

The Pirelli logo, consisting of a stylized red 'P' followed by the word 'IRELLI' in red, all set against a yellow rectangular background.

PIRELLI

PIRELLI 1Q 2014 RESULTS

MILANO – MAY 7, 2014



AGENDA



KEY MESSAGES



1Q 2014 RESULTS



2014 OUTLOOK & TARGETS



1Q 2014 TYRE OVERVIEW



APPENDIX

KEY MESSAGES

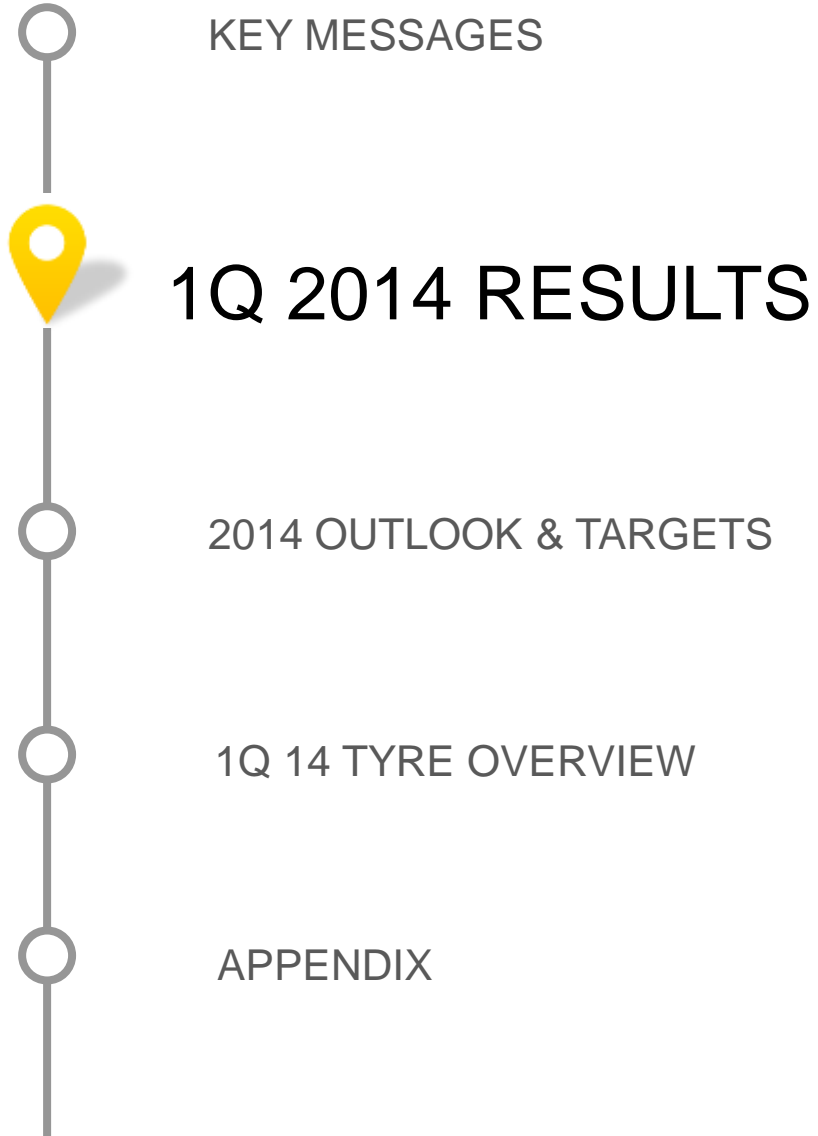
Pirelli 1Q Snapshot

- > **Europe:** Top Premium segment (18" and above) market share increase
- > **Russian Turnaround:** progressing in line with plan
- > **Emerging markets:** resilient performance in a volatile economic environment

2014 Outlook

- > **Industry** - positive scenario confirmed:
 - Premium outgrowing 3X non-Premium
 - Focus on profitability and FCF generation
- > **Pirelli** – geared on Premium performance and industrial efficiency, heading forward

AGENDA



PIRELLI KEY FINANCIAL RESULTS

	1Q 13*	1Q 14	Δ yoy	Highlights
Revenues	1,514.6	1,473.2	-2.7%	<ul style="list-style-type: none"> • Solid organic growth: visible recovery in Europe, good trend in Nafta despite weather, sound performance of Emerging Markets
<i>Organic growth**</i>			+8.0%	
EBITDA before Restr. Costs <i>Margin</i>	253.0 16.7%	277.3 18.8%	+9.6% +2.1pp	
EBIT before Restr. Costs <i>Margin</i>	181.7 12.0%	206.7 14.0%	+13.7% +2.0pp	<ul style="list-style-type: none"> • Premium outperforms in every Region and accounts for 56.7% of Consumer revenues (+5.9pp yoy) • Our internal levers - price/mix, volume growth and efficiency - drive a double-digit growth in Ebit
Restructuring Costs	(3.2)	(5.7)		
EBIT <i>Margin</i>	178.5 11.8%	201.0 13.6%	+12.6% +1.8pp	
PBT <i>Tax Rate</i>	113.9 -37.1%	143.9 -37.2%	+26.3%	<ul style="list-style-type: none"> • Operating performance and lower financial expenses yoy support the strong growth of Net Income
Net Income before Discontinued operations	71.7	90.4	+26.1%	
Discontinued operations	0.4	1.1		
Net Income	72.1	91.5	+26.9%	
Attributable Net Income	72.9	89.7	+23.0%	<ul style="list-style-type: none"> • Expected seasonality of NWC with an increase in NFP which will reverse in the coming quarters
Investments***	79.7	65.3		
Net Debt	1,680.2	1,965.6	+643.2 €/mln vs FY13	

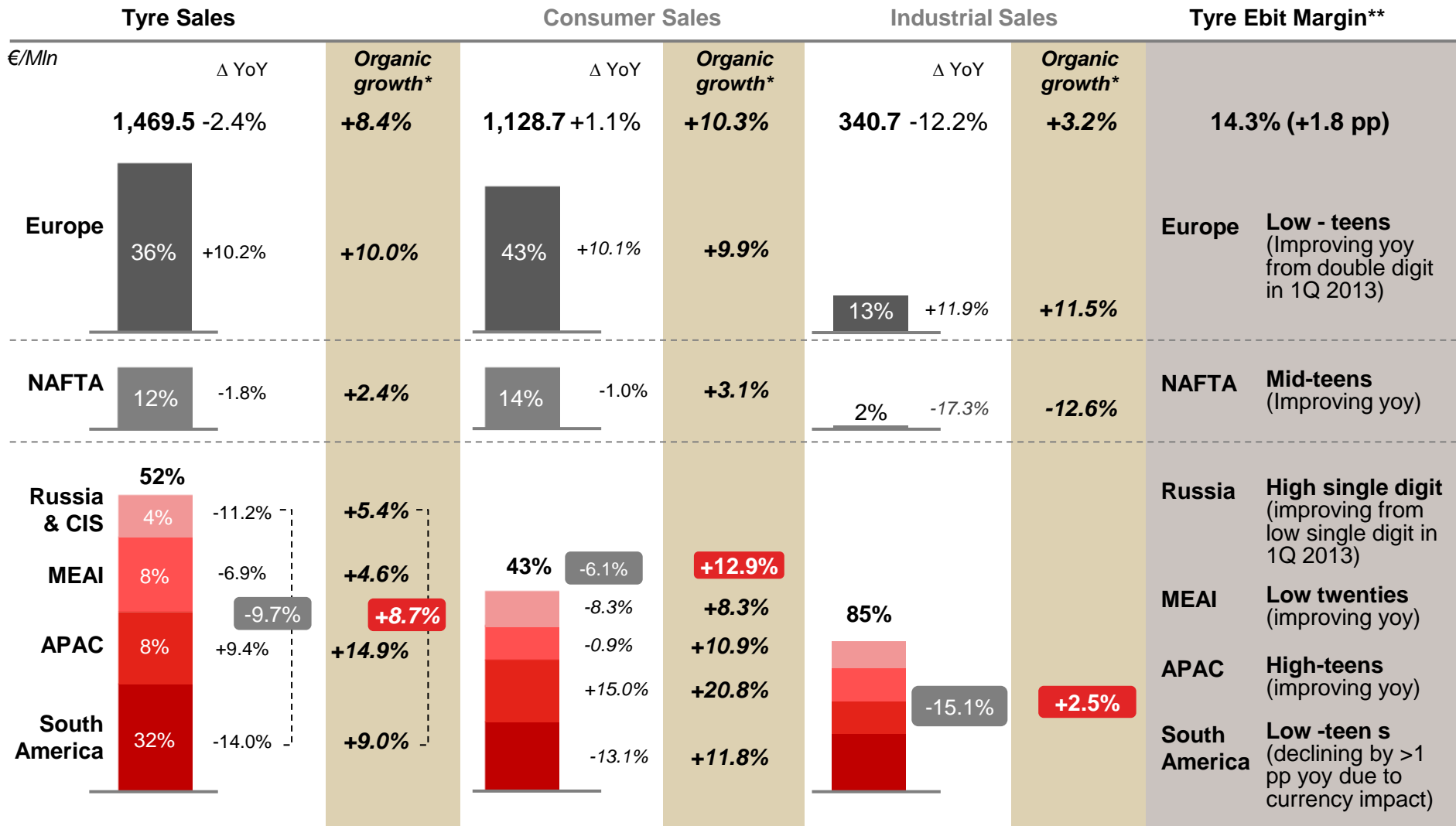
* Restated with Steelcord among discontinued operations

** Excluding exchange rate effects

*** Tangible and intangible investments

1Q 2014 PERFORMANCE BY REGION

Riding the recovery in mature markets, solid organic growth in emerging markets



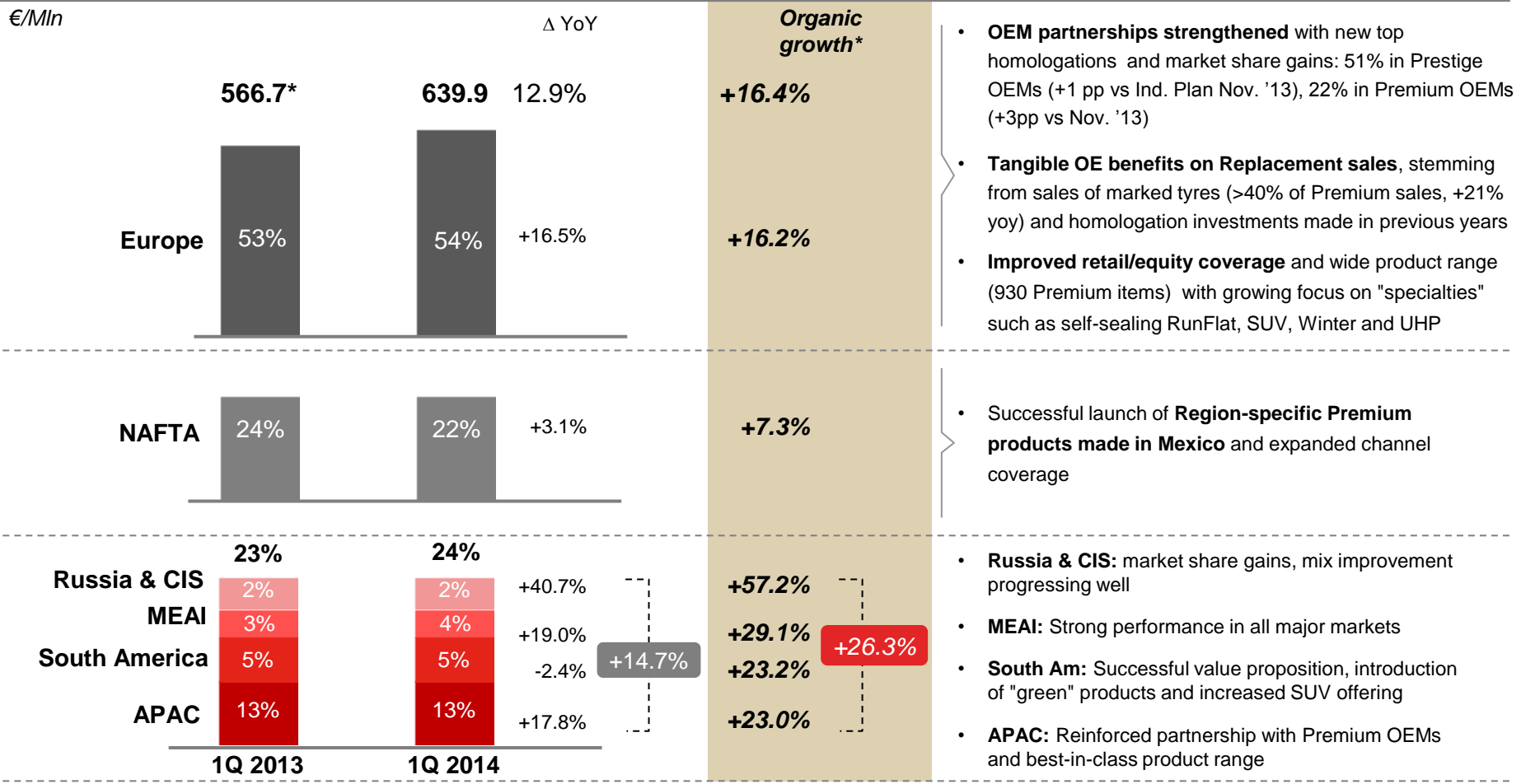
* Excluding exchange rate effects

** Before restr. costs

PREMIUM: OUR GROWTH ENGINE ACROSS REGIONS

€/Mln

Δ YoY



- **OEM partnerships strengthened** with new top homologations and market share gains: 51% in Prestige OEMs (+1 pp vs Ind. Plan Nov. '13), 22% in Premium OEMs (+3pp vs Nov. '13)
- **Tangible OE benefits on Replacement sales**, stemming from sales of marked tyres (>40% of Premium sales, +21% yoy) and homologation investments made in previous years
- **Improved retail/equity coverage** and wide product range (930 Premium items) with growing focus on "specialties" such as self-sealing RunFlat, SUV, Winter and UHP
- Successful launch of **Region-specific Premium products made in Mexico** and expanded channel coverage
- **Russia & CIS:** market share gains, mix improvement progressing well
- **MEAI:** Strong performance in all major markets
- **South Am:** Successful value proposition, introduction of "green" products and increased SUV offering
- **APAC:** Reinforced partnership with Premium OEMs and best-in-class product range

*Restated according to new definition of Premium Moto tyres introduced in Nov. 2013: Radial (old Premium def.) + custom touring, off-road and sport touring X-ply.



REGION-SPECIFIC PRODUCT INNOVATION SUPPORTING PREMIUM GROWTH

- Closer technological partnership with Premium European and extra-European OEMs
- Extension of product offering meeting Region-specific market needs
- De-complexity through component standardization and plant specialization

LatAm

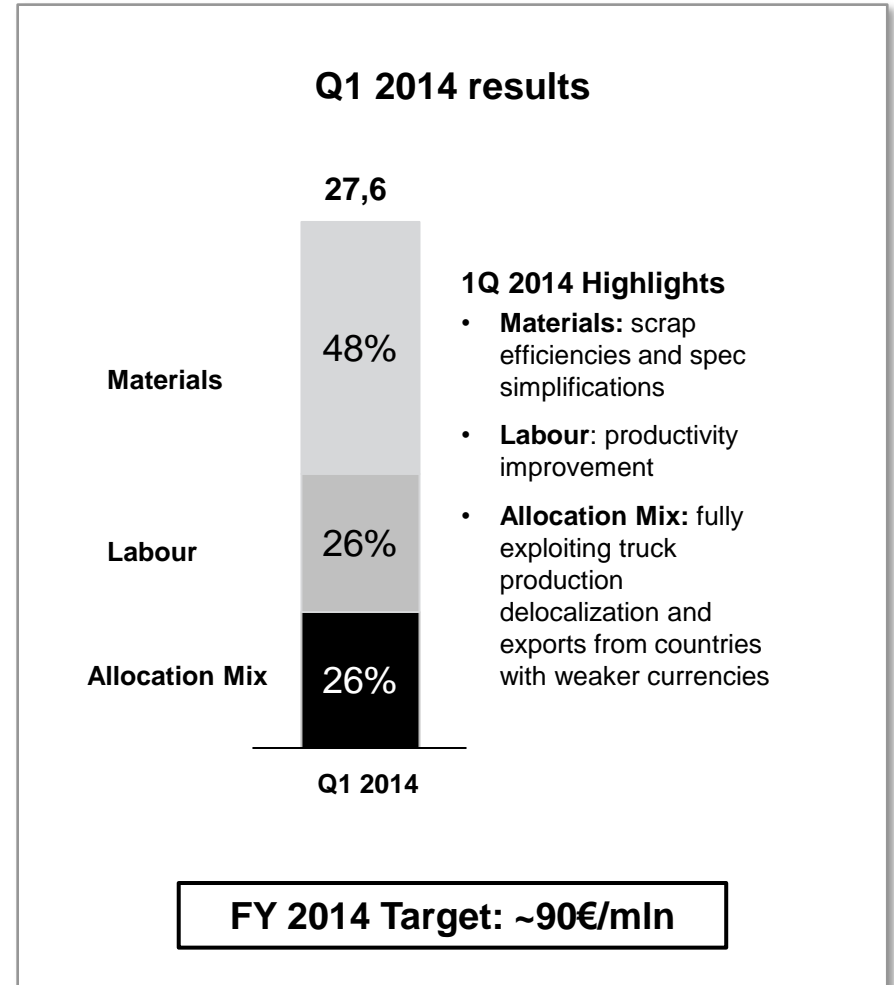
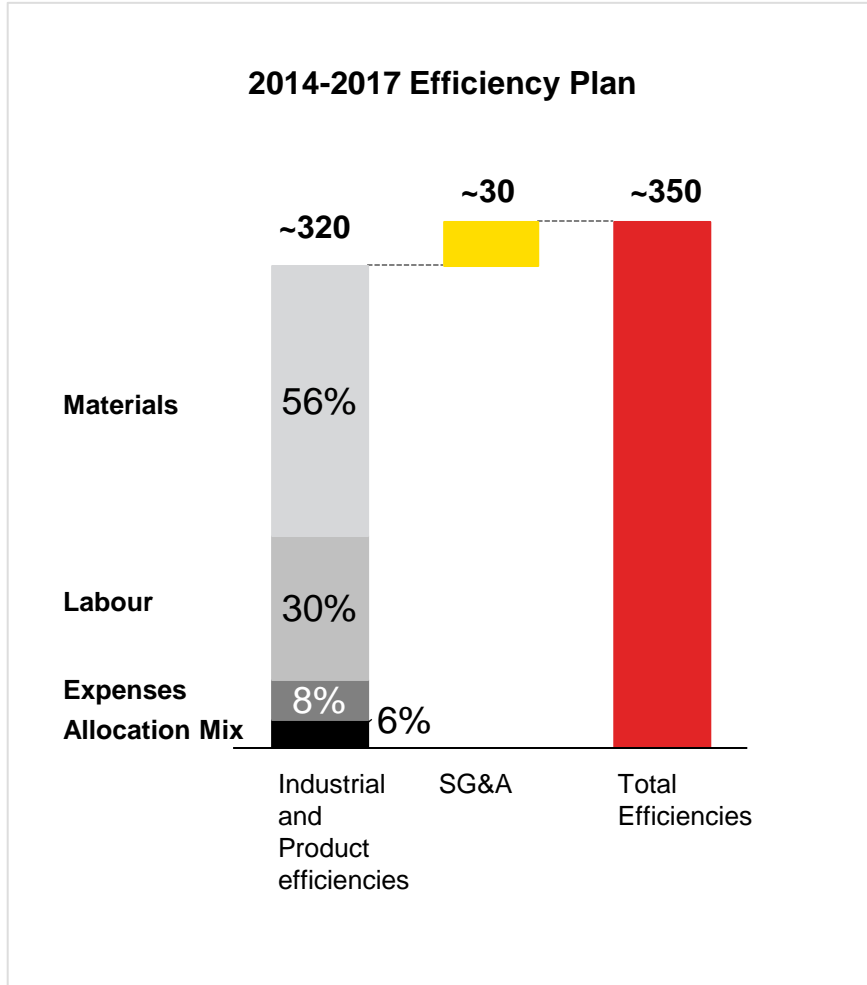
- Growing tyre regulatory context
- Extension of high-technology *green* product range in OE and Replacement
- Newly launched «Scorpion ATR Street» for pick-ups
- Great success of «01Series» on truck

Russia

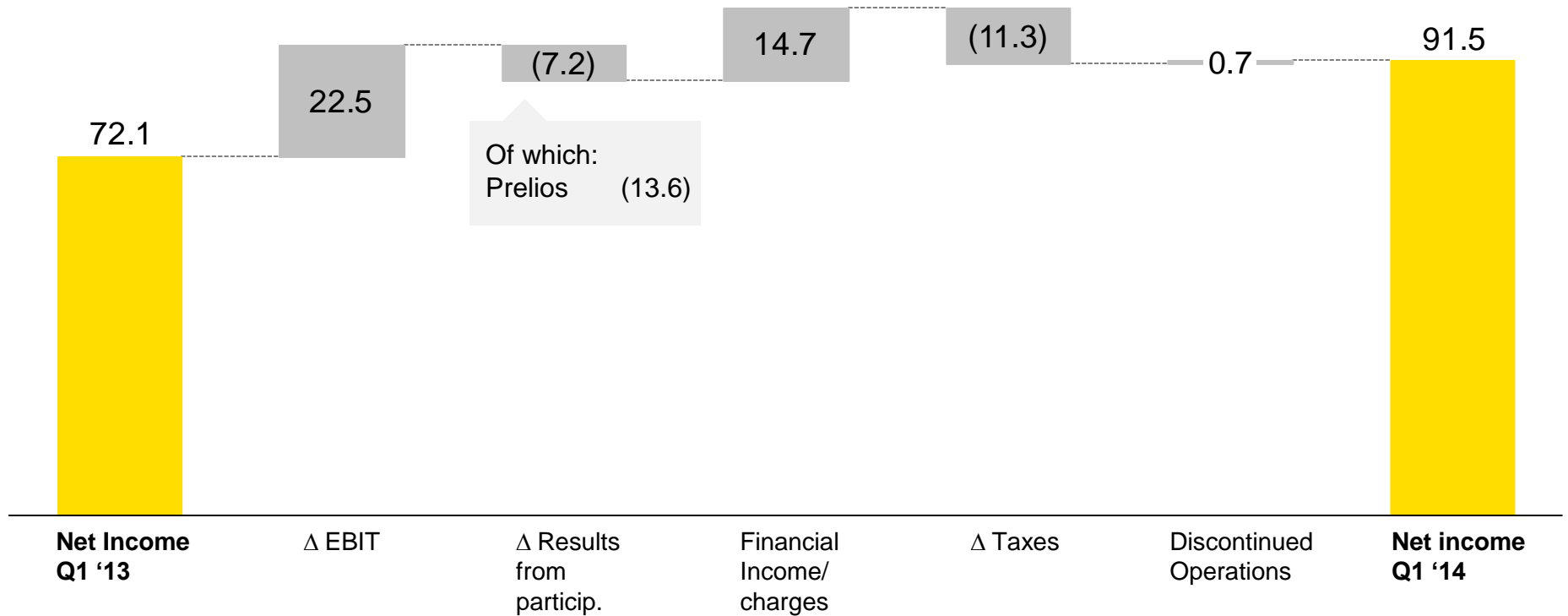
- Extension of winter Ice Zero (14"-21") and Formula Ice (13"-18") ranges
- Pirelli Ice Zero industrialization on track with 2014 plan
- New partnerships with Premium and value Synergic OEMs (Daimler, Ford, Renault)
- Gradual shift from legacy towards Pirelli brand



EFFICIENCY PROGRAM: ~30% OF 2014 TARGET ALREADY REACHED IN Q1

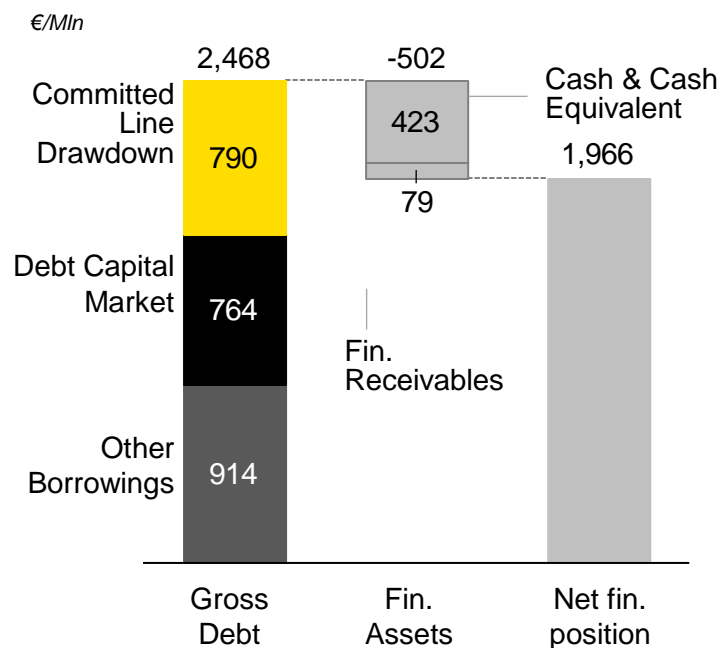


PIRELLI NET INCOME 1Q 2014 VS 1Q 2013

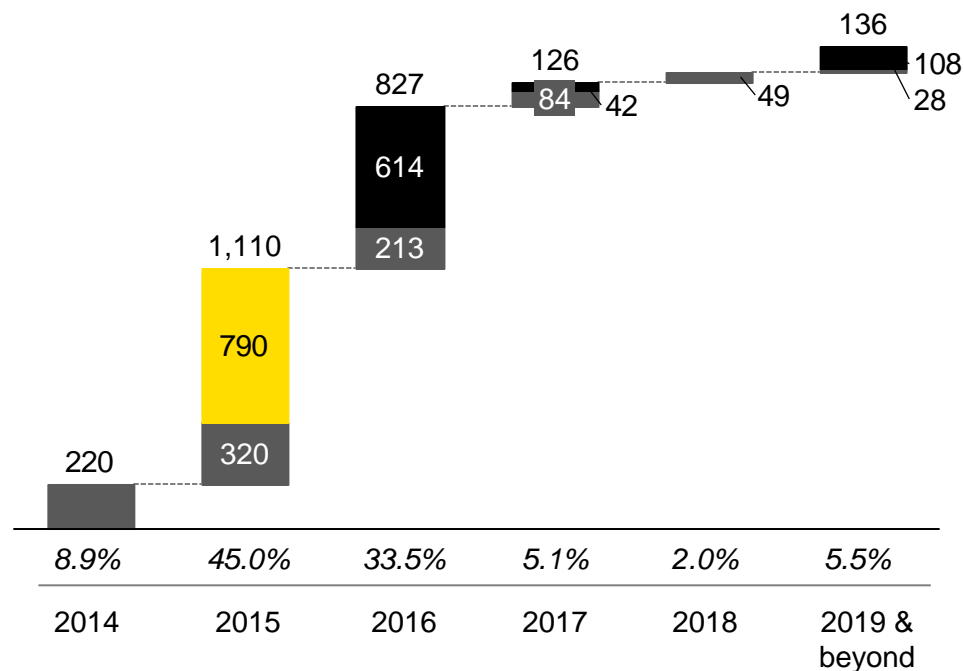


DEBT STRUCTURE - MARCH 31, 2013

Net Financial Position



Gross Debt Maturity



Liquidity Profile

€/Mln

Liquidity position	422.7
Total committed lines not drawn due 2015	410.0
Liquidity Margin	832.7

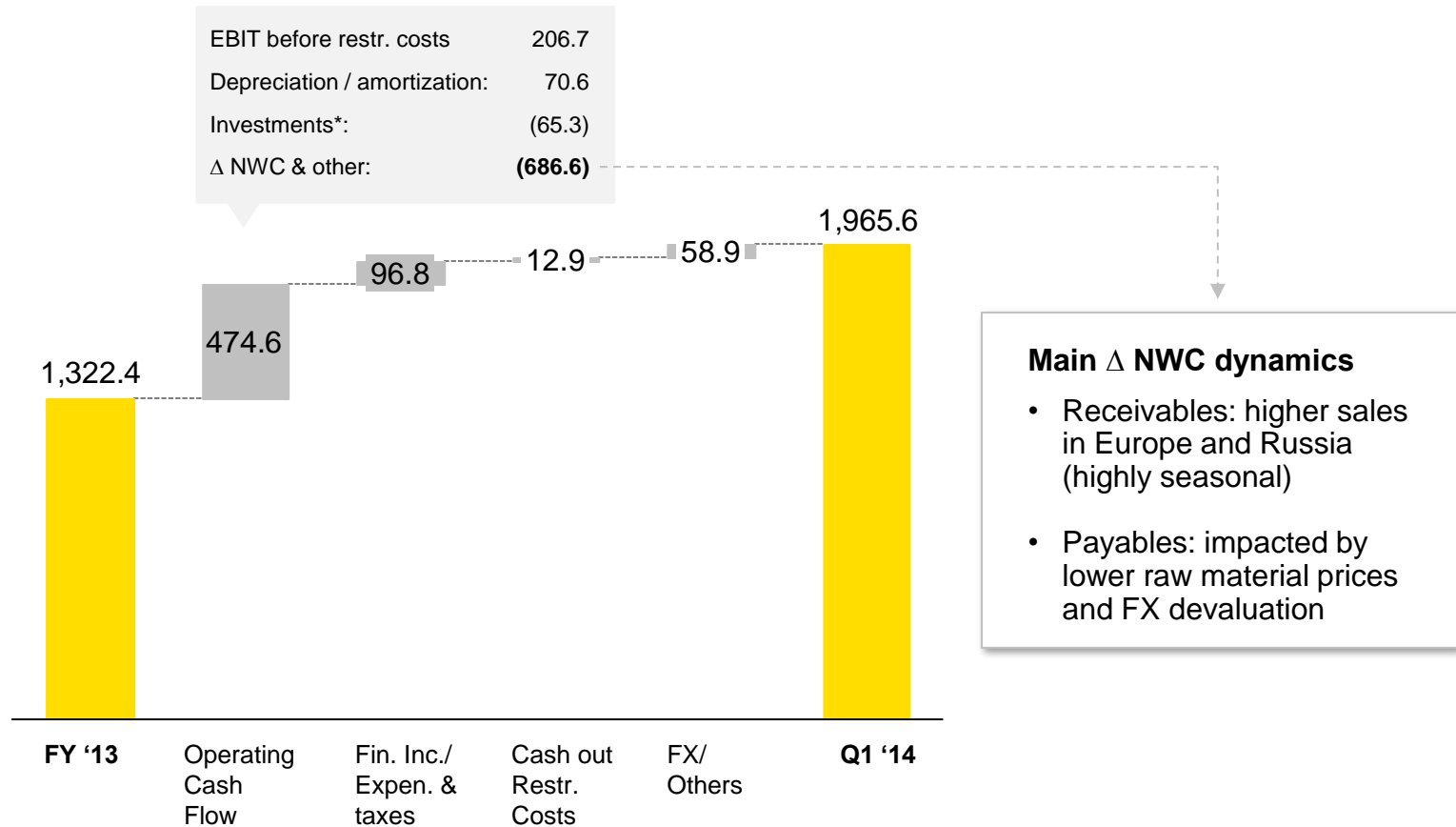
Debt Profile

- ~50% of the debt maturity beyond 2015
- Cost of debt* ~ 6.09% as of march 31, 2014
- Gross debt profile ~75% Fixed and ~25% Floating
- Average debt maturity: ~ 2.0 years
- Emerging market exposure ~47%, mainly Brazil, Russia, Mexico

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

PIRELLI FY 2013 NET FINANCIAL POSITION

€/Mln



**Strong cash generation expected for H2 2014,
in line with our track record and seasonality of the business**

* Tangible and intangible investments

AGENDA



KEY MESSAGES



1Q 2014 RESULTS



2014 OUTLOOK & TARGETS



1Q 2014 TYRE OVERVIEW



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2014 PIRELLI OUTLOOK BY REGION

Car Tyre Market			2014 Target Tyre Business			Highlights	
			Revenues		EBIT%*		
Europe	+4% yoy o/w Premium up double-digit	▲	Mid single-digit growth	▲	Mid-teens	■	Positive development of Premium, efficiency and use of low-cost sources
NAFTA	+3% yoy o/w Premium up mid single-digit	■	Mid single-digit growth	■	Mid-teens	■	Premium growth above market, due to new and locally sourced products. Mix improvement compensates for FX headwinds
Russia and CIS	Negative low single-digit o/w Premium flat	▼	Double-digit growth	■	Mid single-digit	■	Mix improvement and efficiency gains the key drivers of the turnaround
South America	RT +3%/+4%, o/w Premium up mid-teen OE -3%	■	Positive organic revenue growth, overall sales down mid single-digit	▼	Mid-teens	■	Solid replacement demand, slight contraction in OE. Price increases, efficiencies and sourcing mix protect profitability
MEAI	+5% yoy o/w Premium up double digit	■	Low single-digit growth	■	High-teens	■	Profitability confirmed at high levels despite FX volatility. Organic sales progressing well, as expected
Asia Pacific	+5% yoy o/w Premium up double digit	■	Mid single-digit growth	■	High-teens	■	Premium outperformance continues as expected; Replacement benefits from top positioning in OE

▲ ▼ ■ Δ vs previous guidance

* Pre Restructuring Costs

FY 2014 TARGETS CONFIRMED

FY 2014 Targets

At constant consolidation perimeter*

Revenues	~6.2 €/bln
• Volumes	> +5%
- o/w Premium	> +14%
• Price/mix	~ +4% / ~ +5%
Organic revenues growth	> +9% / +10%
• Foreign Exchange	~ -9% / ~ -10%
Total revenues growth	~ +1%
EBIT post restructuring	~850 €/mln
• Restructuring costs	50 €/mln
• Raw material impact	-75 €/mln
Capex	<400 €/mln
Net cash flow before dividends	>250 €/mln
NFP	~ 1.2 €/bln

Steelcord business FY 2014

Included in discontinued operations, formerly part of Industrial Business

<i>~90 €/mln vs third parties</i>
<i>~10 €/mln</i>
<i>≥ 200 €/mln cash in after deal closing</i>

* 2014 data includes contribution of Steelcord business

2014 CONSUMER & INDUSTRIAL TARGETS CONFIRMED

Consumer Business

	2014 Targets Confirmed
Revenues	~4.6
• Volumes	> +6%
- o/w Premium	> +14%
• Price/mix	+4% / +4.5%
• Forex	~ -8% / ~ -9%
EBIT % before restructuring	~15%

Industrial Business

	2014 Targets at constant perimeter* Confirmed	Steelcord business Discontinued operations
Revenues	~ 1.6	~90 €/mIn vs third parties
• Volumes	~ +4% / ~ +4.5%	
• Price/mix	+5.0% / +6.0%	
• Forex	-11.5% / +12.5%	
EBIT % before restructuring	~14%	~10 €/mIn EBIT

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1Q 2014 RESULTS



2014 OUTLOOK & TARGETS



1Q 2014 TYRE OVERVIEW



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KEY TYRE RESULTS

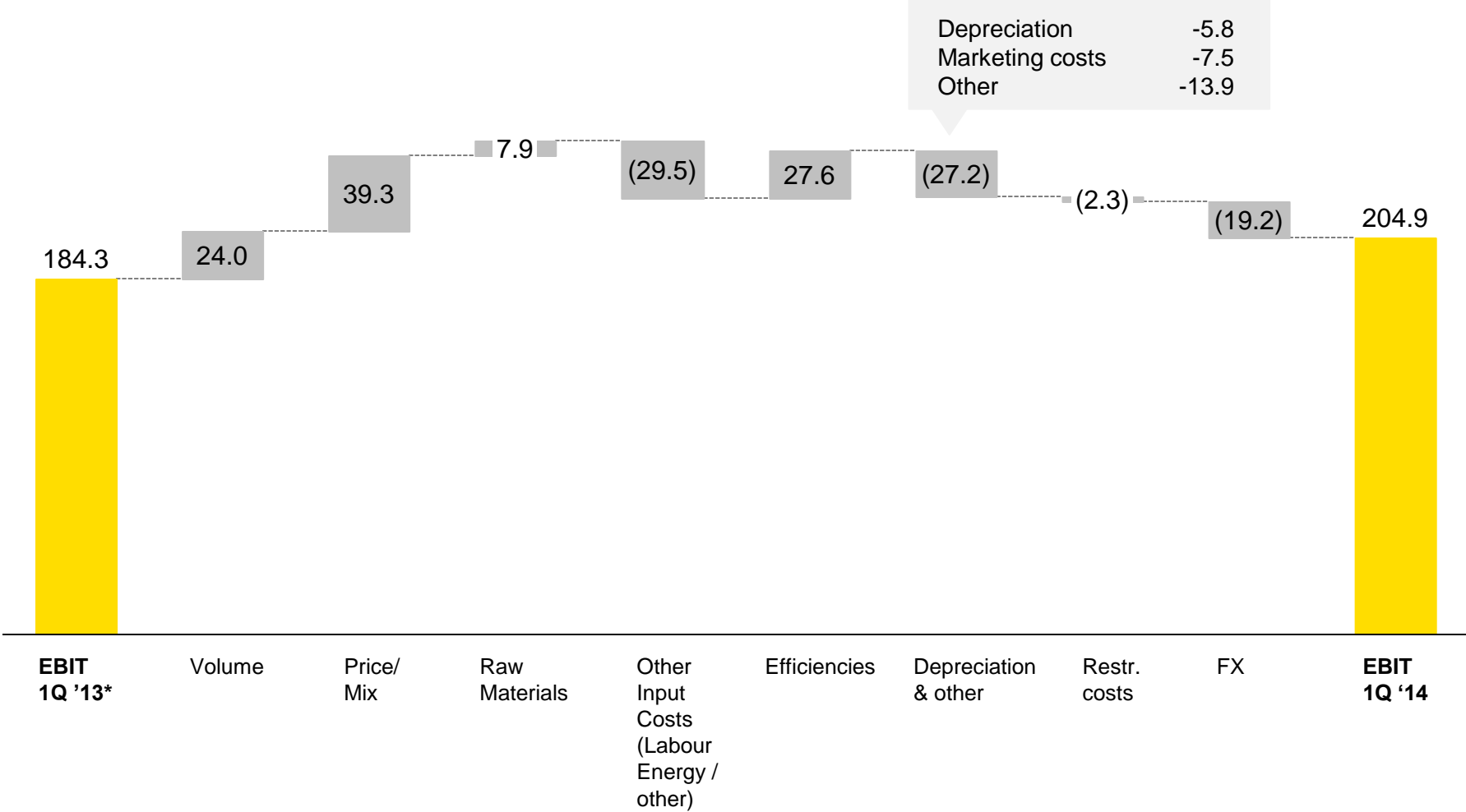
	1Q'13*	Q1'14	Δ %
Revenues	1,505.0	1,469.5	-2.4%
<i>o/w premium</i>	566.7	639.9	+12.9%
EBITDA before Restr. Costs	257.8	280.3	+8.7%
<i>Margin</i>	17.1%	19.1%	+2.0pp
EBIT before Restr. costs	187.5	210.3	+12.2%
<i>Margin</i>	12.5%	14.3%	+1.8pp
EBIT	184.3	204.9	+11.2%
<i>Margin</i>	12.2%	13.9%	+1.7pp

- **Solid performance, in line with our FY 2014 targets**
- **Strong volume growth** in mature markets (+11.7% yoy), stable volumes in emerging markets (+0.2%):
 - Consumer ~ +3%
 - Industrial ~ -4% discounting unfavorable comparison base (+15.3% in Q1 2013)
- **Price/mix improvement** in line with FY target
 - Premium volumes up 22.2%
 - Price increases in Emerging Markets, mainly LatAm
 - Raw materials impact on OE clauses and Mature Markets pricing
- Quality of operating performance and efficiency gains lead to **strong Ebit growth** despite FX headwinds

Revenue drivers	1Q'13*	2Q'13*	3Q'13*	4Q'13*	1Q '14
Δ Price/Mix	0.6%	5.5%	2.4%	4.4%	4.6%
Δ Volume	3.9%	9.0%	5.5%	4.9%	3.8%
<i>o/w Premium</i>	4.0%	12.9%	19.1%	27.5%	22.2%
Δ Revenues (before exchange rate impact)	4.5%	14.5%	7.9%	9.3%	8.4%
Δ Exchange Rate	-5.0%	-5.1%	-10.0%	-9.2%	-10.8%

* Restated with Steelcord among discontinued operations

PIRELLI TYRE OPERATING PERFORMANCE



* Restated with Steelcord among discontinued operations



CONSUMER BUSINESS: PIRELLI PERFORMANCE

	1Q'13	1Q'14	Δ %
Revenues	1,116.7	1,128.7	1.1%
<i>o/w premium</i>	566.7	639.9	12.9%
<i>% revenues</i>	50.8%	56.7%	+5.9p.p.
EBITDA before Restr. Costs	194.8	219.4	+12.6%
<i>Margin</i>	17.4%	19.4%	+2.0p.p.
EBIT before Restr. costs	138.0	162.7	+17.9%
<i>Margin</i>	12.4%	14.4%	+2.0p.p.
EBIT	136.0	158.8	+16.8%
<i>Margin</i>	12.2%	14.1%	+1.9p.p.

Revenue drivers	1Q'13	2Q'13	3Q'13	4Q'13	1Q '14
Δ Price/Mix	-0.5%	5.7%	3.1%	5.1%	4.4%
Δ Volume	1.2%	4.6%	6.0%	6.9%	5.9%
<i>o/w Premium</i>	4.0%	12.9%	19.1%	27.5%	22.2%
Δ Revenues (before exchange rate impact)	0.7%	10.3%	9.1%	12.0%	10.3%
Δ Exchange Rate	-3.7%	-4.7%	-8.5%	-9.4%	-9.2%

INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

	1Q'13*	Q1'14	Δ %
Revenues	388.3	340.8	-12.2%
EBITDA before Restr. Costs	63.0	60.9	-3.3%
Margin	16.2%	17.9%	+1.7%
EBIT before Restr. costs	49.5	47.6	-3.8%
Margin	12.7%	14.0%	+1.3pp
EBIT	48.3	46.1	-4.6%
Margin	12.4%	13.5%	+1.1pp

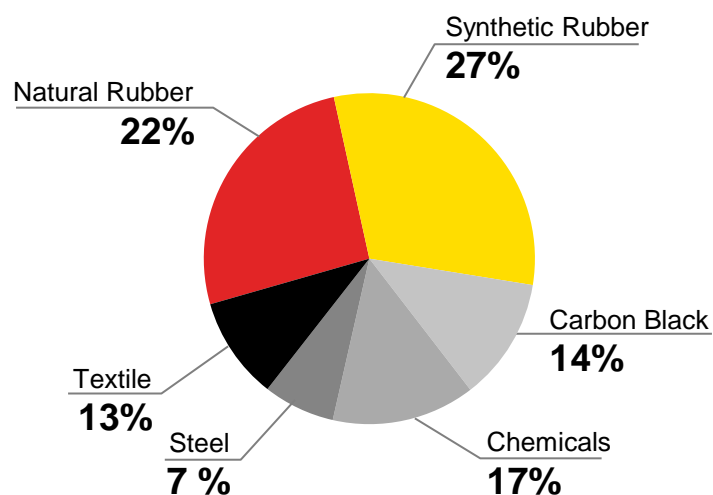
Revenue drivers	1Q'13*	2Q'13*	3Q'13*	4Q'13*	1Q '14
Δ Price/Mix	3.7%	5.5%	0.8%	2.5%	5.4%
Δ Volume	12.6%	22.1%	4.3%	-0.3%	-2.2%
Δ Revenues (before exchange rate impact)	16.3%	27.6%	5.1%	2.2%	3.2%
Δ Exchange Rate	-8.9%	-6.5%	-14.4%	-8.8%	-15.4%

* Restated with Stealcord among discontinued operations

2014 RAW MATERIAL GUIDANCE CONFIRMED

Breakdown Q1 2014

(based on purchase cost)



37%

Raw mat. cost
on sales

Guidance 2014

(March 2014)

Average Cost of
Goods Sold
€/Mln

	2013A	2014E	Δ yoy
Natural Rubber TSR20 (\$/ton)	~2,700	~ 2,250	+80
Brent Oil (\$/barrell)	109	110	-5
Butadiene EU (€/ton)	~ 1,300	~ 1,100	+25
FX (R\$, TRY, EGP, US\$)			~(-175)
TOTAL			(75)

FY 2014 MAIN PROFITABILITY DRIVERS CONFIRMED

Driver	Impact
Volumes	>+5% on sales
Price/Mix	+4%/+5% on sales
Forex	-9%/-10% on sales -110€/mln on Ebit
Efficiencies	+ ~90€/mln on Ebit
Raw Materials	-75€/mln on Ebit
Other Input Costs	~ -125€/mln on Ebit
D&A, Start-up Costs, Others	~ -60€/mln on Ebit
Minor businesses	~ -20€/mln 2014 expected Ebit
Restructuring costs	~ -25€/mln on Ebit

**2014 Expected
Ebit confirmed
~850€/mln**

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1Q 2014 RESULTS



2014 OUTLOOK & TARGETS



TYRE BUSINESS 1Q 2014 OVERVIEW



APPENDIX

PIRELLI GROUP – Q1 14 RESULTS

Profit & Loss and Net Financial Position by Business Unit

	Pirelli tyre		Other		Pirelli & C. Cons.	
	Q1'13*	Q1'14	Q1'13	Q1'14	Q1'13*	Q1'14
SALES	1,505.0	1,469.5	9.6	3.7	1,514.6	1,473.2
EBITDA before Restr. Costs	257.8	280.3	(4.8)	(3.0)	253.0	277.3
<i>% on sales</i>	17.1%	19.1%			16.7%	18.8%
EBIT before Restr. Costs	187.5	210.3	(5.8)	(3.6)	181.7	206.7
<i>% on sales</i>	12.5%	14.3%			12.0%	14.0%
Restructuring Costs	(3.2)	(5.4)	0.0	(0.3)	(3.2)	(5.7)
EBIT	184.3	204.9	(5.8)	(3.9)	178.5	201.0
<i>% on sales</i>	12.2%	13.9%			11.8%	13.6%
Results from equity participations					(6.6)	(13.8)
Financial Income/charges					(58.0)	(43.3)
EBT					113.9	143.9
Fiscal Changes					(42.2)	(53.5)
Net income before discontinued operations					71.7	90.4
Discontinued operations					0.4	1.1
Net Income					72.1	91.5
Attributable Net Income					72.9	89.7
Net Financial Position					1,680.2	1,965.6

* Restated with Steelcord among discontinued operations

PIRELLI GROUP CASH FLOW

€/Mln	1Q'13 reported	2Q'13 reported	3Q'13 reported	4Q'13 reported	1Q'14
EBIT before restructuring costs	183.0	205.1	208.8	219.6	206.7
Depreciation / Amortization	72.3	73.1	71.1	72.4	70.6
Net investments	(79.7)	(84.3)	(74.3)	(174.8)	(65.3)
Working capital / other variations	(492.4)	(5.6)	(160.3)	686.1	(686.6)
OPERATING CASH FLOW	(316.8)	188.3	45.3	803.3	(474.6)
Financial income (expenses)	(58.6)	(46.1)	(43.9)	(47.2)	(43.3)
Taxes	(42.5)	(59.1)	(50.5)	(58.3)	(53.5)
NET OPERATING CASH FLOW	(417.9)	83.1	(49.1)	697.8	(571.4)
Financial investments/divestments	-	-	(31.6)	(7.5)	(3.7)
Property divestments	-	-	26.5	-	-
Net cash flow discontinued operations	-	-	-	-	(8.7)
Retail development investments	-	-	(4.1)	(7.9)	-
Sino Wire Consolidation Impact	-	-	-	(39.5)	-
Other dividends paid	-	(3.1)	-	-	-
Cash-out for restructuring	(7.5)	(5.2)	(4.2)	(5.7)	(12.9)
Exchange rate differentials / Others	(49.6)	29.5	17.1	11.3	(46.0)
Dividends paid	-	(156.7)	-	-	(0.5)
Credit conversion / Prelios capital increase	-	-	(192.9)	-	-
NET CASH FLOW	(475.0)	(52.4)	(238.3)	648.5	(643.2)

PIRELLI BALANCE SHEET

€/Mln

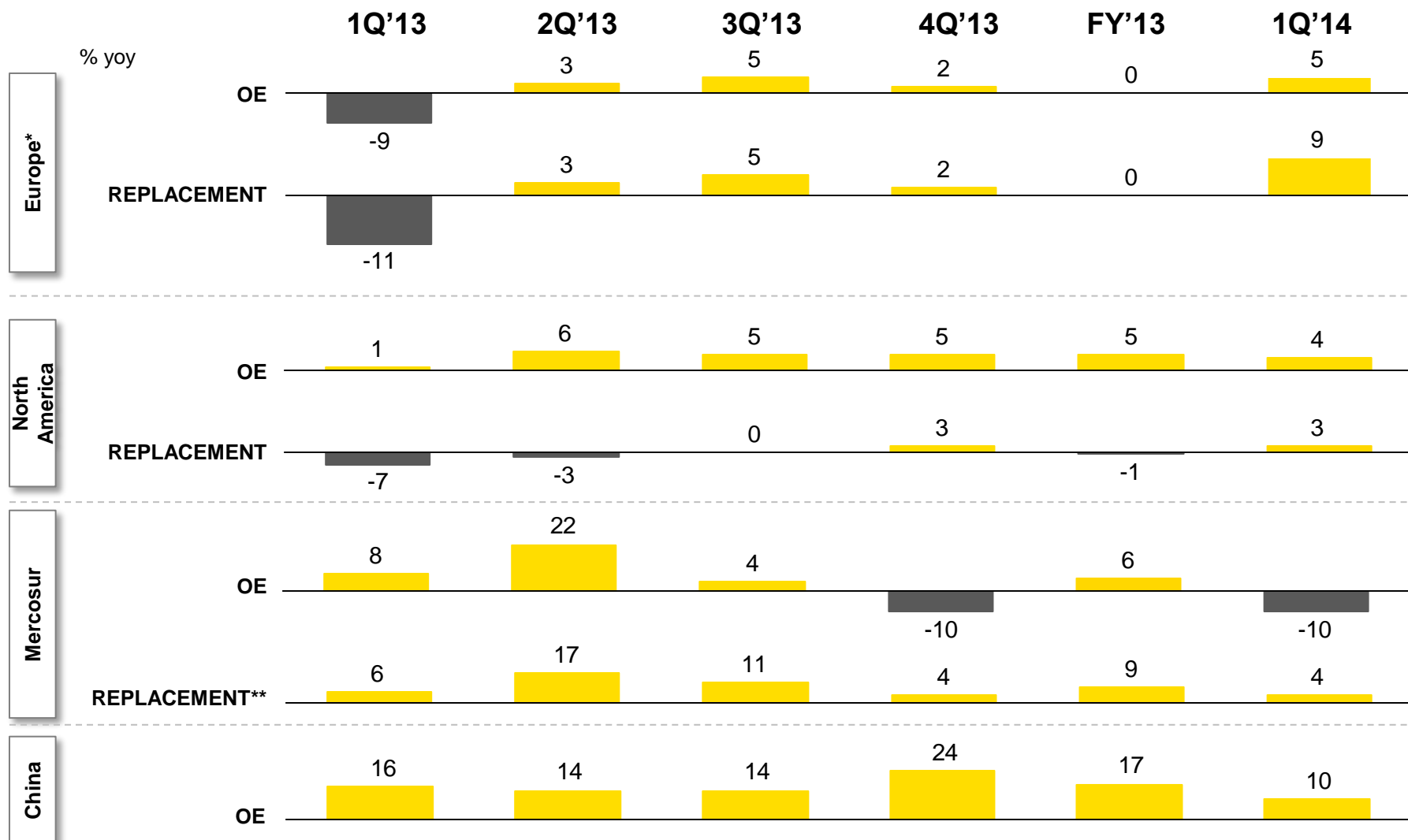
	FY'13	1Q'14
FIXED ASSETS	4,043.0	3,862.6
Inventories	987.3	965.4
Trade receivables	666.4	1,048.0
Trade payables	(1,244.5)	(882.5)
NET OPERATING WORKING CAPITAL	409.2	1,130.9
Other payables/receivables	3.0	5.9
Net Working Capital	412.2	1,136.8
Net Invested Capital of discontinued operations	-	145.6
NET INVESTED CAPITAL	4,455.2	5,145.0
Total Net Equity	2,436.6	2,500.8
Provisions	696.2	678.6
Provisions of discontinued operations	-	10.9
Net Financial Position	1,322.4	1,965.6
Net Financial Position of discontinued operations	-	50.9
TOTAL	4,455.2	5,145.0
Attributable Net Equity	2,376.1	2,441.6
Equity per Share (euro)	4.87	5.00

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
SALES	1,505.5	1,541.6	1,567.9	1,575.4	1,489.4	1,496.4	1,468.3	1,474.6	6,030.6	6,061.0
EBITDA before Restr. Costs	257.8	253.0	280.8	276.3	282.3	277.5	299.0	288.2	1,119.9	1,095.0
% on sales	17.1%	16.7%	17.9%	17.5%	19.0%	18.5%	20.4%	19.5%	18.6%	18.1%
EBIT before Restr. Costs	187.5	181.7	209.7	204.2	213.3	207.5	228.6	216.8	839.1	810.2
% on sales	12.5%	12.0%	13.4%	13.0%	14.3%	13.9%	15.6%	14.7%	13.9%	13.4%
Restructuring Costs	(3.2)	(3.2)	(3.4)	(4.2)	(7.6)	(7.8)	(9.2)	(10.3)	(23.4)	(25.5)
EBIT	184.3	178.5	206.3	200.0	205.7	199.7	219.4	206.5	815.7	784.7
% on sales	12.2%	11.8%	13.2%	12.7%	13.8%	13.3%	14.9%	14.0%	13.5%	12.9%
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)
EBT		113.9		136.8		157.8		104.9		513.5
Fiscal Changes		(42.2)		(59.0)		(50.3)		(57.5)		(209.0)
Net income before discontinued ops.		71.7		77.8		107.5		47.4		304.5
Discontinued operations		0.4		0.2		0.5		0.9		2.0
Net Income		72.1		78.0		108.0		48.3		306.5
Attributable Net Income		72.9		78.5		110.7		41.4		303.6
Net Financial Position		1,680.2		1,732.6		1,970.9		1,322.4		1,322.4

* Restated excluding Steelcord among discontinued operations

CONSUMER BUSINESS: KEY MARKET TRENDS

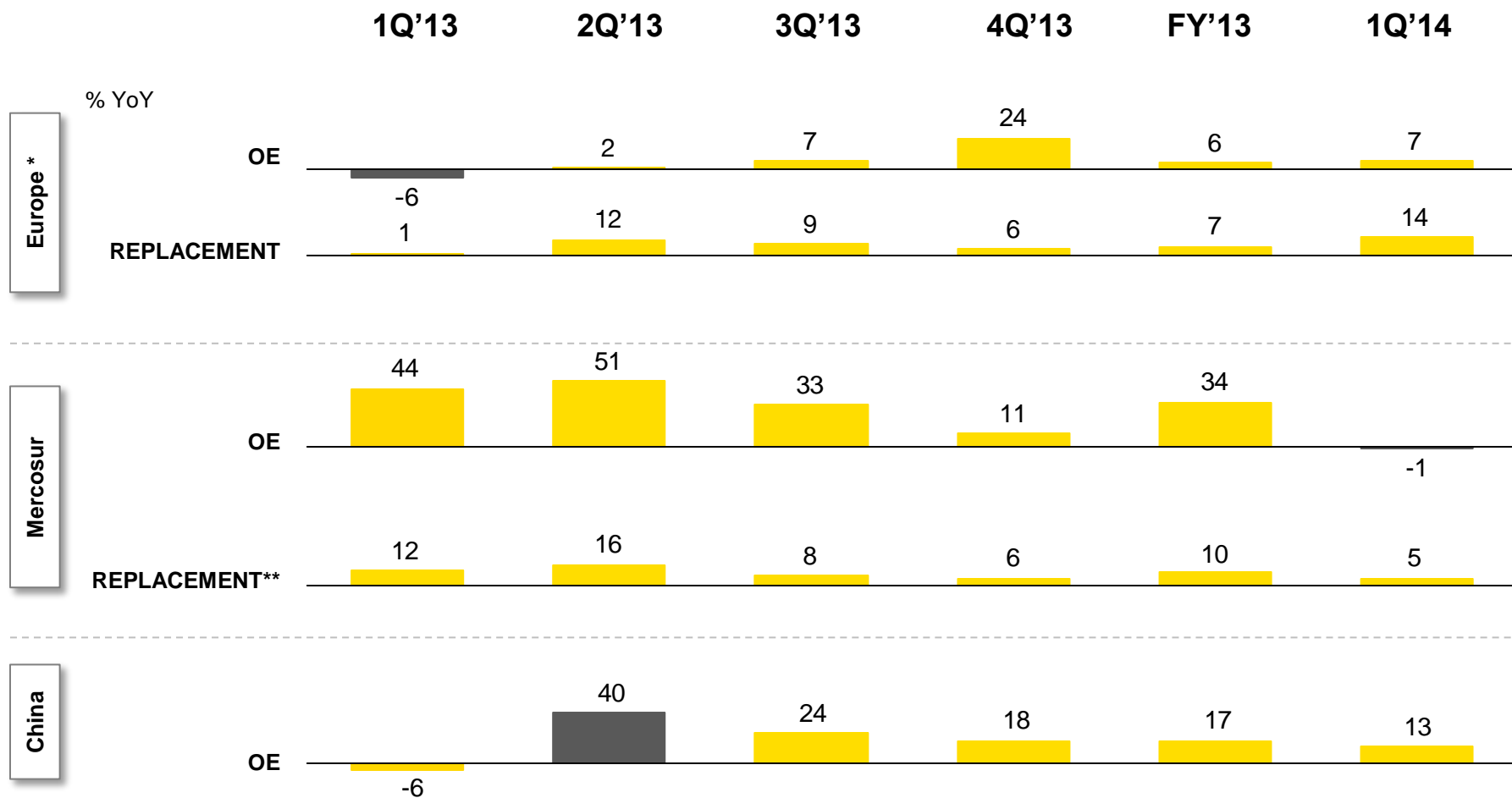


* Turkey included, Russia excluded

** Mercosur Replacement data was restated to include Brazilian imports

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

INDUSTRIAL BUSINESS: KEY MARKET TRENDS



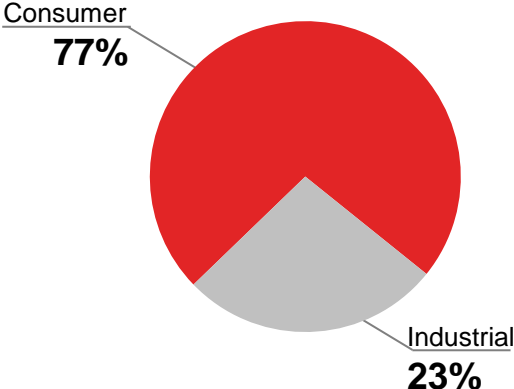
* Turkey included and Russia excluded

** Non-pool members' imports not included

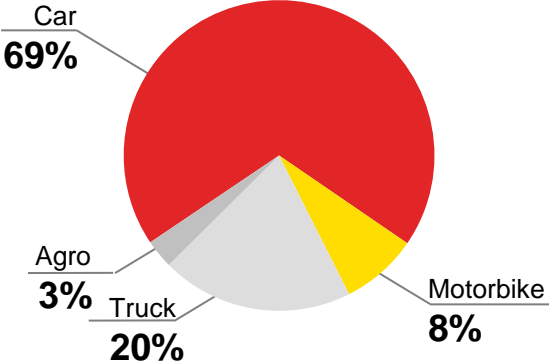
Source: major external data providers for each Region and Pirelli estimates

1Q 2014 PIRELLI TYRE MIX

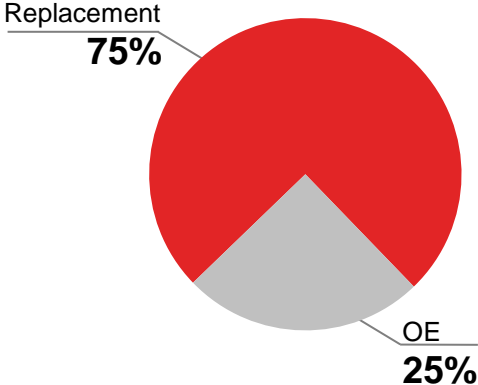
Sales by Business



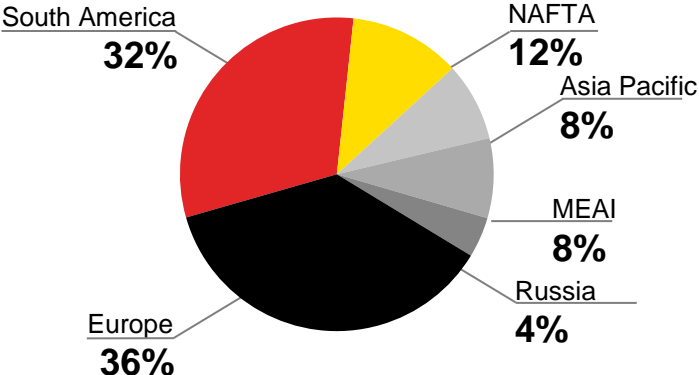
Sales by Segment



Sales by Channel

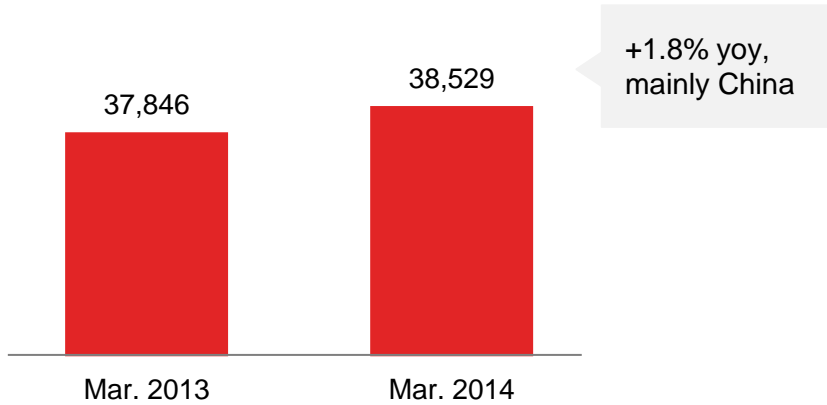


Sales by Region

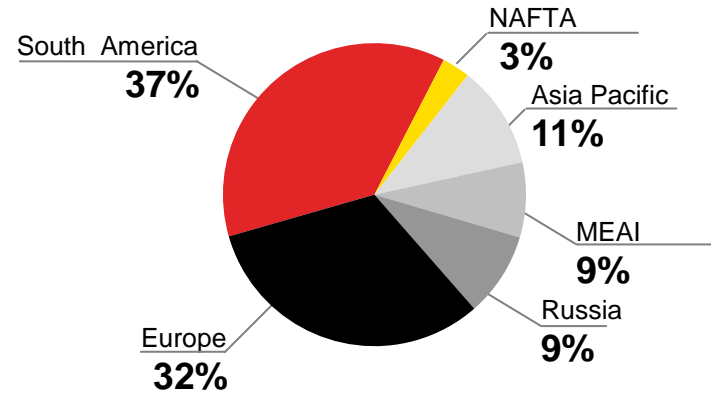


MARCH 2014 PIRELLI PEOPLE

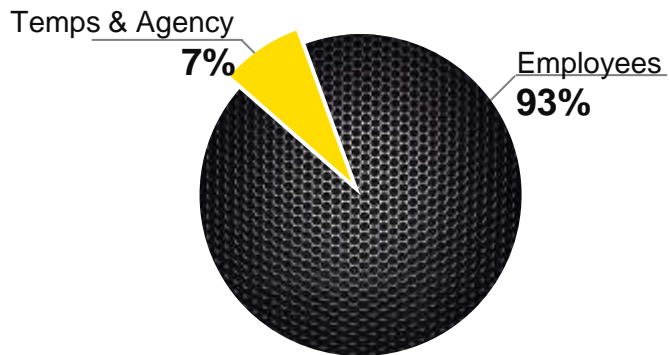
Headcount



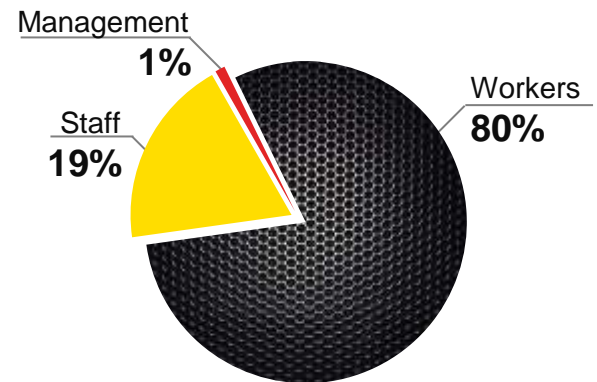
People by Region



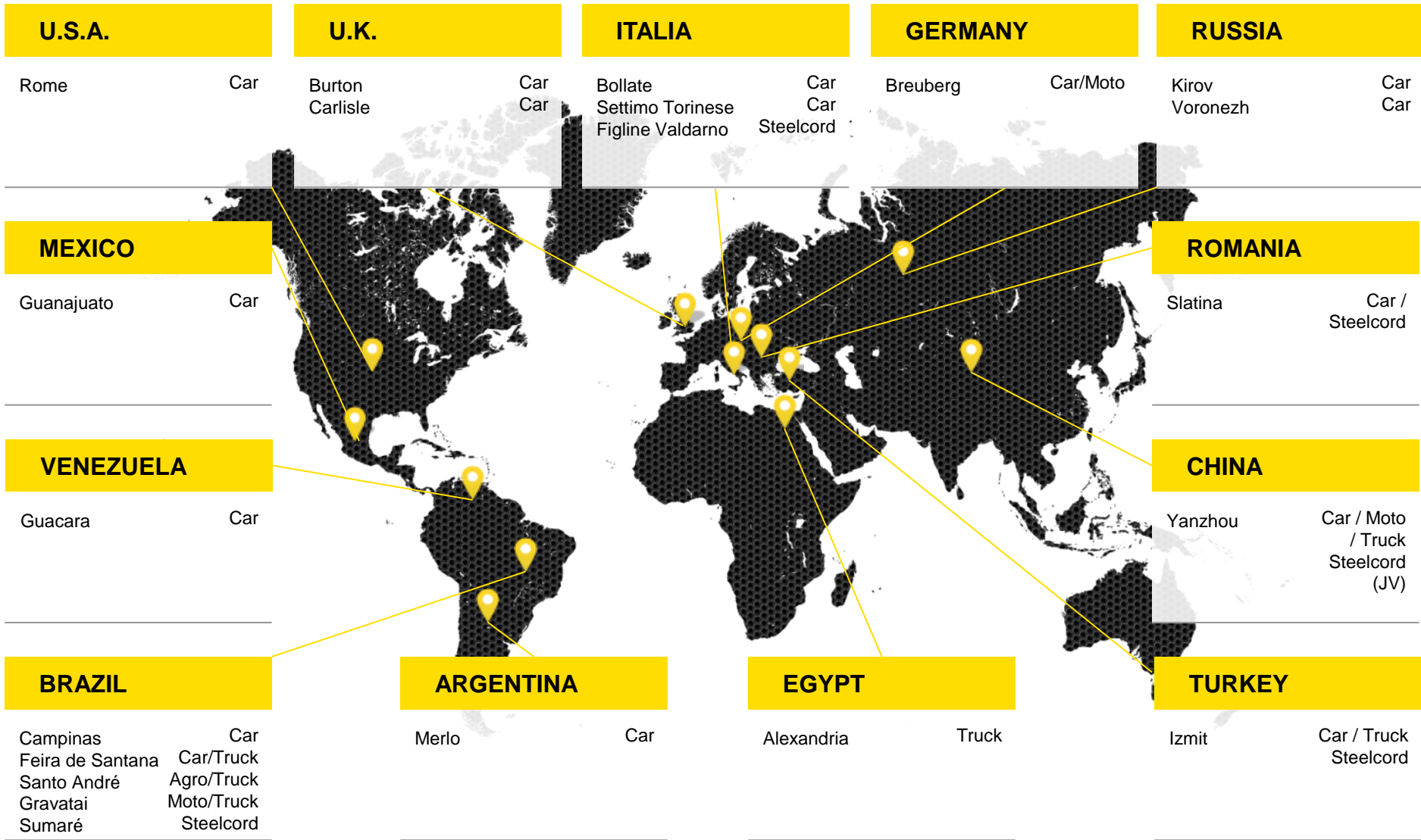
People by Contract



People by Cluster

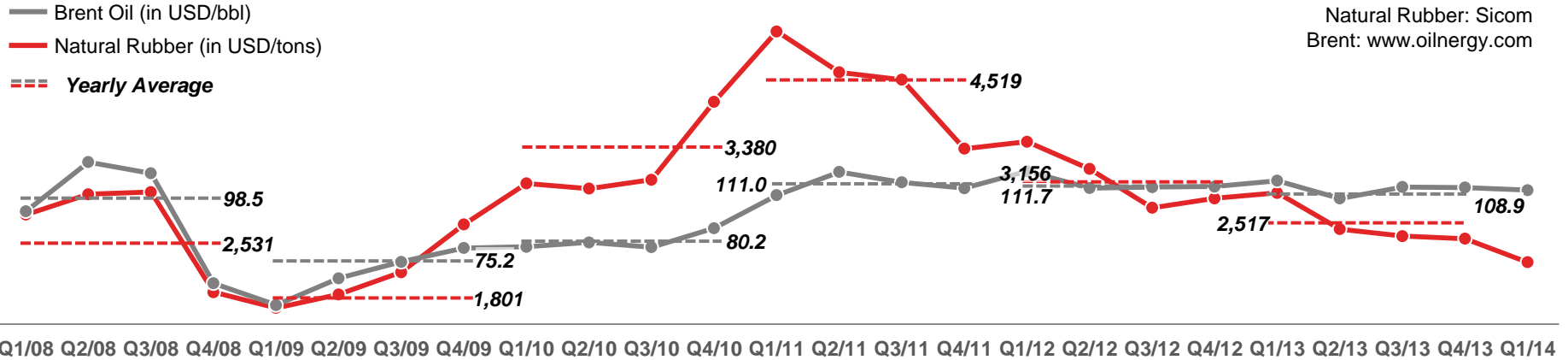


PIRELLI PLANTS IN THE WORLD



RAW MATERIALS

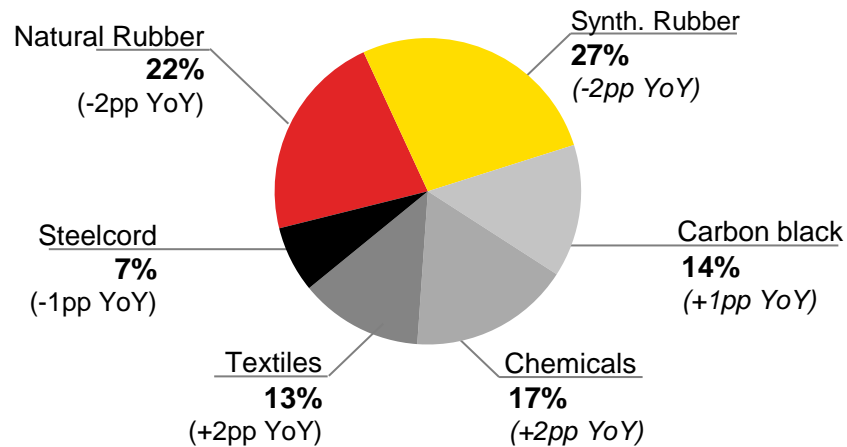
Raw Material Price Trend



1Q 2014 Mix (Based on Purchasing Cost)

37%

Raw mat. costs on sales



DISCLAIMER

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