**PRESS RELEASE**

## 2013-2017 INDUSTRIAL PLAN

**DRIVE ON PREMIUM CONTINUES:**
**RISING TO 44% OF VOLUMES IN 2016 FROM 38% IN 2013, CONTRIBUTION TO REVENUES INCREASING TO 60% IN 2016 FROM 56% IN 2013**

**GOAL TO INCREASE PROFITABILITY: EBIT MARGIN > 15% IN 2017 FROM 13% IN 2013, ROI OF 28% FROM 20% TODAY**

**NET CASH FLOW BEFORE DIVIDENDS EQUAL TO 1.6 BILLION EURO THANKS TO INVESTMENTS ALREADY MADE AND HIGH MARGINS IN PREMIUM SEGMENT**

**INVESTMENTS OF 1.6 BILLION EURO OVER THE 4 YEARS OF THE PLAN**

**ADDITIONAL EXPECTED EFFICIENCIES OF AROUND 350 MILLION EURO**

**NET DEBT DOWN TO AROUND 500 MILLION EURO AT END OF PLAN FROM LESS THAN 1.4 BILLION EURO AT END OF 2013**

**INDUSTRIAL BUSINESS GOAL TO CONSOLIDATE LEADERSHIP IN LATAM AND IN KEY MEA MARKETS, STRENGTHEN IN APAC AND INCREASE PROFITABILITY IN EUROPE**

**RUSSIA'S STRATEGIC ROLE REINFORCED**

**CONSOLIDATION OF TECHNOLOGICAL LEADERSHIP IN MOTO**

**FOCUS ON R & D: NEW PRODUCTS AND TECHNOLOGICAL INNOVATION IN ALL BUSINESS AREAS**

**ORGANIZATIONAL EVOLUTION IN LINE WITH BUSINESS MODEL FOCUSED ON CREATION OF 'VALUE'**

*Milan, London, 6 November* – The Board of Directors of Pirelli & C. has approved the 2013-2017 Industrial Plan. The plan was presented today to the financial community in London by the Chairman and CEO of Pirelli & C., Marco Tronchetti Provera, and the group's top management.

### RESULTS ACHIEVED IN THE LAST TWO YEARS

The Pirelli 2013-2017 industrial plan comes two years after the Industrial Plan, with vision to 2015, presented in November 2011 and represents its strategic evolution.
The plan comes amid a macro-economic context which is profoundly changed from that of the previous one, with 2012 and 2013 heavily impacted by a crisis which has struck the European

economy in particular. In Europe, in fact, the difficult economic situation has resulted in a delay of approximately two years compared with expectations of the area's growth then.

Foreseeing the market's trend, Pirelli in 2011 had already identified the Premium segment as the one with the best prospects. That segment, even in a difficult international economic context, in fact continues to grow at a rate three times faster than the non-premium and, thanks to its high margins, has been one of the factors that most contributed to the results achieved to date. One piece of information best conveys the effectiveness of this strategy: overall Premium (sizes equal to or above 17 inches) represents over 53% of car business revenues and over 80% of profitability, which is 7 percentage points higher, both in terms of revenues and profitability, compared with only two years ago.

From 2011 to today Pirelli has:

- consolidated its **partnerships with car makers**, with a market share in 'Prestige' Original Equipment of about 50% (+11 percentage points compared with 2011) and of approximately 19% in 'Premium' (+5 percentage points compared with 2011), and strengthened its position as principle supplier to German car makers in the Apac, Nafta and Latam areas;

- increased the weight within the Car business of the **Premium segment**, which today represents 53.3% of total revenues (+7.4 percentage points compared with 2011) and over 80% of Ebit (+7 percentage points from 2011);

- continued focus on high-end in the replacement channel, moving from a strategy based on volumes to one based on value;

- achieved 'best in class' position in the Industrial segment in terms of **profitability**, with an Ebit margin today above 13% (+4 percentage points compared with the European industry's average in the sector) and a ROI of about 20% in the last three years;

- consolidation of the geographic positioning in rapidly developing economies. The activities in these Countries today represents over 56% of total revenues and more than 63% of profits, with an increase of over 9 percentage points compared with 2011. A growth driven in particular by the Apac, Latam and Mea areas, as with Nafta, capable of absorbing both the impact of the crisis of the European economy and the slower take off of the Russian market.

- developed, through the **organization's evolution** over time, a structure suited to the implementation, also through the transformation of its internal culture, of a new business model focused on the shift from a logic of "volumes" to one of "value". After an initial phase which in this sense saw all functions reporting directly to the Chairman and CEO, a second phase today presents, besides staff functions, two macro areas: one dedicated to product development, simplification of processes and the relationship with car makers and another overseeing all operations and the implementation of efficiencies. This will result in better execution and a more effective transfer of value directly from car makers to end consumers;

- from 2009 to today Pirelli has seen a constant evolution both from the point of view of its shareholder structure and governance. With regard to the **shareholder structure**, the weight of foreign institutional shareholders has grown from 16% in 2009 to 27% in 2011 and 36% at present, testimony to the appreciation of the industrial results achieved; the free float has gone from 49.3% to 73.8% as a consequence of the dissolution of the Shareholder Block Agreement; Camfin, with 26.2%, remains the biggest shareholder of a company always moving towards a more diffuse shareholder structure. Regarding **governance**, with the shareholders' meeting to approve the 2013 results, the Board, which since 2009 has included a majority of independent Directors, will go to 15 members from the present 19. Beginning from 2011, two committees - 'Nominations and Successions' and 'Strategies' – have been introduced and the Board has been given a key role in the supervision of the processes of risk management.

The focus on Premium implemented in the last two years has made Pirelli a company capable of generating in 2013 a net free cash flow above 3% of revenues.

**TARGETS ACHIEVED WITH THE PREVIOUS PLAN**

In terms of Ebit:
- the Consumer segment reached the targets set both for 2011 and 2012 and, in rapidly developing economies, also those for 2013;
- the Industrial segment has exceeded targets for the entire three years;
- the total efficiencies announced have been achieved in the expected three years;
- the effective management of working capital and investments allowed – even after the acquisition of commercial distribution channels in Scandinavia (Dackia) which the prior plan did not take into account –to obtain a ratio between net cash flow (before dividends and the impact of Prelios) and revenues above 3% in 2013.

With regard to the Consumer business, the 2013 targets were weighed down by the slowdown of the European economy, the weakness of the Russian car market together with delays in the development of the local commercial network and the slowdown of the global moto market, affected by the economic crisis.

**INDUSTRY TRENDS**

The automotive market will continue to be impacted by external factors, such as persisting macro-economic uncertainty, regulatory obligations, exchange rate volatility and the evolution of demand in relation to consumer and lifestyle habits. Car park is expected to grow at an average annual rate of 3.7% through 2017, with a constant increase in the share occupied by Premium. In 2017, in particular, it is foreseen that almost 10% of the total car park will be composed of Premium vehicles, increasing from an estimated 9.1% in 2013. Premium will remain focused in Europe and the Nafta area, which will represent 60% of the total compared with 65% in 2013, and in the Apac area, whose weight is seen rising to 30% from 27% at present.

In the tyre segment, confirming the effectiveness of Pirelli's strategic positioning, it is foreseen that Premium should continue to grow at a rate 3 times faster than non-premium, with an expected average annual growth at the global level from 2013 to 2017 of 7.3% compared with 2.4% for non-premium (+3.6% total growth).

In mature economies (Europe and Nafta), in particular, annual growth in Premium is seen at 5.7% compared with 0.3% for non-premium (+2.2% total growth). In rapidly developing economies, in conclusion, the average annual growth of Premium is seen at 11.6% compared with 3.8% for non-premium (+4.8% total growth).
By 2017, it is foreseen that Premium should represent 26% of the total global tyre market (38% in mature markets and 15% in rapidly developing economies), growing by 4 percentage points compared with an estimated 22% in 2013.

In such a context it is possible to see that:
- the profitability of Premium products in the car and tyre industries will remain structurally superior to that of the average in the respective sectors;
- mature economies will continue to have a preponderant role in the Premium segment;
- the tyre segment will continue to be driven by the positive dynamics of emerging economies, beginning with the Apac area;

- exchange rate volatility will remain significant, in emerging markets in particular;
- international trade will be characterized by exchanges between regional blocks as opposed to global ones.

These trends were already the basis of the previous industrial plan and today give Pirelli an advantage compared with its competitors.

**2013-2017 INDUSTRIAL PLAN: PROFITABILITY TARGET AT >15% AND ROI AT 28% BY 2017 NET CASH FLOW GENERATION BEFORE DIVIDENDS OF 1.6 BILLION EURO**

**Actions of the 2013-2017 plan:**
- growth in higher value added business segments
- extraction of value from selected Medium products
- further reduction of volumes and capacity in the Standard segment
- realization of a new efficiencies plan
- selective investment in high return projects
- continual control of working capital

This will allow an increase in return on investments (ROI) and profitability (Ebit margin), with the aim of reaching the following targets by the end of the plan:

**Total in 2017:**
- EBIT margin (before restructuring costs) > 15% (approx.13% estimated for 2013);
- ROI (excluding financial shareholdings) around 28% (20% estimated for 2013);
- Net debt/Ebitda ratio down to 0.3 (estimated 1.2 in 2013).

**Profitability by business unit:**
- from around 12.5% in 2013 to around 16% in 2016 for the Car Business (ROI growth from around 18% to around 25% in 2016);
- from around 15% in 2013 to >17% in 2016 for the Moto Business (ROI growth from around 47% to around 52%);
- from >13.5% in 2013 to around 14% in 2016 for the Industrial Business (ROI growth from around 23% to around 27%).

**Weight of geographical areas on profitability:**
- the Ebit contribution from rapidly developing economies (excluding Latam), today equal to 20%, is expected to rise to nearly 30% in 2016 (with an average annual growth rate of 22% driven by the forecast growth of Premium);
- the Ebit contribution from Latam, today equal to 45%, will come to around 35% (with average annual growth of 3% and an Ebit margin at mid-teen level stable in the period);
- finally in mature markets, the Ebit contribution, today equal to 35%, will increase to over 35% in 2016 (with average annual growth of 12% linked to the Premium dynamic and to greater efficiencies, especially in Europe);

**Tyre target**

| | **2013E** | **2014E** | **2016E** | ***Cagr 2013-16*** |
|---|---|---|---|---|
| **Revenues** (in euros) | **~6.2 bln** | **6.6 bln** | **7.5 bln** | **~6.5%** |
| % industrial | 27% | 27% | 26% | |
| % consumer | 73% | 73% | 74% | |
| **Ebit margin**<br>Before restructuring costs | **>13.5%** | **14%** | **~15%** | |
| % industrial | 27% | 25% | 24% | |
| % consumer | 73% | 75% | 76% | |

Overall, taking 2013 Ebit as 100, we expect an Ebit of 134 by 2016.

**Consumer target**

| | 2013E | 2014E | 2016E | *Cagr 2013-16* |
|---|---|---|---|---|
| **Revenues** (in euros) | **>4.5 bln** | **~4.9 bln** | **5.5 bln** | **~6.5%** |
| **Ebit margin** | **>13.5%** | **>14%** | **>15.5%** | |

Before restructuring costs

Overall, taking 2013 Ebit as 100, we expect an Ebit of 140 by 2016.

**Industrial target**

| | 2013E | 2014E | 2016E | *Cagr 2013-16* |
|---|---|---|---|---|
| **Revenues** (in euro) | **<1.7 bln** | **>1.7 bln** | **~2.0 bln** | **>6%** |
| **Ebit margin** | **>13.5%** | **>13%** | **~14%** | |

Before restructuring costs

Overall, taking 2013 Ebit as 100, we expect an Ebit of 121 by 2016.

## EFFICIENCIES

Thanks to the above actions to reinforce competitiveness, following the 322 million in efficiencies achieved between 2011 and 2013, the plan to 2017 foresees further efficiencies for around 350 million euro. Of these, around 320 million will come from efficiencies linked to industrial and product activities (56% from materials, 30% from labour costs, 8% from cost controls and 6% from increased production in low industrial cost countries) plus another 30 million euro from general and administrative expenses.

## INVESTMENTS ALREADY MADE

In the three-year period 2011-2013, Pirelli made investments of 1.5 billion euro for plant enlargements, technological upgrades in line with the Premium focus, a better localization of factories (100% of Industrial and 78% of Consumer productive capacity is placed in countries with low industrial costs) and to complete most of the restructuring work that the rest of the industry is busy with today.
Group investments peaked in 2011. This, together with the focus on Premium, has laid the bases for a robust cash generation.

## RESOURCES AVAILABLE FOR THE PLAN: INVESTMENTS OF 1.6 BILLION, OVER 60% IN EUROPE AND LATAM

### Gross cash generation of around €3 billion

The plan foresees a gross cash generation (before investments and dividends) of 3 billion euro, as well as the sale of financial assets for 150 million euro. The total cash will be used to:

- finance the 1.6 billion investments foreseen over the period of the plan
- distribute dividends of above 700 million (with a confirmed payout equal to 40% of consolidated net earnings)
- reduce the net financial position by the remaining part, equal to 850 million euro of net cash.

## NEW INVESTMENTS

The new plan, taking into account the amounts invested in previous years, foresees investments of up to 1.6 billion over four years. 82% of these will be directed towards the Consumer segment (of which 74% in Car, 6% in Moto and 2% in the other consumer businesses) and 18% will be in the Industrial segment (of which 11% in Truck, 3% in Agro and 4% in the other industrial businesses).
Altogether, 38% of the investments will be in Europe, 26% in Latam, 14% in Apac, 10% in the Nafta area, 6% in Russia and 6% in Meai (Middle East, Africa and India).

With these investments, total Consumer Business capacity will grow from the current 69 million units per annum to 81 million in 2017, with the Premium segment forecast to increase to 63% of the total compared with the present 48%. Industrial capacity will grow from the current 6.2 million units to 6.8 million in 2017. These figures take into account the evolution of market demand.

**Net debt/Ebitda ratio down to 0.3 in 2017 from 1.2 at the end of 2013**

By 2017 we expect the **net financial position** to improve from the <-1.4 billion euro foreseen for the end of 2013 to around -500 million, with an improvement in the net debt/Ebitda ratio from 1.2 to 0.3 by the end of the plan.

The **cost of debt** is estimated to stay below 6.5% over the duration of the plan, due to the debt exposure of countries with high interest rates. The tax rate is expected to fall progressively, to 36% in 2014, one percentage point lower than in 2013, and to 35% in 2016.

The plan is based on assumptions (taken from the leading external institutions of reference) that the forex market will see the euro/dollar ratio at an average of 1.29 in 2014 to then stabilize or devalue slightly, and the dollar/real ratio with a devaluation of 5% in 2014, and subsequently 2% annually.

## BUSINESS RELATED ACTIONS: FOCUS ON PREMIUM AND VALUE EXTRACTION FROM THE MEDIUM SEGMENT

## CONSUMER BUSINESS

### CAR

**Scenario**

Over the period 2013-2017 the global original equipment car tyre market is expected to grow from 412 to 496 million units, with an average annual growth rate of 4.8% thanks to the positive performance of the Premium segment (+7.4%). In 2017 Premium will represent 34% of the total, with different dynamics in the individual geographical areas. The replacement car tyre market, meanwhile, is expected to grow by an annual average 3% over the period of the plan, again driven by Premium with an annual average growth rate of 7.3%, to 1,068 million units. The Premium segment will represent 22% of total volumes.

**Strategy**

Pirelli's strategy over the duration of the plan will be to speed up the development of Premium and Super Premium tyres (with a dimension equal to or higher than 17 inches and 18 inches), segments which have proven to be drivers of value creation both in Original Equipment and in Replacements. We therefore expect the Premium portion of volumes to grow from an estimated 38% in 2013 to 44% in 2016, with an estimated contribution to revenues up from 56% in 2013 to 60% in 2016 and an Ebit margin (before restructuring and excluding Russia) of around 16% (around 14% in 2013).

Pirelli also intends to further reduce volumes and capacity in the Standard segment and increase the competitiveness and profitability of the Medium segment. Pirelli expects to extract further value for its growth strategy from this segment, given its commercial and market dynamics, bearing in mind the high margins of some products in it.
The Medium offering completes the offering wanted by the Premium car makers, allowing us to offer a full range of products and the demand coming from our own growing retail network, as well as meeting demand in those areas, like Brazil, where this segment is still preponderant.
The Premium strategy comprises the following elements:

- continued use of Original Equipment supply as a lever to increase sales in the Replacement segment (OEM pull through);
- greater focus on the consumer through a programme of integration of the retail network and targeted marketing;
- reinforcement of commercial activities in the areas of greatest interest, with expansion of the retail network which in 2016 will reach around 9,500 units (6,000 at end of 2013), with a sales target of 50% in the Premium segment.

To make the Medium segment even more competitive and profitable, Pirelli foresees a series of actions:

- planning within cost targets, thanks in part to a greater versatility in compounds and facilities;
- rationalization of the product portfolio;
- standardization of components;
- production focused in low cost plants (China, Romania and Russia);
- product extensions such as Runflat and Winter to the non-premium segment to bring the higher margins of these products to this segment.

In line with the focus on Premium, volumes and capacity in the Standard segment will be further reduced.

**RUSSIA**

The macroeconomic background in Russia has worsened due to a slowdown in GDP growth (+1.8% in 2013 compared with the expected +3.4%), which has led to fewer vehicle registrations (-5% in 2013), a fall in tyre demand (an estimated -3.5% in 2013) and greater difficulty in accessing credit. Economic factors have led to an under-utilization of production lines, with negative impacts on costs. Pirelli is also behind on its plan forecasts for the completion of the product range and the development of the sales network.

Russia is nevertheless a strategic market for Pirelli due to the nature of the demand, concentrated on Winter tyres. Thanks to the acquisition of two local facilities Pirelli's productive capacity is very well placed to serve the market. With a plant built 'from scratch' Pirelli would have reached its current production capacity in 2018. The development of the facilities and upgrading to Pirelli standards is proceeding according to plan and no further investments in capacity are foreseen compared with the previous plans. The goal is to reach full capacity utilization, partly thanks to exports of Kirov production to Europe, improved efficiencies and rationalization measures. The Voronezh plant, concentrated exclusively on the Premium segment, will maintain a capacity of 2 million units per annum, while Kirov, not focused on Premium tyres, will have a capacity in 2017 of 6.9 million units (compared with 5.9 million units in 2013). Both factories have obtained car manufacturer certification and are therefore ready to produce for European auto makers.

The development plan can be broken down into the following elements:

- increase winter products to complete the offering
- increase the supply of tyres to large European Original Equipment manufacturers to benefit from the OEM pull through effect on Replacements
- speed up the multi-channel sales network by further pursuing the retail project (which already has over 600 Premium Pirelli outlets) and improve penetration of car distributors' channels
- expand commercial presence in the CIS market
- increase production by raising plant capacity utilization
- efficiencies plan to increase profitability.

**Russia EBIT and revenues targets**
These actions will deliver mid-single digit Ebit margin in 2014, with revenues of around 280 million euro, and double digit Ebit margin from 2016, with revenues of around 370 million euro.

**MOTO**

The moto market is expected to grow at an annual average rate of 6.3% between 2013 and 2017, with 393 million units estimated in 2017. Over 2012 and 2013 the fall in demand, the steep devaluation of the Brazilian currency, the end of incentives in Latam and the increased competitiveness have produced a falloff in revenues and margins below expectations. Pirelli is expecting a market recovery at the end of 2013 and can counter this negative scenario with its technological excellence and expected expansion in the new markets.

The goal is to hold position in consolidated markets and raise it in high growth markets through:
- continual research efforts to exploit the technological competitive advantage;
- strong product innovation and the launch of more than 14 specific new products targeting the unique demands of each individual market by 2017;
- simplification of production processes
- larger sales/distribution network;
- growth in traditional markets;
- expansion in Europe (in countries where market share today is below average), in the USA (with a new distributor) and in the Asean area, with an initial commercial presence to later assess further developments;
- an efficiencies plan.

Revenues in 2014 are expected at more than 400 million euro (<400 million estimated in 2013), >500 million in 2016, with margin rising from ~16% in 2014 (~15% in 2013) to >17% in 2016.

**<u>INDUSTRIAL BUSINESS</u>**

Pirelli occupies a position of absolute leadership in South America and North Africa and is one of the principle players in the Near East in the truck segment, while it is leader in the Agro market segment in South America. In the Industrial segment, Pirelli has reached its Ebit target in absolute terms and in margin one year ahead of schedule. The Ebit in the segment, in fact, is over >13.5% compared with a European average for its competitors of approximately 9% in the first half of 2013. In the last three years, despite the market slowdown, Pirelli reached an ROI of around 20%, above that of the group.
Pirelli managed to counter the market slowdown and the negative effect of exchange rates, which reduced the positive impact of lower raw material costs, through the launch of new products - in particular the Serie 01 - efficiencies, the speedy conversion of the Settimo Torinese plant and placement of 100% of Industrial production in countries with low industrial costs.

The annual production capacity of truck and agro tyres will increase by 2%, going from 6.2 million units in 2013 to 6.8 million units in 2017.

**TRUCK**
The outlook for the truck tyres' market for the period 2013-2017 is for total annual growth of 2.1%, going from 141 million units in 2013 to 153 million units in 2017. Rapidly developing markets will grow at an average annual rate of 2.3% compared with the 1.8% of mature ones. With regard to geographic areas, South America and MEA will grow, respectively,at a rate of 3.7% and 2.4%, Apac by 1.7%, and Europe 1.5%.

Pirelli aims to consolidate its leadership position in the Latam area and in the key markets (Saudi Arabia, Morocco and South Africa) of the MEA area, and strengthen its position in the Apac area and improve profitability in Europe through:

- the implementation of a global production platform that can be adapted at the local level to customer needs;
- the introduction of solutions to supply fleet costs controls and monitoring;
- a lean organization with particular attention to efficiencies.

In the Apac area, in particular, the average annual volume growth for 2013-2017 is expected to be below 2%, as well as with a minor portion of radial tyres.
In China, Pirelli aims to increase the production capacity of its plants and explore new partnerships. Among the actions which the group intends to apply, there is the identification of new distribution partners, extension of the retail network and the introduction of solutions for fleets. Pirelli also aims to strengthen cooperation with the government and other tyre producers to promote the introduction of Tubeless technology for reconstruction, and green tyres.

**AGRO**
The South American market for Agro tyres, in which Pirelli holds a position of absolute dominance, is characterized by a rate of growth among the fastest at the global level and an elevated concentration of producers. According to estimates, it will grow by 6% going from 1.4 million units in 2012 to 2 million units in 2017. The Brazilian market is undergoing a continual technological evolution, called for by the constant renewal of the machinery park facilitated by generous government incentives. Original Equipment represents over 50% of the agro market.
Pirelli's target in South America is to increase the weight of Agro revenues on total Industrial revenues from 12% in 2013 to 14% in 2016, with a double-digit profitability.

**R & D: TECHNOLOGICAL DEVELOPMENT AND NEW PRODUCTS**

The investment in research and development, equal to 7% of Premium revenues, is focused on high end products, delivering the following important results:

- In Car 10 of the new product lines of the 20 foreseen for the period 2011-2015 have already been launched, in line with the plans announced;
- In Truck the evolution of Winter, Regional and Offroad products of the 01 range has been successfully completed;
- In Moto the new Enduro and Sport Touring products have received the maximum acknowledgements in 2013 tests;
- The first generation Cyber Tyre was marketed in 2012 and the second will be launched on the market by 2015.
- In the R & D sector efficiencies of about 50 million euro have been achieved in just 2 years, equal to over 70% of the total efficiencies foreseen for the period 2012-2014.

To achieve the results of the new 2013-2017 plan, Pirelli aims to further reinforce its commitment to research and development – an area which has its main hub in Milan and 10 regional centres and employs 1,400 engineers – in all business segments.
Car will develop 14 new product lines (of which 6 winter): 6 will be destined to Original Equipment and 8 to Replacement. The new products will in part be destined to all markets, in part to local markets. Six lines will include niche products like the Runflat, Seal Inside and Noise Reduction tyres. As well as significantly increasing the product portfolio, Pirelli will introduce other technological innovations. Among these, the PNCS system (Pirelli Noise Cancelling System) to reduce noise pollution and new materials and geometries that aim to reduce the rolling resistance of some products by 20% by 2017.
In Moto, Pirelli aims to consolidate its technological leadership with ever more performing products. Over the period 2014-2017, 10 new Pirelli products are planned for release and 11 Metzeler ones. In particular, a new radial line for motorcycles of 250-350cc will be developed for Latam, while the Metzeler Custom Touring line will be launched in North America.

In Truck, Pirelli will launch 11 new products over the period 2014-2017. Among these, the new Regional with greater mileage and tread reconstruction technology, the Highway and City tyres will have rolling resistance in line with the offering of the principle competitors and completion of the tyre range for particularly harsh winter conditions. In conclusion, Pirelli focuses on the development of reconstruction technology and customer service through the Cyber Fleet.
In the Agro business, Pirelli will transfer the replacement tyre radialization process, invest in local production capacity and the renewal of the product range and establish partnerships with the leading makes – John Deere, CNH, AGCO – also aimed at developing products to meet local needs.

## OTHER BUSINESS

Given the market scenario and with a view to maximizing the return on investments by focusing resources on more remunerative businesses, Pirelli intends to enhance the value of the Environment and Filters business through spin offs and/or groupings with partners. Pirelli Pzero, a business in the Industrial Design and Fashion sector, will continue to represent an important lever for enhancement of the brand.

## SUSTAINABILITY PLAN

Pirelli's sustainability plan integrates and supports the group's industrial plan with a vision to 2020, and was developed in accordance with the “Value Driver” model inspired by the UN PRI (Principles for Responsible Investment) and UN Global Compact to encourage dialogue between investors and firms on sustainability issues (ESG, Environmental, Social, Economics). Growth, productivity, governance and risk management are the guidelines.
Despite the difficult macroeconomic context, Pirelli has already achieved important results: revenues from “green” products today represent 42% of tyre revenues, reduction of the injury frequency indicator (-60% compared with 2009) was reached two years ahead of time and the recycling of production waste is in line with the targets of the 2011-2013 plan. Pirelli's sustainability performance is confirmed by the leading industry rating indices: in 2013 it was recognised for the sixth year running as the global sustainability leader for the “Autoparts&Tyre” sector on the Dow Jones Stoxx Sustainability and Dow Jones Sustainable World indices. The 2014-2017 sustainability plan, which sets a number of targets for 2020, foresees:

- revenues from “green” products in 2017 equal to 48% of tyre revenues, with significant development of certain green performance product lines such as Runflat and Self Sealing;
- 90% reduction in the injury frequency indicator by 2020 compared with 2009. This target will be reached thanks to investments in increasingly safer equipment plus programmes to reinforce the culture of security among the group's employees;
- 15% reduction in $CO_2$ emissions by 2020;
- 18% reduction in the specific energy consumption ratio by 2020;
- 58% reduction in the specific water use ratio by 2020;
- recycling of production waste above 95% by 2020;
- the maintenance of investment in research and development, equal to 7% of Premium revenues, dedicated to the development of safer, lower environmental impact products.

Finally the sustainability plan will rest on the adoption of ever more advanced models of strategic and operative risk management and a more pervasive governance of the economic, social and environmental responsibilities of the supply chain, in a perspective of concerted development.

The presentation of the Industrial Plan can be viewed in live webcast at the following address www.pirelli.com/industrialplan2013-2017

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