## PIRELLI TYRES
### PROFIT & LOSS

### FULL YEAR RESULTS

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
<th>Var. 00/99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2,880</td>
<td>2,559</td>
<td>+12.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>370</td>
<td>349</td>
<td>+6.2%</td>
</tr>
<tr>
<td>% on Net Sales</td>
<td>12.8%</td>
<td>13.6%</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>180</td>
<td>185</td>
<td>-2.7%</td>
</tr>
<tr>
<td>% on Net Sales</td>
<td>6.3%</td>
<td>7.2%</td>
<td></td>
</tr>
<tr>
<td>Net Result</td>
<td>(172)</td>
<td>112</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net Debt</td>
<td>748</td>
<td>535</td>
<td>+39.8%</td>
</tr>
<tr>
<td>Category</td>
<td>Var. %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>--------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume and mix</td>
<td>10.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prices</td>
<td>-2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-1.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12.5%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## EBIT Variations - 2000/1999

<table>
<thead>
<tr>
<th>Factor</th>
<th>Euro mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate</td>
<td>+13</td>
</tr>
<tr>
<td>Price</td>
<td>(71)</td>
</tr>
<tr>
<td>Volume and mix</td>
<td>+129</td>
</tr>
<tr>
<td>Materials</td>
<td>(61)</td>
</tr>
<tr>
<td>Efficiency</td>
<td>+26</td>
</tr>
<tr>
<td>Other</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>(5)</td>
</tr>
</tbody>
</table>
PIRELLI TYRES
SECTOR SALES

TYRES
2,880
YoY +12.5%
ROS 6.3%

Car / Light Truck
1,688
YoY +12.2%
ROS 5.2%

Truck
583
YoY +25.4%
ROS 9.4%

Moto
198
YoY +16.5%
ROS 15.2%

Other
411
YoY -1.8%
ROS 1.7%
• Size is not anymore the only driver for success

• Tyre perceived as a critical component: continuous quality enhancement

• Innovation through technological transformation must match customer demand

• Web is improving the brand name recognition and is giving a “virtual” globalization to companies
## Pirelli Tyres Business Units Strategic Guidelines

### Car + Light Truck
- Deployment of new plants based on new processes (MIRS)
- Focus in HP/UHP
- Concentration of M/L segment in low cost factories
- New products introduction

### Truck
- Allocation of production in low labour cost countries
- Renewal of product range
- Fleet management

### Moto
- Introduction of MIRS process
- Leadership strengthening through Pirelli and Metzeler brand management
- Worldwide industrial process optimization
PIRELLI TYRES
STRATEGIC PILLARS

Pillars

- Focus
- Innovation
- Efficiency

Drivers

- Business Units
- Customer Centricity
- Focused Value propositions

- Technical innovation
- Tyre as a sensor
- MIRS update

- Internetworking
- Standardisation
- Individual accountability
PIRELLI TYRES
STRATEGIC PILLARS

Pillars
- Focus
- Innovation
- Efficiency

Drivers
- Business Units
- Customer Centricity
- Value propositions
- Internetworking
- Standardisation
- Individual accountability
PIRELLI TYRES
BUSINESS UNITS ORGANISATION

Tyre Sector
Shared services and competencies

Car & Light truck
Business Unit Performance

Standard Production Unit

Truck

Moto

Steel Cord

Market Development Unit
**PIRELLI TYRES**
**CUSTOMER CENTRICITY**

- Channel management
- Trade marketing
- Specialised salesforce

Traditional tools

**e-based tools**

Focus

[Diagram showing flow of information between Dealer, End user database, and End-users]
PIRELLI TYRES
FOCUSED VALUE PROPOSITION

Product Portfolio

Efficient replenishment

Category management

Efficient promotion

Value chain enrichment

• Fitted Unit Package
• B2B2C
• e-Procurement

• Campaign
• e-CRM promotion

• Assortment Deployment
• Category strategy

• B2B supply chain solutions portfolio
• Stock management

Focus
PIRELLI TYRES
TECHNICAL INNOVATION VISION

New Tyres

Integrate systems
“Tyre as a sensor”

Materials and technology

Innovative processes

Trends
- End users
- Vehicle
- Driving Systems

Hybrid vehicle
Recreational vehicle

Run Flat
Summer
Recreat.
Pax-like
Ulralite
& strong

C3
C2
C1

Wheel suspension

Granular small components
Powdered rubber
New Polymers
New Fibre

MIRS, I-II-III
Mirs Moto
Mirs Truck
Mixing room
Alternative Curing

PIRELLI TYRES
TECHNICAL INNOVATION VISION

Innovation
PIRELLI TYRES
TYRE AS A SENSOR

Competencies to preside over

Mission
Pirelli tyre centric solutions for:
- OE
- AM
- Fleets

Target
Produce revenues in the short term
Build up competencies with development partners

Intelligent compound able to pick up and transmit condition variations

Tyre + Sensors checking temperature, pressure and forces

Tyre + Sensors + devices in the rim in order to modify “running” conditions

Tyre + Sensors + signal collection and processing:
- Connecting electronic on board
- Driving style

Integration of the offer

Innovation
PIRELLI TYRES
STRATEGIC PILLARS

**Pillars**
- Focus
- Innovation

**Drivers**
- Business Units
- Customer Centricity
- Proposals
- Technical innovation
- Sensor
- MIRS
- Internetworking
- Standardisation
- Individual accountability
- Efficiency
PIRELLI TYRES
INTERNETWORKING

Buy-side

In-side

Sell-side

Sector infrastructure

Supply chain

Suppliers

Trade

End User

OEMs

.e-Procurement MRO
.Rubber-network

.Group Portal (e.g. KPI’s)
.Knowledge Management
.Demand Net Integration

.B2B Tyres
.e-CRM
.Salesforce Autom.
## PIRELLI TYRES
### RESULTS ON KEY PROJECTS

<table>
<thead>
<tr>
<th>Projects</th>
<th>Results so far</th>
<th>Objectives 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B2B Tyres</strong></td>
<td>- 10 active markets</td>
<td>- 15 active markets</td>
</tr>
<tr>
<td></td>
<td>- 27% on line transactions</td>
<td>- 40% on line transactions</td>
</tr>
<tr>
<td></td>
<td>- 2,500 connected customers</td>
<td>- 3,600 connected customers</td>
</tr>
<tr>
<td><strong>eProcurement MRO</strong></td>
<td>- 37 active plants across 5 countries</td>
<td>- Turkey, Latin America and commercial unit Europe extension</td>
</tr>
<tr>
<td></td>
<td>- 800 orders/week</td>
<td>- 2,500 orders/week</td>
</tr>
<tr>
<td></td>
<td>- 1 Ml Euro/week</td>
<td>- 2.3 Ml Euro/week</td>
</tr>
<tr>
<td><strong>B2B applications: e-CRM</strong></td>
<td>- 200,000 profiles</td>
<td>- 500,000 profiles on unique database centrally managed</td>
</tr>
<tr>
<td><strong>Supply chain/ DNI</strong></td>
<td>- Demand planning on 5 European countries</td>
<td>- Europe extension + North and South America integration flows</td>
</tr>
</tbody>
</table>
- Standardisation
- Focused working models
- Product/process optimisation

- UHP-HP
- SUV
- Run Flat
- MIRS
- PAX

- Standard
- Associate Brand
Performance responsibility: by business units/market/channel/customer

- Variable compensation: 30% - 60%
- KPI: EBIT, FCF, EVA, Fixed costs
- Reporting system on-line, on daily basis, to follow the targets
MIRS process

Traditional process

PIRELLI TYRES
NEW PRODUCTS: CAR

P zero nero   P6   P7   Winter

MIRS process

Perfect HP   M+S   Sport   Summer
PIRELLI TYRES
NEW PRODUCTS: TRUCK

FG 85

TG 85

PIRELLI TYRES

PIRELLI TYRES

PIRELLI TYRES
PIRELLI TYRES
NEW PRODUCTS: MOTO

GTS 23
MT 450
Supercorsa
Evo 21
PIRELLI TYRES
2001 KEY MISSION

2000:
Growth

2001:
Focus
Innovation
Efficiency

Shareholder value
Customer value
Employee value