



PRESS RELEASE

*PIRELLI & C. SPA BOARD OF DIRECTORS APPROVES RESULTS FOR 3 MONTHS
TO 31 MARCH 2011:*

ALL INDICATORS IMPROVED
CONSOLIDATED NET PROFIT MORE THAN DOUBLED
FURTHER INCREASE IN PROFITABILITY
2011 REVENUE TARGET RAISED

PIRELLI & C. SPA

- REVENUES 1,400.9 MILLION EUROS, +23.4% COMPARED WITH 1,135.0 MILLION EUROS ON 31 MARCH 2010
- OPERATING RESULT (EBIT) AFTER RESTRUCTURING CHARGES 143.3 MILLION EUROS (+63.6% COMPARED WITH 87.6 MILLION EUROS ON 31 MARCH 2010), WITH PROFITABILITY (EBIT/SALES) RISING TO 10.2% FROM 7.7%
- TOTAL CONSOLIDATED NET PROFIT 81.4 MILLION EUROS, MORE THAN DOUBLE COMPARED WITH 38.9 MILLION EUROS ON 31 MARCH 2010;
ATTRIBUTABLE CONSOLIDATED NET PROFIT 82.8 MILLION EUROS (39.2 MILLION EUROS ON 31 MARCH 2010)
- NET FINANCIAL POSITION NEGATIVE 712.8 MILLION EUROS (678.4 MILLION EUROS ON 31 MARCH 2010), AFTER TOTAL INVESTMENT ALMOST DOUBLED TO 96.9 MILLION EUROS FROM 50.2 MILLION EUROS IN Q1 2010

PIRELLI TYRE

- REVENUES 1,384.5 MILLION EUROS, +24.7% COMPARED WITH 1,100.0 MILLION EUROS ON 31 MARCH 2010
- OPERATING RESULT (EBIT) AFTER RESTRUCTURING CHARGES 152.4 MILLION EUROS, +59.6% COMPARED WITH 95.5 MILLION EUROS ON 31 MARCH 2010;
PROFITABILITY (EBIT/SALES) AT RECORD LEVEL OF 11% (8.6% IN Q1 2010)

2011 TARGETS

- REVENUE TARGET REVISED FROM "ABOVE 5.55 BILLION EUROS" TO "ABOVE 5.85 BILLION EUROS". TAKES INTO ACCOUNT PRICE RISES TO OFFSET RAW MATERIAL COST INCREASES BEYOND INDUSTRIAL PLAN ESTIMATES
- PROFITABILITY TARGETS CONFIRMED: EBIT MARGIN POST GROUP RESTRUCTURING COSTS BETWEEN 8.5% AND 9.5%, PIRELLI TYRE BETWEEN 9% AND 10%
- INVESTMENT ABOVE 500 MILLION EUROS CONFIRMED AND NET FINANCIAL POSITION EXPECTED AT AROUND NEGATIVE 700 MILLION EUROS

Milan, 4 May 2011 – A meeting of the Board of Directors of Pirelli & C. SpA today reviewed and approved **results for the three months ended 31 March 2011**.

Overall, the group closed the quarter with all economic indicators showing improvement. Revenues were 23.4% higher at 1,400.9 million euros and the Ebit margin was 10.2% (7.7% at the end of the first quarter 2010). The total consolidated net result was positive 81.4 million euros, more than doubling the 38.9 million euros of the first quarter 2010.

For **Pirelli Tyre**, which accounts for almost all Group sales (98.8%), the quarter saw a further increase in sales (+24.7% to 1,384.5 million euros) and further gains in profitability, which reached a record level of 11.0%, calculated as the operating result (EBIT) over sales, a marked improvement compared with 8.6% in the first quarter 2010 and 9.8% in the fourth quarter 2010. In the context of a market that grew overall, these results were achieved thanks to the ongoing improvement of the sales' mix – always more Premium products in line with Pirelli's strategy – and the ability to leverage prices to offset increases in raw material costs, as well as continuing efficiency improvement.

Of note in the quarter, Pirelli debuted as the exclusive supplier of tyres for the Formula One world championship after signing an agreement in June 2010 for the 2011-2013 seasons. Further, in line with the 2011-2013 Industrial Plan, and with the aim of increasing production capacity particularly in the Nafta Area, work began on the new plant in Mexico where production will consist exclusively of premium tyres. With regard to new products, the quarter saw the launch of the "Cinturato P1", the "green performance" tyre with very high technological content designed for small and medium-sized cars. This new tyre reduces fuel consumption, is more environmentally friendly and delivers performance on all surfaces.

The economic data for 2010 have been reclassified to include the activities of Pirelli RE and Pirelli Broadband Solutions as discontinued operations, following their disposal during the course of 2010.

Pirelli & C. SpA Group

At the consolidated level, **revenues** on 31 March 2011 totaled 1,400.9 million euros, an increase of 23.4% compared with 1,135.0 million euros in the first quarter of 2010 (+20.7% organic variation net of exchange rate effects).

The **gross operating result (EBITDA) before restructuring charges** was 203.4 million euros, an increase of 43.3% compared with 141.9 million euros for the same period a year earlier. The **operating result (EBIT) before restructuring charges** was 146.5 million euros compared with 90.2 million euros in the first quarter 2010, while the **operating result (EBIT) after restructuring charges** was 143.3 million euros, an increase of 63.6% from 87.6 million euros in the first quarter 2010, with a margin on revenue of 10.2%, up from 7.7% a year earlier.

The **total consolidated net profit** was 81.4 million euros, more than double the 38.9 million euros of the first quarter 2010 (36.7 million euros net of the results of the discontinued operations represented by Pirelli RE and Pirelli Broadband Solutions which were sold in 2010), while the **attributable consolidated net profit** of Pirelli & C. SpA amounted to 82.8 million euros compared with 39.2 million euros in the same period of 2010.

Consolidated net assets on 31 March 2011 stood at 2,072.0 million euros compared with 2,028.0 million euros at the end of 2010. The **attributable consolidated net assets of Pirelli & C. SpA** totaled 2,034.7 million euros compared with 1,990.8 million euros at the end of 2010. The Group's **net financial position** on 31 March 2011 was negative 712.8 million euros compared with a net financial position of negative 455.6 million euros at the end of 2010. **Net cashflow from operations** in the first quarter of 2011 was negative 207.0 million euros compared with negative 51.5 million euros in the first quarter of 2010. This dynamic is the result of both a normal seasonal variation in the business's working capital and increased total **investment**, which practically doubled to 96.9 million euros from 50.2 million euros in the first quarter of 2010 (with Pirelli Tyre alone accounting for 94.5 million euros compared with 47.6 million euros in the first quarter 2010) and in line with that foreseen in the 2011-2013 Industrial Plan.

On 31 March, **group employees** numbered 30,344 compared with 29,573 on 31 December 2010.

Pirelli Tyre

The **revenues of Pirelli Tyre** on 31 March 2011 amounted to 1,384.5 million euros, an increase of 24.7% from 1,110.0 million euros for the same period of 2010. Net of exchange rate effects, organic growth was 22.0%, with a positive variation in volume of 6.1% and a positive price/mix contribution of 15.9%. There was improvement in both operational segments, with the Consumer portion growing by a total 25.9% (23.6% in organic terms) and the Industrial portion up 21.9% (18.3% in organic terms).

The **gross operating margin (EBITDA) before restructuring charges** was 209.5 million euros compared with 146.4 million euros for the same period a year earlier. The **operating result (EBIT) before restructuring charges** was 155.6 million euros (11.2% of revenues), with an increase of 58.6% compared with 98.1 million euros (8.8% of revenues) in the first quarter 2010, while the **operating result after restructuring charges** amounted to 152.4 million euros, with an increase of 59.6% compared with 95.5 million euros (8.6% of revenues) in the first quarter 2010 and represented a record 11.0% of sales (8.6% in first quarter 2010). Higher production costs, in particular for raw materials, which in the quarter had a negative impact of 82 million euros, were comfortably offset by the price/mix commercial component and actions to increase industrial efficiency.

Net profit on 31 March 2011 was 88.5 million euros, a marked improvement from 50.1 million euros in the first quarter 2010.

The **net financial position** was negative 1,359.0 million euros compared with 1,122.5 million euros at the end of the first quarter 2010 (1,109.9 million euros at end 2010), with the increase due to both the seasonality of working capital and increased investment (94.5 million euros up from 47.6 million euros in the first quarter 2010). In confirmation of the tyre business's centrality and with the aim of supporting the investment plan outlined in the 2011-2013 Industrial Plan, it should be noted that the parent company, Pirelli & C., in April raised 500 million euros of new capital in favour of its subsidiary Pirelli Tyre. The operation had no impact on the group's overall net financial position.

In the **Consumer business (tyres for Cars, Light Truck and Moto)**, revenues amounted to 983.3 million euros compared with 780.9 million euros in the first quarter 2010, an increase of 25.9%, with a positive contribution of 9.0% in terms of volumes and 14.6% in terms of price/mix, while 2.3% was due to exchange rate effects. The operating result before restructuring charges was 119.7 million euros compared with 69.5 million euros in the same period of 2010, with a margin on revenues of 12.2%, up from 8.9% in the first quarter 2010. The increase from the first quarter of 2010, at the market level, involved all geographic regions of reference. In particular, in the **Original Equipment** channel, Europe grew at a rate of 7%, the Nafta area at 16% and Mercosur at 8%. In the **Replacement** channel, Europe and Nafta grew 8% and 7%, respectively, while Mercosur eased by 2%, with the decline mostly at the beginning of the quarter.

In the **Industrial business (tyres for Industrial vehicles and Steelcord)** revenues totaled 401.2 million euros, an increase of 21.9% compared with 329.1 million euros in the first quarter 2010. In organic terms, the variation was a positive 18.3%, with an increase of 19.0% in the price/mix component and relative stability in terms of volumes (-0.7%). The volumes performance in the first quarter was impacted by the geopolitical crisis in Egypt which resulted in a slowing of production and sales – both in the domestic market and abroad – above all in February. The situation gradually normalized, with the plant in Alessandria returning to operation and exports. The operating result before restructuring charges was 35.9 million euros, an increase from 28.6 million euros in the first quarter of 2010 and representing an 8.9% margin on revenues, up from 8.7% in the first 3 months of 2010.

Outlook for 2011

In accordance with the strategic guidelines already indicated in the 2011-2013 Industrial Plan and in a context of persisting positive demand, 2011 will see the Company ever more focused on the production of Premium products and the expansion of production capacity predominantly in countries of rapid economic development. Barring unforeseen events and taking into account raw material cost increases higher than those foreseen in the Industrial Plan presented in November, price increases are aimed at recovering that cost differential. The 2011 Group sales target, of which Pirelli Tyre will represent 99%, has been raised from “above 5.55 billion euros” to “above 5.85 billion euros” with an increase of the volumes component estimated at over 6% and the price/mix component at around 15% (estimated at approximately +12% on 8 March). The profitability target (Ebit after restructuring charges/sales) is confirmed as increasing compared with 2010 and in line with the Industrial Plan (8.5%-9.5% for the Group and 9%-10% for Pirelli Tyre), thanks to improvement in the production mix and the continuation, on the cost front, of the already launched efficiency plan. In 2011 investment is expected to be over 500 million euros. The net financial position estimate is confirmed at about negative 700 million euros.

Conference call

The result for the three months ended on 31 March 2011 will be illustrated today, 4 May 2011, at 5.30 PM via a conference call with the participation of the Chairman of Pirelli & C. SpA, Marco Tronchetti Provera, and the top management. Journalists will be able to follow the call, without the possibility of asking questions, by dialing in at **+39.06.3348.5042**. The presentation will be also available online – in real time – at www.pirelli.com in the Investor section where the slides will also be displayed.

Documentation relative to the results for the 3 months ended 31 March 2011 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 7 May 2010.

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 texts.

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 assets”.

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”.

Net financial position: this represents gross financial debt minus cash and other equivalent liquidity, as well as other financial credits.

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Attached are prospectuses related to the profit and loss account, to equity data in summary and to consolidated financial reports. The company notes that these attachments are not subject to review by the auditing company.

PIRELLI & C. S.p.A. GROUP

(million euros)

	03/31/2011	03/31/2010	12/31/2010
Sales	1.400,9	1.135,0	4.848,4
Gross operating profit before restructuring expenses	203,4	141,9	653,7
% on sales	14,5%	12,5%	13,5%
Operating profit before restructuring expenses	146,5	90,2	432,5
% on sales	10,5%	7,9%	8,9%
Restructuring expenses	(3,2)	(2,6)	(24,7)
Operating profit	143,3	87,6	407,8
% on sales	10,2%	7,7%	8,4%
Income from equity participations	0,8	(2,9)	23,4
Financial income (expenses)	(14,8)	(17,6)	(65,8)
Net pretax result	129,3	67,1	365,4
Income taxes	(47,9)	(30,4)	(137,4)
Tax rate %	37,0%	45,3%	37,6%
Income (loss) from continuing operations	81,4	36,7	228,0
Discontinued operations	0,0	2,2	(223,8)
Total income	81,4	38,9	4,2
Income attributable to Pirelli & C. S.p.A.	82,8	39,2	21,7
Earnings per share (in euro) (*)	0,170	0,080	0,044
Fixed assets	3.142,4	3.653,4	3.164,1
Net working capital	416,4	424,8	116,7
Net capital invested	3.558,8	4.078,2	3.280,8
Equity	2.072,0	2.596,0	2.028,0
Funds	774,0	803,8	797,2
Net financial (liquidity) / debt position	712,8	678,4	455,6
Equity attributable to the equity holders of Pirelli & C. S.p.A.	2.034,7	2.271,8	1.990,8
Equity per share (in euro) (*)	4,169	4,655	4,080
Investments in material goods	96,8	49,9	433,1
Headcount (number at period-end)	30.344	30.054	29.573
Factories	20	21	20
Pirelli & C. shares			
ordinary shares (number in millions)	475,7	5.233,1	475,7
of which treasury shares	0,4	3,9	0,4
savings shares (number in millions)	12,3	134,8	12,3
of which treasury shares	0,4	4,5	0,4
Total shares (number in millions)	488,0	5.367,9	488,0

(*)the attribution per share in 2009 was reclassified on a like-for-like basis after the grouping of shares subsequent to the shareholders' decision of 15 July 2010 (ratio 1 to 11)

Data by Business Sector

(million euros)

	Tyre		Others (*)		Total	
	1Q 2011	1Q 2010	1Q 2011	1Q 2010	1Q 2011	1Q 2010
Sales	1.384,5	1.110,0	16,4	25,0	1.400,9	1.135,0
Gross operating profit (loss) before restructuring exp.	209,5	146,4	(6,1)	(4,5)	203,4	141,9
Operating profit (loss) before restructuring exp.	155,6	98,1	(9,1)	(7,9)	146,5	90,2
Restructuring expenses	(3,2)	(2,6)	-	-	(3,2)	(2,6)
Operating profit (loss) (EBIT)	152,4	95,5	(9,1)	(7,9)	143,3	87,6
Earnings (losses) from investments	(0,3)	0,2	1,1	(3,1)	0,8	(2,9)
Financial income (expenses)	(16,6)	(16,4)	1,8	(1,2)	(14,8)	(17,6)
Net pretax result	135,5	79,3	(6,2)	(12,2)	129,3	67,1
Income taxes	(47,0)	(29,2)	(0,9)	(1,2)	(47,9)	(30,4)
Income (loss) from continuing operations	88,5	50,1	(7,1)	(13,4)	81,4	36,7
Income from discontinued operations					-	2,2
Income (loss)					81,4	38,9
Net financial position continuing operations	1.359,0	1.122,5	(646,2)	(475,8)	712,8	646,7
Net financial position discontinued operations					-	31,7
Net financial (liquidity) / debt position					712,8	678,4

(*) The item includes Pirelli Eco Technology group, Pirelli Ambiente group, PZero S.r.l., all the financial companies (including the parent company), the other services companies, and for Sales, items eliminated in the consolidation phase.

Cash Flow Statement

(million euros)

	1Q 2011	1Q 2010
Operating profit (EBIT) before restructuring exp.	146,5	90,2
Amortization	56,9	51,7
Material and Immaterial Investments	(96,9)	(50,2)
Variation working capital/other	(313,5)	(143,2)
FREE CASH FLOW	(207,0)	(51,5)
Financial income/expenses	(14,8)	(17,6)
Income taxes	(47,9)	(30,4)
OPERATING CASH FLOW	(269,7)	(99,5)
Financial Investments/divestments	24,4	-
Dividends paid out	(0,7)	-
Cash Out for restructuring	(2,8)	(34,0)
Pirelli Broadbands Solutions net cash flow	-	(12,1)
Pirelli & C. Real Estate (now Prelios) net cash flow	-	(14,0)
Exchange rate differences/other	(8,4)	10,0
Net cash flow	(257,2)	(149,6)