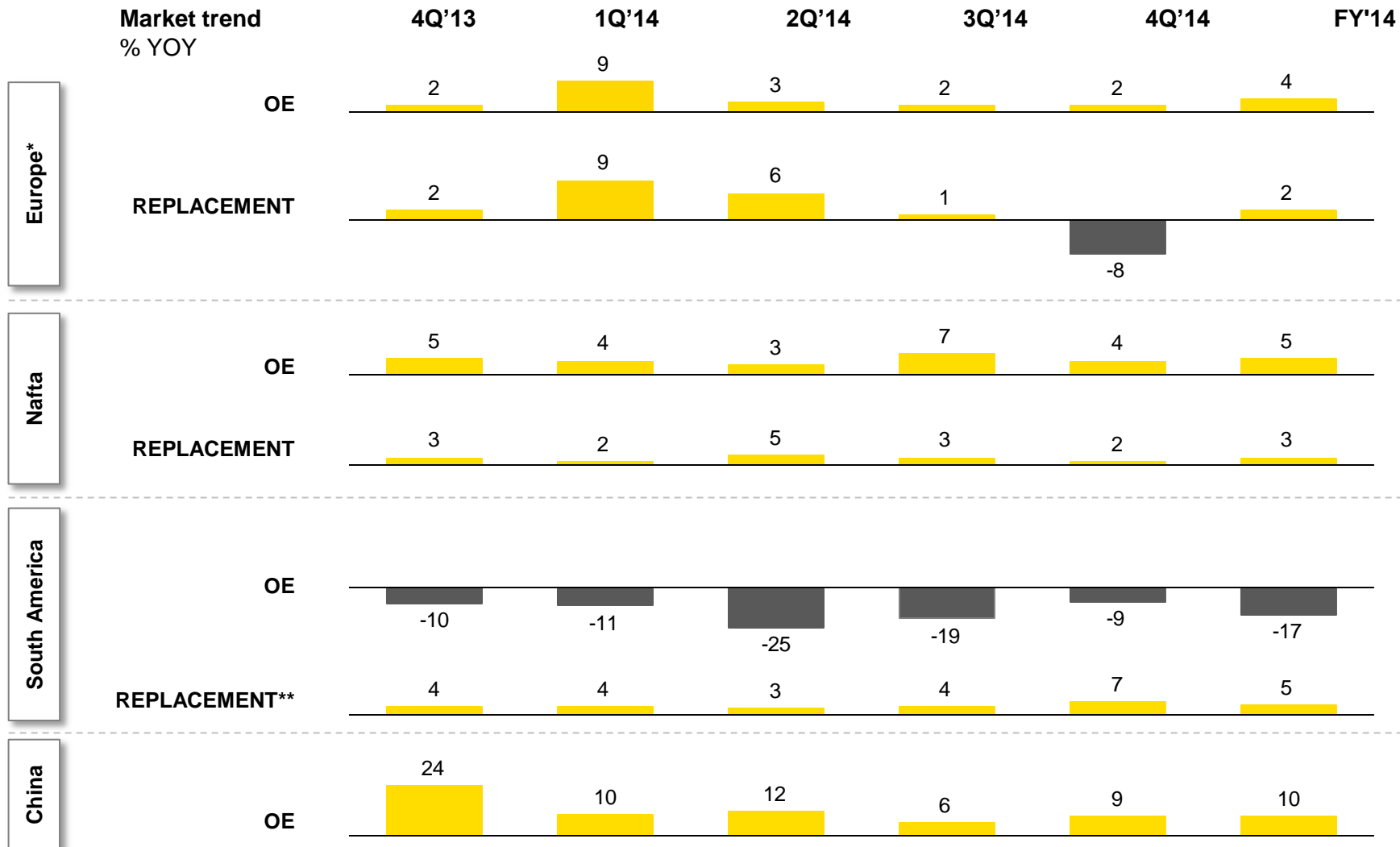
€/Mln	1Q'14	2Q'14	3Q'14	4Q'14	FY'14
EBIT before restructuring costs	206.7	232.2	208.9	221.4	869.2
Depreciation / Amortization	70.6	73.3	76.0	78.9	298.8
Net investments	(65.3)	(78.3)	(101.1)	(133.4)	(378.1)
Working capital / other variations	(686.6)	77.4	(155.0)	714.6	(49.6)
<b>OPERATING CASH FLOW</b>	<b>(474.6)</b>	<b>304.6</b>	<b>28.8</b>	<b>881.5</b>	<b>740.3</b>
Financial income / (expenses)	(43.3)	(48.8)	(43.6)	(126.7)	(262.4)
Taxes	(53.5)	(61.3)	(49.5)	(9.0)	(173.3)
<b>NET OPERATING CASH FLOW</b>	<b>(571.4)</b>	<b>194.5</b>	<b>(64.3)</b>	<b>745.8</b>	<b>304.6</b>
Financial investments/divestments	(3.7)	2.8	(12.1)	(6.4)	(19.4)
Other dividends paid	(0.5)	(2.9)	-	-	(3.4)
Cash-out for restructuring	(12.9)	(5.9)	(8.0)	(4.3)	(31.1)
Deval. Venezuela incl. in financial charges	-	-	-	72.1	72.1
Deferred tax assets incl. in fiscal charges	-	-	-	(30.2)	(30.2)
Net cash flow from discontinued operations	(8.7)	10.5	2.5	(4.3)	-
Exchange rate differentials / others	(46.0)	(11.9)	13.2	63.7	19.0
Dividends paid	-	(156.7)	-	-	(156.7)
Impact on NFP Steel Cord units disposal	-	-	-	187.9	187.9
<b>NET CASH FLOW</b>	<b>(643.2)</b>	<b>30.4</b>	<b>(68.7)</b>	<b>1,024.3</b>	<b>342.8</b>

# PIRELLI BALANCE SHEET

€/Mln	FY'13*	FY'14
<b>FIXED ASSETS</b>	<b>4,043.0</b>	<b>3,874.0</b>
Inventories	987.3	1,055.0
Trade receivables	666.4	673.8
Trade payables	(1,244.5)	(1,394.4)
<b>NET OPERATING WORKING CAPITAL</b>	<b>409.2</b>	<b>334.4</b>
Other payables/receivables	3.0	33.9
Net Working Capital	412.2	368.3
Net Invested Capital held for sale	-	30.8
<b>NET INVESTED CAPITAL</b>	<b>4,455.2</b>	<b>4,273.1</b>
Total Net Equity	2,436.6	2,611.5
Provisions	696.2	682.0
Net Financial Position	1,322.4	979.6
<b>TOTAL</b>	<b>4,455.2</b>	<b>4,273.1</b>
Attributable Net Equity	2,376.1	2,548.3
Equity per Share (euro)	4.87	5.22

\* As reported

# CONSUMER BUSINESS: KEY MARKET TRENDS

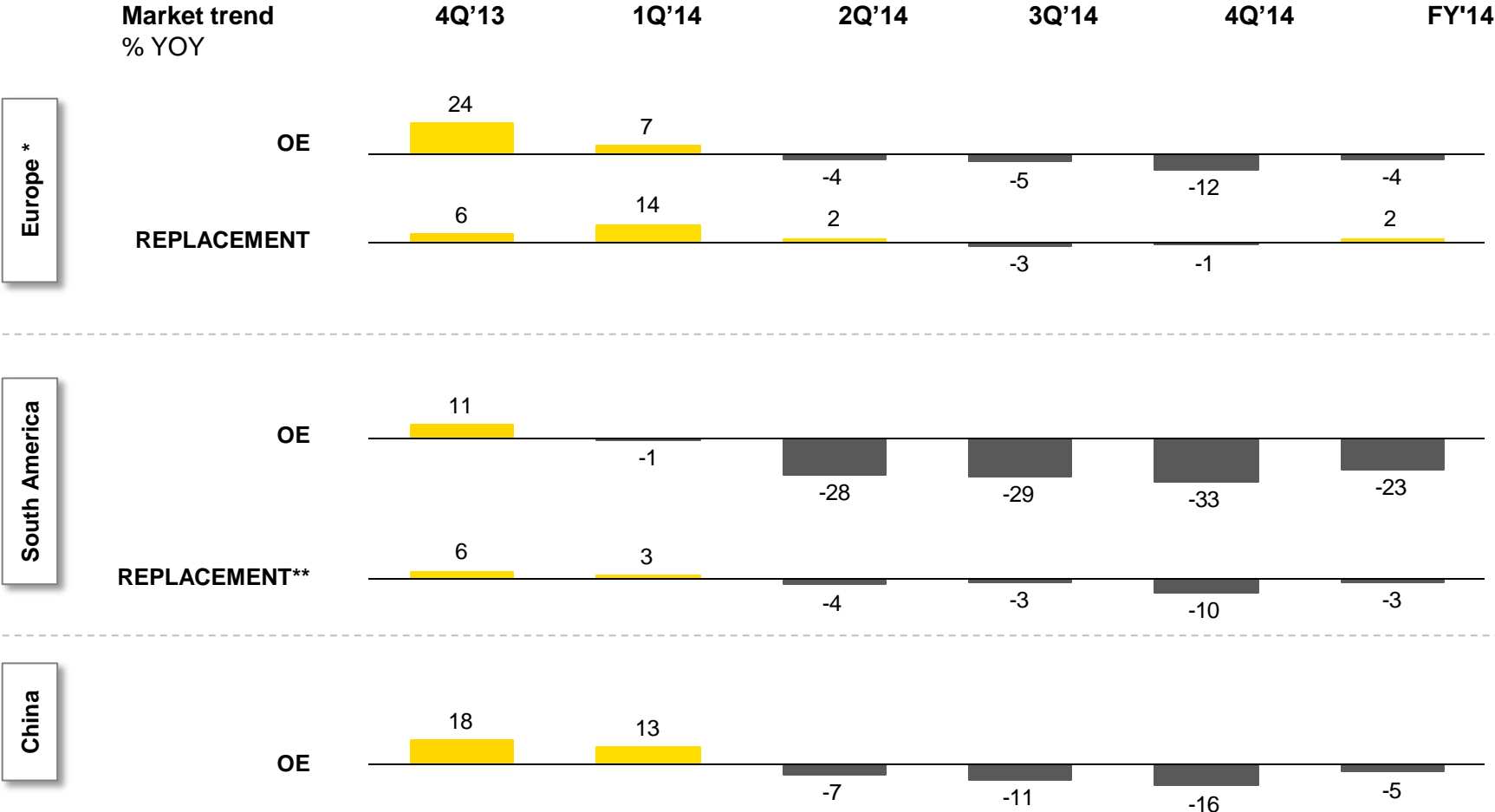


\* Turkey included, Russia excluded

\*\* South America Replacement restated to include Brazilian imports

Source: Local tire manufacturer associations

# INDUSTRIAL BUSINESS: KEY MARKET TRENDS



\* Turkey included and Russia excluded

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

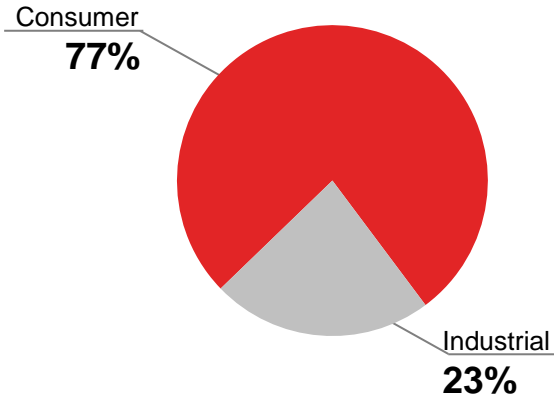
Source: Major external data providers for each Region and Pirelli Estimates



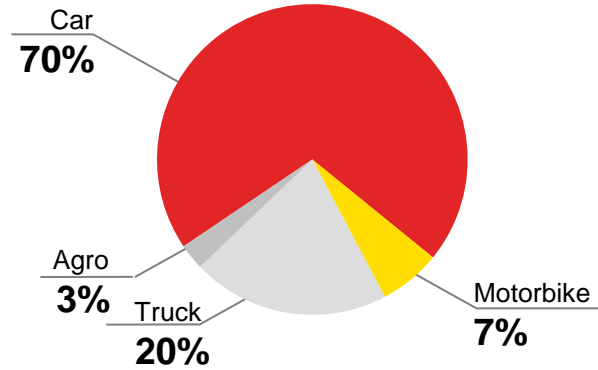


# FY 2014 PIRELLI TYRE MIX

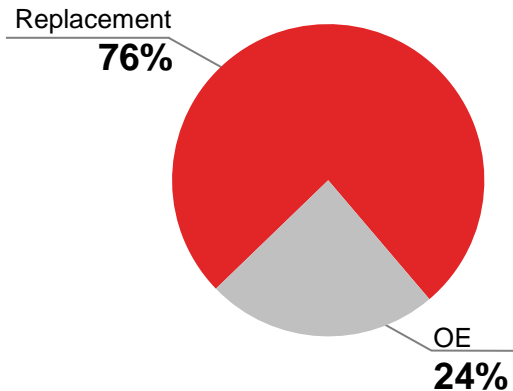
## Sales by Business



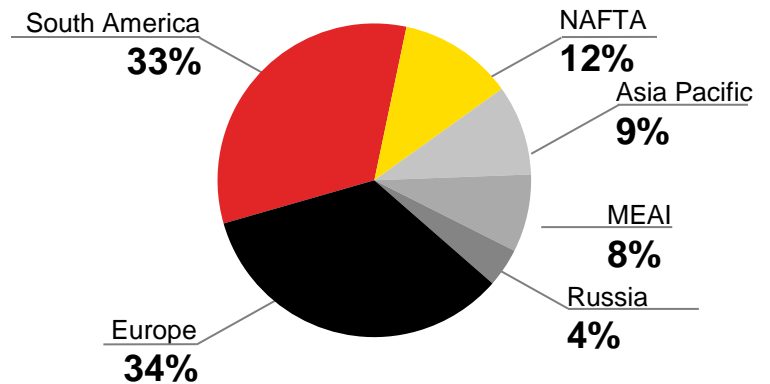
## Sales by Segment



## Sales by Channel

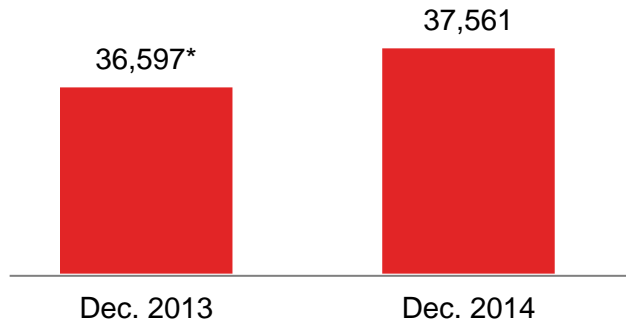


## Sales by Region



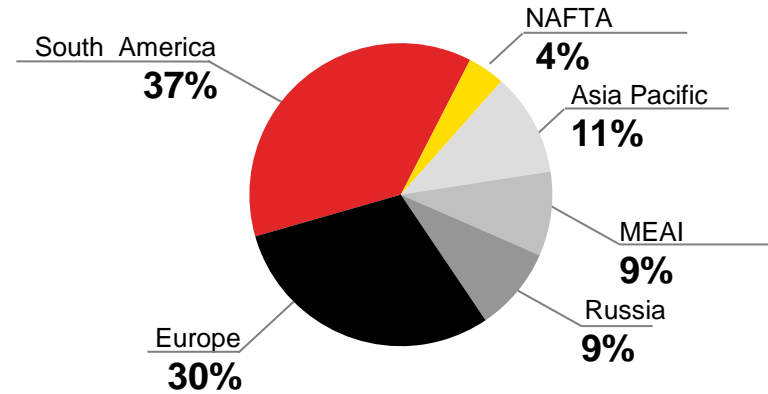
# DECEMBER 2014 PIRELLI PEOPLE

## Headcount

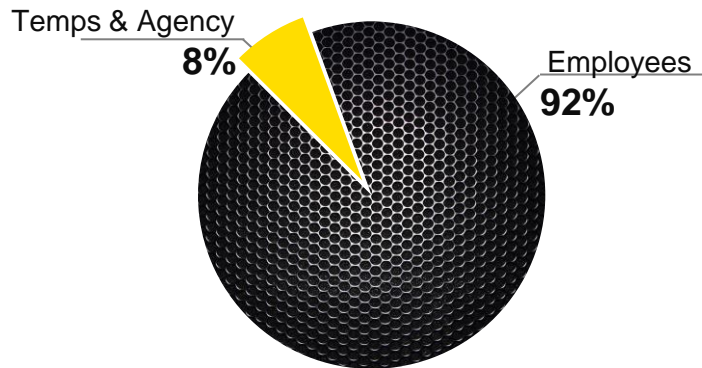


\* Net of Steel Cord headcount (Italy, Romania and Brazil)

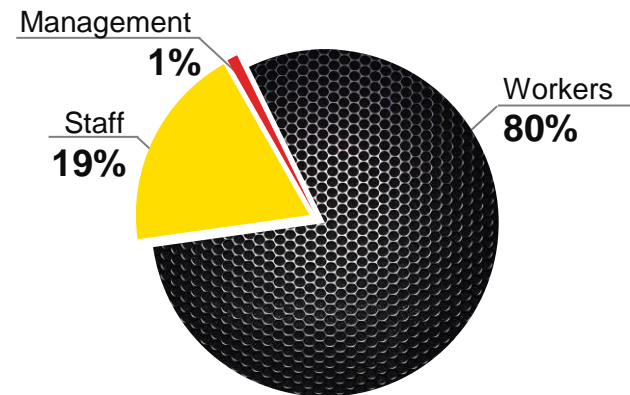
## People by Region



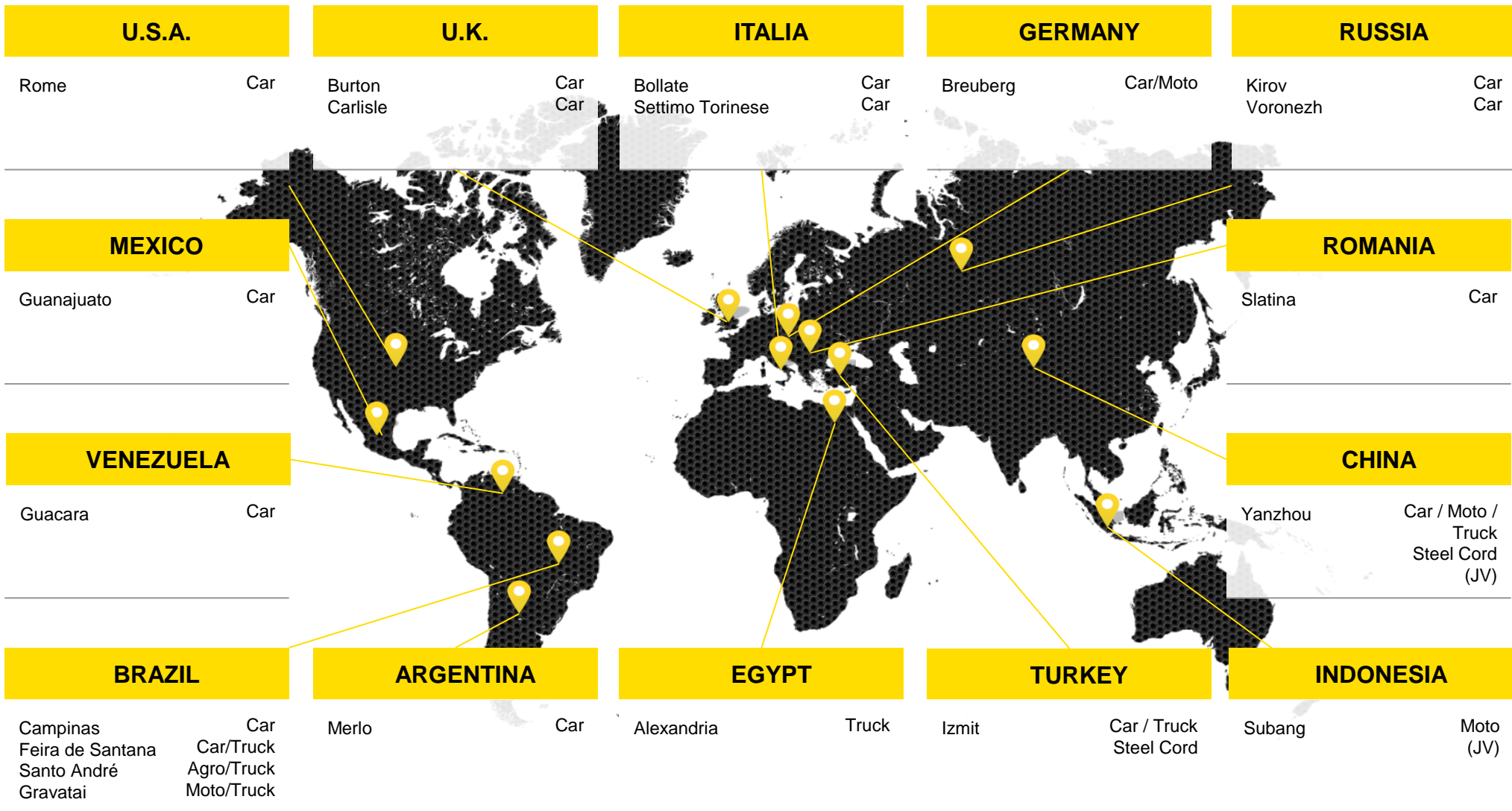
## People by Contract



## People by Cluster

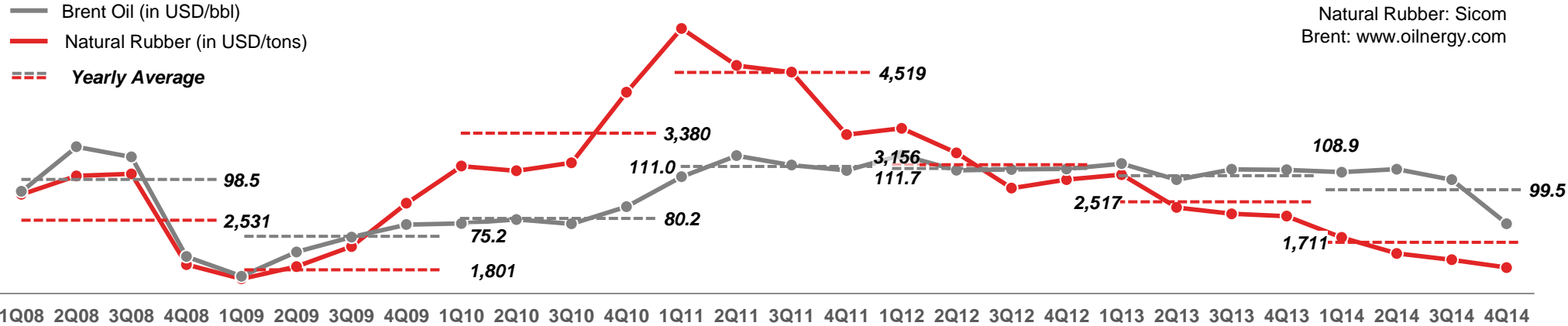


# PIRELLI PLANTS IN THE WORLD



# RAW MATERIALS

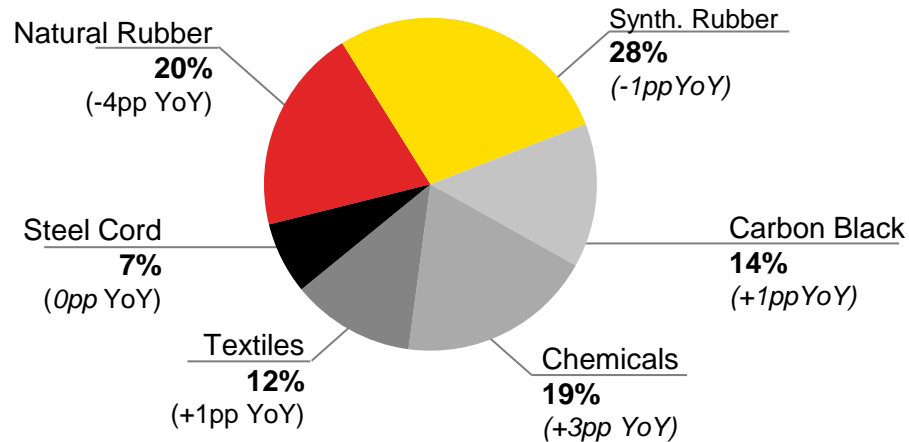
## Raw Material Price Trend



## FY 2014 Mix (Based on Purchasing Cost)

**35%**

Raw mat. costs  
on sales



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