AGENDA

PIRELLI SUSTAINABILITY TODAY

ACKNOWLEDGEMENTS AND ACHIEVEMENTS

THE EVOLVING CONTEXT

SUSTAINABILITY PLAN: RETURN ON CAPITAL

- GROWTH
- PRODUCTIVITY
- GOVERNANCE & RISK MANAGEMENT
PIRELLI SUSTAINABILITY TODAY

KEY STRENGTHS

- Sustainability fully integrated in the Industrial Plan
- Governance of sustainability-driven Risks and Opportunities
- Accountability

2013 PERFORMANCE

- The weight of Green Performance on Tyre Revenues up to 42%*
- Workplace Accident Frequency index -60% vs. 2009
- Performance improvement in energy consumption, water withdrawal and waste recovery
- Risk analysis fully integrated in strategic planning process and target setting
- 100% of critical suppliers trained on sustainability
- Anti-corruption & Integrity Program
- Third-party Sustainability leadership acknowledgements: DJSI, FTSE4Good, GLOBAL COMPACT 100, oekom Research

DEVELOPMENT AREAS

- **Push on Green Performance**: product development, raw materials and electronic applications
- **Environmental Process Efficiency**: innovation-driven projects for energy and CO₂, waste and water target management
- **Safety as a culture**: towards zero workplace accidents

* Last estimate 2013
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2013 MAJOR ACKNOWLEDGEMENTS

Dow Jones Sustainability World and Europe Global Leadership in the Auto Components sector for the seventh year in a row
Score 2013-2014: 85 vs sector avg. of 51

FTSE Global and European STOXX
Score 2012-2013: 100/100

GLOBAL COMPACT 100
Pirelli the only included Tyre Company

Carbon Disclosure Leadership Index (CDLI)
Score 2012: 89 vs sector avg. of 69 (score 2013 in December)

oekom Research
Pirelli Global Leader in the Tyre Industry
2013 MAJOR ACHIEVEMENTS

• Green Performance Revenues: 42%* on Tyre sales
• Anti-corruption & Integrity Program
• New Whistleblowing Policy applied to External Community
• Green Sourcing Policy
• Risk analysis fully integrated in strategic planning process and target setting

• Process environmental efficiency*
  • Energy specific consumption -2% vs. 2009
  • Water specific withdrawal -28% vs. 2009
  • Waste recovery rate +10% vs. 2009
• Project for an industrial steam solar power plant - first in the world - feeding the production cycle of Feira de Santana in partnership with the Italian Ministry for the Environment
• New product Life Cycle Assessment tool implemented
• New Pirelli Green Performance products

• Accident Frequency index* -60%* vs. 2009
• Supplier Sustainability risk assessment updating; 62 ESG** audits performed by independent party; 100% of critical suppliers trained on sustainability
• New training model implemented worldwide: Training Academies and School of Management; new Employer Branding campaign
• Proactive engagement within high level international bodies on Sustainable Development (including WBCSD, UN Global Compact, CSR Europe, World Rubber Summit, World Forum Lille, IRSG)

* Last estimate 2013
** ESG: Environmental, Social, Governance
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SUSTAINABILITY PLAN: RETURN ON CAPITAL

• GROWTH
• PRODUCTIVITY
• GOVERNANCE & RISK MANAGEMENT
Downside risks dominate the world economic outlook

Strong move towards low-carbon economies

Demographic changes, aging population, virtual mobility, continued urbanisation

Industry intercepting and addressing long-term market opportunities
LOW-CARBON EMISSIONS
Automotive CO₂ regulatory framework and car manufacturers strategy

Premium and Synergic manufacturers committed to conventional and innovative (hybrid, full electric) technologies towards low-carbon mobility while developing new business models

Source: ICCT (the International Council on Clean Transportation)
Supporting data can be found at: www.theicct.org/info-tools/global-passenger-vehicle-standards
## WORLDWIDE SPREADING OF TYRE LABELLING

### Influence on consumer behaviour

### TYRE LABELLING EVOLUTION

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Wear</th>
<th>Wet grip</th>
<th>Rolling Resistance</th>
<th>Noise</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAPAN</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Active now</td>
</tr>
<tr>
<td>EUROPE</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Active now</td>
</tr>
<tr>
<td>SOUTH KOREA</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Active now</td>
</tr>
<tr>
<td>ISRAEL</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Active now</td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Expected 2014</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Expected 2015</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Under discussion</td>
</tr>
<tr>
<td>CHINA</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>ARABIAN GULF COUNTRIES</td>
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</tbody>
</table>

**Strong interest in regulations for rolling resistance and wet grip, Tyre labelling not yet defined**

### Statistics

- **71%** of car Tyre consumers are influenced by the EU tyre label*
- **66%** of truck Tyre consumers consider rolling resistance the most important info on the EU label*

* Pirelli internal data, Goodyear publications and other sources

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*2013-2017 INDUSTRIAL PLAN*
AGENDA

- PIRELLI SUSTAINABILITY TODAY
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  - PRODUCTIVITY
  - GOVERNANCE & RISK MANAGEMENT
The Pirelli model is inspired by the Value Driver framework of the UN-PRI (United Nations – Principles for Responsible Investment) and UN Global Compact, aimed at supporting dialogue between investors and corporations on ESG themes.

PIRELLI VALUE DRIVER MODEL*

Plan is presented through three sustainability-driven enablers

**RETURN ON CAPITAL**

**GROWTH**
- Long-Term Strategy
- Product Innovation

**PRODUCTIVITY**
- Operational Efficiency
- Human Capital Management

**GOVERNANCE & RISK MANAGEMENT**
- Enterprise Risk Management
- Supply Chain Risk

Revenue growth | Cost saving & avoidance | Revenue and reputation risk reduction; Sustainability risk containment

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*The Pirelli model is inspired by the Value Driver framework of the UN-PRI (United Nations – Principles for Responsible Investment) and UN Global Compact, aimed at supporting dialogue between investors and corporations on ESG themes.*
## SUSTAINABILITY LEVERS OF THE INDUSTRIAL PLAN

Integrating, supporting and protecting Group targets and values

### INDUSTRIAL PLAN 2013-17

<table>
<thead>
<tr>
<th>Top Line Growth</th>
<th>Cost Competitiveness</th>
<th>Return on Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>OE Pull-Through</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Renewal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium Go To Market and Retail Coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Engagement</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>DE-Complexity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design To Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant Specialization</td>
<td></td>
<td></td>
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<tr>
<td>Re-Shaped Manufacturing Assets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SUSTAINABILITY PLAN 2013-17 + TARGETS 2020

- Push on Green Performance innovation
  - Raw materials: from rice husks to industrial silica
  - Electronic Applications: Pirelli CYBER TYRE from Truck to Premium car
  - Product development: strong improvement in Eco Label KPIs with double-digit reduction in Car Rolling Resistance by 2017
- Green Performance Tyre revenues up to 48% on total Tyre revenues by 2017
- Dialogue with end-users

- Reduce energy consumption by 18% within 2020 vs. 2009: expected savings of ~25 €/mln and 400,000 Tons of CO₂ in 2014-2017
- Towards zero waste to landfill: expected savings of ~60 €/mln by 2017 thanks to internal recovery of scrap
- Reduce water withdrawal by 58% by 2020 vs. 2009
- Target zero workplace accidents: Frequency Index reduction by 90% by 2020 vs. 2009
- Training to reach 7 man / days on average from 2015 onwards

- Growing investment in risk mitigation and business continuity: 8.3% CAGR by 2017 vs 2013
- Reduce the environmental impact of purchased goods and services through Pirelli New Green Sourcing Policy
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GROWTH: LIFE CYCLE THINKING
Focusing strategy on materiality

The EU medium car carbon footprint of which ≈ 15% is the average contribution of FOUR TYRES

GLOBAL WARMING POTENTIAL OF OUR MODEL TYRE

<table>
<thead>
<tr>
<th>Stage</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Materials</td>
<td>5.5%</td>
</tr>
<tr>
<td>Production</td>
<td>2.6%</td>
</tr>
<tr>
<td>Distribution</td>
<td>0.2%</td>
</tr>
<tr>
<td>Use</td>
<td>89.5%</td>
</tr>
<tr>
<td>End of Life</td>
<td>2.2%</td>
</tr>
</tbody>
</table>
GROWTH: PRODUCT INNOVATION
New technologies in materials and electronic applications

MATERIALS

• SILICA: expansion of the Pirelli technology to produce silica from rice husk also for Premium tyres - 2017

• NATURAL RUBBER: research on alternative sources; Guayule project with Versalis (ENI Group) – 2016

• FUNCTIONALIZED POLYMERS: research on innovative polymers that guarantee reduced environmental impact, greater driving safety and improved production efficiency - 2015

PIRELLI CYBER TYRE

• CAR: “Base” Tyre Monitoring System to manage tyre performance through pressure - 2014

• CAR: “Premium” Tyre Monitoring System with management of static load, tear consumption, hydroplaning alert, road surface alert and tyre vectorial strengths - 2015

• TRUCK: Cyber Fleet system to manage the tyres of whole fleets, to minimize fuel consumption and CO2 emissions - 2013

7% OF PREMIUM TYRE REVENUES

is the steady amount of R&D investments for the 2014-2017 period

Increasing safety
Decreasing environmental impact
Increasing production efficiency
GROWTH: PRODUCT DEVELOPMENT
Enhancement of Green and Safety performance

**CAR**
- Rolling Resistance
- Weight
- Mileage
- Dry grip
- Noise
- Wet grip

**TRUCK**
- Tear Resistance
- Traction
- Handling
- Retreadability
- Mileage
- Noise
- Rolling Resistance

**MOTO**
- Wet Performance
- Mileage
- Weight
- Predictability
- Rolling Resistance

<table>
<thead>
<tr>
<th>TARGET 2020</th>
<th><strong>CAR</strong></th>
<th><strong>TRUCK</strong></th>
<th><strong>MOTO</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 → Today → 2020</td>
<td>BASE -20% -40%</td>
<td>BASE -10% -20%</td>
<td>BASE -0% -10%</td>
</tr>
<tr>
<td>Rolling Resistance</td>
<td>BASE +5% maintained</td>
<td>BASE +5% maintained</td>
<td>BASE +20% +40%</td>
</tr>
<tr>
<td>Wet grip</td>
<td>BASE -10% -20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noise</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **2020** dashed line
- **2015** dot-dashed line
- **Current generation** solid line
- **Previous generation (before 2007)** dotted line

**Milan – Rome – Milan (1,100 km)**
Old tyre vs. 2020 Pirelli tyre:
- 14 litres gasoline
- 42 kg CO₂

Less rolling resistance
Less noise
Increased mileage
Less weight

Less CO₂ emissions
Better living environment
Increased tyre life
Less impact on natural resources
GROWTH: PIRELLI GREEN PERFORMANCE REVENUES
Tyre revenues driven by sustainable products

- Strong growth of Tyre Green Performance revenues on total Tyre revenues
- The key performance indicator covers products with Rolling Resistance and Wet Grip in the A, B, C classes of EU Tyre label. The strictest rule applies to:
  - all Tyre business units (CAR, TRUCK, MOTO, AGRO)
  - worldwide products and markets
- Target set in 2010 (45% by 2013) to be reached in 2015 in line with market slowdown impacts
AGENDA

1. PIRELLI SUSTAINABILITY TODAY
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3. THE EVOLVING CONTEXT
4. SUSTAINABILITY PLAN: RETURN ON CAPITAL
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   - PRODUCTIVITY
   - GOVERNANCE & RISK MANAGEMENT
Energy consumption and CO₂ emissions expected to strongly decrease by 2020

- Targets set in 2010 of -15% by 2015 vs. 2009 for both energy and CO₂ are postponed to 2017 and 2020 respectively, due to the economic slowdown for energy, and disproportionate growth of productive volume in carbon-intensive markets for CO₂
- New pilot projects (photovoltaic plants, solar heat plants, biomass heat plants) are planned to balance the growth of CO₂ emissions in carbon-intensive markets
- 20 Mln € invested since 2010, already saved 10.6 Mln€ with an environmental advantage of 1,600,000 GJ of energy saved and 50,000 tons of avoided CO₂

15 €/mln will be invested in energy efficiency projects in 2014-17 with expected savings of ~25 €/mln and environmental benefits equal to 6,400,000 GJ of energy saved and 400,000 tons of avoided CO₂

* Value calculated in % and normalized on tons of produced tyres; trends restated with new acquisitions (Russia)
• Water withdrawal trend strongly decreased and improvement is expected to continue until 2020, with a target of -50% by 2017 and of -58% by 2020 vs. 2009

• Target set in 2011 of -70% by 2015 vs. 2009 is postponed because of the economic slowdown and investment rationalization

Driving our investment also based on a water-availability risk scenario; 11,000,000 m³ of water saved since 2010 and 2,700,000 m³ to be saved in 2014-17 period

* Value calculated in % and normalized on tons of produced tyres; trends restated with new acquisitions (Russia)
PRODUCTIVITY
Waste recovery

• Target for waste recovery rate on track (85% by 2015)
• Target no waste to landfill by 2020 (≥95% by 2020)
• Efficiency actions for scrap internal recovery: ~60 €/mln savings in the 2013-17 period

Towards zero waste to landfill

*Trends restated with new acquisitions (Russia)*
PRODUCTIVITY: HUMAN CAPITAL MANAGEMENT
An employer of choice strategy

MERIT & ETHICS
- Remuneration Policy alignment with Pirelli development strategy through long-term Incentive plans
- Non-financial targets in Executive evaluation system

TRAINING & EDUCATION
- Further increase the T&E investment: from 5.5 man/days on average in 2013 to 7 man/days on average in 2015, and ≥7 onwards
- Academies dedicated to specific training for each Professional Family
- School of Management: cross-function soft skills and leadership training

OCCUPATIONAL HEALTH & SAFETY
- Engaging Employees in safety as a culture: Target Accident Frequency Index ≤0.2 in 2020

DIVERSITY
- Representation of Women in the Board: 15%
- Women in management positions: 19%
- 91% of Employees work outside Italy
- 61% of senior manager experienced at least an expat during her/his career
- New proxy matching performance, grade, seniority, etc. to identify any remuneration gap

DIALOGUE & RULES
- Regular consultation of our Employees through opinion surveys: new Trust Index measurement
- Applying the same Procedures and Policies group-wide
Targeting ZERO accident is a CHOICE, not a chance

- Target to reduce the accident frequency index (IF) by 60% in 2015 from its 2009 level reached 2 years in advance
- New target: -90% accident frequency index (IF) reduction by 2020 vs. 2009 – Frequency Index ≤0.2
- Safety Culture: global extension of “Excellence in Safety” program supported by “DuPont Sustainable Solutions” and Behavior Based Safety (BBS) programs
- Investment focus on Machineries Safety, Industrial Hygiene, Ergonomics

* Injuries Frequency Index: number of accidents per 100,000/total hours worked; trends restated with new acquisitions (Russia)
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GOVERNANCE

Pirelli Shareholder structure and Governance evolution

2009
"A domestic stock with a multi-business model"

2011
"A more international stock with a focus on Premium"

TODAY
73.8% free float

Already in-line with Int'l best practices:
- A Board with a majority of Independent Directors
- 2 governing committees exclusively composed of Independent Directors

Introduction of 2 new crucial committees
- Nominations and Successions
- Strategies

Key role of the Board in overseeing risk management process

* including 21% of Camfin stake; shareholder pact was dissolved on October 31, 2013
** SRIs: Socially Responsible Investors
ENTERPRISE RISK MANAGEMENT
360° approach

STRATEGIC BUSINESS RISKS

- Product innovation
- Industrial capacity and process quality
- HR management
- JV and M&A
- Tax planning
- Financial assets & liability management

OPERATIONAL TRANSVERSAL RISKS

- Business interruption
- Health and safety
- Environment
- Information technology
- Asset & people security
- Business compliance

Risk-taking → Risk measurement tools and stress test analysis

Risk mitigation and transfer with investments through all operational areas

2013-2017 INDUSTRIAL PLAN

CAPEX and OPEX invested in Risk Mitigation / Prevention and Transfer

PBIT@Risk and CASH_FLOW@Risk

47 €/Mln → 64 €/Mln
CAGR +8.3%

Risk minimization & business continuity

2013
2017

0,0%
0,5%
1,0%
1,5%
2,0%
2,5%
3,0%
3,5%

Probability

AR PBIT [M EUR]

424 M €

74% probabilità di avere PBIT < AR PBIT

26% probabilità di avere PBIT > AR PBIT

Probabilità di avere:

PBIT < 540 M € 19%

540 < PBIT < 599,5 M € 55%

599,5 < PBIT < 660 M € 25%

PBIT > 660 M € 1%

718 M €

PBIT atteso 572,6 M €

AR PBIT 599,5 M €

540 M €

572,6 M €

599,5 M €

660 M €

540 M €

572,6 M €

599,5 M €

660 M €

540 M €

572,6 M €

599,5 M €

660 M €

540 M €
ESG DRIVERS INTEGRATED INTO GROUP-WIDE SUPPLY CHAIN MANAGEMENT

- Scouting and homologation phases: ESG assessment (weight of Sustainability score is 33% on final selection rate)
- Contractual phase: Sustainability Clauses
- Risk Assessment: Economic, Environmental, Social, Governance, Reputation with an ESG Vendor rating phase through third party audits – 190 Audits performed = 100% of Suppliers at risk assessed since 2009

NEW GREEN SOURCING POLICY

- Key concepts: “lifecycle” and “reduction, reuse and recovery”
- From Engineering to Logistics: broadening the organization vision to reduce the environmental impact of purchased goods and services throughout the entire supply chain

SUSTAINABILITY IN SUPPLIERS AWARD

- Acknowledging Suppliers sustainable performance on Economics, Environmental, Social, Business Ethics as a competitive advantage

SPREADING SUSTAINABLE DEVELOPMENT IN NATURAL RUBBER VALUE CHAIN

- Proactive role within International Rubber Study Group (IRSG) to draft “Sustainability in Natural Rubber Industry” standard

* ESG: Environmental, Social, Governance
PIRELLI VISION 2020

SMART, EFFICIENT, PROFITABLE, INNOVATION-DRIVEN ACCOUNTABLE AND ENGAGED TO ITS STAKEHOLDERS

A SUSTAINABLE COMPANY
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