PRESS RELEASE

BOARD OF PIRELLI & C. SPA APPROVES CONSOLDIATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The company recalls that on February 12, 2015 it released to the market preliminary data for 2014. The present communique as well as reporting the same economic indicators already announced in February, includes new elements, such as net profit and dividends, approved by today's meeting of the Board of Directors.

- TOTAL NET PROFIT: +8.6% TO 332.8 MILLION EURO (306.5 MILLION EURO IN 2013) AFTER VENZUELA IMPACT OF 72 MILLION EURO AND ADJUSTMENT OF THE VALUE OF FINANCIAL SHAREHOLDINGS

- THE BOARD TO PROPOSE TO SHAREHOLDERS' MEETING THE DISTRIBUTION OF A DIVIDEND OF 0.367 EURO PER ORDINARY SHARE (0.32 PRIOR YEAR) AND 0.431EURO PER SAVINGS SHARE (0.39 EURO PRIOR YEAR)

CONSOLIDATED RESULTS

- EBIT: +6.8% TO €837.9 MILLION (€784.7 MILLION IN 2013), IN LINE WITH 2014 TARGET OF APPROX. €840 MILLION

- EBIT MARGIN BEFORE RESTRUCTURING COSTS AT 14.4% (13.4% IN 2013); EBIT MARGIN AFTER RESTRUCTURING COSTS AT13.9% (12.9% IN 2013)

- REVENUES: €6,018 MILLION, IN LINE WITH THE TARGET OF >€6.0/<6.1 BILLION, WITH ORGANIC GROWTH OF 5.9%; -0.7% COMPARED WITH €6,061 MILLION IN 2013 INCLUDING FOREX EFFECT (-6.6%)

- NET FINANCIAL POSITION NEGATIVE €979.6 MILLION EURO; EXCLUDING STEELCORD DISPOSAL THE FIGURE IS €1,167.5 MILLION BETTER THAN 2014 TARGET OF ~€1,200 MILLION (€1,322.4 MILLION AT END 2013 AND €2,003.9 MILLION ON 30 SEPTEMBER 2014)

TYRE ACTIVITIES

- EBIT: +4.5% TO €852.6 MILLION (€815.7 MILLION IN 2013)

- EBIT MARGINE BEFORE RESTRUCTURING COSTS AT 14.7% (13.9% IN 2013), EBIT MARGIN AFTER RESTRUCTURING COSTS AT 14.2% (13.5% IN 2013)

- TOTAL VOLUMES +2.0% , CONSUMER VOLUMES +5.0% AND PREMIUM VOLUMES +17.8%, INDUSTRIAL VOLUMES -6.5% DUE TO THE SLOWDOWN OF SOUTH AMERICAN MARKET

- PREMIUM REVENUES: €2,536,0 MILLION, WITH ORGANIC GROWTH OF 13.2%; +11.5% INCLUDING FOREX EFFECT (-1.7%). PREMIUM EQUAL TO 55% OF CONSUMER REVENUES (+4.2 PERCENTAGE POINTS COMPARED TO 2013)

- REVENUES: €6,007.5 MILLION, WITH ORGANIC GROWTH OF 6.2%; - 0.4% COMPARED WITH €6,030.6 MILLION IN 2013 INCLUDING FOREX EFFECT (-6.6%)

- CONSUMER EBIT MARGIN BEFORE RESTRUCTURING COSTS AT 15.1% (13.7% IN 2013); EBIT MARGIN AFTER RESTRUCTURING COSTS AT 14.7% (13.3% IN 2013)

- INDUSTRIAL EBIT MARGIN BEFORE RESTRUCTURING COSTS AT 13.1% (14.6% AT END 2013); EBIT MARGIN AFTER RESTRUCTURING COSTS AT 12.6% (14.1% AT END 2013). THE INDUSTRIAL ANNUAL PROFITABILITY TREND REFLECTS THE 6.5% FALL IN VOLUMES MAINLY IN EMERGING MARKETS

2015 TARGETS CONFIRMED

- CONSOLIDATED EBIT ~930 MILLION EURO AFTER RESTRUCTURING CHARGES OF APPROX. 40 MILLION EURO

- TOTAL REVENUES FORECAST TO GROW BY +6%/+6.5% TO APPROX. 6.4 BILLION EURO DERIVING FROM:
  - VOLUME GROWTH EXPECTED AT EQUAL TO OR ABOVE+3%. PREMIUM WILL BE THE DEVELOPMENT DRIVER WITH A RATE OF VOLUME GROWTH EQUAL TO OR ABOVE +10%
  - PRICE/MIX GROWTH AT EQUAL TO OR ABOVE +4%
  - FOREX IMPACT AT ABOUT -1%

- INVESTMENT BELOW 400 MILLION EURO

- CASH GENERATION BEFORE DIVIDENDS OVER 300 MILLION EURO BEFORE STEELCORD DISPOSAL

- 2015 TARGETS REFLECT ADJUSTMENT OF VENEZUELAN EXCHANGE RATE TO 20 BOLIVAR PER US DOLLAR

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CAMFIN – CHEMCHINA OPERATION

With regard to the operation announced by Camfin and ChemChina – without prejudice to the valuations which, on the basis of the applicable laws, the independent directors and board of directors will be called upon to make regarding the public tender offer when it is launched – the Board of Directors takes note of the friendly nature of the operation, the characteristics of which – on the basis of that which has been made public – are consistent with the strategy in the Industrial sector which already foresaw paths of growth and aggregation in geographically strategic areas like Asia.

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As a consequence of the underwriting of the agreement to sell 100% of the steelcord activities, that business has been classified as a "discontinued operation" and the reclassified results are in the accounts under the heading "results of disposed operating activities". The economic indicators relative to 31 December 2014 thus refer to the activities in function and the comparative data of 31 December 2013 have been restated. The 2014 targets – previously indicated using a like-for-like perimeter – have been rectified, excluding the steelcord contribution and are now >€6.0/<6.1 billion for revenues and c. €840 million for EBIT.

Milan, 31 March 2015 – The Board of Directors of **Pirelli & C. SpA** met today to review and approve results for the year ended December 31st, 2014. The year's performance, which saw growth in the main economic indicators, was characterised in particular by:

- growth above expectations of the **Premium** segment, with volumes increasing 17.8% (above the 2014 target of >16%), and the consequent strengthening of Pirelli's positioning in all main geographical areas, in particular Apac. Premium revenues accounted for 55% of Consumer revenues, an increase from 50.8% in 2013;
- the **price/mix** component at +4.2% (in line with the 2014 target of about +4%/~+5%) thanks to the performance of Premium, the greater weight of sales in the replacement channel and price increases in emerging markets to compensate for currency devaluations;
- organic growth in **revenues** +5.9% (-0.7% net of the negative forex variation of 6.6%). As well as the already mentioned price/mix, higher volumes (+2%) also contributed. The 5% volume growth in the Consumer business, in particular, offset the 6.5% decline in volumes of the Industrial business which discounts the unfavourable economic context of the Latam market, in particular in Original Equipment;
- the achievement of internal **efficiencies** of €92.4 million (in line with the annual target of approximately €90 million of the approximately €350 million four-year efficiencies plan for 2014-2017);
- the marked improvement in profitability, with **EBIT** growth of 6.8% to €837.9 million (in line with the target of circa €840 million) and an **EBIT margin** of 13.9% - with growth of one percentage point compared with 12.9% at the end of 2013 – thanks to the Premium strategy, price increases in emerging markets, and the efficiencies which more than offset the negative forex impact and inflation in production factors.
- forex volatility only partially influenced the operating results at the group level thanks to Pirelli's ever more balanced presence in the various geographic regions and to the production policy of our factories which are approximately 80% dedicated to supplying demand from local markets.
- the positive performances in the **Apac**, **Europa** and **Nafta** areas, with respective revenue growth of 17.5% (Apac) and approximately 5% in Europe and Nafta and an improvement in profitability which attenuated the effects of the slowdown in the South American market;
- the turnaround of the business in **Russia**, characterised by a marked improvement in the product mix and positive *"mid-single-digit"* profitability from "negative" in 2013, and improvement in the MEAI area;
- net profit of 332.8 million euro, an increase of 8.6% after the impact of the devaluation of the Venezuela exchange rate (72 million euro) and the adjustment of shareholdings (-87 million euro);
- **cash generation** before dividends and the steelcord disposal above expectations at approximately €311.6 million (above the 2014 target of >€250 million). Taking receipts from the steelcord disposal into account, cash generation before dividends was approximately €499.5 million;
- the improvement in the **net financial position** which as at 31 December 2014 was €979.6 million after the disposal of steelcord or, excluding the disposal of the steelcord activities, €1.167.5 billion, better than the 2014 target of approximately €1.2 billion. In the fourth quarter, in particular, the net financial position saw an improvement of over €1 billion, mainly thanks to the operating result, the positive performance of working capital and the impact of the disposal of the steelcord business;
- Investments in research and development of 205.5 million euro, equal to 3.4% of sales, of which 174.5 million euro for activities linked to Premium products, equal to 6.9% of the segment's sales;
- significant steps towards the achievement of the group's sustainability goals. In 2014 the Green Performance tyres represented about 46% of total sales for Pirelli which has reduced the specific drawing of water by 19%, energy consumption by 3% and CO_2 emissions by 2%. This commitment is evidenced by the company's inclusion in the most important sustainability indices at the world level, such as the Dow Jones Sustainability Index, where the group has lead the ATX Auto Components sector eight consecutive years; the FTSE4Good Index where Pirelli earned a score of 100/100 and the Carbon Disclosure Leadership Index, where it beat all competitors.

Consolidated results

At the consolidated level, **revenues** (of which Tyre activities constitute 99.8%) as at 31 December 2014, amounted to €6,018 million, with organic growth of 5.9% compared with the corresponding period of 2013. Including the negative 6.6% forex impact, linked mainly to currency volatility in emerging countries, revenues registered a decline of 0.7% compared with €6,061 million in 2013. The fourth quarter saw revenue growth of 1.0%, coming in at €1,489 million (€1,474.6 million in the corresponding period of 2013), with an increase at the organic level of 4.1%.

The **gross operating margin (EBITDA) before restructuring costs** stood at €1,168 million, an increase of 6.7% over €1,095 million in 2013, with a margin of 19.4%, an improvement on an annual basis of more than one percentage point (18.1% was the EBITDA margin in 2013). In the fourth quarter the gross operating margin was €300 million, an increase of 4.2% over €288.2 million in the same period in 2013, representing 20.2% of revenues (19.5% EBITDA margin in the fourth quarter of 2013).

The **operating result (EBIT) before restructuring costs** was €869.2 million, an increase of 7.3% compared with €810.2 million at the end of 2013, with an **EBIT margin before charges** of 14.4% compared with 13.4% on 31 December 2013.

The **operating result (EBIT)** after restructuring costs of €31 million was €838 million, an increase of 6.8% (+€53 million) over the figure of €784.7 million as at the end of 2013 as a result of the positive results in the Tyre business (+€37 million) and the better operating results of minor businesses. The **EBIT margin** stood at 13.9% compared with 12.9% registered in 2013, thanks to the effectiveness of the Premium strategy. In the fourth quarter, EBIT was €208.2 million, an increase of 0.8% against €206.5 million in the fourth quarter of 2013, with an EBIT margin of 14.0% (14.0% in fourth quarter 2013).

The **result from shareholdings** as of December 31st 2014 was negative 87.0 million euro (-78.3 million in 2013) and mainly reflects the following:

- 54.4 million euro relative to the impact of deconsolidating with the net equity method the consolidated results of the affiliate Prelios S,p.A. (fourth quarter 2013 and nine months 2014) and Fenice S.r.l. (full year 2014)
- 19.0 million relative the devaluation taken on Fenice for the purposes of aligning the value of shareholding to fair value;
- 29.3 million euro relative to other devaluations mainly linked to the stake in Alitalia S.p.A. for 11.2 million euro (in the second quarter 2014) and RCS Media Group for 15.9 million euro.
  These impacts were partially offset by the effect deriving from the substitution which took place during 2014 of the convertible loan with Prelios shares of categories A and B, which generated a positive effect of 13.3 million euro.

The **net profit for activities for continuous operations** on December 31, 2014 was 315.2 million euro, an increase of 3.5% from 304.5 million euro the previous year despite the results of net financial income (-262.4 million euro compared with -192.9 million euro in 2013) which discounts forex losses relative to past commercial debts at the Venezuelan unit of 72 million euro. Net of this impact, financial charges fell by 2.6 million euro mainly due to lower debt levels in countries outside the euro area (about 40% of the total) where Pirelli operates. Financial charges amounted to 173.3 million euro, a reduction compared with 2013 (209.0 million euro), with a tax rate which stood at 35.5%, an improvement compared with 40.7% in 2013 both as an effect of different geographical composition and the recognition of positive deferred taxation on past fiscal losses.

The **total net profit,** which includes discontinued activities (Steelcord business) was 332.8 million euro, grew by 8.6%, compared with 306.5 million euro in 2013 and benefits from the capital gain of 14.6 million euro deriving from the disposal of the steelcord activities in Italy, Romania and Brazile.

Consolidated net assets on December 31st 2014 stood at 2,611.5 million euro compared with 2,436.6 million euro on December 31st 2013.

The **consolidated net financial position** was negative approximately €979.6 million, a marked improvement compared with €1,322.4 million at the end of 2013 and compared with €2,003.9 million on 30th September 2014..

The **net cash flows from operations** in 2014 was positive for 740.3 million euro (positive 725.8 million euro at the end of 2013), after investments of 378.1 million euro (413.1 million euro in 2013) mainly destined to the increase of Premium capacity in Europe, Nafta and China, and an improvement in the mix.

The **net cash flow before dividends** and excluding the disposal of steelcord plants in Italy, Romania and Brazil was approximately €311.6 million (2014 target >€250 million), with strong cash generation in the last quarter of the year linked to the reduction of inventories and the inflows from seasonal markets and the sales of Winter in Europe and Russia. Taking into account also the cited plant disposals, cash generation before dividends was €499.5 million euro.

Total cash flow, including Parent Company dividend payments of 156.7 million euro and the positive effect deriving from the disposal of the steelcord activities of 187.9 million euro, was positive for 342.8 million euro, a decided improvement compared with the prior year (-117.2 million euro in 2013).

The Group **headcount** on December 31st 2014 was 37,561 (37.979 on December 31st 2013).

The Parent Company Pirelli & C. SpA ended the year with a net profit of 258.0 million euro, an increase of 34.4% compared with 191.9 million euro in 2013, mainly due to the effect of fiscal benefits linked to shareholdings in the group's consolidated fiscal position and the activation of taxation on past fiscal losses.

The Board of Directors will propose the Shareholders' Meeting the distribution of a dividend of 0.367 euro per ordinary share (0.32 euro for the prior year) and 0.431 euro per savings share (0.39 euro for the prior year), for a total dividend payout of 179.6 million euro, equal to 40.5% of the net profit adjusted for the impact of non-recurring events (Venezuela, write-down of shareholdings and capital gain from the sale of Steelcord). The dividend will be paid from May 20rd, 2015 (the ex-dividend date will be May 18th, 2015 and record date May 19nd, 2015).

Tyre activities

Sales as at 31st December 2014 amounted to €6,007.5 million, with organic growth of 6.2% based both on the increase in volume (+2%), and in particular Premium (+17.8%), and the price/mix (+4.2%). Including the forex effect (negative 6.6%), while revenues posted a decline of 0.4% compared with €6,030.6 million at the end of 2013.
In the fourth quarter, revenues totalled €1,487.5 million, with organic growth of 4.4% or 1.3% including the forex impact (-3.1%). The sales performance in the quarter reflects lower volume growth (+1.6% compared to the fourth quarter of 2013) due to:

- the deepening downturn in Industrial (-7.3% in volume) – due to the prolonged economic downturn in South America. The overall South American market saw a fall in sales of 33% in the Original Equipment channel and of 10% in the Replacement channel.
- the slowdown in sales in Consumer (+ 4.5%), particularly in Europe (-8% decline in market volume in the Replacement channel) due to the weak winter season. Premium growth was sustained, the segment in which Pirelli recorded volume growth of 10.7% thanks to strong sales, especially in Asia Pacific and the emerging markets in general

The price/mix component in the fourth quarter recorded more modest growth (+2.8% compared to the same period in 2013) due to the lower contribution from the winter season and the different geographical mix (greater weight of sales in emerging markets characterised by a lower average unit price than in Europe).

The **operating result (EBIT) before restructuring costs** as at 31 December 2014 was €880.4 million, an increase of 4.9% compared with €839.1 million at the end of 2013, with an **EBIT margin before expenses** of 14.7% compared with 13.9% as on 31 December 2013.

The **operating result (EBIT)** as on 31 December 2014 amounted to €852.6 million, with an increase of 4.5% compared with €815.7 million at the end of 2013 and an improvement in the EBIT margin to 14.2% (13.5% at year-end 2013).
The improvement in profitability (+€36.9 million) was impacted by:

- the growth contribution from the price/mix component (+€157.2 million) which, together with the lower raw material cost (4.5 million), more than offset the negative forex impact (€80.6 million) with a net balance of €81.1 million;
- efficiencies of €92.4 million, which mitigated inflation in production factors (growth in input costs of €126.7 million);
- the positive contribution of volumes (+€58.3 million) which helped reduce the impact of higher amortisations and other costs for a total of 63.4 million as well as the restructuring costs (€4.8 million).

In the fourth quarter of 2014, the operating result was €212.3 million (€219.4 million in the fourth quarter 2013), with an EBIT margin of 14.3% (14.9% in the corresponding period of 2013).

At the geographic level, the positive performance of the business in Europe, Asia Pacific and Nafta attenuated the effect of the slowdown in the South American market. **Europe** (34% of Pirelli's sales) recorded an organic increase in revenues of 4.2% and profitability improving to *mid-teens* level thanks to the growth at the top of the range – and especially on Super Premium (tyres ≥18") – and with the contribution of efficiencies. In the **Nafta** area (12% of Pirelli's sales), Pirelli recorded organic growth in revenues of 5.3% and a progressive improvement in profitability to *mid-teen* level in the EBIT margin, as a result of the strengthening of Premium and the profit arising from the increasing saturation of the factory in Mexico which at the end of 2014 reached a capacity of 2.3 million high-mix car pieces. **Apac** (9% of Pirelli sales, +1 percentage point over 2013) is confirmed as the area of greatest growth, with an organic increase in revenues of 17.5% and profitability in the twenties (ebit margin) and rising. Significant growth in Premium (+28.3% increase in revenues) and especially in Super Premium, where Pirelli gained more than 2 percentage points of market share as a result of consolidated partnerships with leading European Premium car manufacturers, the success of the marked products and commercial presence in areas with a greater presence of high-end cars. In **Russia** (4% of Pirelli sales), despite the difficult political and economic situation, Pirelli recorded organic growth of 10% thanks to the expansion of the product range and coverage of the territory with a consequent improvement in the Premium positioning: this year reaching 10% market share in this segment in the Replacement channel, double that of 2013. The improvement in the product mix and efficiencies resulted in positive *mid-single-digit* ebit margin, a marked improvement from 2013 (negative Ebit margin). The **Meai** area (8% of Pirelli sales) remained among the most profitable geographical areas with an high teens ebit margin (an improvement over the end of 2013) and organic revenues growing by 6.8%. Price increases and improvement in the mix compensated for the negative forex impact of 6.6%. **South America** (33% of Pirelli sales) registered organic growth in revenues of 5.4% (-9.5% including forex impact) supported by:

- the good performance in Car volumes in the Replacement channel and Premium, where Pirelli reinforced its market leadership with 26% of the market, gaining more than 1 percentage point
- price increases in response to forex volatility.

Profitability in South America was at *low teen* levels, a decrease from 2013, and was impacted by the performance of the original equipment market both car (-17%) and truck (-23%). The sharp decline in the Original Equipment market was above expectations and called for production containment actions to ensure optimal management of stocks. This, together with increased inflation of production factors, impacted profitability in the period.

- In the ***Consumer** business **(Car and Moto tyres)***, sales on 31 December 2014 were €4,610.3 million, with organic growth of 8.9% compared with 2013. Including the negative forex impact of 6.0%, revenues grew by 2.9% compared with €4,478.9 million at the end of 2013. Overall, volumes rose by 5.0% and the price/mix component was positive for 3.9% thanks to the growing weight of Premium. In the fourth quarter revenues totalled €1,144.0 million, an organic increase of 7.0%, +4% including the forex effect (negative 3.0%).

  Premium is confirmed as the driver of growth, with an increase in volumes in 2014 of 17.8%. Revenues in this segment totalled 2,536.0 million, with organic growth of 13.2% compared with the previous year (+11.5% including forex impact, equal to -1.7%) and with a weight on Consumer sales of 55.0% (50.8% at end 2013). Sales growth occurred in all markets, in particular: Europe Premium revenues with +8.1%, in Apac with +28.3%, in the Meai area with +17.6% and in Russia with +37.5%.

  The **operating result (EBIT) before restructuring costs** as at 31 December 2014 grew by 13.9% to €697.2 million compared with €612.2 million in the corresponding period of 2013, with an **EBIT margin before charges** of 15.1%, an increase of 1.4 percentage points compared with 13.7% a year earlier.

  The **operating result (EBIT**) as at 31 December 2014 was €676.4 million, an increase of 13.4% compared with €596.4 million in the corresponding period of 2013, with an **EBIT margin** of 14.7%, an increase of 1.4 percentage points over 13.3% as at 31 December 2013. The growth in profitability reflects improvement in price/mix, the growing weight of Premium in all areas, the greater weight of the replacement channel, volumes' increase, efficiencies and the better use of production capacity. In the fourth quarter, EBIT was €172.1 million, an increase of 4.3% compared with €165 million in the corresponding period of 2013, with an EBIT margin of 15.0% (unchanged from fourth quarter 2013).

- In the ***Industrial Business (tyres for Industrial and Agro vehicles)*** sales as at 31 December 2014 were €1,397 million, with a decrease – excluding the forex impact – of 1.5% compared with 2013 (€1,551.7 million in 2013), -10.0% including the forex effect of minus 8.5%. In the fourth quarter revenues were €343.5 million, with a decrease – excluding forex – of 3.4% compared with the corresponding period of 2013 (€368 million in the fourth quarter of 2013), -6.7% including the forex effect.

  The significant mix improvement and price increases (price/mix growth of +5.0%) almost compensated for the decline in volumes (-6.5%). This was a consequence of the progressive exit from the conventional tyre business in Latin America, an unfavourable comparison base especially in South America in the first half, and an accentuation of the contraction of the Truck original equipment market in Latin America starting from the second quarter of 2014.

  The **operating result (EBIT) before restructuring costs** on 31 December 2014 was €183.2 million (€226.9 million in 2013) with an **EBIT margin before expenses** of 13.1% (14.6% in 2013). The **operating result (EBIT)** on 31 December 2014 was €176.2 million (€219.3 million in the corresponding 2013 period), with an **EBIT margin** of 12.6% (14.1% at year-end 2013). In the fourth quarter the **operating result (EBIT)** was €40.2 million compared with €54.4 million in the corresponding period of 2013, with an **EBIT margin** of 11.7% (14.8% in the fourth quarter of 2013). The profitability trend discounts the market decline in emerging countries, South America in particular, and thus the already cited actions to reduce production as well as the inflation of production factors in South.

The activities of Resarch and Development were concentrated on high-end products with significant results in terms of homologations. In 2014, Pirelli was confirmed as leader in high-end Original Equipment with 266 new homologations, of which 213 were Premium and Prestige. Particular attention was given to marked products where 118 new homologations were obtained among the most prestigious and high performance marques.

During 2014, as well as the traditional attention to the development of new Premium and high-end products ever greater attention was given to the reduction of impact on the environment. The leadership in green materials is built principally through research into bio-materials (silica from rice husks, natural rubber from sources other than rubber trees) and in recycling.

2015 Outlook

Pirelli confirms the financial targets announced to the market on February 12 when the preliminary data for 2014 were presented and reports them below.

In 2015, China and the mature markets will be the drivers of world economic growth and will offset the volatility of the South American and Russian economies. In particular, Europe should record GDP growth of 1.7%, the USA of +3.1% and China of +6.5%. The world market for car tyres is forecast to grow by 2.5% (approximately 1.46 billion pieces) driven by the development of the Premium segment which is expected to grow by 7% (non-Premium expected to grow +1%) thanks also to the greater spread of high-end vehicles (with Premium at 9.3% of the global car park, compared with 8.9% in 2014).
In percentage terms, in 2015 Premium worldwide will reach a weight of 25% of the global Car tyre market, growing by one percentage point compared to the previous year. In this scenario Pirelli reaffirms its strategic focus on Premium with the goal of:
- improving in mature markets its positioning in the replacement channel leveraging its greater presence in original equipment;
- taking advantage of the many opportunities in emerging countries for Premium growth.

On the basis of the performance in 2014 and the market trend for the present year, Pirelli expects the following results for 2015:

- Ebit at about 930 million euro after non-recurring and restructuring charges
- Investments below 400 million euro
- Cash generation before dividends above 300 million euro

Consolidated sales are expected at approximately 6.4 billion euro driven by the following factors:
- growth of price/mix equal to or more than +4%
- growth pf Premium volume equal to or more than +10%
- growth of total volumes equal to or more than +3%
- forex impact forecast at ~-1%
- efficiencies of about 90 million euro, in line with plans for the period 2014-2017 for a total of 350 million euro.

The target for the operating result (Ebit) after restructuring charges is forecast to be approximately 930 million euro, after sustaining restructuring charges of approximately 40 million euro.

The 2015 targets cautiously assume the continuation of the difficult economic conditions in Venezuela and Argentina which in 2014 registered real GDP contractions of respectively 3.5% and 1% and high levels of forex volatility. The Car tyre market is forecast to fall 40% year-on-year in Venezuela (-30% in 2014) while remaining substantially stable in Argentina (-7.5% in 2014).

In particular, with reference to Venezuela, in 2015 the targets discount an exchange rate of 20 Bolivar per US Dollar which will entail a devaluation of the Net Financial Position for Venezuela of 70 million euro – already incorporated into the forecast of cash generation before dividends of above 300 million euro – and a negative impact of approximately 30 million euro at the level of financial charges for forex losses on prior commercial debt.

In 2014 the progressive adjustment of the Bolivar exchange rate against the dollar impacted results with a devaluation of the Net Financial Position for Venezuela for a total of 57 million euro (of which 46 million already booked in the first quarter) and a forex loss on prior commercial debts recorded in the fourth quarter under financial charges for a total of approximately 70 million euro.

This effect has already been discounted in the 2014 net financial position and will not impact the dividend policy.

In addition, the 2015 targets foresee for Venezuela temporary measures whose impact will be offset by efficiency actions in South America, such as the reduction of production and the momentary halting of finished product imports.

In the event that the scenario is worse that the above indicated hypothesis, with a consequent further reduction of the use of Venezuelan capacity to 30% and of sales volumes in Argentina of 10%/15%, it would present a risk for the 2015 consolidated Ebit target (930 million euro) today quantifiable as 30 million euro.

The expected contributions of the Consumer and Industrial businesses to the group's Ebit target of 930 million euro are the following:

Consumer:

- Ebit margin before restructuring charges are forecast at equal to or greater than 16% of revenues which will grow by +6%/+6.5% reaching about 4.9 billion euro reflecting:
- volume growth of about +3% with Premium growth equal to or higher than +10%;
- growth of price-mix equal to or higher than +4%;
- forex impact approximately -1%

Industrial:

- Ebit margin at about 12% (substantially stable compared with the 2014 figure net of the complete deconsolidation of the steelcord business) on sales expected to grow by +7%/+7.5% and equal to approximately 1.5 billion euro deriving from:
- volumes' increase of +4.5%+5%
- price/mix equal to approximately +4.5%
- forex impact of about -2%

It should be noted that after the disposal of the steelcord activities, the Industrial business in 2015 will undergo a complete deconsolidation of the steelcord activities (the contribution of which was about 90 million euro to revenues net of intercompany eliminations and about 30 million euro to Ebit) and not only if the component of activities towards third parties which was already deconsolidated in 2014 (73.5 million euro net of intercompany eliminations and about 7 million euro of Ebit). Investments are forecast to be below 400 million euro, of which 37% will be for the development of essentially Premium capacity and 35% to improve mix and quality. Cash generation before dividends will be positive and above 300 million euro and equal to about 4.7% of sales.

Shareholders’ meeting called

The Board of Directors has decided to call - in sole call on 14 May 2015 - a Shareholders' Meeting to approve results for 2014. The Shareholders' Meeting will also be asked to deliberate with regard to the nomination of six directors, taking into account the expiry of the terms of the directors co-opted on 10 July 2014. The Shareholders' Meeting should also deliberate on the renewal of the audit committee which is expiring as its mandate has ended.
The Shareholders' Meeting will also be asked to approve the acquisition and disposition of its own shares for a period of 18 months and up to 10% of capital, which is the renewal of a similar authorization decided on 12 June 2014 and expiring on 12 December 2015. With regard to this, it should be noted that, as of today, no shares have been bought in execution of said authorization. In conclusion, the Shareholders' Meeting will be asked to express itself with regard to the insurance policy for the managerial risk of directors and, with consultative vote, with regard to remuneration policy.
Additional information on the above matters will be available in the minutes of the Board of Directors meeting which illustrates the single proposals of the Shareholders Meeting.

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Camfin – ChemChina Operation

With regard to the operation announced by Camfin and ChemChina – without prejudice to the valuations which, on the basis of the applicable laws, the independent directors and board of directors will be called upon to make regarding the public tender offer when it is launched – the Board of Directors takes note of the friendly nature of the operation, the characteristics of which – on the basis of that which has been made public – are consistent with the strategy in the Industrial sector which already foresaw paths of growth and aggregation in geographically strategic areas like Asia.

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Pending the opinion of the Committee for Third Party Operations, the Board of Directors has made some marginal changes to the procedures for third parties which will be available in updated form on the Company's website www.pirelli.com

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Events after the end of 2014

On **January 9, 2015** Pirelli signed a contract for a new revolving credit facility (Euro 800 million) and a 'multicurrency term loan' (Euro 200 million) for a total value of Euro 1 billion and five-year term. The contract has replaced the revolving credit facility for Euro 1.2 billion maturing in November 2015 and which is therefore terminated in advance. Moreover, on **February 13, 2015** Pirelli an additional contract was signed for a total value of euro 200 million and five-year term, at conditions substantially in line with those of the credit facility above.

On **January 27, 2015** the Special Meeting of the holders of savings shares of Pirelli & C. S.p.A., appointed Angelo Cardarelli as common representative for the years 2015, 2016 and 2017 in place of Professor Giuseppe Niccolini.

On **February 6, 2015**, Pirelli and Bekaert announced the finalization of the sale to Bekaert of Pirelli’s steelcord activities in Turkey (Izmit) On **March 27, 2015**, with the sale of the steelcord activities in China (Yanzhou), the transfer by Pirelli of all its steelcord activities to Bekaert was completed. In line with that which was communicated to the market in February 2014, when the operation was announced, the total value (Enterprise Value) of 100% of the steelcord activities was confirmed at 255 million euro.

On **February 12, 2015** the Board of Directors of Pirelli & C. S.p.A. examined the preliminary, unaudited results of 2014 operations.

On **March 22nd, 2015** the China National Tire & Rubber co. (CNRC), a unit of ChemChina (ChemChina), Camfin S.p.A. (Camfin) and the shareholders of Camfin (Coinv S.p.A. and Long-Term Investments Luxembourg S.A.) signed a binding agreement for a long term industrial partnership relating to Pirelli.
The stated objective of the partnership is to reinforce Pirelli's development plans, the coverage of strategic geographical areas and the doubling of volumes in the Industrial segment (from approximately 6 million to approximately 12 million tyres) through the integration of the tyre activities in the Industrial segment of CNRC and Pirelli. The central element of the agreement is the continuity and autonomy of the Pirelli group's current managerial structure Pirelli. The operation calls for the nomination of the Chairman by CNRC and the continuation of Marco Tronchetti Provera as the CEO of Pirelli.
The headquarters and know-how of Pirelli will be maintained in Italy: super majorities will be needed to authorize the moving of the Headquarters and to transfer Pirelli know-how to third parties.

The agreement calls for:
(i) the acquisition by a newly constituted Italian company (Bidco), which will be indirectly controlled by CNRC in partnership with Camfin through two newly constituted Italian companies (Newco and Holdco), of the stake held by Camfin is the share capital of Pirelli;
(ii) the simultaneous re-investment by Camfin of part of the proceeds from the sale;
(iii) subsequent completion of the acquisition, a Mandatory Tender Offer on the remainder of the ordinary capital of Pirelli at a price of Euro 15.00 per ordinary share and a Voluntary Tender Offer for the savings share capital of Pirelli at a price of 15.00 euro per savings share, with the condition that not less than 30% of the savings share capital. The Mandatory Tender Offer and the Voluntary Tender Offer will be launched by Bidco with the goal of proceeding with the de-listing of Pirelli;
(iv) the dividend relative to the 2014 results will be paid by Pirelli before the acquisition by Bidco of the Pirelli shares held by Camfin.

The completion of the operation is subordinated to the conditions typical of this type of operation and is expected in the summer of 2015, after its approval by the antitrust and other relevant authorities.
The extracts of the shareholder agreements relative to the partnership explained above can be found on Pirelli's website.

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Bond issues

In compliance with the dispositions of Borsa Italiana it is announced that:
- in February 2016 the unrated bond issue, placed by Pirelli & C. S.p.A. on the eurobond market in February 2011 for a total nominal amount of 500 million euro with fixed coupon of 5.125%, expires.
- in November 2014 a new unrated bond loan was issued – placed by Pirelli International Plc and guaranteed by Pirelli Tyre Spa – on the eurobon market for a nominal amount of 600 million euro with a fixed coupon of 1.75%.

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The Director with responsibility for the preparation of the accounting documents of Pirelli & C. S.p.A., Mr. Francesco Tanzi, declares in accordance with paragraph 2 of article 154 bis of the Testo Unico della Finanza (financial law) that the accounting information contained on the present press release corresponds to the documentary results of the books and accounting texts.

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Group – Pirelli & C. Spa

(in millions of euro)

	12/31/2014	12/31/2013 restated (*)	12/31/2013 reported
Net sales	**6.018,1**	**6.061,0**	**6.146,2**
Gross operating profit before restructuring expenses	1.168,0	1.095,0	1.105,4
% of net sales	19,4%	18,1%	18,0%
Operating income before restructuring expenses	869,2	810,2	816,5
% of net sales	14,4%	13,4%	13,3%
Restructuring expenses	(31,3)	(25,5)	(25,5)
Operating income	**837,9**	**784,7**	**791,0**
% of net sales	13,9%	12,9%	12,9%
Net income (loss) from equity investments	(87,0)	(78,3)	(78,3)
Financial income/(expenses)	(262,4)	(192,9)	(195,8)
Net Income before tax	**488,5**	**513,5**	**516,9**
Tax expenses	(173,3)	(209,0)	(210,4)
Tax rate %	35,5%	40,7%	40,7%
Net income from continuing operations	**315,2**	**304,5**	**306,5**
Net income from discontinued operations	**17,6**	**2,0**	**-**
Total net income	**332,8**	**306,5**	**306,5**
Net income attributable to Pirelli & C. S.p.A.	319,3	303,6	303,6
Total net earnings per share attributable to Pirelli & C. S.p.A. (in euro)	0,654	0,622	0,622
Operating fixed assets	**3.874,0**	**4.043,0**	**4.043,0**
Inventories	1.055,0	987,3	987,3
Trade receivables	673,8	666,4	666,4
Trade payables	(1.394,4)	(1.244,5)	(1.244,5)
Operating Net working capital related to continuing operations	**334,4**	**409,2**	**409,2**
% of net sales	5,6%	6,8%	6,7%
Other receivables/other payables	33,9	3,0	3,0
Total Net working capital related to continuing operations	**368,3**	**412,2**	**412,2**
% of net sales	6,1%	6,8%	6,7%
Net invested capital held for sale	**30,8**	**-**	**-**
Total Net invested capital	**4.273,1**	**4.455,2**	**4.455,2**
Equity	**2.611,5**	**2.436,6**	**2.436,6**
Total Provisions	**682,0**	**696,2**	**696,2**
of which provisions held for sale	*5,2*	-	-
Total Net financial (liquidity)/debt position	**979,6**	**1.322,4**	**1.322,4**
of which Net Financial (liquidity)/debt position held for sale	*(5,8)*	-	-
Equity attributable to Pirelli & C. S.p.A.	2.548,3	2.376,1	2.376,1
Equity per share attributable to Pirelli & C. S.p.A. (in euro)	5,222	4,869	4,869
Investments in property, plant and equipment and intangible assets	378,1	413,1	413,1
Research and development expenses	205,5	199,2	199,2
% of net sales	3,4%	3,3%	3,2%
Headcount (number at end of period)	37.561	37.979	37.979
Industrial sites (number)	19	23	23

(*) only Income Statement figures related to Steelcord business have been reclassified as "net income (loss) from discontinued operations".

Data by business sector

	A		B		A+B = C		D		C+D = E	
(in millions of euro)	Consumer		Industrial		Total Tyre		Other business		TOTAL	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Net sales	**4.610,3**	4.478,9	**1.397,2**	1.551,7	**6.007,5**	6.030,6	**10,6**	30,4	**6.018,1**	6.061,0
Gross operating margin before restructuring expenses	**934,7**	839,6	**242,2**	280,3	**1.176,9**	1.119,9	**(8,9)**	(24,9)	**1.168,0**	1.095,0
Operating income (loss) before restructuring expenses	**697,2**	612,2	**183,2**	226,9	**880,4**	839,1	**(11,2)**	(28,9)	**869,2**	810,2
Restructuring expenses	**(20,8)**	(15,8)	**(7,0)**	(7,6)	**(27,8)**	(23,4)	**(3,5)**	(2,1)	**(31,3)**	(25,5)
Operating income (loss)	**676,4**	596,4	**176,2**	219,3	**852,6**	815,7	**(14,7)**	(31,0)	**837,9**	784,7

Cashflow statement

(in millions of euro)

	1 Q		2 Q		3 Q		4 Q		TOTAL	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Operating income (loss) before restructuring expenses	206,7	181,7	232,2	204,2	208,9	207,5	221,4	216,9	869,2	810,2
Amortisation and depreciation	70,6	71,3	73,3	72,1	76,0	70,0	78,9	71,4	298,8	284,8
Investments in property, plant and equipment and intangible assets	(65,3)	(79,7)	(78,3)	(84,3)	(101,1)	(74,3)	(133,4)	(174,8)	(378,1)	(413,1)
Change in working capital/other	(686,6)	(468,4)	77,4	(12,2)	(155,0)	(153,8)	714,6	678,3	(49,6)	43,9
Operating net cash flow	**(474,6)**	**(295,1)**	**304,6**	**179,8**	**28,8**	**49,4**	**881,5**	**791,9**	**740,3**	**725,8**
Ordinary financial income/(expenses)	(43,3)	(58,0)	(48,8)	(45,5)	(43,6)	(43,3)	(126,7)	(46,1)	(262,4)	(192,9)
Ordinary tax expenses	(53,5)	(42,2)	(61,3)	(59,0)	(49,5)	(50,3)	(9,0)	(57,5)	(173,3)	(209,0)
Ordinary net cash flow	**(571,4)**	**(395,3)**	**194,5**	**75,3**	**(64,3)**	**(44,2)**	**745,8**	**688,1**	**304,6**	**323,9**
Financial investments/disinvestments	(3,7)	-	2,8	-	(12,1)	(31,6)	(6,4)	(7,5)	(19,4)	(39,1)
Real estate disposals	-	-	-	-	-	26,5	-	-	-	26,5
Impact of consolidation of Sino Italiana Wire	-	-	-	-	-	-	-	(39,5)	-	(39,5)
Investments for Retail development	-	-	-	-	-	(4,1)	-	(7,9)	-	(12,0)
Other dividends paid to third parties	(0,5)	-	(2,9)	(3,1)	-	-	-	-	(3,4)	(3,1)
Cash Out for restructuring	(12,9)	(7,5)	(5,9)	(5,2)	(8,0)	(4,2)	(4,3)	(5,7)	(31,1)	(22,6)
Devalutaion Venezuela included in financial expenses	-	-	-	-	-	-	72,1	-	72,1	-
Deferred taxes included in tax expenses	-	-	-	-	-	-	(30,2)	-	(30,2)	-
Net cash flow from discontinued operations	(8,7)	(22,6)	10,5	7,8	2,5	(4,9)	(4,3)	9,7	-	(10,0)
Differences from foreigh currency translation/other	(46,0)	(49,6)	(11,9)	29,5	13,2	17,1	63,7	11,3	19,0	8,3
Net cash flow before dividends paid	**(643,2)**	**(475,0)**	**187,1**	**104,3**	**(68,7)**	**(45,4)**	**836,4**	**648,5**	**311,6**	**232,4**
Dividends paid by Parent	-	-	(156,7)	(156,7)	-	-	-	-	(156,7)	(156,7)
Impact Steelcord units disposal	-	-	-	-	-	-	187,9	-	187,9	-
Prelios: receivable conversion/share capital increase	-	-	-	-	-	(192,9)	-	-	-	(192,9)
Net cash flow	**(643,2)**	**(475,0)**	**30,4**	**(52,4)**	**(68,7)**	**(238,3)**	**1.024,3**	**648,5**	**342,8**	**(117,2)**