



PRESS RELEASE

PIRELLI & C. SPA BOARD APPROVES RESULTS FOR 3 MONTHS ENDED 31 MARCH 2013

PIRELLI & C. SPA

- REVENUES: 1,536.3 MILLION EURO (-1.3% COMPARED WITH 1,556.5 MILLION EURO ON 31 MARCH 2012) - REVENUES GREW 3.6% NET OF EXCHANGE RATE EFFECT
- TOTAL VOLUMES +3.9%, WITH PREMIUM +4% AND INDUSTRIAL BUSINESS +11.7%
- EBIT 179.8 MILLION EURO (-15.5% COMPARED WITH 212.7 MILLION EURO ON 31 MARCH 2012), WITH AN EBIT MARGIN OF 11.7% (13.7% ON 31 MARCH 2012)
- NET PROFIT 72.1 MILLION EURO (-41.7% COMPARED WITH 123.6 MILLION ON 31 MARCH 2012)
 - NET FINANCIAL POSITION NEGATIVE 1,680.2 MILLION EURO (1,205.2 MILLION EURO ON 31 DECEMBER 2012)

TYRE ACTIVITIES

- REVENUES 1,526.7 MILLION EURO (-1% COMPARED WITH 1,542.6 ON 31 MARCH 2012) - UP 3.9% NET OF EXCHANGE RATE EFFECT
- EBIT 185.6 MILLION EURO (-15.1% COMPARED WITH 218.5 MILLION EURO ON 31 MARCH 2012) WITH AN EBIT MARGIN OF 12.2% (14.2% ON 31 MARCH 2012)
 - CONSUMER BUSINESS EBIT MARGIN 12.2% (16.1% ON 31 MARCH 2012)
 - INDUSTRIAL BUSINESS EBIT MARGIN 12.1% (8.5% ON 31 MARCH 2012)

2013 TARGETS CONFIRMED

TOTAL EXPECTED REVENUES BETWEEN 6.3 BILLION EURO AND 6.4 BILLION EURO

CONSOLIDATED EBIT BETWEEN 810 MILLION EURO AND 850 MILLION EURO, WITH MARGIN IN LINE WITH OR SLIGHTLY HIGHER THAN 2012

INVESTMENT APPROXIMATELY 400 MILION EURO

CASH GENERATION BEFORE DIVIDENDS POSITIVE AND ABOVE 200 MILLION EURO, EQUAL TO ABOUT 3% OF SALES

NET FINANCIAL POSITION BELOW 1.2 BILLION EURO BEFORE RECLASSIFICATION OF PRELIOS CREDIT

Following the implementation from January 1st, 2013 of the new IAS 19 revised "Benefits for employees" principle, data relative to 2012 have been restated..In the present document, comments on variations compared with the first quarter of 2012 always refer to restated data, unless otherwise indicated.

Pirelli & C. SpA

Milan, 7 May 2013 – The Board of Directors of Pirelli & C. SpA today reviewed and approved **intermediate results for the three months ended 31 March 2013**.

The first quarter of 2013 was characterized by an economic scenario still strongly influenced by the crisis affecting Europe, where the demand for goods and services continues to shrink.

In total, the European market has undergone a decline compared with 2012, which is more marked in the Consumer segment where the replacement channel fell by 11%. In this channel, the Premium segment was also impacted and saw a decline, although not as steep as the overall figure.

The performance of South American markets in both segments was positive, as was China in the Consumer segment. In these areas the Premium segment continued to grow, positive also in the Nafta area. The Group results were as a consequence affected by overall macro-economic performance, with a decline of sales and results in Europe, partially offset by growth in other geographic areas.

Consolidated revenues on March 31st, 2013 stood at 1,536.3 million euro, a decrease of 1.3% compared with 1,556.5 million euro in the first quarter of 2012. The figure includes a negative impact of -4.9% linked to exchange rates, essentially because of the devaluation of South American, Japanese, U.K. and Egyptian currencies. Net of the exchange rate effect, overall revenues grew by 3.6%.

The **gross operating margin (EBITDA) before restructuring costs** was 255.3 million euro, a decrease of 8.5% compared with 279.1 million euro in the same period of 2012.

The **operating result (EBIT)** was 179.8 million euro, with profitability at 11.7%, a decline compared with 212.7 million euro in the first quarter of 2012 (13.7% of sales). The decline was negatively affected by, among other things, an exchange rate impact of about 10 million euro, greater industrial costs (about 10 million euro) mainly due to the acceleration of the process of focusing the Settimo Torinese hub on Premium production and the start-up in Mexico, greater amortization of 10.8 million euro stemming from investment activity in prior years, as well as restructuring costs of 3.2 million euro (2 million euro in the first quarter of 2012).

The **result from shareholdings** on March 31st, 2013 was negative 6.6 million euro and primarily reflects the consolidation, using the net equity method, of Rcs Mediagroup, negative 6.8 million euro.

The **total consolidated net profit** came to 72.1 million euro, a decline of 41.7% compared with 123.6 million euro for the same period of 2012. The result was impacted by an increase in financial charges, 58.6 million euro compared with 24.3 million euro for the same period of 2012, and essentially due an increase in debt, a negative impact of 8.3 million euro from the devaluation of the Venezuelan currency and non-recurring inflows of 8.7 million euro registered in the first quarter of 2012 and linked to the launch of the Russian activities. **Net profit attributable** to Pirelli & C. SpA amounted to 72.9 million euro, compared with 121.3 million euro in the same period of 2012.

Consolidated net assets on March 31st, 2013 stood at 2,449.9 million euro compared with 2,320.1 million euro on March 31st, 2012. **Consolidated net assets attributable to Pirelli & C. SpA** amounted to 2,399.3 million euro, compared with 2,274.6 million euro on March 31st, 2012.

The consolidated net financial position was negative 1,680.2 million euro compared with 1,305.0 million euro in the first quarter of 2012 and 1,205.2 million euro on December 31st, 2012, as a consequence of the seasonality of net working capital, while gross debt stood at 2,476.6 million euro, substantially in line with 2,455.5 million euro at the end of December 2012.

Net operating cash flow in the first quarter of 2013 was negative 316.8 million euro, as a consequence of seasonality of working capital which absorbed cash to a value that was however lower than for the same period in 2012, and after investments of 79.7 million euro, in line with the 80.1 million euro of the first quarter of 2012.

Total net cash flow improved, passing from negative 567.9 million euro in the first quarter of 2012 to -475.0 million euro, of which about 50 million euro relative to the impact on the net financial position of exchange rate variations, in particular with reference to Venezuela.

Group **employees** on March 31st, 2013 numbered 37,846 (36,068 on March 31st, 2012).

Tyre activities

Sales totaled 1,526.7 million euro compared with 1,542.6 million euro on March 31st, 2012. Excluding the exchange rate effect (negative 4.9%), revenues increased by 3.9%. This performance reflects the development of volumes (+3.9%), which was particularly marked in emerging markets (+18.9%) which in the first quarter represented 56% of sales.

In Europe, the decline in volumes reflects the trend seen in the market (-14%). Nafta volumes fell slightly (-1.7%) where Pirelli nevertheless increased its market share.

The price/mix component was stable compared with the first quarter of 2012.

In relation to the **Premium segment**, **revenues** totaled 548.1 million euro, equal to 49.1% of Consumer sales compared with 48.9% in the first quarter of 2012. This business segment registered sustained growth in emerging countries (+28% compared with the first quarter of 2012); in the Nafta area, where there was a slowdown in tyre demand, the Premium performance was however stable compared with the first quarter of last year, while in Europe, which is in full recession, Premium revenues fell 13% compared with the same period a year earlier taking into account the great decline in demand, price reduction in the face of a positive trend of raw materials and the greater weight of original equipment channel, an investment for the subsequent growth of the segment.

In total, Premium revenues declined by 2.8%.

The operating result (Ebit) on March 31st, 2013 amounted to 185.6 million euro (218.5 million euro in the first quarter of 2012), with a margin of 12.2% (14.2% in the first quarter of 2012).

The lower costs linked to raw materials (37 million euro) came close to offsetting:

- Price reductions and lower contribution from mix (19.6 million euro negative impact on Ebit) linked to the different sales channels – greater importance of Original Equipment compared to previous year – and geographic areas
- Growing cost inflation of production factors (24.2 million euro)

The 2.0 percentage point reduction in profit margin includes:

- Greater industrial costs (about 10 million euro) mainly linked to the acceleration of the process of focusing the Settimo Torinese hub on Premium production and the start-up in Mexico.

- Greater costs for the under-utilization of production plants due to the fall in demand (5.5 million euro) and for restructuring (1.2 million euro)
- Greater amortization (10.8 million euro) resulting from the intense investment activity of prior years
- Negative exchange rate impact of 9.6 million euro
- Further negative impacts of approximately 10 million euro stemming from non-recurring benefits recorded in the first quarter of 2012.

These incremental costs were only partially offset by volume growth which had a positive impact of 17.9 million euro and by efficiencies which produced a benefit of 13.1 million euro.

In the **Consumer business (Car/Light Truck and Moto tyres)**, sales totaled 1,116.7 million euro, a 0.7% increase compared with the first quarter of 2012 net of the exchange rate component, negative for 3.7%. Volumes grew by 1.2% overall, thanks to exposure to emerging markets (+15.4%) which counter-balanced the volume decline in Europe (-16.9%). The contribution from the Nafta area was stable.

The Premium segment confirmed its resilience with volume growth above overall growth, while the dynamics differed by geographic area. Emerging markets saw strong growth (volumes +42%, revenues +27.8%). Nafta sales were stable. Europe fell (volumes -6%, revenues -13%) because of the already mentioned consumer crisis, price reductions and different mixes between sales' channels, with greater weight in Original Equipment.

The operating result before restructuring costs in the first quarter reached 138 million euro, with a margin of 12.4%, compared with 187.3 million euro in 2012 (16.3% of sales). The operating result was 136 million euro (with ROS at 12.2%) compared with 185.4 million euro in 2012 (with ROS at 16.1%).

The fall in profitability includes:

- The already mentioned higher industrial costs (around 10 million euro) linked to the Premium re-focus of the Settimo Torinese hub and start-up costs in Mexico
- The growing inflation of production factors (around 20 million euro), mainly linked to labour costs in emerging markets
- The exchange rate impact (7 million euro) and greater amortizations (7 million euro)
- Costs linked to new activities not yet fully operational, in particular in Russia and Sweden, where the business's seasonality tilts more towards the winter segment.

The lower costs of raw materials counter-balanced the negative contribution of the price/mix component, the decline of which reflects the difficulties of the market in Europe.

In the **Industrial business (tyres for Industrial vehicles and Steelcord)** sales totaled 410 million euro, an increase of 4.9% compared with the first quarter of 2012 (390.8 million euro), with the exchange rate component at negative 8.2%.

The volume component was particularly positive, growing by 11.7%, essentially due to the good performance in South America; the price/mix variant was also positive at +1.4%.

The operating result before restructuring amounted to 50.8 million euro, equal to 12.4% of sales, while the operating result reached 49.6 million euro, equal to 12.1% of sales, compared with 33.1 million euro registered in March 2013 (8.5% of sales).

The result of the first quarter of 2013 was positively impacted by growth in activity in the markets of reference, especially South America where Pirelli increased its market share. The business was also positively impacted by the location of total Truck production capacity in emerging countries, thanks to the re-conversion of activities in Italy into Premium car capacity. The start-up costs of this re-conversion (about 3.5 million euro) instead impact the Consumer segment.

Events after March 31st, 2013

On **April 15th, 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 a new Rosneft filling station in Sochi, on the Black Sea coast, in the Krasnodar region. The agreement represents a new, important element for the development of a strategic commercial and marketing collaboration agreement signed by the two partners on December 20th, 2012. The flagship store will be completed in the fourth quarter of the year and will be branded "Pzero Platinum" and benefit from the expected exposure stemming from the 2014 Winter Olympics in Sochi, for which Rosneft is a partner.

2013 outlook

For 2013, the global car market is foreseen at 1,327 million pieces, 20 million fewer than estimates made last March, entirely attributable to the European replacement market, where the macro-economic context has worsened compared with expectations at the beginning of the year.

The decline in European volumes is estimated at 1/3 in Premium replacement and 2/3 non-Premium replacement. The focus on Premium will allow for an amplification of growth compared with non-Premium by 3 times and mitigate to a third the decline in the event of a decline in total tyre market demand.

In total, the Premium segment at the end of 2013 represents over 13% of the global car market with the percentage growing in emerging markets to over 8%, in the Nafta area to over 13% and in Europe to over 24%.

The global truck market is estimated at around 134 million pieces, with a reduction compared with the March estimate of around 2 million pieces. Compared with prior indications, growth has been reduced from +4.8% to +3.2% essentially because of mature markets where growth is estimated at below 1% (market of 35.5 million pieces) compared with 5.3% indicated previously (37 million pieces). Emerging markets substantially confirm previously indicated growth, +4.2% to 98 million pieces.

In this context, Pirelli confirms the economic-financial targets indicated last March. In particular:

- Consolidated sales seen at about 6.3- 6.4 billion euro as the result of the following variables:
 - Total volumes increasing by between 3% and 4% with greater probability of reaching the higher part of the range. The Premium segment will be the growth driver with a rate of development for the year of between 13% and 14%;
 - The price/mix is expected to grow by between 4% and 5%, with greater probability towards the lower target;
 - Exchange rates are expected to decline by about 4%.
- Consolidated Ebit is seen in a range between 810 million and 850 million euro. The diminished contribution from Europe (from double-digit to a margin below 10%) will be offset by better performance in emerging markets and Nafta as well as the higher benefit stemming from lower raw material costs (from 55 million to 110 million euro)
- Investment of approx. 400 million euro
- Cash generation, before dividends, above 200 million euro before the impact of Prelios and negative net financial position below 1.2 billion euro before the reclassification of Prelios credit

With regard to the **consumer segment**, revenues of around 4.6 billion euro are confirmed, including:

- volumes' growth of between 3% and 4% within which Premium growing by about 13%-14%;
- price-mix between +4.5%-5.5% with greater probability towards the lower target;
- exchange rates at around -3%

As such, the ebit margin is revised from >14% to <14%

In the **industrial segment**, revenues of around 1.7 billion euro are confirmed, deriving from:

- volumes increasing by 3.5%-4.5%, with greater probability towards the higher target;
- price/mix at +4%/ +5%
- exchange rates at around -5%

The ebit margin is revised from around 12% to >12%

Conference call

The results for the 3 months ended March 31st, 2013 will be illustrated today, May 7th 2013, at 18.30 in a conference call with the chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and top managers. Journalists will be able to follow the presentation, without the ability to ask questions, by dialing in at **+3902 3626 9650** or **800 089 737**. The presentation will also be available in webcast, in real time, at the company website www.pirelli.com in the investor section, where the slides will also be seen.

The intermediate results for the three months ended March 31st, 2013 will be available to the public at the company's legal headquarters and at Borsa Italiana SpA, as well as being published on the Company's website (www.pirelli.com), by May 10th, 2013.

The manager responsible for the preparation of the accounts' documents of Pirelli & C. S.p.A., Mr. Francesco Tanzi, declares that, in accordance with paragraph 2 of article 154 bis of the Testo Unico finance law, that the accounts information contained in the present communication corresponds to documentary results and the account books and

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In this press release, in addition to the financial performance measures established by IFRS, certain non-IFRS measures originated from the latter are presented although they are not required by IFRS ("Non-GAAP Measures"). These performance measures are presented for purposes of a better understanding of the trend of operations of the Group and should not be construed as a substitute for the information required by IFRS. Specifically, the "Non- GAAP Measures" used are described as follows:

Gross operating profit (EBITDA): this financial measure is used by the Group as the financial target in internal business plans and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group as a whole and for each single segment, in addition to EBIT. EBITDA is an intermediate performance measure represented by the Operating Income from which amortization of material and immaterial fixed assets are subtracted.

Fixed assets: this is the sum of the items "material fixed assets", "immaterial fixed assets", "investments in related companies and JVs", and "other financial as sets".

Funds: this is the sum of the items "funds for risks and charges (current and non current)", "funds for personnel" and "funds for deferred taxes".

Net working capital: this includes all the other items not included in the two items "net equity" and "net financial position".

In attachment the tables relative to the economic results, the asset data in abbreviated form and consolidated financial statement. It should be noted that these tables are not subject to verification by the auditing company.

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

(in millions of euro)

	03/31/2013	03/31/2012 restated	03/31/2012 reported	12/31/2012 restated	12/31/2012 reported
Net sales	1.536,3	1.556,5	1.556,5	6071,5	6071,5
Gross operating profit before restructuring expenses	255,3	279,1	275,8	1102,9	1091,2
% of net sales	16,6%	17,9%	17,7%	18,2%	18,0%
Operating income before restructuring expenses	183,0	214,7	211,4	831,6	819,9
% of net sales	11,9%	13,8%	13,6%	13,7%	13,5%
Restructuring expenses	(3,2)	(2,0)	(2,0)	(39,1)	(39,1)
Operating income	179,8	212,7	209,4	792,5	780,8
% of net sales	11,7%	13,7%	13,4%	13,1%	12,9%
Net income (loss) from equity investments	(6,6)	0,5	0,5	(52,2)	(52,2)
Financial income/(expenses)	(58,6)	(24,3)	(18,7)	(150,5)	(129,5)
Pre-tax income (loss)	114,6	188,9	191,2	589,8	599,1
Income tax	(42,5)	(65,3)	(65,9)	(198,3)	(200,9)
Tax rate %	37,1%	34,6%	34,5%	33,6%	33,5%
Total net income (loss)	72,1	123,6	125,3	391,5	398,2
Net income attributable to owners of Pirelli & C. S.p.A.	72,9	121,3	122,9	387,1	393,8
Total net earnings per share attributable to owners of Pirelli & C. S.p.A. (in euro)	0,149	0,249	0,252	0,8	0,8
Non-current assets	3.892,9	3.679,1	3.679,1	3877,2	3877,2
Inventories	1.129,0	1.115,3	1.115,3	1.102,6	1.102,6
Trade receivables	1.023,6	1.059,9	1.059,9	704,6	704,6
Trade payables	(1.127,4)	(1.207,8)	(1.207,8)	(1.268,7)	(1.268,7)
Operating Net working capital	1.025,2	967,4	967,4	538,5	538,5
% of net sales (*)	16,7%	15,5%	15,5%	8,9%	8,9%
Other receivables/other payables	34,9	(245,1)	(245,1)	11,0	11,0
Total net working capital	1.060,1	722,3	722,3	549,5	549,5
% of net sales (*)	17,2%	11,6%	11,6%	9,1%	9,1%
Net invested capital	4.953,0	4.401,4	4.401,4	4.426,7	4.426,7
Equity	2.449,9	2.320,1	2.320,1	2.389,4	2.389,4
Provisions	822,9	776,3	776,3	832,1	832,1
Net financial (liquidity)/debt position	1.680,2	1.305,0	1.305,0	1.205,2	1.205,2
Equity attributable to the owners of Pirelli & C. S.p.A.	2.399,3	2.274,6	2.274,6	2.337,4	2.337,4
Equity per share attributable to the owners of Pirelli & C. S.p.A. (in euro)	4,917	4,661	4,661	4,8	4,8
Capital expenditure	79,7	80,1	80,1	470,9	470,9
Research and development expenses	45,6	45,9	45,9	178,9	178,9
% of net sales	3,0%	2,9%	2,9%	2,9%	2,9%
Research and development expenses - Premium	36,7	36,2	36,2	141,9	141,9
% of net sales	6,7%	6,4%	6,4%	6,8%	6,8%
Headcount (number at end of period)	37.846	36.068	36.068	37.338	37.338
Industrial sites (number)	23,0	22,0	22,0	23,0	23,0

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

Data by business sector

(in millions of euro)

	Total Tyre		Other business		Total	
	1Q 2013	1Q 2012 restated	1Q 2013	1Q 2012 restated	1Q 2013	1Q 2012 restated
Net sales	1.526,7	1.542,6	9,6	13,9	1.536,3	1.556,5
Gross operating profit before restructuring expenses	260,1	283,6	(4,8)	(4,5)	255,3	279,1
Operating income before restructuring expenses	188,8	220,5	(5,8)	(5,8)	183,0	214,7
Restructuring expenses	(3,2)	(2,0)	-	-	(3,2)	(2,0)
Operating income	185,6	218,5	(5,8)	(5,8)	179,8	212,7
<i>% of net sales</i>	<i>12,2%</i>	<i>14,2%</i>			<i>11,7%</i>	<i>13,7%</i>
Net income (loss) from equity investments					(6,6)	0,5
Financial income/(expenses)					(58,6)	(24,3)
Pre-tax income (loss)					114,6	188,9
Income tax					(42,5)	(65,3)
Tax rate %					<i>37,1%</i>	<i>34,6%</i>
Total net income (loss)					72,1	123,6
Net financial (liquidity)/debt position					1.680,2	1.305,0

Cash flow statement

(in millions of euro)

	Q1	
	2013	2012
Operating income (EBIT) before restructuring expenses	183,0	214,7
Amortisation and depreciation	72,3	64,4
Capital expenditures of property, plant and equipment and intangible assets	(79,7)	(80,1)
Change in workin capital/other	(492,4)	(511,1)
Operating cash flow	(316,8)	(312,1)
Ordinary financial income/(expenses)	(58,6)	(24,3)
Ordinary tax charges	(42,5)	(65,3)
Net operating cash flow	(417,9)	(401,7)
Financial investments/disinvestments	-	3,2
Russia Investment	-	(154,5)
Other dividends paid	-	(2,2)
Cash Out for restructuring operations	(7,5)	(4,2)
Foreign exchange differences/other	(49,6)	(8,5)
Net cash flow	(475,0)	(567,9)