



PRESS RELEASE

PIRELLI & C. SPA BOARD APPROVES 2012 RESULTS

RECORD PROFITABILITY THANKS TO FOCUS ON PREMIUM AND EFFICIENCIES

2012 PROFITABILITY AND NET FINANCIAL POSITION TARGETS ACHIEVED

TOTAL INVESTMENT 471 MILLION EURO

RETURN ON INVESTMENTS (ROI) 19.2%

STRONG NET PROFIT GROWTH

PIRELLI & C. GROUP

- EBIT: +34.2% AT 780.8 MILLION EURO (581.9 MILLION EURO ON 31 DECEMBER 2011)
- OVER THREEFOLD EBIT INCREASE IN LAST 3 YEARS, +212% FROM 250 MILLION EURO IN 2009 ON LIKE-FOR-LIKE BASIS
- EBIT MARGIN GROWS TO 12.9% FROM 10.3% ON 31 DECEMBER 2011 (COMPARED WITH TARGET OF "ABOUT 13%")
 - NET PROFIT: +27.4% TO 398.2 MILLION EURO (312.6 MILLION EURO IN 2011 BEFORE NON-RECURRING IMPACTS). TOTAL NET PROFIT IN 2011 WAS 440.7 MILLION EURO AFTER A POSITIVE IMPACT OF 128 MILLION EURO LINKED TO DEFERED TAXATION
- REVENUES: +7.4% TO 6,071.5 MILLION EURO (5,654.8 MILLION EURO ON 31 DECEMBER 2011)
- PREMIUM SEGMENT GROWTH CONTINUES: REVENUES +20.9% TO 2,075.4 MILLION EURO AND VOLUMES +12.6%
- NET FINANCIAL POSITION NEGATIVE 1,205.2 MILLION EURO, A MARKED IMPROVEMENT COMPARED WITH 1,868.8 MILLION EURO ON 30 SEPTEMBER 2012 (COMPARED WITH TARGET OF "ABOVE OR EQUAL TO 1.2 BILLION EURO")

PIRELLI TYRE

- EBIT: +25.7% TO 809.1 MILLION EURO (643.9 MILLION EURO ON 31 DECEMBER 2011)
 - EBIT MARGIN GROWS TO 13.4% FROM 11.5% ON 31 DECEMBER 2011
 - CONSUMER BUSINESS EBIT MARGIN AT 14.3% (12.5% ON 31 DECEMBER 2011)
 - INDUSTRIAL BUSINESS EBIT MARGIN AT 11.1% (9.1% ON 31 DECEMBER 2011)
- REVENUES: +7.7% TO 6,031.3 MILLION EURO (5,601.6 MILLION EURO ON 31 DECEMBER 2011)

- BOARD TO PROPOSE TO SHAREHOLDERS THE DISTRIBUTION OF A DIVIDEND OF 0.32 EURO PER ORDINARY SHARE (0.27 A YEAR EARLIER) AND 0.39 EURO PER SAVINGS SHARE (0.34 EURO A YEAR EARLIER)
 - BUYBACK PROPOSAL TO SHAREHOLDERS APPROVED
- NOTWITHSTANDING STRONG RESULTS' GROWTH, MANAGEMENT WILL NOT RECEIVE THE VARIABLE BONUS FOR THE YEAR 2012 BECAUSE THE THRESHOLDS OF ACCESS IN THE INCENTIVE PLAN WERE NOT REACHED

2013 TARGETS

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

NET FINANCIAL POSITION BELOW 1.2 BILLION EURO

INVESTMENTS OF ABOUT 400 MILLION EURO, OVER 70% OF WHICH EARMARKED FOR THE PREMIUM SEGMENT, MIX AND QUALITY ENHANCEMENT. AT THE END OF 2013 PREMIUM CAPACITY WILL BE 33 MILLION PIECES (48% OF THE TOTAL), OF WHICH 63% LOCATED IN LOW COST COUNTRIES AND 60% IN NEW FACTORIES

CONSOLIDATED EBIT BETWEEN 810 AND 850 MILLION EURO WITH A MARGIN IN LINE WITH OR SLIGHTLY HIGHER THAN 2012 AFTER HAVING FINANCED:

- RESTRUCTURING COSTS OF AROUND 30 MILLION EURO
- GREATER MARKETING AND COMMERCIAL COMMITMENTS AIMED AT IMPROVING THE COMPETITIVE POSITIONING IN THE PREMIUM SEGMENT
- INDUSTRIAL COSTS FOR THE CONVERSION OF CAPACITY FROM STANDARD TO PREMIUM AND DEVELOPMENT IN RUSSIA AND MEXICO
- GROWING DEPRECIATION RELATED TO THE INTENSE INVESTMENT ACTIVITY OF THE LAST TWO YEARS AND THE WIDENING OF THE PERIMETER FOR NEW ACQUISITIONS

CONSOLIDATED EBIT WILL INCLUDE CONTRIBUTIONS FROM:

- THE CONSUMER BUSINESS WITH A MARGIN OVER 14% ON SALES FORESEEN AT AROUND 4.6 BILLION EURO
- THE INDUSTRIAL BUSINESS WITH A MARGIN OF AROUND 12% ON SALES OF AROUND 1.7 BILLION EURO

TOTAL REVENUES FORESEEN AT BETWEEN 6.3 AND 6.4 BILLION EURO DERIVED FROM:

- VOLUMES WHICH ARE EXPECTED TO GROW BETWEEN 3% AND 4%. PREMIUM WILL DRIVE DEVELOPMENT WITH A GROWTH RATE BETWEEN 13% AND 14%
 - PRICE/MIX BETWEEN +4% AND +5%
 - EXCHANGE RATES AT AROUND -4%

Milan, 11 March 2013- The Board of Directors of Pirelli & C. SpA today reviewed and approved **results for the year ended 31 December 2012.**

The Pirelli group's results for 2012 show growth in the key economic indicators compared with 2011, in particular in profitability, notwithstanding the difficult macro-economic context, especially in European markets. Pirelli's positioning with Premium products and in markets of rapidly growing economies, as well as progressive improvements in the efficiencies' plan, allowed the group to achieve a level of profitability among the highest of the tyre sector.

At the consolidated level, **revenues** on 31 December 2012 amounted to 6,071.5 million euro, an increase of 7.4% compared with 5,654.8 million euro in 2011.

The sales' growth included ever more significant contributions from the development of Premium revenues, which totaled 2,075.4 million euro (+20.9% from 2011) and which equaled 47% of Consumer sales in 2012, up from 43.7% in 2011.

Europe still remains the main Premium market but with 2012 growth reduced to 4% due to the great ongoing crisis in consumption, while Nafta Premium revenues registered 35% growth.

At the end of 2012, emerging markets in total represented 22% of Premium revenues but with an accelerating rate of growth. In 2012 this was +69% compared with 2011.

The focus on high-end products, characterized by higher profitability, together with a rigorous pricing policy, allowed the group to comfortably absorb the decline in volumes especially in European markets and the correlated costs of under-utilization of factories, as well as greater restructuring charges aimed at creating greater long-term competitiveness.

The efficiencies achieved at the end of the year amounted to 158 million euro, +31% compared with the initial target set for 2012, and were mostly achieved as a result of the greater industrial presence in countries with lower production costs and the progressive rationalization of fixed, general and administration costs.

The **consolidated operating result after restructuring charges** was 780.8 million euro, an increase of 34.2% compared with 581.9 million euro at the end of 2011, with an Ebit margin of 12.9%, +2.6 percentage points from 2011. This result, in line with the profitability target of "around 13%" includes greater restructuring charges (39.1 million euro) compared with the previously indicated figure (-30 million euro). Over the last three years, consolidated Ebit, after restructuring costs, increased more than threefold from 250 million euro in 2009, on a like-for-like basis, to 780.8 million euro in 2012, an increase of 212%.

The **net result** was 398.2 million euro, an increase of 27.4% compared with 312.6 million euro in 2011. In 2011 the total net result was 440.7 million euro as a result of the positive non-recurring impact of 128.1 million euro linked to the booking of deferred taxation following a change in Italy's taxation law.

In the fourth quarter, in particular, Pirelli registered sales of 1,497.4 million euro (+7.8% compared with the fourth quarter 2011) and an operating result of 188 million euro (+43.8% compared with the same period 2011), with profitability increasing by 3.2 percentage points to 12.6%.

The **net financial position** on 31 December 2012 was 1,205.2 million euro (compared with a target of "higher than or equal to 1,200 million euro"), an improvement of 663.6 million euro compared with negative 1,868.8 million euro on 30 September 2012 (-737.1 million euro on 31 December 2011), thanks to the particularly favourable performance of the net operating cash flow, which solely in the fourth quarter was positive 730.8 million euro, as a consequence of the significant reduction in working capital, thanks to actions on inventories and collection of commercial credits. In 2012, the net operating cash flow was positive 262.7 million euro (including investments of 471 million euro), while the **net total cash flow** was negative 468.1 million euro. The value includes, as well as the operating cash flow, the outlay for the enlargement of the perimeter of activity of 277.1 million euro, of which 170.9 million euro relative to the acquisition of two production sites in Russia and 106.2 million euro linked to the acquisition of retail distribution chains in Brazil and Sweden. In 2012 the Parent Group distributed total dividends to shareholders of 132.3 million euro.

The annual management incentive plan included as a condition of access to the incentive the achievement of the 2012 net financial position target initially set at around 1.1 billion euro after the payment of dividends and an operating result of at least 800 million euro. Notwithstanding decidedly positive results,

especially given the context of global economic crisis, as the threshold for access of the net financial position was not reached, management will not receive any recognition for the year 2012.

As well as having reinforced the group's commercial penetration with the acquisition of two new distribution chains mentioned above, in 2012 Pirelli further reinforced its global geographic presence in markets of rapid economic growth, completing its investment in Russia and launching production in Mexico, at the new factory in Silao, solely of high-end products aimed at the North American market. In Italy, Pirelli accelerated the process of focusing the Settimo Torinese hub, the group's most technologically advanced, converting truck tyre production to high-end, higher margin Car segment production.

The **commitment to the activities of research and development**, fundamental to ensure constant product innovation, remained in line with the highest of the sector; in 2012 Pirelli invested a total of 178.9 million euro (2.9% of sales) of which 142 million euro for activities linked to Premium products (equal to 6.8% of revenues in the segment). These investments are destined to the creation of new products which as well as constantly improving performance, also improve safety for people and the environment.

Over the course of 2012, Pirelli continued with the innovation of its products portfolio, enriching the Cinturato line with the **P7 Blue**. This product was awarded, in line with the new European norms on safety and the environment (labeling), a "double A" thanks to its reduced braking distances in the wet and its low rolling resistance. In the Winter segment, Pirelli launched the **Scorpion Winter**, a new tyre developed for SUVs by the company's researchers to minimize braking distances in all weather conditions and maximize traction on snow, as well as optimizing driving precision.

The Board also approved the sustainability report, part of the annual report aimed at informing all stakeholders of the goals achieved by the Group and its new challenges. Even in 2012 the commitment to the creation of value in the long term, which characterizes the responsible management of the company and its economic, social and environmental performance, resulted in Pirelli's re-confirmation in some of the most prestigious market sustainability indices at the world level, such as the Dow Jones Sustainability Index, which for the sixth consecutive year recognized Pirelli's world sustainability Leadership in the Autoparts & Tyres sector, and the FTSE4Good on the UK stock exchange, which gave Pirelli a rating of 100/100.

Pirelli & C. SpA Group

At the consolidated level, **revenues** on 31 December 2012 totaled 6,071.5 million euro, an increase of 7.4% from 5,654.8 million euro in 2011. In the fourth quarter, in particular, revenues amounted to 1,497.4 million euro, an increase of 7.8% compared with 1,389.0 million euro for the same period of 2011.

The **gross operating margin (EBITDA) before restructuring charges** was 1,091.2 million euro, an increase of 30.7% compared with 834.6 million euro in 2011. In the fourth quarter, in particular, EBITDA before restructuring charges reached 281.3 million euro, an increase of 38.2% compared with 203.5 million euro in the fourth quarter of 2011.

The **operating result (EBIT) including restructuring charges**, which amounted to 39.1 million euro (27.8 million at the end of 2011) amounted to 780.8 million euro, with an increase of 34.2% compared with 581.9 million euro for the same period of 2011. In the fourth quarter, in particular, the operating result including restructuring charges was 188.0 million euro, an increase of 43.8% compared with 130.7 million euro in the fourth quarter of 2011.

The **result from shareholdings** was negative 52.2 million euro (-17.3 million euro at the end of 2011) and include among other components the result of consolidation using the net equity method of the affiliated RCS Media Group, negative 20.1 million euro, and the correction of the value of the stake in Mediobanca of 16.8 million euro, in Fin. Priv. of 4.2 million euro, in Alitalia for 4.8 million euro and in FC Internazionale of 6.7 million euro.

The **net result** on 31 December 2012 was 398.2 million euro, an increase of 27.4% compared with 312.6 million euro in 2011 on like-for-like basis. Including the 128.1 million euro effect linked to the activation of deferred taxation in Italy, the total 2011 net result amounted to 440.7 million euro.

The part of the **total net result attributable to Pirelli & C.** was positive 393.8 million euro (0.807 euro per share) compared with 451.6 million euro on 31 December 2011 (0.926 euro per share).

Consolidated net assets on 31 December 2012 stood at 2,389.4 million euro, compared with 2,191.6 million euro for 2011. **Net assets attributable to Pirelli & C.** on the same date totaled 2,337.4 million euro compared with 2,146.1 million euro in 2011.

The net financial position on 31 December 2012 was 1,205.2 million euro, an improvement of 663.3 million euro compared with a negative 1,868.8 million on 30 September 2012 (-737.1 million euro on 31 December 2011), thanks to the particularly favourable performance of the net operating cash flow, which solely in the fourth quarter was positive 730.8 million euro, essentially due to the cash generated from the management of working capital. In 2012 the **net operating cash flow** was in total positive 262.7 million euro, while the **net total cash flow** was negative 468.1 million euro. The value includes, as well as the operating cash flow, investments to enlarge the perimeter scope of activity of 277.1 million euro, of which 170.9 million euro relative to the acquisition of two production sites in Russia and 106.2 million euro linked to the acquisition of two retail distribution chains in Brazil and Sweden. In 2012, the Parent Company distributed dividends of 132.3 million euro to shareholders.

The **group headcount** on 31 December 2012 stood at 37,338, compared with 34,259 in December 2011.

The **Pirelli & C. Spa parent company** ended the year with a net profit of 234.4 million euro (272.5 million euro in 2011 but the figure included the booking of deferred taxes on past fiscal losses with a non-recurring positive impact of 128.1 million euro. The Board will propose to shareholders the distribution of a **dividend** of 0.32 euro per ordinary share (0.27 the prior year) and 0.39 euro per savings share (0.34 the prior year), equal to a total dividend outlay of 156.7 million euro. The dividend will be paid from May 23rd, 2013 (the ex-dividend date will be May 20th, 2013 and *record date* May 22nd, 2013).

Tyre Activities

The **revenues of Pirelli Tyre** on 31 December 2012 amounted to 6,031.3 million euro, an increase of 7.7% from 5,601.6 million euro in 2011. The variation net of the exchange rate effect, negative 1%, saw an increase of 8.7%. The volume component, excluding the activities in Russia and the distribution chain in Sweden, was negative 5.6%, but it was more than compensated for by the price/mix component which was positive 10.2% which reflects both a stable pricing policy and the focus on the Premium segment, where volumes rose 12.6%. The enlarging of the perimeter, represented by the activities in Russia and the distribution chain in Sweden, contributed +4.1% at the level of revenues.

In the fourth quarter of 2012, in particular, sales amounted to 1,488.5 million euro, an increase of 8.2% compared with 1,375.9 million euro at end 2011. Over the period, the variation net of the exchange rate effect, negative 2%, saw an increase of 10.2%. The volume component, excluding the Russian activities and the distribution chain in Sweden, was negative 1.8%, offset by the contribution of the price/mix

component which was positive 5.4%, with Premium volumes growing 11.1%. The already mentioned enlarging of the perimeter contributed +6.6% at the revenues' level.

The Consumer business in 2012 registered revenue growth of 12.6%, while the Industrial segment – a business with greater exposure to economic cycles – saw a decline in sales of 3.9%, of which -3.6% due to the exchange rate effect.

The **gross operating margin (Ebitda) before restructuring charges** was 1,114.8 million euro, an increase of 27.3% compared with 875.5 million euro in 2011, equal to 18.5% of sales (+2.9 percentage points, compared with 2011). In the fourth quarter, in particular, Ebitda was 289.1 million euro, an increase of 31.9% compared with 219.2 million euro at the end of 2011, with an improvement of the Ebitda margin to 19.4% (+3.5 percentage points compared with the same period of 2011).

The **operating result (Ebit) after restructuring charges** amounted at the end of 2012 to 809.1 million euro, an increase of 25.7% compared with 643.9 million euro in 2011, with profitability at 13.4%, an increase of 1.9 percentage points compared with 2011. In the fourth quarter, in particular, Ebit was 196.8 million euro, an increase of 23.4% compared with 159.5 million euro in the same period of 2011, equal to 13.2% of sales, up from the prior 11.6%. In 2012, total restructuring charges amounted to 39.1 million euro, of which 20.9 million euro in the last quarter, due mainly to the acceleration of the process of focusing the Settimo Torinese hub, the most technologically advanced in the group, on the high-end segment with the highest profitability, the expected closure of steelcord production activities in Germany, as well as continuing efficiency actions on structures in Europe.

The operating result benefitted from the positive impact of the commercial variable, in particular the price/mix component (positive 363.1 million euro in 2012), also as a function of the strategic focus on the Premium segment which allowed for the attenuation of the overall decline in volumes due to the difficult macro-economic crisis. Over the course of 2012 the impact of raw materials was negative 50.5 million euro, while solely in the fourth quarter the impact was positive per 37.2 million euro.

- In the **Consumer business (Car/Light Truck and Moto tyres)**, revenues in 2012 totaled 4,419.8 million euro, with an increase of 12.6% compared with 3,925.5 million euro in 2011, while the operating result after restructuring charges was 631.0 million euro, with an increase of 28.6% compared with 490.6 million euro at the end of 2011, equal to 14.3% of sales, up from the previous 12.5%.

The volume component, excluding the activities in Russia and the distribution chain in Sweden, was negative 5.2%, offset by the contribution of the price/mix component which was positive 12% which reflects the focus on the Premium segment, where volumes registered growth of 12.6%. The enlarged perimeter represented by the activities in Russia and the distribution chain in Sweden contributed +5.8% at the revenues 'level. Over the period there was no impact at the exchange rate level.

In the fourth quarter, in particular, **revenues** were 1,072.9 million euro, with an increase of 11.9% compared with 959 million euro in the same period in 2011. The volume component, excluding the Russian activities and the distribution chain in Sweden, was negative 4%, offset by the contribution of the price/mix component which was positive 6.4% and with Premium volumes growing by 11.1%. The already mentioned enlarged perimeter contributed +9.5% at the level of revenues. Over the period, exchange rates had no effect.

In the fourth quarter there was an improvement in **profitability** both in absolute terms – with an operating result after restructuring charges rising to 144.3 million euro compared with 120.5 million

euro in the same period of 2011 – and in percentage terms, with the Ebit margin increasing to 13.4% from 12.6% the previous year.

- In the **Industrial business (tyres for Industrial vehicles and Steelcord)** total revenues amounted to 1,611.5 million euro, a decline of 3.9% from 1,676.1 million euro in the same period of 2011, while the operating result was 178.1 million euro, an increase of 16.2% from 153.3 million euro in 2011, equal to 11.1% of revenues compared with the prior 9.1%. The improvement in profitability stems from the performance of the price/mix component and the reduction in the costs of raw materials, factors which more than compensated the fall in volumes linked to the slowdown in demand.

Over the period, the variation in revenues net of the exchange rate effect (negative 3.6%) saw a marginal decline of 0.3%. The volume component was negative 6.5%, partially offset by the contribution of price/mix component, positive 6.2%.

In the fourth quarter, in particular, revenues declined 0.3% to 415.5 million euro, compared with 416.9 million euro in the period of 2011, a decrease exclusively due to the exchange rate effect which had an impact of 6.3%. Organic sales registered growth of 6%, of which +3.1% derived from volumes and +2.9% from price/mix. The operating result for ordinary operations after restructuring costs was 52.5 million euro, an increase of 34.6% from 39 million euro in the same period of 2011, equal to 12.6% of revenues compared with the prior 9.4%.

Significant events after 31 December 2012

On **January 15th, 2013** the Pirelli & C. Spa shareholder agreement was renewed without variation in the participants or the stakes conferred. All the participants manifested the will to renew the agreement, the expiry of which was set at April 15th, 2014.

On **January 15th, 2013** Pirelli and the Ministry for the Environment signed a new agreement to reduce the climate impact of the activities related to the production and use of tyres. The agreement, signed by Minister Corrado Clini and the Chairman and CEO of Pirelli, Marco Tronchetti Provera, defines the second phase of an agreement signed with the Ministry in January 2012, in the context of the international conference “Driving Sustainability: a safe road to the future”. In particular, in this second phase, Pirelli and the Ministry will launch experimentation on technology aimed at reducing the climate impact of activities connected with the production and use of car tyres produced by Pirelli in Brazil.

On **January 23rd, 2013** Pirelli inaugurated the 2103 Motorsport season and presented the evolution of the Formula One tyres, the third in three years, and the first 17” for Superbike, a turning point in the highest championship for stock derivations. Pirelli will be involved in about 250 competitions, of which less than half as sole supplier, supplying tyres in more than 40 countries, from America to the Far East.

On **January 30th, 2013** Pirelli and Russian Technologies announced the launch of the new production line at the factory in Voronezh, in Russia’s south west. The new production line, thanks to the investment made in technology, is aligned with Pirelli standards and will allow the production of compounds for Premium tyres, in particular in the winter segment. Total investment to 2015 will be 100 million euro, with a production capacity of 4 million pieces by 2014.

On **February 20th, 2013** Pirelli & C. Ambiente Spa and Clean Diesel Technologies Inc. (Nasdaq: CDTI) signed an agreement to constitute a joint venture to market and sell, in Europe and CIS countries, emissions’ control devices. The new company, named Eco Emission Enterprise Srl, will be headquartered in Milan and is expected to begin operations in March. Through the joint venture, the two companies aim to consolidate their leadership in technologies for the containment of polluting emissions of diesel and

gasoline vehicles, light and heavy, for on-road and off-road applications in the original Equipment segment and the After Market.

On **March 5th**, 2013 Mr. Mario Greco resigned from his duties as a member of the Company's Board of Directors.

2013 Outlook

In a 2013 macro-economic scenario which foresees stagnation in Europe and GDP growth rates of the order of 2.3% for countries with rapidly growing economies and with China at +8.2%, the world car tyre market is expected to grow 2.5% (around 1,347 million pieces) essentially due to the development of the Premium segment which continues to growth at a rate at least 3 times faster (over +7%) than non-premium.

In percentage terms, in 2013 Premium will reach 13.3% (12.7% in 2012). At the geographic level, the dynamics already registered in 2012 are accentuated:

- Mature markets will see contained development (+1%) and mainly due to Premium growth of +3.8% which at year's end should represent 18.2% of the market (up from 17.7% in 2012)
- Emerging markets should register an increase of 4% with Premium developing at around 15% and equal to 8.5% of the total at the end of 2013 (from 7.7% in 2012).

The radial truck tyre market is expected to grow by 4.8% (around 136 million pieces) with similar trends in mature markets (+5.3% to 37 million pieces) and emerging (+4.6% to 99 million pieces).

In this scenario, Pirelli confirms its strategic focus on Premium with the goals of:

- Improving positioning in the replacement channel in mature markets leveraging on a stronger presence in original equipment
- Catching the many opportunities for Premium growth in emerging markets.

These objectives in 2013 will be reflected in:

- Total volumes increasing by 3%-4% with a high-single-digit trend in emerging markets and substantial stability in mature markets compared with 2012
- The Premium segment driving growth with a rate of development during the year between 13% and 14%
- Price/Mix seen growing between 4% and 5%
- Exchange rates declining by around 4%

Total revenues are therefore seen increasing by between 4% and 5% to 6.3-6.4 billion euro.

To pursue the above described Premium goals, Pirelli in 2013 will bear greater costs in the commercial context to develop marketing actions and improve customer service, from the industrial point of view greater costs for the acceleration of converting capacity to Premium, to develop the factories in Russia and Mexico, to launch the new factory in Indonesia for the moto business.

The intense investment activity of the last two years and the recent acquisition of factories in Russia and distribution chains in Brazil and Sweden will result during the year in a significant increase in amortizations.

These actions aimed at improving competitive positioning will be financed during the year by the progressive advancement of the efficiency plan, quantifiable for 2013 as at least 70 million euro and a better expected trend, compared with 2012, in the cost of raw materials (natural rubber in particular).

Restructuring costs are expected to be around 30 million euro.

The Ebit target is quantified in a range between 810 and 850 million euro and therefore within a margin of profitability that is stable compared with 2012 or slightly better.

The contribution to these profitability goals of the consumer and industrial businesses are expected to be as follows:

Consumer

Ebit margin expected to be over 14% of revenues which will reach around 4.6 billion euro including:

- Volume growth between 3% and 4% within which Premium to grow about 13%-14%
- Price/mix between +4.5% and +5.5%
- Exchange rate at around -3%

Industrial

Ebit margin at around 12% on revenues of around 1.7 billion euro deriving from:

- Volumes increasing by between 3.5% and 4.5%
- Price mix at between +4% and +5%
- Exchange rates at around -5%

Investments are expected at around 400 million euro of which 35% earmarked for mix and quality improvement, 29% for maintenance, logistics, safety and the environment, 36% for the conversion of capacity from standard to Premium and new Premium capacity in low cost countries.

At the end of 2013, total capacity should reach 69 million pieces in Consumer, 78% of which in rapidly growing countries. Premium capacity will reach 33 million pieces (48% of the total) with 63% located in rapidly growing countries and 60% in our new production plants.

Cash generation before dividends will be positive and above 200 million euro and equal to about 3% of sales.

This target will be achievable with an improvement of Ebitda in a range of between +70 and +110 million euro, investments of around 400 million euro as mentioned above, a ratio between operating working capital and revenues of lower than or equal to 10%, a tax rate at 35% and a cost of debt of around 6.3%.

The net financial position at the end of 2013 is expected to be below 1.2 billion euro before the impact of Prelios.

Shareholders' meeting called

The Board of Directors decided to call – sole call – a meeting of shareholders to approve the 2012 results on May 13th, 2013.

Shareholders will also be called upon to decide on the reconfirmation of Mr. Carlo Salvatori who, coopted on July 26th, 2012, will end his duties as a director at the next shareholders' meeting. Shareholders will also be asked to decide on the matter of the substitution of Mr. Mario Greco, who resigned on March 5th, 2013, and Professor Paolo Ferro-Luzzi, deceased in November 2011.

Shareholders will also be asked to address proposed modification to bylaws, relative to gender balance within administrative bodies and controlling bodies of listed companies, and some other new provisions of law and regulation.

The Board will propose to shareholders to concede the authorization for a period of 18 months to buy back shares to a maximum of 10% of Company Capital.

In conclusion, shareholders to express themselves, via consulting vote, on the remuneration Policy.

Additional information on the matters reported above will be available in the Board of Directors report illustrating single proposals to shareholders.

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Conference call

The results for the 12 months ended 31 December 2012 will be illustrated today, Monday March 11th, 2013, via a conference call at 18.30 with the participation of the Chairman and CEO of Pirelli & C. SpA, Marco Tronchetti Provera, and the top management. Journalists will be able to follow the presentation, without the possibility of asking questions, by dialing **+39.02.36.00.98.67** or **800.145.655**. The presentation will also be webcast, in real time, online at www.pirelli.com in the Investors section, where the slides can also be consulted.

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

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".

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.

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

(in millions of euro)

| | 12/31/2012 | 12/31/2011 * |
|--|-------------------|----------------|
| Net sales | 6.071,5 | 5.654,8 |
| Gross operating profit before restructuring expenses | 1.091,2 | 834,6 |
| % of net sales | 18,0% | 14,8% |
| Operating income before restructuring expenses | 819,9 | 609,7 |
| % of net sales | 13,5% | 10,8% |
| Restructuring expenses | (39,1) | (27,8) |
| Operating income | 780,8 | 581,9 |
| % of net sales | 12,9% | 10,3% |
| Net income (loss) from equity investments | (52,2) | (17,3) |
| Financial income/(expenses) | (129,5) | (89,5) |
| Pre-tax income (loss) | 599,1 | 475,1 |
| Income tax | (200,9) | (162,5) |
| Tax rate % | 33,5% | 34,2% |
| Net income (loss) from continuing operations | 398,2 | 312,6 |
| Prior period deferred tax assets - Italy | - | 128,1 |
| Total net income (loss) | 398,2 | 440,7 |
| Net income attributable to owners of Pirelli & C. S.p.A. | 393,8 | 451,6 |
| Total net earnings per share attributable to owners of Pirelli & C. S.p.A. (in euro) | 0,807 | 0,926 |
| Non-current assets | 3.877,2 | 3.576,4 |
| Inventories | 1.102,6 | 1.036,7 |
| Trade receivables | 704,6 | 745,2 |
| Trade payables | (1.268,7) | (1.382,8) |
| Operating Net working capital | 538,5 | 399,1 |
| % of net sales | 8,9% | 7,1% |
| Other receivables/other payables | 11,0 | (248,3) |
| Total net working capital | 549,5 | 150,8 |
| % of net sales | 9,1% | 2,7% |
| Net i nvested capital | 4.426,7 | 3.727,2 |
| Equity | 2.389,4 | 2.191,6 |
| Provisions | 832,1 | 798,5 |
| Net financial (liquidity)/debt position | 1.205,2 | 737,1 |
| Equity attributable to the owners of Pirelli & C. S.p.A. | 2.337,4 | 2.146,1 |
| Equity per share attributable to the owners of Pirelli & C. S.p.A. (in euro) | 4,790 | 4,398 |
| Capital expenditure | 470,9 | 626,2 |
| Research and development expenses | 178,9 | 169,7 |
| Restructuring expenses | 2,9% | 3,0% |
| Headcount (number at end of period) | 37.338 | 34.259 |
| Industrial sites (number) | 23 | 21 |

* The consolidated balance sheet has been restated to include retrospectively the effects of the final purchase price allocation connected to the business combination "acquisition Russia".

Data by Business Sector

(in millions of euro)

| | Total Tyre | | Other business (*) | | Total | |
|--|----------------|----------------|--------------------|---------------|----------------|----------------|
| | 12/31/2012 | 12/31/2011 | 12/31/2012 | 12/31/2011 | 12/31/2012 | 12/31/2011 |
| Net sales | 6.031,3 | 5.601,6 | 40,2 | 53,2 | 6.071,5 | 5.654,8 |
| Gross operating profit before restructuring expenses | 1.114,8 | 875,5 | (23,6) | (40,9) | 1.091,2 | 834,6 |
| Operating income before restructuring expenses | 848,2 | 661,7 | (28,3) | (52,0) | 819,9 | 609,7 |
| Restructuring expenses | (39,1) | (17,8) | - | (10,0) | (39,1) | (27,8) |
| Operating income | 809,1 | 643,9 | (28,3) | (62,0) | 780,8 | 581,9 |
| <i>% of net sales</i> | <i>13,4%</i> | <i>11,5%</i> | | | <i>12,9%</i> | <i>10,3%</i> |
| Net income (loss) from equity investments | | | | | (52,2) | (17,3) |
| Financial income/(expenses) | | | | | (129,5) | (89,5) |
| Pre-tax income (loss) | | | | | 599,1 | 475,1 |
| Income tax | | | | | (200,9) | (162,5) |
| <i>Tax rate %</i> | | | | | <i>33,5%</i> | <i>34,2%</i> |
| Net income (loss) from continuing operations | | | | | 398,2 | 312,6 |
| Prior period deferred tax assets - Italy | | | | | - | 128,1 |
| Total net income (loss) | | | | | 398,2 | 440,7 |
| Net financial (liquidity)/debt position | | | | | 1.205,2 | 737,1 |

(*) in 2012 this item includes the Pirelli Ecotechnology Group, the Pirelli Ambiente group, and Pzero while in 2011 this item also included the figures for the holding and services companies (including the Parent Company) which have been consolidated this year in the Total Tyre

Cashflow statement

(in millions of euro)

| | 1Q | | 2Q | | 3Q | | 4Q | | TOTAL | |
|---|----------------|----------------|----------------|---------------|----------------|----------------|--------------|--------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Operating income (EBIT) before restructuring expenses | 211,4 | 146,5 | 203,8 | 151,3 | 195,8 | 163,3 | 208,9 | 148,6 | 819,9 | 609,7 |
| Amortisation and depreciation | 64,4 | 56,9 | 66,1 | 56,2 | 68,4 | 56,9 | 72,4 | 54,9 | 271,3 | 224,9 |
| Capital expenditures of property, plant and equipment and | (80,1) | (96,9) | (114,8) | (137,2) | (132,5) | (162,1) | (143,5) | (230,0) | (470,9) | (626,2) |
| Change in workin capital/other | (512,8) | (313,5) | (238,8) | 18,1 | (199,0) | (100,6) | 593,0 | 344,0 | (357,6) | (52,0) |
| Operating cash flow | (317,1) | (207,0) | (83,7) | 88,4 | (67,3) | (42,5) | 730,8 | 317,5 | 262,7 | 156,4 |
| Ordinary financial income/(expenses) | (18,7) | (14,8) | (30,1) | (29,9) | (39,5) | (19,4) | (41,2) | (25,4) | (129,5) | (89,5) |
| Ordinary tax charges | (65,9) | (47,9) | (61,6) | (39,6) | (42,3) | (51,3) | (31,1) | (23,7) | (200,9) | (162,5) |
| Net operating cash flow | (401,7) | (269,7) | (175,4) | 18,9 | (149,1) | (113,2) | 658,5 | 268,4 | (67,7) | (95,6) |
| Financial investments/disinvestments | 3,2 | 24,4 | - | - | 2,3 | (16,4) | - | (7,0) | 5,5 | 1,0 |
| Acquisition of non-controlling interests (China) | - | - | - | - | - | (28,0) | - | - | - | (28,0) |
| Russia Investment | (154,5) | - | - | - | (16,4) | - | - | (55,0) | (170,9) | (55,0) |
| Dackia Investment | - | - | (70,8) | - | - | - | - | - | (70,8) | - |
| Camprus Investment | - | - | (35,4) | - | - | - | - | - | (35,4) | - |
| Dividend paid by Parent | - | - | (132,3) | (81,1) | - | - | - | - | (132,3) | (81,1) |
| Other dividends paid | (2,2) | (0,7) | (0,7) | (1,7) | - | - | - | - | (2,9) | (2,4) |
| Cash Out for restructuring operations | (4,2) | (2,8) | (3,3) | (5,7) | (3,6) | (1,9) | (12,4) | (6,5) | (23,5) | (16,9) |
| Disposals of tangible assets | - | - | - | - | - | - | 20,5 | - | 20,5 | - |
| Foreign exchange differences/other | (8,5) | (8,4) | 20,2 | 3,5 | 0,7 | 0,1 | (3,0) | 1,3 | 9,4 | (3,5) |
| Net cash flow | (567,9) | (257,2) | (397,7) | (66,1) | (166,1) | (159,4) | 663,6 | 201,2 | (468,1) | (281,5) |