



# PIRELLI 1H 2012 RESULTS

JULY 26, 2012

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## Statement

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.

# AGENDA

## KEY MESSAGES

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## PIRELLI & C FINANCIAL REVIEW

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## TYRE BUSINESS

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## APPENDIX

# KEY MESSAGES

## 1H '12 Results

**Halfway through our yearly targets**

**Fast conversion to high-margin products**

## 2H '12 Outlook

**Well-placed for a fast-changing scenario**

**2012 profitability & cash flow targets confirmed**

## Premium acceleration: what makes us different

**OEM Premium Car distinctive positioning and strengthening**

**Faster and bigger Replacement channel growth**

## Russia Update

**Well on track with Business Plan**

**Seizing Premium market growth opportunities**

# 2H 2012 PIRELLI OUTLOOK

## Demand

### Light & shade of a fast-changing scenario

- ▶ Premium outpacing markets: robust growth expected to continue in EM & NAFTA; moderate growth in North West & Central Europe
- ▶ Truck & Consumer non-Premium dealing with economic turmoil

## Raw Mat

### Easing up: 30€/mln tailwind expected in 2H

- ▶ Natural rubber at 3,600 \$/ton (was 3,800), Syntetic rubber at 1,850€ /ton (was 2,100); Oil at 110 \$/barrell (was 118)\*
- ▶ FX trends (R\$/TRY/EGP,US\$) moderate the positive raw mat impact, given our production footprint

## Profitability

### Solid operating performance ensured by

- ▶ Premium paradigm applying even to current market conditions: a booster of growth in Northern and Central Europe, NAFTA and Emerging Markets; a prop in the crisis of Southern Europe
- ▶ Firm pricing policy
- ▶ Enhanced efficiency program offsetting the impact of lower Standard sales and Premium industrialization speed-up

## Cash generation

- ▶ Effective stock management
- ▶ Rigorous credit policy maintained across Regions, payables up in line with investment activity
- ▶ Capex flexibility with unchanged focus on Premium

*\*2012 average cost of goods sold*

# 2H 2012 PIRELLI REGIONAL CAR MARKET OVERVIEW

Pirelli

## MARKET HIGHLIGHTS

## POSITIONING

## VOLUME OUTLOOK

### Europe

- ▶ **North West:** downside market in the wake of European precariousness
- ▶ **Central:** among European Regions the least affected by the crisis
- ▶ **South:** all indicators are on the low, endure until 2013

- ▶ **North West:** market share gains through Premium strategy
- ▶ **Central:** our strength is being supplier to Premium OEMs
- ▶ **South:** carefully blended management of value levers

- Double-digit reduction**
- ▶ Premium single-digit growth
  - ▶ **North West:** >+10%
  - ▶ **Central:** ~+10%
  - ▶ **South:** High single-digit reduction

### Nafta

- ▶ Main market indicators still show no signs of recovery

- ▶ A better positioning on Tier 1 distribution through a strong focus on Premium

- High-single-digit growth**
- ▶ Premium: >+25%

### Latam

- ▶ Sound expectations for a reversal of the trend after a first half on the low

- ▶ Focus on Premium Car and retail network reinforcement (Campneus)

- Mid-single-digit growth**
- ▶ Premium: >+50%

### Apac

- ▶ Chinese growth slowing down, with modulated growth elsewhere in the Region

- ▶ Rewarding Premium strategy, focus on network development

- Double-digit growth (>+30%)**
- ▶ Premium: double

### Mea

- ▶ Regional economy not influenced by mature markets downturn

- ▶ Strong focus on high-end mix with excellent outcomes

- Low-single-digit reduction**
- ▶ Premium: >+50%

# CHANGE VS NOVEMBER '11 INDUSTRIAL PLAN: Out of low-end Tyres and full-fledged into Premium

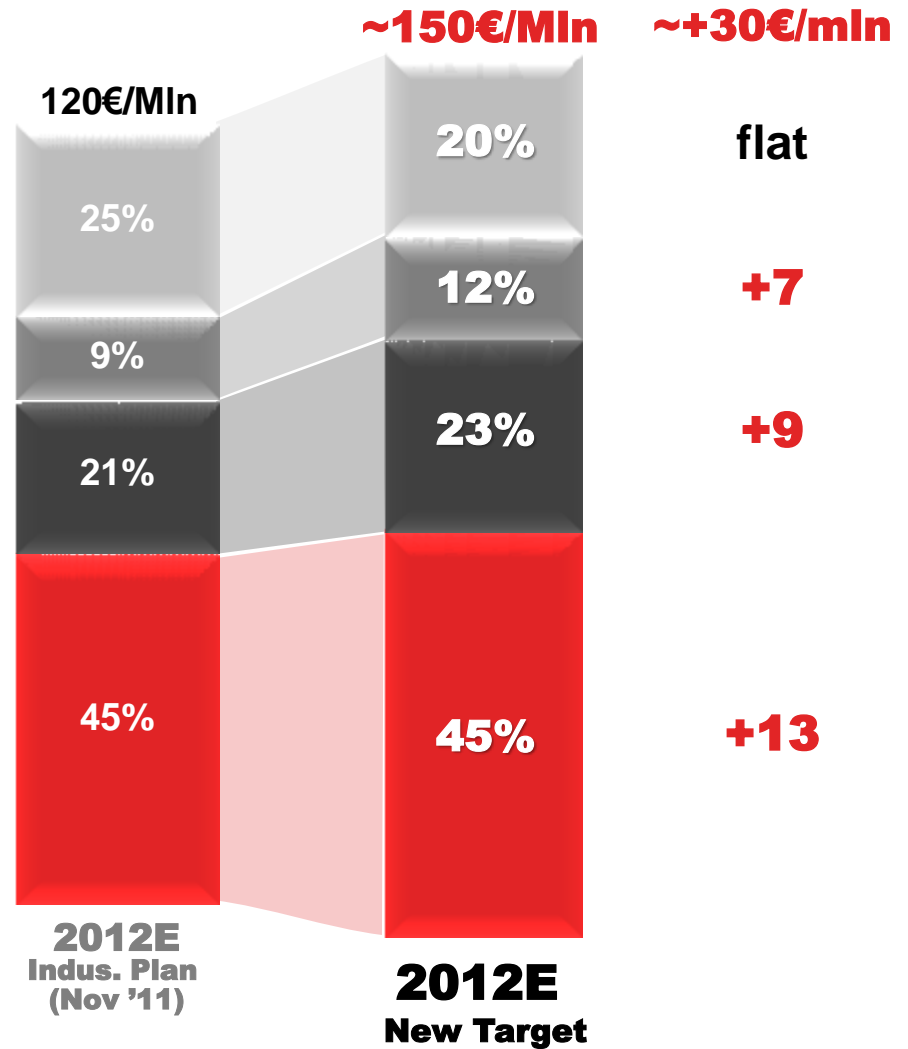
		Δ 2012 Revenues vs Ind. Plan (Nov '11)		Δ 2012 Ebit vs Ind. Plan (Nov '11)	
		CONSUMER	INDUSTRIAL	CONSUMER	INDUSTRIAL
<b>Changes vs November '11 Plan</b>	▶ Δ non-Premium sales volumes Car -3.8 mln pcs (from 36 mln pcs) Moto/Scooter -2.4 mln pcs Truck Radial -180 k pcs* Truck conventional -250 k pcs*	--370	--110	--120	--35
	▶ Δ Price/mix (Consumer: +3/+4pp; Industrial: +2/+3pp)	~+140	~+40	~+95	~+25
<b>Investing in Premium acceleration</b>	▶ Plant slowdown due to volume reduction			--21	--12
	▶ Acceleration of Premium industrialization			--15	
	▶ Restructuring costs			--10	
<b>Internal levers</b>	▶ Efficiencies (Consumer from 92€/mln to 115€/mln; Industrial from 28€/mln to 33€/mln)			~+23	~+5
<b>External factors</b>	▶ Raw material headwind (Consumer from -95€/mln to -45€/mln; Industrial from -45€/mln to -15€/mln)			~+50	~+30
<b>Total</b>		<b>&lt;-250</b>	<b>&gt;-50</b>	<b>Flat</b> Vs Top of range Ebit Target	<b>+13</b> Vs Top of range Target
<b>Industrial Plan November '11 Targets</b>		<b>~4.9€/bln</b>	<b>1.75 €/bln</b>	<b>12.5% / 13.5%</b>	<b>9% / 10%</b>
<b>New Targets</b>		<b>~ 4.65€/bln</b>	<b>~ 1.7 €/bln</b>	<b>~14%</b>	<b>~11%</b>

\*One-off due to disruption of activity in Egypt and slowdown in Argentina import licence

# 2012 ENHANCED EFFICIENCY PLAN



- ▶ Use of alternative Raw Materials
- ▶ Weight reduction
- ▶ Waste improvement
  
- ▶ Optimization of production process
- ▶ Automation of mature plants
- ▶ New plants designed more efficiently
  
- ▶ Cost rationalization
  
- ▶ Capacity expansion in low-cost countries





# PIRELLI 2012 TARGETS UPDATE

€/bln	2011A	2012 Targets (May 10, 2012)	Δ YoY	2012 Targets Update (July 26, 2012)	Δ YoY
<b>Total Revenues</b>	5.65	~6.45	+14%	~ 6.4	+13%
Russia JV	-	~ 0.25		confirmed	
Dackia	-	-		~ 50€/mln	
<b>Organic Revenues</b>		~6.2	+10%	~ 6.1	+8%
<b>Volumes</b>	+1.4%	-1% / -2%		-3% / -4%	
o/w Premium	+18.2%	~+20%		confirmed	
<b>Price/mix</b>	+17.6%	+11% / +12%		confirmed	
<b>EBIT %</b>	10.3% (582€/mln)	>12% (at least 800€/mln)		confirmed	
o/w Russia		Mid single digit		confirmed	
Raw Material Headwind	512€/mln	90€/mln		60€/mln	
Efficiency	94€/mln	120€/mln		~150€/mln	
<b>Tax rate</b>	34%	~36%		confirmed	
<b>Capex</b>	0.62	~0,5*		< 0.5	
<b>NFP</b>	0.74	<1.1 after dividends		confirmed	

\* Capex may be revised according to market trends keeping our priorities on Premium mix, special projects in Romania, China and Mexico, Route to Premium in Russia.

# 2012 CONSUMER TARGETS UPDATE

€/bln

	2011A	2012 Targets (May 10, 2012)	Δ % YoY	2012 Targets Update (July 26, 2012)	Δ % YoY
<b>Revenues</b>	<b>3.9</b>	~4.7	+20%	~ 4.65	+18%
Russia JV	-	~0.25		confirmed	
Dackia	-	-		~ 50€/mln	
<b>Organic Revenues</b>		~4.45	+13%	~ 4.35	+11%
<b>Volumes</b>	<b>+3%</b>	-0.5% / -1.5%		<b>-2.5% / -3.5%</b>	
o/w Premium	18.2%	~+20%		confirmed	
o/w Non Premium	-2%	-10% / -12%		<b>-13% / -14%</b>	
<b>Price/mix</b>	<b>+17.3%</b>	+14%/15%		confirmed	
<b>EBIT %</b>	<b>12.5%</b>	~14%		confirmed	

# 2012 INDUSTRIAL TARGETS UPDATE

€/bln

	2011A	2012 Targets (May 10, 2012)		2012 Targets Update (July 26, 2012)	
			Δ % YoY		Δ % YoY
Revenues	1.68	~1.7	+3% / +2%	~ 1.7	0% / +1%
Volumes	-1.7%	-2% / -4%		-5% / -6%	
o/w Radial		+2% / 0%		-3%	
o/w Conventional		-20%		<i>confirmed</i>	
Price/mix	+17.8%	+5% / +6%		<i>confirmed</i>	
EBIT %	9.1%	~10%		~11%	

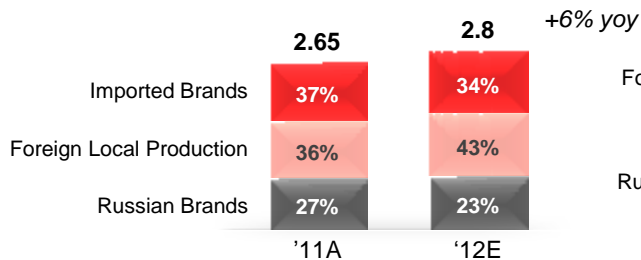
# RUSSIA

## Premium on the upsurge, trend confirmed

### Car Market

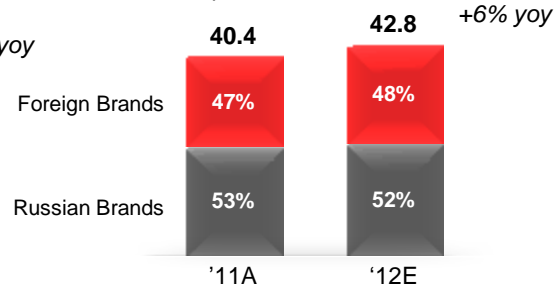
#### New Registrations

mln pcs



#### Car Park

mln pcs

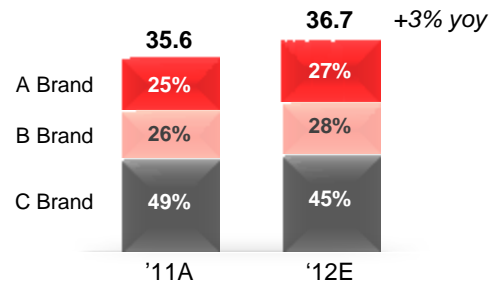


- ▶ Confirmed the growth trend (+5-6%) in new registrations, in particular for **foreign** local production (+26% YoY, positive impact on mix)
- ▶ Growth and **gradual improvement** of the car park

### Tyre Replacement Market

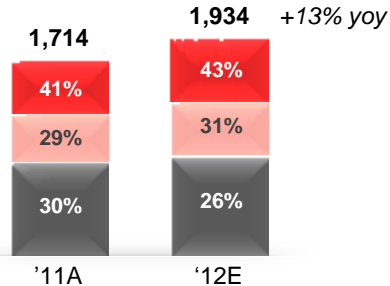
#### Volume

mln pcs



#### Value

€/mln



- ▶ Confirmed the positive trend of the tyre market for **A and B brands**
- ▶ Value of A brand market will increase to **more than 800€/mln** (+18% YoY)

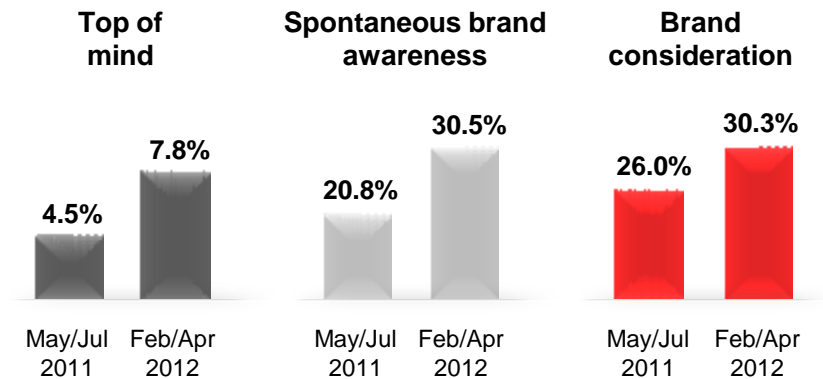
Source: AEB, Pirelli estimates

# RUSSIA

## Work in progress on marketing levers

### Building strong brand awareness...

In 2012 Pirelli top spender in Tyre Industry for Media & advertising (traditional media, digital media, football sponsorship)



Source: GFK, May 2012

### ...and distribution pervasiveness

#### 2012 Targets

#### Achievements 1H

**Pirelli Retail presence:**  
~800 POS by 2012 (>40% of total Russian POS)

**70% achieved**

**322 Pirelli Qualified Premium Stores**

**Well on track**

**Operational in Moscow, St. Petersburg** and 10 other major Russian cities (> 1 mln people)

**Well on track**

**Shelf presence program**

**Launched,**  
2nd best shelf space in June 2012 out of 180 POS monitored

### to quickly create value

- ▶ Summer sell-in Pirelli **+68%** (in volume)
- ▶ Summer sell-in **prices increased double digit**
- ▶ Winter order book YTD **+70%**
- ▶ Share of high-end mix (>=17") in winter orders **doubled vs last year**
- ▶ Selective approach and **successful repositioning** of legacy brand

# RUSSIA

## Pirelli approach to value

### Product

#### Pirelli as Premium player

##### In winter

- ▶ Enhanced product range and improved performance (hexagonal studs, new compound)
- ▶ Range extension from 40 to 63 sizes focused on Premium (8 20" sizes)
- ▶ New Scorpion Winter for urban usage (successfully launched in St.Petersburg)

##### In summer

- ▶ Wide range UHP car
- ▶ Scorpion SUV (high-growth market segment)
- ▶ Favoured by European Premium OEMs

### Organization

#### Pirelli way

- ▶ Lean "Pirelli model" implemented in both factories, with direct reports to General Manager reduced from 17 to 10
- ▶ All newly hired white collars graduated and bilingual

### Production

#### Factory improvement

	KIROV	VORONEZH
<b>Execution</b>	Dec. 14, 2011	Mar. 1, 2012
<b>Employees</b>	2,561	1,179
<b>Capex '12-'14</b>	100€/mln	100€/mln
<b>Factory capability upgrade</b>	<i>Investment program in line with Business Plan</i>	
<b>Capacity (mln pcs)</b>	6.5	2.0 (4.0 in 2014)
<b>Production</b>	13" – 16" High volume sizes	16" – 20" and above, car & SUV
<b>Pirelli product Industrialization</b>	14	4
<b>Pirelli production</b>	Started	Started

# AGENDA

**KEY MESSAGES**

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**PIRELLI & C FINANCIAL REVIEW**

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**TYRE BUSINESS**

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**APPENDIX**

# PIRELLI KEY FINANCIAL RESULTS

€/mln	1H12	1H11	Δ YoY	2Q12	2Q11	Δ YoY	2Q Highlights
<b>Revenues</b>	3,021.8	2,789.3	8.3%	1,465.3	1,388.4	5.5%	<ul style="list-style-type: none"> <li>▶ <b>Premium segment outperforming</b> overall market across Regions (revenues +22%, volumes +12.3%)</li> <li>▶ <b>Continued topline growth</b> despite volume downtrends – weighing in particular on the cyclical Truck and Moto tyres - and further <b>low-end capacity cuts</b></li> <li>▶ <b>Strong price/mix</b> (+11.1%) helped by firm pricing and increasing Premium weight (50.5%, + 4.5pp YoY in H1)</li> <li>▶ <b>30% profitability increase</b> thanks to higher mix and efficiency gains</li> <li>▶ <b>Net debt increase</b> following dividend payment, incentive plan 2009/11, retail acquisitions, consolidation of Russian JV</li> </ul>
<i>Organic growth*</i>			8.8%			6.6%	
EBITDA before Restr. Costs	545.7	410.9		269.9	207.5		
<i>Margin</i>	18.1%	14.7%		18.4%	14.9%		
EBIT before Restr. Costs	415.2	297.8	39.4%	203.8	151.3	34.7%	
<i>Margin</i>	13.7%	10.7%	+3.0pp	13.9%	10.9%	+3.0pp	
Restructuring Costs	(14.5)	(7.7)		(12.5)	(4.5)		
<b>EBIT</b>	400.7	290.1	38.1%	191.3	146.8	30.3%	
<i>Margin</i>	13.3%	10.4%	+2.9pp	13.1%	10.6%	+2.5pp	
<b>PBT</b>	349.2	246.3	41.8%	158.0	117.0	35.0%	
<i>Tax Rate</i>	-36.5%	-35.5%	+1.0pp	-39.0%	-33.8%	+5.2pp	
<b>Net Income</b>	221.7	158.8	39.6%	96.4	77.4	24.5%	
<b>Attributable Net Income</b>	219.5	161.7	35.8%	96.6	78.9	22.4%	
<b>Investments**</b>	194.9	234.1		114.8	137.2		
<b>Net Debt</b>	1,702.7						

(\*) Excluding exchange rate effects

(\*\*) Tangible and intangible investments

## 1H12 RESULTS





# PERFORMANCE BY REGION IN 1H 2012

Tyre Sales				Ebit %	Highlights
	Total	YoY growth	Premium	YoY growth	1H'2012
€/mln	<b>3,000.3</b>	+8,7%	<b>1,086.9</b>	+26%	<b>13.8% (+2.5pp yoy)</b>
Europe	South*	10%	-23%	-11%	<b>Double-digit</b> (improving yoy)
	North & Centr.	26%	+5%	+18%	
NAFTA	13%	+29%	+39%	<b>Double -digit</b> (from low 1-digit)	
Russia**	4%	n.m.	+101%	<b>Break-even</b>	
South America	32%	+5%	+104%	<b>Mid-teen</b> (stable yoy)	
MEA	8%	+6%	+48%	<b>High-teen</b> (improving yoy)	
Asia Pacific	7%	+22%	+69%	<b>Double-digit</b> (from high 1-digit)	

▶ Profitability improving in all Regions, with **NAFTA, APAC and Europe the highest contributors** (Ebit + 30% YoY)

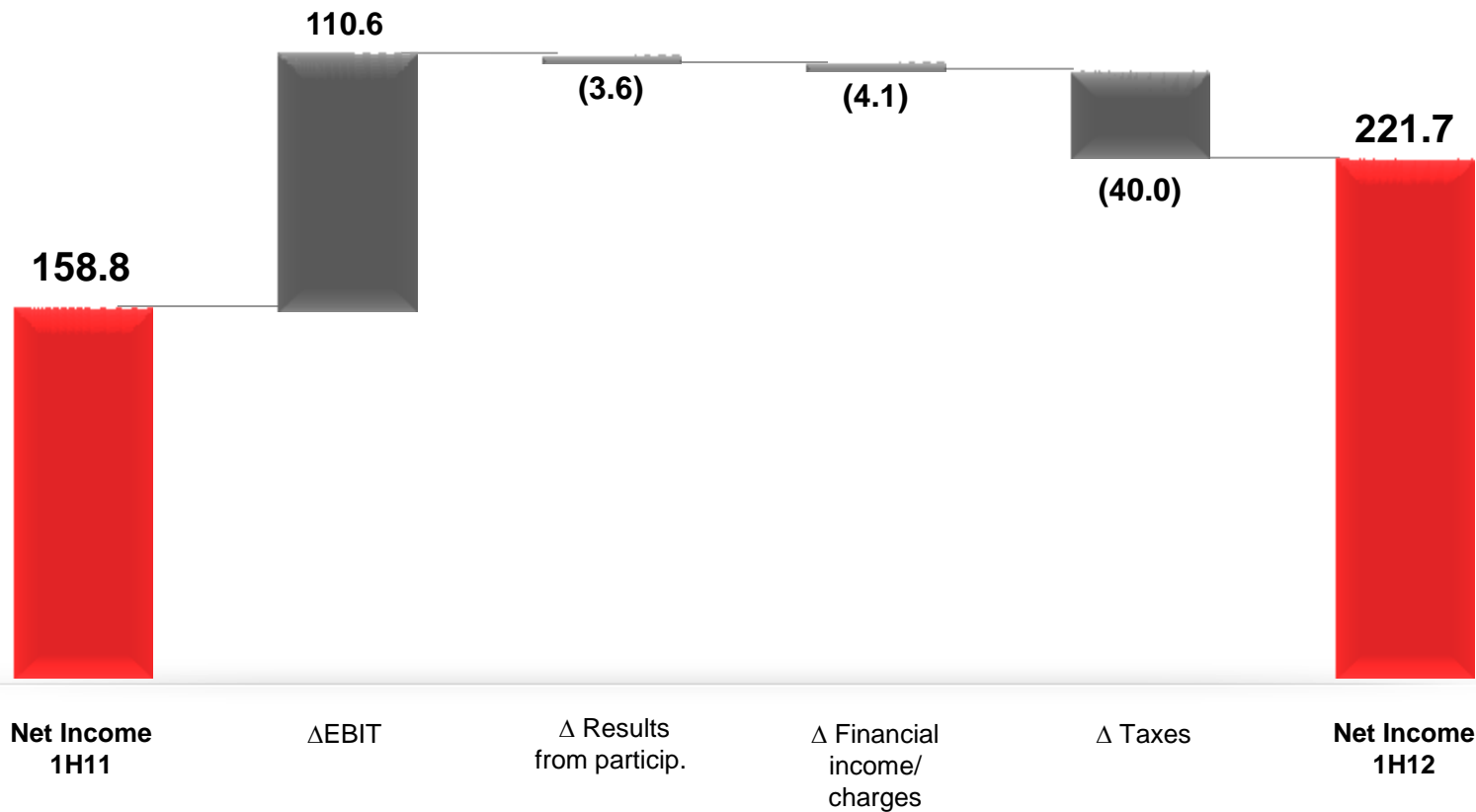
- ▶ **S. Europe** sales trend affected by recession and Pirelli selective approach on sales
- ▶ **North. & Central Europe:** Premium still resilient business
- ▶ **Europe profitability** sustained by efficiencies and High Product Mix
- ▶ **NAFTA:** strong profitability improvement due to solid growth of Premium and a selective approach to OE/Replacement
- ▶ **South America:** outperforming the market across businesses; robust growth of Premium with market share gains; stable profitability despite FX, Moto and Truck weakness
- ▶ **MEA** performance affected by Egypt production stoppage. Robust Premium sales.
- ▶ **APAC:** solid development of Premium with a positive impact on profitability

\* Southern Europe: Italy, Spain, Portugal, Greece  
 \*\* Import sales included



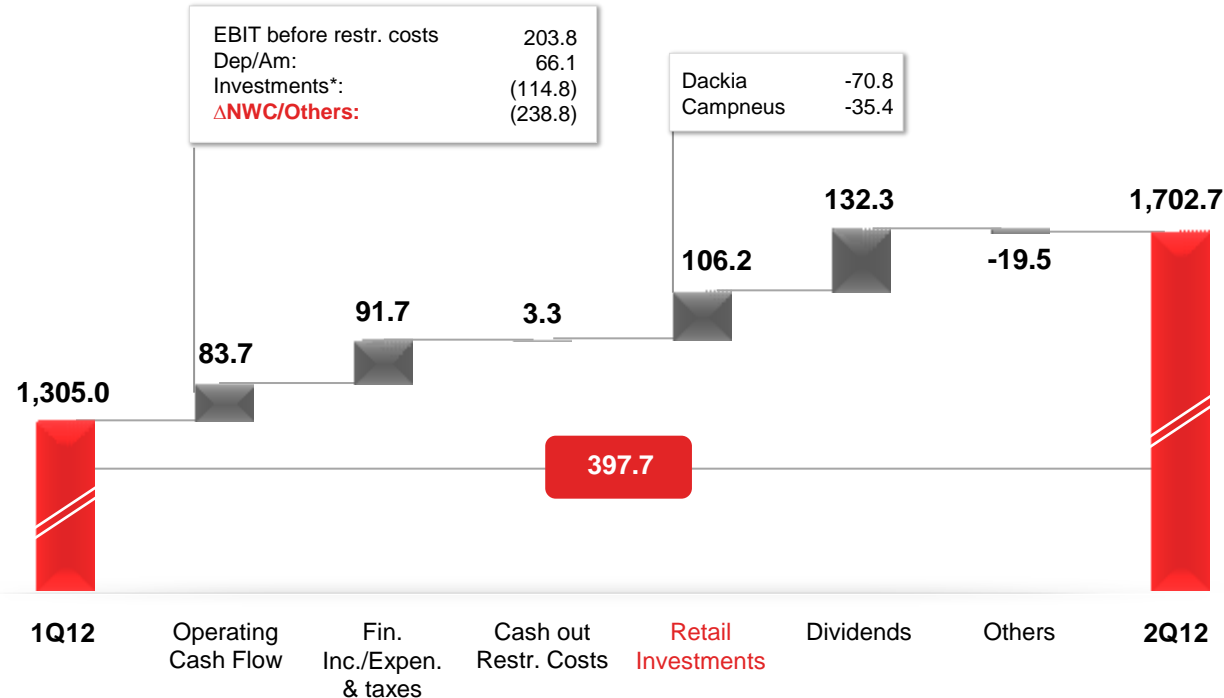
# PIRELLI NET INCOME 1H12 VS 1H11

€/mln



# PIRELLI 1H12 NET FINANCIAL POSITION

€/mln



## Focus on NWC dynamics

<b>Δ Operating WC:</b>	<b>50€/mln</b> (30€/mln impact of new retail acquisition)
<b>Δ Others:</b>	<b>190€/mln</b>
▶ Δ payables vs employees:	100€/mln (77€/mln '09-'11 incentive plan)
▶ Δ fiscal payables	40€/mln
▶ Pension funds	10€/mln
▶ Advanced payment for capex	20€/mln
▶ Others	20€/mln

**Year-end NFP target of <1.1 €/bln after dividends confirmed by**

- ▶ Ordinary seasonality of working capital
- ▶ Effective stock management

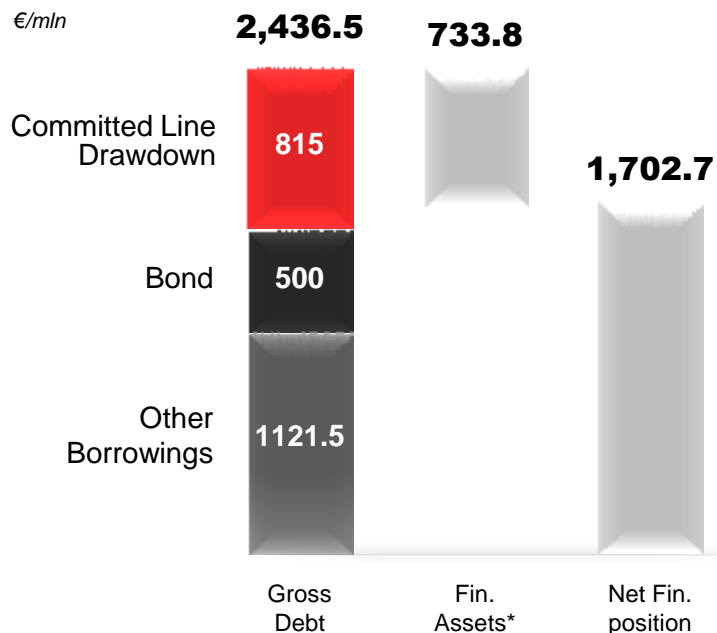
(\*)Tangible and intangible investments

**1H12 RESULTS**



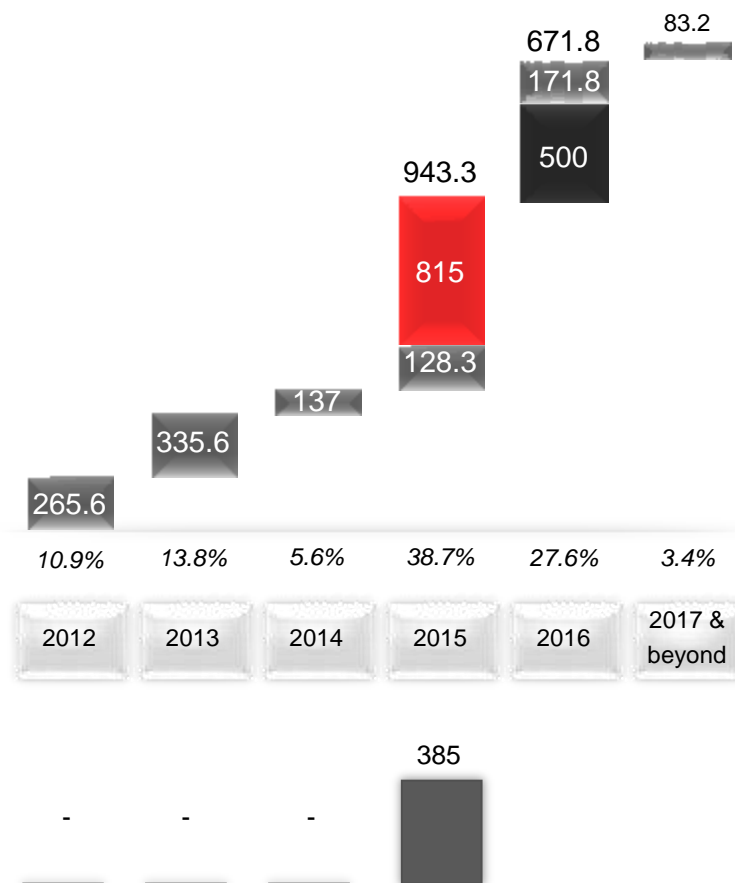
# PIRELLI DEBT STRUCTURE AS OF JUNE 30, 2012

## Net Financial Position



Gross Debt maturity as of Jun 30, 2012

## Gross Debt Maturity



(\*)Financial receivables, cash and cash equivalents

# AGENDA

**KEY MESSAGES**

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**PIRELLI & C FINANCIAL REVIEW**

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**TYRE BUSINESS**

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**APPENDIX**

# KEY TYRE RESULTS

€/mln

	1Q'12	YoY%	2Q'12	YoY%	1H'12	YoY%
<b>Revenues</b>	1,542.6	+11.4%	1,457.7	5.9%	3,000.3	8.7%
o/w Premium	584.4	+29 %	502.5	22%	1,086.9	26%
<b>EBITDA</b> (before restruct. costs)	280.3	+33.8%	275.9	26.3%	556.2	30.0%
<i>margin</i>	18.2%	+3.1p.p.	18.9%	+3.0pp	18.5%	
<b>EBIT</b> (before restruct. costs)	217.2	+39.6%	210.9	28.1%	428.1	33.7%
<i>margin</i>	14.1%	+2.9p.p.	14.5%	+2.5pp	14.3%	+2.7pp
Restructuring Costs	(2.0)		(12.5)		(14.5)	
<b>EBIT</b>	215.2	+41.2%	198.4	23.9%	413.6	32.4%
<i>margin</i>	14.0%	+3.0 p.p.	13.6%	+2.0pp	13.8%	+2.5pp

## Results of our value strategy in the current scenario:

- ▶ Following growth across markets (EM and NAFTA) and segments (Premium)
- ▶ Firm pricing policy
- ▶ Improving profitability QoQ (before restructuring)

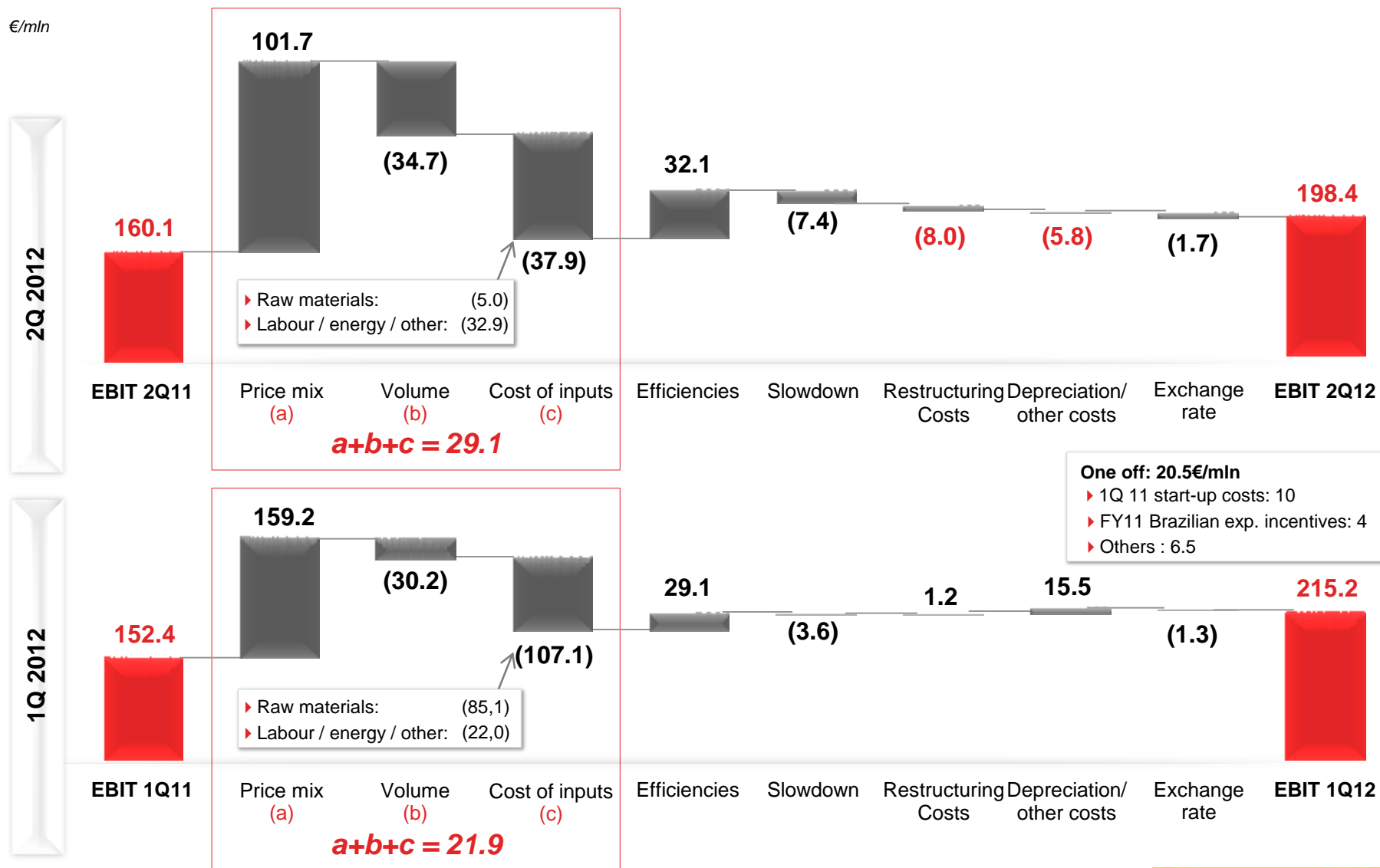
## Main drivers

- ▶ Volume slowdown in line with Q1, also due to further cuts in low-end capacity, mitigated by 12.3% Premium growth
- ▶ Increased industrial efficiency by allocating more production to low-cost plants
- ▶ Easing raw material impact

	1Q'12	2Q'12	1H'12
<b>Revenue drivers</b>			
Δ <b>Price/Mix</b>	+16.5%	+11.1%	+13.9%
Δ Russian JV	+2.2%	+3.5%	+2.8%
Δ <b>Volume</b>	-7.4%	-7.6%	-7.5%
o/w Premium	+15.8%	+12.3%	+14.0%
Δ <b>Rev.</b> (before exch. rate impact)	+11.3%	+7.0%	+9.2%
Δ <b>Exch. Rate</b>	+0.1%	-1.1%	-0.5%

# PIRELLI TYRE OPERATING PERFORMANCE

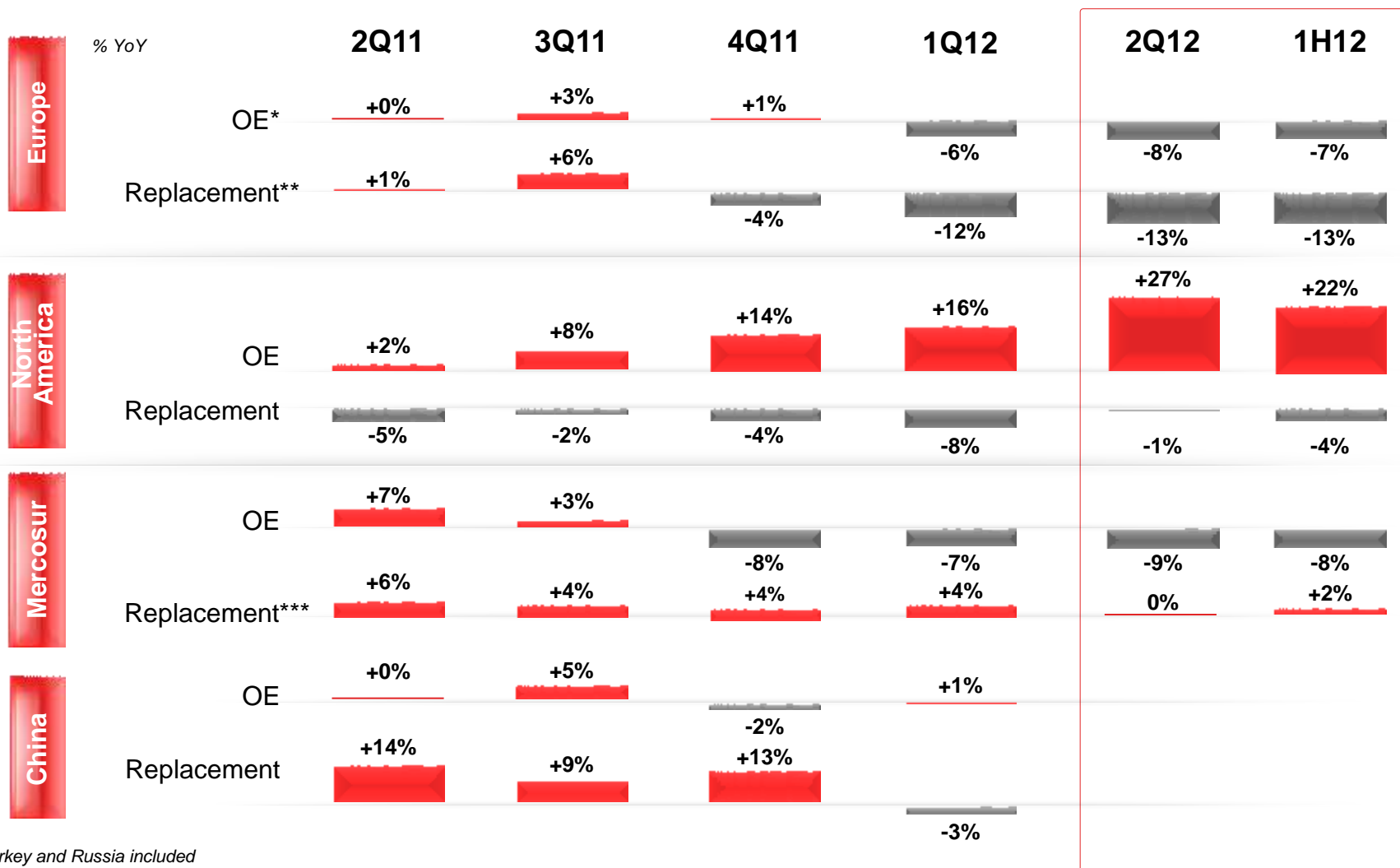
€/mln



1H12 RESULTS



# CONSUMER BUSINESS: KEY MARKET TRENDS



(\*)Turkey and Russia included

(\*\*)Turkey included

(\*\*\*)Mercosur Replacement data was restated to include Brazilian imports

Sources: major external data provider for each Region and Pirelli estimates

1H12 RESULTS



# CONSUMER BUSINESS: PIRELLI PERFORMANCE

€/mln

	1Q'12	YoY%	2Q'12	YoY%	1H'12	YoY%
<b>Revenues</b>	1.151.8	+17.1%	1,078.3	+12.5%	2,230.1	+14.8%
o/w Premium		+29%		+22%		+26%
<b>EBITDA</b> (before restruct. costs)	232.1	+44.5%	213.4	+25.8%	445.5	+34.9%
margin	20.2%	+3.9p.p.	19.8%	+2.1p.p.	20.0%	+3.0p.p.
<b>EBIT</b> (before restruct.costs)	184.0	+53.7%	163.1	+26.8%	347.1	+39.8%
margin	16.0%	+3,8 p.p.	15.1%	+1.7p.p.	15.6%	+2.8p.p.
Restructuring Costs	(1.9)		(9.9)		(11.8)	
<b>EBIT</b>	182,1	+55.9%	153.2	+23.3%	335.3	+39.1%
margin	15.8%	+3.9p.p.	14.2%	+1.2 p.p.	15.0%	+2.6 p.p.

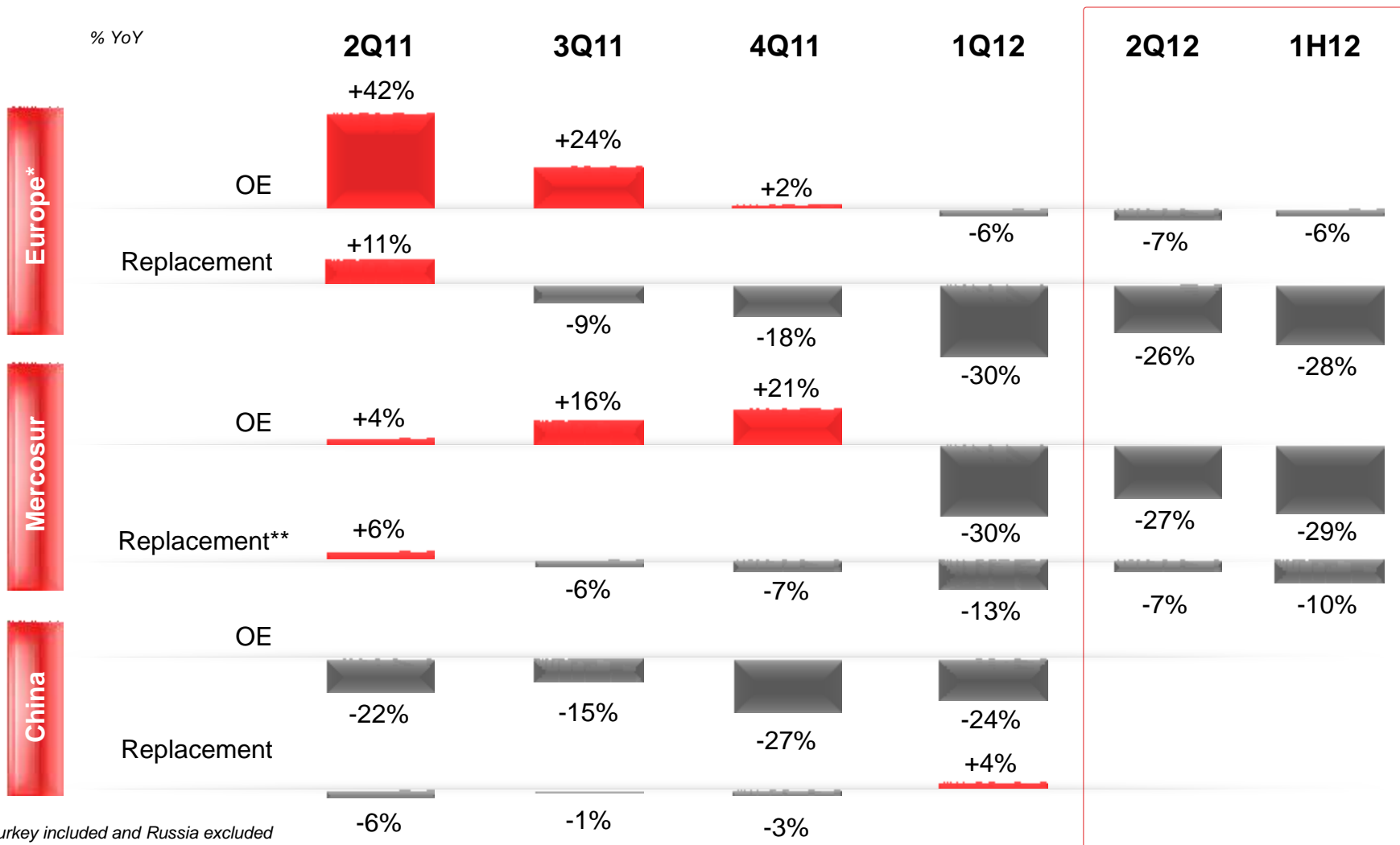
## 2Q Highlights

- ▶ Strong Premium revenue growth (+22%) across Regions with a greater contribution from Emerging Markets (EM)
- ▶ Pricing holds in all markets
- ▶ Sustained profitability achieved, despite a lower contribution QoQ of the Moto Business and Southern Europe

	1Q'12	2Q'12	1H'12
<b>Revenue drivers</b>			
Δ <b>Price/Mix</b>	+18.8%	+13.6%	+16.3%
Δ <b>Volume</b>	-5.1%	-5.3%	-5.2%
o/w Premium	+15.8%	+12.3%	+14.0%
o/w Non Premium	-14.5%	-11.5%	-12.1%
Δ Russian JV	+2.7%	+4.4%	+3.5%
Δ <b>Rev.</b> (before exch. rate impact)	+16.4%	+12.7%	+14.6%
Δ <b>Exch. Rate</b>	+0.7%	-0.2%	+0.2%

- ▶ Production portfolio rebalancing in light of market weakness and focus on Premium

# INDUSTRIAL BUSINESS: KEY MARKET TRENDS



(\*)Turkey included and Russia excluded

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

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

1H12 RESULTS



# INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

€/mln

	1Q'12	YoY%	2Q'12	YoY%	1H'12	YoY%
<b>Revenues</b>	390.8	-2.6%	379.4	-9.1%	770.2	-5.9%
<b>EBITDA</b> (before restruct. costs)	48.2	-1.4%	62.5	+28.3%	110.7	+13.4%
<i>margin</i>	12.3%	+0.1p.p.	16.5%	+4.8p.p.	14.4%	+2.5p.p.
<b>EBIT</b> (before restruct.costs)	33.2	-7.5%	47.8	+32.8%	81.0	+12.7%
<i>margin</i>	8.5%	-0.4p.p.	12.6%	+4.0p.p.	10.5%	+1.7p.p.
Restructuring Costs	(0.1)		(2.6)		(2.7)	
<b>EBIT</b>	33.1	-7.0%	45.2	+26.3%	78.3	+9.7%
<i>margin</i>	8.5%	-0.4p.p.	11.9%	+3.3p.p.	10.2%	+1.5p.p.

- ▶ Weak demand across Regions, especially in the Replacement market, continues to weigh on topline trend
- ▶ Further capacity reduction, especially in the Conventional segment
- ▶ Higher profitability, thanks to our value approach and lower raw material impact

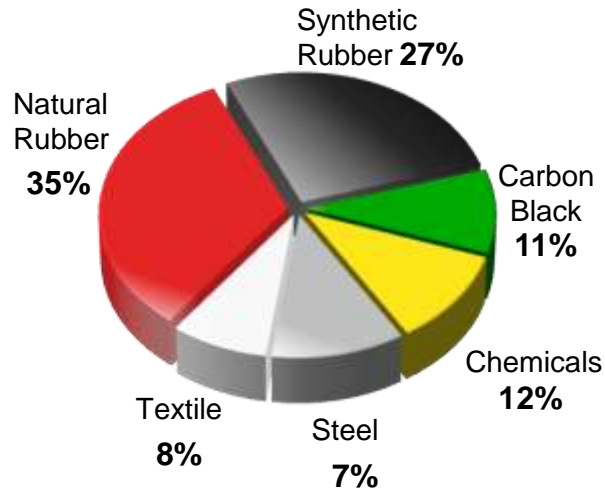
	1Q'12	2Q'12	1H'12
<b>Revenue drivers</b>			
Δ <b>Price/Mix</b>	+11.2%	+5.3%	+8.2%
Δ <b>Volume</b>	-12.3%	-11.3%	-11.8%
Δ <b>Rev.</b> (before exch. rate impact)	<b>-1.1%</b>	<b>-6.0%</b>	<b>-3.6%</b>
Δ <b>Exch. Rate</b>	-1.5%	-3.1%	-2.3%

- ▶ -7% impact on volumes due to:
  - ▶ disruption of activity in Egypt plant
  - ▶ Import constraints in Argentina

# RAW MATERIALS

## BREAKDOWN FY 2011

(based on purchasing cost)



Guidance  
Industrial Plan Nov'11

Guidance  
May 2012

Update  
July 2012

Average Cost of Goods Sold €/mln	2011	2012	Headwind (2012 vs 2011)	2012	Headwind (2012 vs 2011)	2012	Headwind (2012 vs 2011)
<b>Natural Rubber</b> <i>TSR20 (\$/ton)</i>	4,600	4,300	+50	3,800	+120	<b>3,600</b>	<b>+150</b>
<b>Brent Oil</b> <i>(\$/barrell)</i>	100	105	(20)	118	(50)	<b>110</b>	<b>(25)</b>
<b>Butadiene EU</b> <i>(€/ton)</i>	1,900	2,100	(30)	2,100	(30)	<b>1,850</b>	<b>+5</b>
<b>FX</b> ( <i>R\$, TRY, EGP, US\$</i> )			(140)		(130)		<b>(190)</b>
<b>TOTAL</b>			<b>(140)</b>		<b>(90)</b>		<b>(60)</b>

**+80**  
vs Industrial Plan  
Nov'11 Targets

# A WALK THROUGH 2H 2012

	1H' 12 A	2H'12 E	FY'12 E
<b>EBIT</b>	<b>400 €/mln</b>	<b>&gt;400</b>	<b>AT LEAST 800 €/MLN</b>
Volumes	- 7.5%	<b>flat yoy</b> <ul style="list-style-type: none"> <li>▶ <b>strong Premium</b> in Emerging Markets and Nafta; flat in Europe;</li> <li>▶ <b>Winter confirmed down 10% yoy</b> (upside in case of early snow)</li> <li>▶ <b>favourable comparison base</b> (flat in 2H'11)</li> </ul>	-3.5%
Price Mix	+13.9%	<ul style="list-style-type: none"> <li>▶ firm pricing policy confirmed; price component still positive</li> <li>▶ mix improvement will continue</li> </ul>	+11%/+12%
Efficiencies	61€/mln	~ <b>90€/mln</b>	~ 150€/mln
Raw Mat	-90€/mln	+30€/mln	-60€/mln
Slowdown/ Industrializ./ restruct. costs	-22€/mln	-33€/mln	-55€/mln
<b>NFP</b>	<b>1.7€/bln</b>		<b>&lt;1.1€/bln</b>
	16% NWC/sales	<ul style="list-style-type: none"> <li>▶ Higher Ebitda vs. 1H 2012 (546€/mln)</li> <li>▶ 500€/mln operating working capital improvement through seasonality of the business and actions on inventories (down 4pp at 16% of sales)</li> </ul>	~6% NWC/sales

# AGENDA

**KEY MESSAGES**

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**PIRELLI & C FINANCIAL REVIEW**

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**TYRE BUSINESS**

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**APPENDIX**

# PIRELLI GROUP – 1H12 RESULTS

## Profit & Loss and Net Financial Position by Business Unit

€/mln

	Pirelli Tyre		Other		Pirelli & C. Cons.	
	1H12	1H11	1H12	1H11	1H12	1H11
<b>Sales</b>	<b>3,000.3</b>	<b>2,760.9</b>	<b>21.5</b>	<b>28.4</b>	<b>3,021.8</b>	<b>2,789.3</b>
<b>EBITDA before Restruct Costs</b>	<b>556.2</b>	<b>427.9</b>	<b>(10.5)</b>	<b>(17.0)</b>	<b>545.7</b>	<b>410.9</b>
<i>% on sales</i>	<i>18.5%</i>	<i>15.5%</i>			<i>18.1%</i>	<i>14.7%</i>
<b>EBIT before Restruct Costs</b>	<b>428.1</b>	<b>320.2</b>	<b>(12.9)</b>	<b>(22.4)</b>	<b>415.2</b>	<b>297.8</b>
<i>% on sales</i>	<i>14.3%</i>	<i>11.6%</i>			<i>13.7%</i>	<i>10.7%</i>
Restructuring Costs	(14.5)	(7.7)			(14.5)	(7.7)
<b>EBIT</b>	<b>413.6</b>	<b>312.5</b>	<b>(12.9)</b>	<b>(22.4)</b>	<b>400.7</b>	<b>290.1</b>
<i>% on sales</i>	<i>13.8%</i>	<i>11.3%</i>			<i>13.3%</i>	<i>10.4%</i>
Results from equity participations					(2.7)	0.9
Financial Income/Charges					(48.8)	(44.7)
<b>EBT</b>					<b>349.2</b>	<b>246.3</b>
Fiscal Charges					(127.5)	(87.5)
<b>Net Income</b>					<b>221.7</b>	<b>158.8</b>
<b>Attributable Net Income</b>					<b>219.5</b>	<b>161.7</b>
<b>Net Financial Position</b>					<b>1,702.7</b>	<b>778.9</b>

# PIRELLI GROUP – 2Q12 RESULTS

## Profit & Loss and Net Financial Position by Business Unit

€/mln

	Pirelli Tyre		Other		Pirelli & C. Cons.	
	2Q12	2Q11	2Q12	2Q11	2Q12	2Q11
<b>Sales</b>	<b>1,457.7</b>	<b>1,376.4</b>	<b>7.6</b>	<b>12.0</b>	<b>1,465.3</b>	<b>1,388.4</b>
<b>EBITDA before Restruct Costs</b>	<b>275.9</b>	<b>218.4</b>	<b>(6.0)</b>	<b>(10.9)</b>	<b>269.9</b>	<b>207.5</b>
<i>% on sales</i>	<i>18.9%</i>	<i>15.9%</i>			<i>18.4%</i>	<i>14.9%</i>
<b>EBIT before Restruct Costs</b>	<b>210.9</b>	<b>164.6</b>	<b>(7.1)</b>	<b>(13.3)</b>	<b>203.8</b>	<b>151.3</b>
<i>% on sales</i>	<i>14.5%</i>	<i>12.0%</i>			<i>13.9%</i>	<i>10.9%</i>
Restructuring Costs	(12.5)	(4.5)			(12.5)	(4.5)
<b>EBIT</b>	<b>198.4</b>	<b>160.1</b>	<b>(7.1)</b>	<b>(13.3)</b>	<b>191.3</b>	<b>146.8</b>
<i>% on sales</i>	<i>13.6%</i>	<i>11.6%</i>			<i>13.1%</i>	<i>10.6%</i>
Results from equity participations					(3.2)	0.1
Financial Income/Charges					(30.1)	(29.9)
<b>EBT</b>					<b>158.0</b>	<b>117.0</b>
Fiscal Charges					(61.6)	(39,6)
<b>Net Income</b>					<b>96.4</b>	<b>77.4</b>
<b>Attributable Net Income</b>					<b>96.6</b>	<b>78.9</b>
<b>Net Financial Position</b>					<b>1,702.7</b>	<b>778.9</b>



# PIRELLI BALANCE SHEET

€/mln

	1H 12	1Q 12	FY 11
<b>Fixed Assets</b>	<b>3,813.4</b>	<b>3,679.1</b>	<b>3,577.5</b>
Inventories	1,200.4	1,115.3	1,036.7
Commercial receivables	964.3	1,059.9	745.2
Commercial payables	(1,149.0)	(1,207.8)	(1,382.8)
<b>Net Operating Working Capital</b>	<b>1,015.7</b>	<b>967.4</b>	<b>399.1</b>
Oth receivables/payables	(69.9)	(245.1)	(243.9)
Net Working Capital	945.8	722.3	150.8
<b>Net Invested Capital</b>	<b>4,759.2</b>	<b>4,401.4</b>	<b>3,728.3</b>
Total Net Equity	2,246.9	2,320.1	2,191.6
Provisions	809.6	766.3	799.6
Net Financial Position	1,702.7	1,305.0	737.1
<b>Total</b>	<b>4,759.2</b>	<b>4,401.4</b>	<b>3,728.3</b>
Attributable Net Equity	2,195.3	2,274.6	2,146.1
Equity per Share (euro)	4.499	4.661	4.398

## % Net Invested Capital

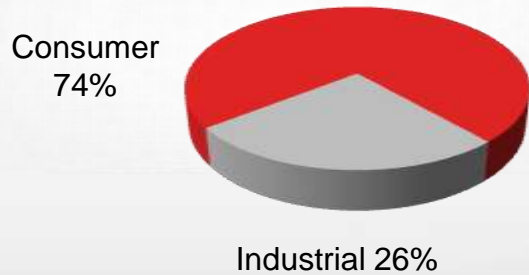
	1H12	FY11
<b>Tyre Business</b>	98.1%	91.8%
<b>Other</b>	1.9%	8.2%

# PIRELLI GROUP CASH FLOW

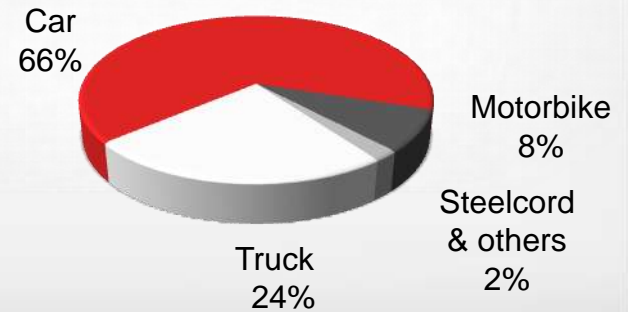
€/mln	1Q'11	2Q'11	1Q'12	2Q'12	1H'12
EBIT before restructuring costs	146.5	151.3	211.4	203.8	415.2
Depreciation	56.9	56.2	64.4	66.1	130.5
Net investments	(96.9)	(137.2)	(80.1)	(114.8)	(194.9)
Working capital/other variations	(313.5)	18.1	(512.8)	(238.8)	(751.6)
<b>OPERATING CASH FLOW</b>	<b>(207.0)</b>	<b>88.4</b>	<b>317.1</b>	<b>(83.7)</b>	<b>(400.8)</b>
Financial income (expenses)	(14.8)	(29.9)	(18.7)	(30.1)	(48.8)
Tax charges	(47.9)	(39.6)	(65.9)	(61.6)	(127.5)
<b>NET OPERATING CASH FLOW</b>	<b>(269.7)</b>	<b>18.9</b>	<b>(401.7)</b>	<b>(175.4)</b>	<b>(577.1)</b>
Financial investments/divestments	24.4	-	3.2	-	3.2
Russian JV	-	-	(154.5)	-	(154.5)
Däckia	-	-	-	(70.8)	(70.8)
Campneus	-	-	-	(35.4)	(35.4)
Dividends paid	(0.7)	(82.8)	(2.2)	(133,0)	(135,2)
Cash-out for restructuring	(2.8)	(5.7)	(4.2)	(3.3)	(7.5)
Exchange rate differentials/Others	(8.4)	3.5	(8.5)	20,2	11.7
<b>NET CASH FLOW</b>	<b>(257.2)</b>	<b>(66.1)</b>	<b>(567.9)</b>	<b>(397.7)</b>	<b>(965.6)</b>

# 1H12 PIRELLI TYRE MIX

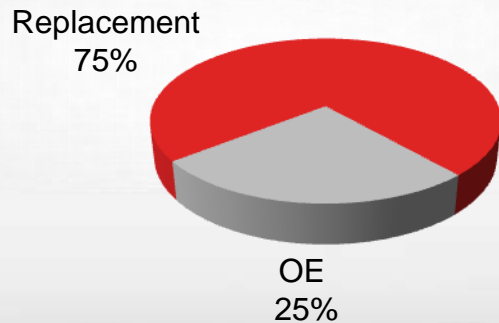
## SALES BY BUSINESS



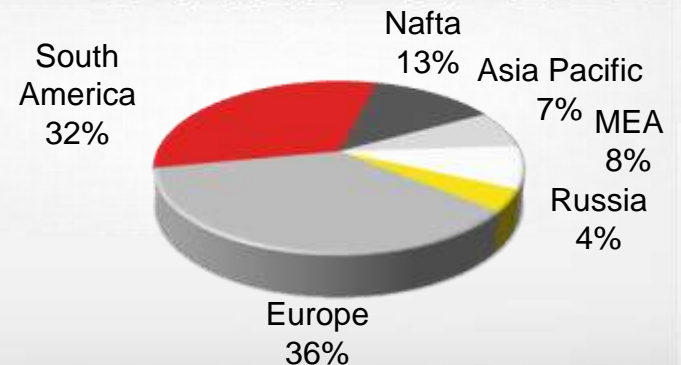
## SALES BY SEGMENT



## SALES BY CHANNEL

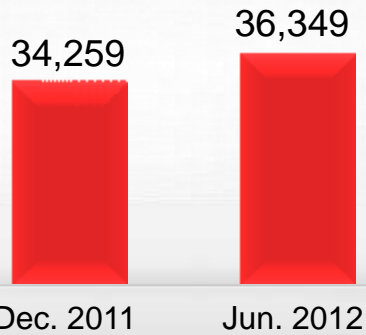


## SALES BY REGION

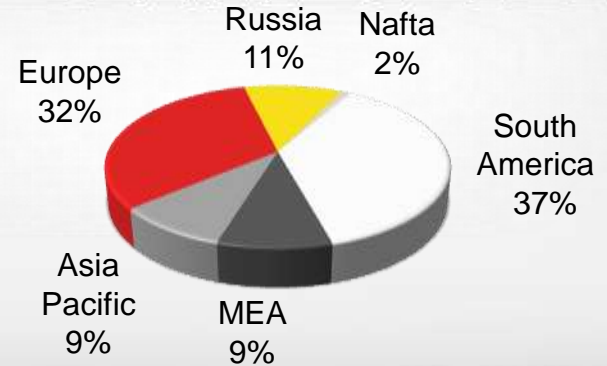


# JUNE 2012 PIRELLI PEOPLE

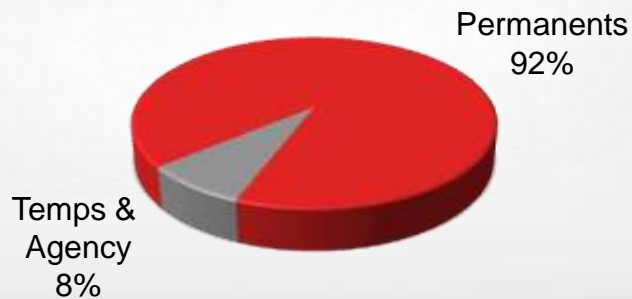
## HEADCOUNT



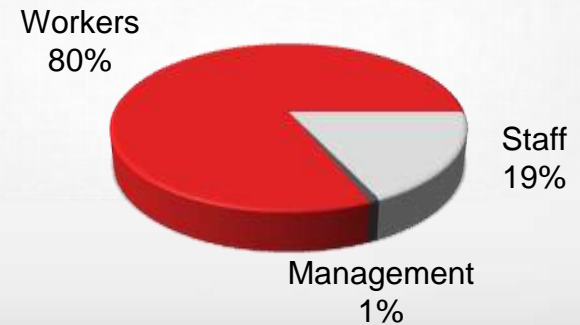
## PEOPLE BY REGION



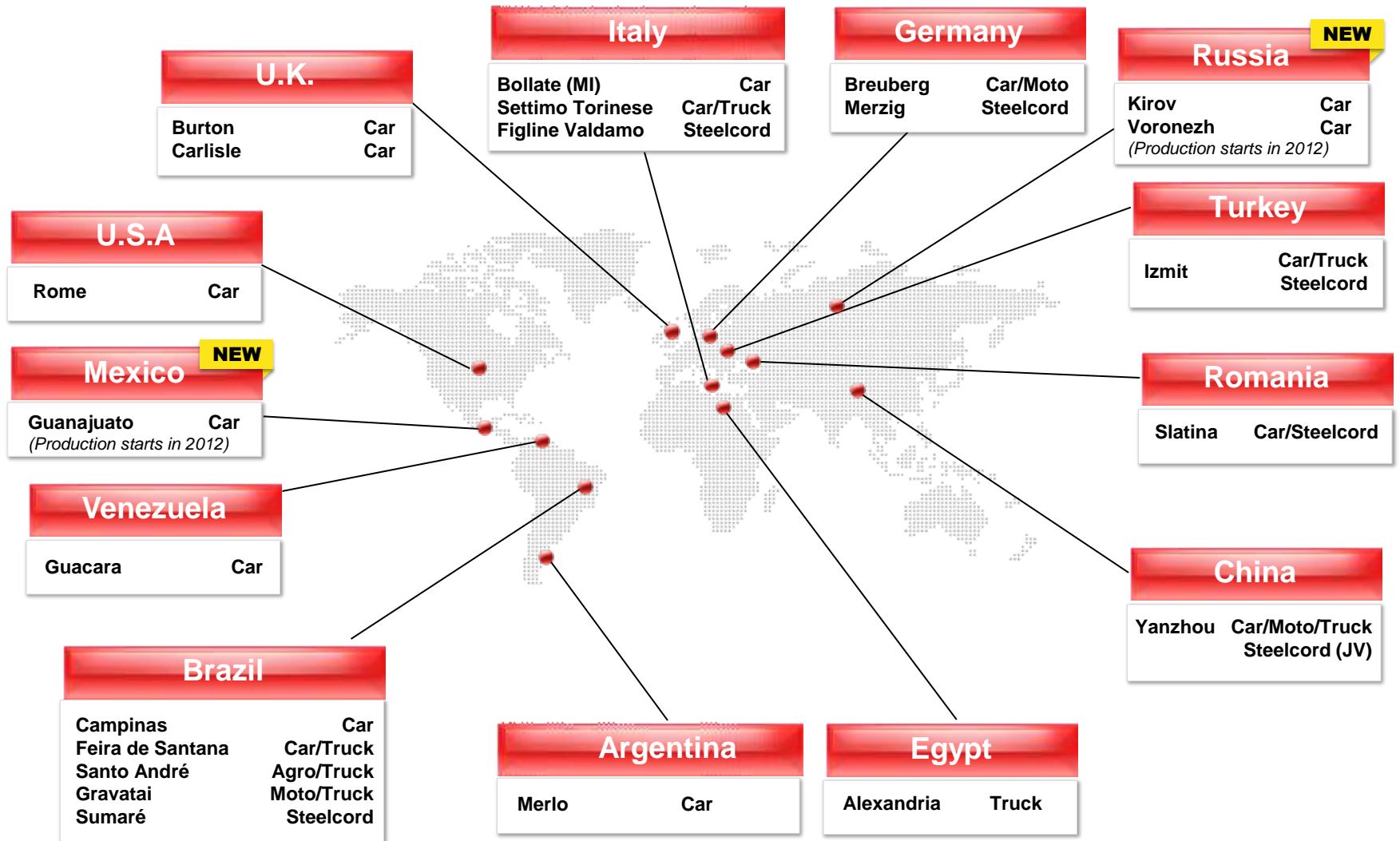
## PEOPLE BY CONTRACT



## PEOPLE BY CLUSTER

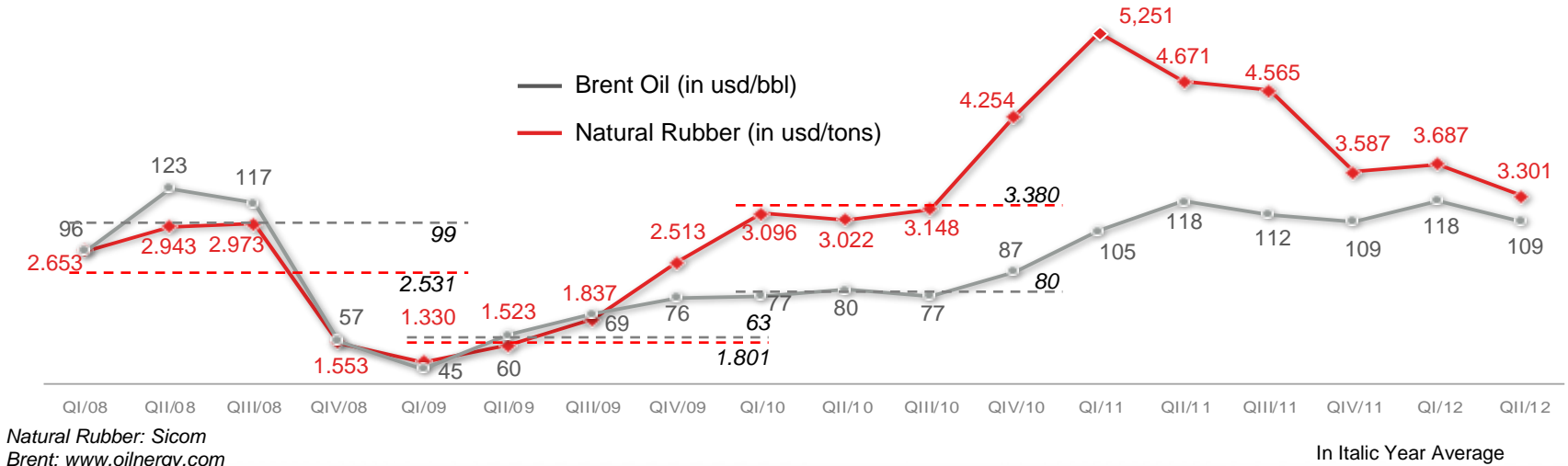


# PIRELLI PLANTS IN THE WORLD



# RAW MATERIALS

## RAW MATERIAL PRICE TREND



## 1H 2012 MIX (BASED ON PURCHASING COST)

Raw mat. costs on sales: **38%**

