



**Interim Management Statements  
at September 30, 2015**

**PIRELLI & C. Società per Azioni (Joint Stock Company)**

**Milan Office**

**Viale Piero e Alberto Pirelli n. 25**

**Share Capital Euro 1,345,380,534.66**

**Register of Companies of Milan no. 00860340157**

**REA (Economic Administrative Index) no. 1055**

# **PIRELLI & C. S.p.A. - MILAN**

## **Interim Management Statements at September 30, 2015**

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### **Financial Statements**

**Declaration pursuant to Article 154-bis, paragraph 2 of  
Legislative Decree no. 58 of February 24, 1998**

**Board of Directors**<sup>1</sup>

Chairman	Ren Jianxin
Executive Deputy Chairman and CEO	Marco Tronchetti Provera
Director	Yang Xingqiang
Director	Bai Xinping
Director	Ze'ev Goldberg
Independent Director	Andrey Kostin
Independent Director	Elisabetta Magistretti
Independent Director	Paolo Pietrogrande
Director	Alberto Pirelli
Lead Independent Director	Luigi Roth
Director	Igor Sechin
Independent Director	Manuela Soffientini
Independent Director	Tao Haisu
Director	Wang Dan
Independent Director	Zhang Junfang
Secretary of the Board	Anna Chiara Svelto

**Board of Auditors**<sup>2</sup>

Chairman	Francesco Fallacara
Regular Auditor	Fabio Artoni
Regular Auditor	Antonella Carù
Alternate Auditor	Fabio Facchini
Alternate Auditor	Andrea Lorenzatti
Alternate Auditor	Giovanna Oddo

**Audit, Risk, Sustainability and Corporate Governance Committee**

Chairwoman - Independent Director	Elisabetta Magistretti
Independent Director	Andrey Kostin
Independent Director	Tao Haisu

**Remuneration Committee**

Chairman	Ren Jianxin
Lead Independent Director	Luigi Roth
Independent Director	Manuela Soffientini

**Nominations and Successions Committee**

Chairman	Marco Tronchetti Provera
Director	Ren Jianxin
Director	Bai Xinping
Independent Director	Andrey Kostin

**Strategies Committee**

Chairman	Marco Tronchetti Provera
Director	Yang Xingqiang
Director	Bai Xinping
Lead Independent Director	Luigi Roth
Director	Igor Sechin
Independent Director	Tao Haisu
Director	Ze'ev Goldberg

**Committee for Related-Party Transactions**

Chairman	Luigi Roth
Independent Director	Paolo Pietrogrande
Independent Director	Zhang Junfang

**Independent Auditing Firm**<sup>3</sup>

Reconta Ernst &amp; Young S.p.A.

**Corporate Financial Reporting Manager**<sup>4</sup>

Francesco Tanzi

**General Manager Operations**

Gregorio Borgo

**General Manager Technology**

Maurizio Boiocchi

**General Manager Industrial**

Lorenzo Sistino

The Supervisory Board (foreseen by Organizational Model 231 adopted by the Company) is chaired by Prof. Carlo Secchi.

The Lawyer Angelo Cardarelli was appointed Common Representative of the savings shareholders for the three-year period 2015/2017 by the category Shareholders' Meeting held on January 27, 2015.

1 Appointment: June 12, 2014. Expiry: General Meeting convened for the approval of the Financial Statements at December 31, 2016. Bai Xinping and Ze'ev Goldberg (co-opted on September 2, 2015) and Ren Jianxin, Yang Xingqiang, Wang Dan, Tao Haisu and Zhang Junfang (co-opted on October 20, 2015) will remain in office until the date of the next meeting.

2 Appointment: May 14, 2015. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2017.

3 Office granted by the Shareholders- Meeting of April 29, 2008 for the nine-year period 2008/2016.

4 Appointment: Board of Directors June 12, 2014. Expiry: jointly with the Board of Directors currently in office.

## **MACROECONOMIC AND MARKET SCENARIO**

In the first nine months of 2015, the performance of the economy globally is characterized by a gradual recovery in North America and in Europe, which was offset by the decline in emerging markets. In the USA, growth is moderate and conditions of the labour market are improving although the weakness of foreign demand has reduced impetus to the pace of economic expansion. In the Eurozone, several factors have supported the gradual recovery: the improvement in the financial conditions thanks to the quantitative easing program of the ECB, the decline in the price of oil that supported investments and private consumption and the weakening Euro against the US dollar that has improved its competitiveness.

Worsening trend for emerging economies in particular Russia and Brazil, which in the second quarter recorded a decrease in GDP respectively of 4.6% in Russia (-2.2% in the first quarter) and 2.6% in Brazil (-1.6% in the first quarter). Brazil, whose going officially into recession in August has been confirmed, is impacted by the collapse of raw material prices, the political crisis and the downgrading of the rating on government bonds by Standard & Poor's. In China, the devaluation of the renminbi in August, focused attention on the risks of an accentuated slowdown of the economy. The figures for the third quarter (+6.9% GDP growth compared to +7% in the second quarter confirm to date the hypothesis of a soft landing. The continuation of conflict in Ukraine, Libya and the Middle East represents additional elements of uncertainty in the short term for the global economy.

With reference to the exchange rate market, the euro exchange rate against the US dollar, has stabilized in recent months, reaching an average of 1.11 Euro/USD in both first and second quarters 2015, recovering from the minima of the first quarter.

In decline the currencies of emerging countries, with particular reference to countries exporting raw materials. The Brazilian real falling against the US dollar by 36% in the third quarter alone (-28% in the nine months of 2015) was penalised by the aforementioned downgrade by Standard & Poor's.

The 3% devaluation of the renminbi in just three days in mid-August is due to the expansion of the trading band, a step towards the liberalization of renminbi exchange rates, which however fuelled the fear of possible negative impacts on the economy.

Regarding raw materials, it is noted that the price of oil fell in the third quarter with Brent at 51 US dollars per barrel compared to 59 US dollars in HY1 2015. This decrease is related to excess supply and the slowdown in the Chinese economy. High volatility for the prices of butadiene, up in the summer period due to reduced supply but down again in September; overall, the average price of butadiene in the third quarter amounted to euro 745 per ton compared to euro 642 in the second quarter. Lastly, prices of natural rubber (TSR20) fell, the price of which dropped further to 1,341 US dollars per ton, -12% compared to the previous quarter, -18% compared to the third quarter 2014.

Figures related to the tyre market in first nine months of 2015 show the positive performance in Europe and North America, especially for the Consumer market, while reflecting the difficult macroeconomic situation in emerging countries, in particular, Russia and South America in Consumer and Industrial.

The performance of the tyre market was supported by the gradual recovery of economic activity in Europe (car Replacement +2% in the first nine months of 2015, car Original Equipment +7%, truck Replacement +5%, truck Original Equipment +10%). The trend of the car tyre market in North America was positive with a growth in the first nine months of 2015 of 4% in the Replacement Channel and 2% in Original Equipment. Sharp decline in sales in Russia (car Replacement -20%, car Original Equipment -28%) and Latin America (Original Equipment car -46% *truck*-17%, truck Replacement -9%, , in contrast *car* Replacement +3%) due to the ongoing recession.

## **SIGNIFICANT EVENTS IN THE FIRST NINE MONTHS OF 2015**

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 a five-year term. The contract replaced the previous revolving credit facility for euro 1.2 billion due to expire in November 2015, which was thus terminated early. In addition, on **February 13, 2015**, an additional contract for a new credit facility was also signed with a total value of euro 200 million for a five-year term, with conditions essentially in line with those of the credit facility above.

On **January 27, 2015**, the special savings shares Shareholders’ Meeting of Pirelli & C. S.p.A., appointed Angelo Cardarelli as common representative for the years 2015, 2016 and 2017.

On **February 6, 2015**, the sale was completed to Bekaert of Pirelli’s steelcord activities in Turkey (Izmit), and on **March 27, 2015**, with the sale of the steelcord activities in China (Yanzhou) the transfer of all Pirelli steelcord activities to Bekaert was completed. As was prior disclosed during the announcement of the transaction to the market in February 2014, the total value (Enterprise value) for 100% of the steelcord business was confirmed as euro 255 million.



On **February 12, 2015**, the Pirelli & C. S.p.A. Board of Directors examined the preliminary results of 2014 operations. On **March 31, 2015**, the Board of Directors of Pirelli & C. S.p.A. approved the financial statements for the year 2014, which closed with a total net profit of euro 332.8 million (+8.6% compared to the same period in 2013) and a net profit for the parent company of euro 258.0 million, up 34.4% compared to the same period in 2013.

The Board of Directors proposed to the Shareholders' Meeting of May 14, 2015, to distribute a dividend of euro 0.367 per ordinary share (0.32 in the previous year) and euro 0.431 per savings share (0.39 in the previous year). On **May 13, 2015**, the Pirelli & C. S.p.A. Board of Directors approved the results at March 31, 2015, which closed with a further evident strengthening of the Premium segment.

On **March 22, 2015**, China National Tire & Rubber Co. Ltd (CNRC), a subsidiary 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 related to Pirelli.

Following the agreements, on August 11, 2015, there was a mandatory public offer for all the ordinary shares of Pirelli and a voluntary public offer for all the savings shares of euro 15 per share. For further information, refer to the paragraph "significant events subsequent to the end of the quarter".

The objective of the partnership is to strengthen the development plans of Pirelli, the presence in geographically strategic areas and substantial doubling of volumes in the Industrial segment through the future integration of the Industrial segment of CNRC and Pirelli assets. The central element of the agreement is the continuity and independence of the current management structure of the Pirelli Group.

Pirelli's HQ and know-how will be maintained in Italy: reinforced majorities are required to authorise any move of the Headquarters and transfer to third parties of Pirelli's know-how.

Extracts of the shareholder agreements relating to the partnership and related updates are available on the Pirelli website.

On **April 16, 2015**, Pirelli and Rosneft, under the Memorandum of Understanding signed in 2014, identified Synthos, a company based in Poland which is a leading manufacturer of chemical raw materials, as the technology partner with which to develop the research, production and supply of synthetic rubber in Nakhodka, in the context of the FEPCO (Far East Petrochemical Company) petrochemical hub.

Pirelli, Rosneft and Synthos therefore signed a Memorandum of Understanding to conduct feasibility studies related to activities concerning the requirements of the engineering and operational design of plants, as well as market studies, investments and estimates of operating costs.

The three groups also intend to use the FEPCO petrochemical centre to produce synthetic rubber with the aim, inter alia, of supplying Pirelli's factories located in the APAC region. On **June 19, 2015**, Pirelli and Rosneft also signed a cooperation agreement that extends the existing partnership between the two companies in commercial and marketing areas.

On **April 20, 2015**, Pirelli announced that - with reference to the Ordinary Shareholders' Meeting of Pirelli & C. S.p.A. - two lists of candidates have been filed for the appointment of statutory auditors by Camfin S.p.A. and its subsidiary Cam 2012 S.p.A., as well as by a group of asset management companies and financial intermediaries. The company also announced that Camfin S.p.A., in reference to the agenda of the Shareholders' Meeting on the appointment of the six members of the Board of Directors, proposed to the Shareholders' Meeting to confirm the appointment of the directors Igor Sechin, Didier Casimiro, Andrey Kostin (independent), Ivan Glasenberg (independent), Petr Lazarev and Igor Soglaev - already co-opted on July 10, 2014 - thus leaving the number of members of the Board of Directors unchanged at fifteen.

On **May 14, 2015**, the Shareholders' Meeting of Pirelli & C. S.p.A., approved the 2014 financial statements that closed with a consolidated net profit of euro 332.8 million and a net profit of the parent company of euro 258.0 million, resolving the distribution of a dividend of euro 0.367 per ordinary share and euro 0.431 per savings share. Furthermore, the Shareholders' Meeting approved the proposal of Camfin S.p.A. regarding confirmation in the office of directors already co-opted in July 2014 and appointed the new Board of Auditors composed of Francesco Fallacara, who was appointed Chairman (taken from the "minority" list), Antonella Carù and Fabio Artoni as Regular Auditors and Andrea Lorenzatti (taken from the "minority" list), Fabio Facchini and Giovanna Oddo as Alternate Auditors.

Lastly, the Meeting authorized the Board of Directors to purchase and dispose of treasury shares, not exceeding 10% of the capital, for a maximum period of eighteen months thus renewing the previous authorisation resolved on June 12, 2014.

On **June 23, 2015**, the Board of Directors of Pirelli & C. S.p.A. entrusted to Deutsche Bank and Goldman Sachs International the role of financial advisors to support the evaluations of the Board of Directors will be called to express in relation to the transaction between Camfin S.p.A., China National Chemical Co. and China National Tire & Rubber Co. Ltd announced by Camfin on March 22, 2015. The independent directors of Pirelli also informed the Board of Directors of the appointment of Citigroup Global Markets Ltd as independent expert related to the opinion required under Article 39-bis, paragraph 2, Issuers' Regulation.

On **August 11, 2015** - after the acquisition by Marco Polo Industrial Holding, a subsidiary of CNRC and subsidiary of Camfin, of 20.34% of Pirelli by Camfin and the signing of the Pirelli shareholders' agreement concerning, in addition to share purchased, also the 5.85% stake held indirectly by Camfin in Pirelli through Cam 2012 - Marco Polo Industrial Holding launched a mandatory public offer for all the ordinary shares of Pirelli of euro 15 per share and a voluntary public offer for all the savings shares of euro 15 per share.

For further information, refer to the paragraph "significant events subsequent to the end of the quarter".

On **August 11, 2015** - as a result of changes in the shareholding structure of Pirelli - the directors Paolo Fiorentino and Gaetano Miccichè resigned from the Board of Directors of the Company, in replacement of whom - on **September 2, 2015** - the Board of Directors co-opted Ze'ev Goldberg and Bai Xinping, qualified by the Board as "not independent".

On **September 10, 2015**, the Bondholders' Meeting of Pirelli International Plc related to the bond issued by the company for a total of euro 600 million guaranteed by Pirelli Tyre S.p.A. and maturing in 2019, did not reach the quorum and therefore, the Extraordinary Resolution aimed at making some amendments to the change of material shareholding clause of the bond regulation was not approved, and the latter therefore remains not amended.

On **September 24, 2015**, the Bondholders' Meeting of Pirelli & C. S.p.A. related to the bond issued by the company for a total of euro 500 million, guaranteed by Pirelli Tyre S.p.A. and maturing in 2016 approved the Extraordinary Resolution, which provides for the amendment of the Bond Regulation, in particular with reference to the provisions relating to the change of material shareholding, determined following the transfer of approximately 20.34% of the ordinary share capital of Pirelli & C. S.p.A. by Camfin S.p.A. to Marco Polo Industrial Holding S.p.A. The amendments to the Regulation will allow reimbursement by Pirelli & C. S.p.A. at the natural expiry in February 2016, through financial resources already available.

## **GROUP PERFORMANCE AND RESULTS**

In this document, in addition to the financial figures provided by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from IFRS are used in order to allow a better assessment of Group operations. These indicators are: Gross Operating Margin, Fixed assets, Provisions, Operating Working Capital, Net Working Capital and Net Financial Liquidity (Debt) Position. Reference is made to the paragraph “Alternative Performance Indicators” for a more detailed description of these indicators.

As a result of the signing of the disposal agreement for 100% of steelcord activities by Pirelli and Bekaert on February 28, 2014, the steelcord business was classified as a "discontinued operation"; the result of 2014 and the first nine months of 2015 of the discontinued operation has been reclassified in the income statement in a single line item "net income (loss) from discontinued operations". With the sale on February 6, 2015 of the steelcord activities in Turkey and on March 27, 2015 of those in China, the sale of the entire Pirelli steelcord business to Bekaert was completed.

The steelcord activities were part of the Industrial business.

\* \* \*

The **Group's** results in the first nine months of 2015 are characterized by:

- the strengthening of the high-end range with Premium volumes up 11% (in line with the annual target) and an incidence of 60% on Consumer revenues (56% in the first nine months of 2014)
- the improvement in the price mix component (+4.8% in the first nine months of the year, +7% in Q3) above the target of ~+4% forecast for the year 2015, thanks to higher sales in the Replacement channel and the different geographic mix;
- the different trend in demand in mature markets (+4.5% volumes in the first nine months +7.3% in the third quarter) and emerging markets (-4% in the first nine months, -8.4% in the third quarter), the latter impacted by the deterioration of the macroeconomic context in Russia and South America, as well as the slowdown in growth of the market in China. Volumes overall down 1.4% (-3.3% in Q3);
- the high volatility of exchange rates (+0.7% impact on revenues in the first nine months of the year; -4.2% in the third quarter), particularly in emerging markets with strong devaluation of the Brazilian real falling against the US dollar by 36% in the third quarter alone and the Rouble dropping against the US dollar by 43% in the third quarter alone (-41% in the nine months of 2015).
- the positive organic revenue growth (+3.3% in the first nine months, +3.7% in Q3) supported by the good performance of the Consumer business (+5.9% in the first nine months, +6.4% in Q3), which offsets the decline of Industrial (-5.1% in the first nine months, -4.9% including the impact of exchange rates, consolidated revenues recorded an increase of +4% in the first nine months and -0.5% in the third quarter;
- the achievement of efficiencies for euro 72.6 million (about 81% of the annual target of euro 90 million) as a continuation of the four-year plan (2014-2017) of euro 350 million announced in November 2013 (euro 92 million efficiencies in 2014);

- the improvement in profitability with EBIT of euro 648.1 million, +2.9% compared to the first nine months 2014 and a margin substantially stable at 13.8% compared to the first nine months of 2014 (13.1% in the third quarter, unchanged compared to the same period the previous year);
- the slight decline in net income from continuing operations to euro 291.2 million (euro -6.2 million compared to the corresponding period in 2014) due to higher financial expenses related to the devaluation of the Venezuelan bolivar and the increase in interest rates in emerging markets where Pirelli operates;
- an increase in net financial position, a liability of euro 1,685.5 million compared to euro 979.6 million at December 31, 2014 for the usual seasonality of working capital.



## The Group's consolidated financial statements can be summarised as follows:

(in millions of euro)	3 Q 2015	3 Q 2014	09/30/2015	09/30/2014	12/31/2014
<b>Net sales</b>	<b>1,533.4</b>	<b>1,541.8</b>	<b>4,711.9</b>	<b>4,528.7</b>	<b>6,018.1</b>
Gross operating margin before restructuring expenses	283.8	284.9	893.4	867.7	1,168.0
% of net sales	18.5%	18.5%	19.0%	19.2%	19.4%
Operating income before restructuring expenses	205.8	208.9	657.2	647.8	869.2
% of net sales	13.4%	13.5%	13.9%	14.3%	14.4%
Restructuring expenses	(4.3)	(5.4)	(9.1)	(18.1)	(31.3)
<b>Operating income (loss)</b>	<b>201.5</b>	<b>203.5</b>	<b>648.1</b>	<b>629.7</b>	<b>837.9</b>
% of net sales	13.1%	13.2%	13.8%	13.9%	13.9%
Net income (loss) from equity investments	(2.2)	(5.1)	(6.2)	(32.3)	(87.0)
Financial income/(expenses)	(67.1)	(43.6)	(180.5)	(135.7)	(262.4)
<b>Net Income before tax</b>	<b>132.2</b>	<b>154.8</b>	<b>461.4</b>	<b>461.7</b>	<b>488.5</b>
Tax expenses	(52.4)	(49.5)	(170.2)	(164.3)	(173.3)
Tax rate %	39.6%	32.0%	36.9%	35.6%	35.5%
<b>Net income (loss) from continuing operations</b>	<b>79.8</b>	<b>105.3</b>	<b>291.2</b>	<b>297.4</b>	<b>315.2</b>
<b>Net income (loss) from discontinued operations</b>	<b>0.3</b>	<b>0.9</b>	<b>(14.6)</b>	<b>2.6</b>	<b>17.6</b>
<b>Total net income (loss)</b>	<b>80.1</b>	<b>106.2</b>	<b>276.6</b>	<b>300.0</b>	<b>332.8</b>
Net income attributable to Pirelli & C. S.p.A.			269.0	290.5	319.3
Total net earnings per share attributable to Pirelli & C. S.p.A. (in euro)			0.551	0.595	0.654
<b>Operating fixed assets</b>			<b>3,825.5</b>	<b>3,910.1</b>	<b>3,874.0</b>
Inventories			1,062.2	1,060.7	1,055.0
Trade receivables			1,035.0	1,075.2	673.8
Trade payables			(1,040.4)	(1,020.4)	(1,394.4)
<b>Operating Net working capital related to continuing operations</b>			<b>1,056.8</b>	<b>1,115.5</b>	<b>334.4</b>
% of net sales <sup>(*)</sup>			16.8%	18.5%	5.6%
Other receivables/other payables			102.5	93.0	33.9
<b>Total Net working capital related to continuing operations</b>			<b>1,159.3</b>	<b>1,208.5</b>	<b>368.3</b>
% of net sales <sup>(*)</sup>			18.5%	20.0%	6.1%
<b>Net invested capital held for sale</b>			<b>-</b>	<b>134.5</b>	<b>30.8</b>
<b>Total Net invested capital</b>			<b>4,984.8</b>	<b>5,253.1</b>	<b>4,273.1</b>
<b>Equity</b>			<b>2,665.3</b>	<b>2,493.2</b>	<b>2,611.5</b>
<b>Total Provisions</b>			<b>634.0</b>	<b>756.0</b>	<b>682.0</b>
<i>of which provisions held for sale</i>			-	17.3	5.2
<b>Total Net financial (liquidity)/debt position</b>			<b>1,685.5</b>	<b>2,003.9</b>	<b>979.6</b>
<i>of which Net Financial (liquidity)/debt position held for sale</i>			-	37.9	(5.8)
Equity attributable to Pirelli & C. S.p.A.			2,603.7	2,413.9	2,548.3
Equity per share attributable to Pirelli & C. S.p.A. (in euro)			5.335	4.947	5.222
Investments in property, plant and equipment and intangible assets			261.8	244.7	378.1
Research and development expenses			160.6	152.3	205.5
% of net sales			3.4%	3.4%	3.4%
Research and development expenses - Premium			132.0	124.7	174.5
% on sales Premium			5.8%	6.4%	6.9%
Headcount (number at end of period)			37,616	39,491	37,561
Industrial sites (number)			19	22	19

(\*) the net sales figure is annualized in interim periods

For a better understanding of the **Group's** performance, the following is the economic data broken down by business segment.

(in millions of euro)

	A		B		A+B = C		D		C+D	
	Consumer		Industrial		Total Tyre		Other business		TOTAL GROUP	
	at 09/30/2015	at 09/30/2014	at 09/30/2015	at 09/30/2014	at 09/30/2015	at 09/30/2014	at 09/30/2015	at 09/30/2014	at 09/30/2015	at 09/30/2014
Net sales	3,761.6	3,466.3	943.4	1,053.7	4,705.0	4,520.0	6.9	8.7	4,711.9	4,528.7
Gross operating margin before restructuring expenses	779.0	692.5	119.0	183.7	898.0	876.2	(4.6)	(8.5)	893.4	867.7
Operating income (loss) before restructuring expenses	582.4	516.8	80.4	141.3	662.8	658.1	(5.6)	(10.3)	657.2	647.8
Restructuring expenses	(6.3)	(12.5)	(1.0)	(5.3)	(7.3)	(17.8)	(1.8)	(0.3)	(9.1)	(18.1)
<b>Operating income (loss)</b>	<b>576.1</b>	<b>504.3</b>	<b>79.4</b>	<b>136.0</b>	<b>655.5</b>	<b>640.3</b>	<b>(7.4)</b>	<b>(10.6)</b>	<b>648.1</b>	<b>629.7</b>

In the first nine months 2015, **Group net sales** totalled euro 4,711.9 million, an increase of 4.0% (+3.3% organic growth) compared to euro 4,528.7 million in the corresponding period in the previous year. The sales performance was supported by the Consumer business (+8.5% overall growth, +5.9% before the positive impact of exchange rates), while the Industrial business (-10.5% overall, -5.1% revenue trend before exchange rates) reflects the significant slowdown in the market in South America and the negative exchange rate impact that accentuated in the third quarter (-4.2% impact on Group revenues, -1.1% on Consumer revenues, -14.4% on Industrial). Net of exchange rates, group sales in the third quarter confirmed an increase of 3.7%.

**Tyre Business net sales** amounted to euro 4,705.0 million, with organic growth of 3.4% in the first nine months of the year (4.1% including the impact of exchange rates) and 3.7% in the third quarter (-0.5% considering the exchange rate effect).

**Net sales of the Premium segment** (tyres with a rim diameter equal to or greater than 17 inches for the car business, and radial tyres, X-ply custom touring tyres, off-road and Sport Touring tyres with a speed rating of  $\geq$ H for the motorcycle business) totalled euro 2,262.5 million (+17.0% compared to euro 1,933.9 million in the first nine months of 2014), with an impact on turnover for the Consumer business which increased by 60% (55.8% in the corresponding period in 2014) and with volumes up by 11%.

The following table outlines the drivers of the **Tyre sales performance**:

	1 Q		2 Q		3 Q		Cumulative at 09/30	
	2015	2014	2015	2014	2015	2014	2015	2014
Volume	-1.3%	3.8%	0.6%	-0.2%	-3.3%	3.1%	-1.4%	2.2%
<i>of which Premium volume</i>	10.0%	22.2%	11.0%	20.9%	12.2%	17.3%	11.0%	20.1%
Price/mix	3.7%	4.6%	3.4%	6.0%	7.0%	3.3%	4.8%	4.7%
<b>Change on a like-for-like basis</b>	<b>2.4%</b>	<b>8.4%</b>	<b>4.0%</b>	<b>5.8%</b>	<b>3.7%</b>	<b>6.4%</b>	<b>3.4%</b>	<b>6.9%</b>
Translation effect	4.1%	-10.8%	2.4%	-9.4%	-4.2%	-3.1%	0.7%	-7.8%
<b>Total change</b>	<b>6.5%</b>	<b>-2.4%</b>	<b>6.4%</b>	<b>-3.6%</b>	<b>-0.5%</b>	<b>3.3%</b>	<b>4.1%</b>	<b>-0.9%</b>

Volumes were down 1.4% overall in the first nine months(-3.3% in the third quarter), however with a trend in the opposite direction between Consumer and Industrial and between mature and emerging markets.

The volumes trend in the Consumer segment (+0.4% in Q1-Q2-Q3 of the year, -1.4% in the third quarter) was supported by Premium growth in all markets (+11.0% in the first nine months, +12.2% in the third quarter), while Non-Premium (-5.9% volumes in the first nine months, -9.5% in the third quarter) was affected by weak demand in LatAm and Russia, in particular in the Original Equipment channel (car market in LatAM -17% in the nine months, -21% in the third quarter; car market in Russia -27% in the first nine months 2015, -31% in the third quarter).

The trend in Industrial volumes (-7.1% in the first nine months, -9.7% in the third quarter) reflects the worsening demand in South America (truck market down 46% in Original Equipment in the first nine months of 2015 and 53% in the third quarter; -9% the decline in the replacement channel market in the nine months, -7% in the third quarter) and the slowdown in the Original Equipment channel in China.(market -28% )

The improvement in the price/mix (+4.8% in the first nine months and +7% in the third quarter) was supported by the performance of the Consumer business (price/mix +5.5% in Q1-Q2-Q3, +7.8% in the third quarter), which benefited from the improvement in the product mix (higher weight of Premium), the higher weight of sales in the Replacement channel and the different composition of the business at regional level (NAFTA, Europe and Asia-Pacific).

Recovery in the price/mix in the Industrial business (+2% in the first nine months, +4.8% in the third quarter) due to price increases in South America, beginning in the third quarter, but not sufficient to offset the sharp devaluation of exchange rates, with the Brazilian Real declining by 13% in the third quarter alone (28% in the nine months of 2015)

The breakdown of **Tyre business net sales by geographical area and product category** is as follows:

GEOGRAPHICAL AREA	09/30/2015			09/30/2014
	<i>Euro/mln</i>	<i>yoy</i>		
Europe	1,648.8	5.0%	35.1%	34.7%
Russia and CIS	149.5	-20.7%	3.2%	4.2%
Nafta	655.6	23.5%	13.9%	11.7%
South America	1,326.2	-9.4%	28.2%	32.4%
Asia\Pacific (APAC)	527.6	28.4%	11.2%	9.1%
Middle East\Africa\India (MEAI)	397.3	11.8%	8.4%	7.9%
<b>TOTAL</b>	<b>4,705.0</b>	<b>4.1%</b>	<b>100.0%</b>	<b>100.0%</b>

PRODUCT	09/30/2015			09/30/2014
	<i>Euro/mln</i>	<i>yoy</i>		
Car	3,452.8	9.3%	73.3%	69.9%
Motorcycle	308.8	0.2%	6.6%	6.8%
<b>Consumer</b>	<b>3,761.6</b>	<b>8.5%</b>	<b>79.9%</b>	<b>76.7%</b>
Truck	845.4	-8.9%	18.0%	20.5%
Agriculture	98.0	-22.0%	2.1%	2.8%
<b>Industrial</b>	<b>943.4</b>	<b>-10.5%</b>	<b>20.1%</b>	<b>23.3%</b>
<b>TOTAL</b>	<b>4,705.0</b>	<b>4.1%</b>	<b>100.0%</b>	<b>100.0%</b>

The **Group's operating income (loss) (EBIT)**, amounted to euro 648.1 million increasing by 2.9% compared to the euro 629.7 million in the first nine months of 2014. The improvement of euro 18.4 million is due for euro 15.2 million to tyre activities and for euro 3.2 million to other activities.

Operating income was affected by **restructuring expenses** of euro 9.1 million for the continuing rationalisation of facilities. As at September 30, 2014, restructuring expenses amounted to euro 18.1 million.

Specifically, the trend in the **operating income from the Tyre business** shows the following trend:

<i>(in millions of euro)</i>	<b>1 Q</b>	<b>2 Q</b>	<b>3 Q</b>	<b>Cumulative at 09/30</b>
<b>2014 Operating income</b>	<b>204.9</b>	<b>229.1</b>	<b>206.3</b>	<b>640.3</b>
Foreign currency translation from consolidation	9.4	4.8	(10.9)	3.3
Prices/mix	31.0	25.2	48.4	104.6
Volumes	(7.6)	3.1	(16.7)	(21.2)
Cost of production factors (commodities)	16.4	8.5	(0.2)	24.7
Cost of production factors (labour/energy/others)	(34.6)	(34.3)	(25.0)	(93.9)
Efficiency	21.1	24.7	26.8	72.6
Amortisation, depreciation and other	(30.6)	(26.5)	(16.9)	(74.0)
Demerger of business Industrial	-	(1.9)	(8.8)	(10.7)
Restructuring expenses	3.3	5.5	1.0	9.8
<b>Change</b>	<b>8.4</b>	<b>9.1</b>	<b>(2.3)</b>	<b>15.2</b>
<b>2015 Operating income</b>	<b>213.3</b>	<b>238.2</b>	<b>204.0</b>	<b>655.5</b>

The **operating income of the Tyre business** in the first nine months 2015 amounted to euro 655.5 million (euro 640.3 million in the corresponding period in 2014), with an EBIT margin of 13.9% (14.2% before restructuring expenses), substantially stable as compared to same period in the previous year.

Overall, the trend of the Consumer business was more than offset by the decline in profitability in the Industrial business, which was affected by the difficult macroeconomic context in Latin America.

The improvement in operating income was affected by:

- the positive contribution of the price/mix component (euro +104.6 million) - an improvement in the third quarter (euro +48.4 million in the third quarter) - and efficiencies (euro +72.6 million), which more than offset the decrease in volumes in emerging markets (euro -21.2 million the impact on EBIT) -and the increase in depreciation and other costs (euro 74.0 million, of which euro 17.4 million for higher depreciation, euro 22.5 million of higher costs partly related to the development of Premium, euro 24.2 million related to the different procurement methods of steelcord and euro 9.9 million for the reduced saturation of plants in LatAm)
- the lower cost of raw materials (euro +24.7 million), which partly mitigated the negative effect of inflation of production factors (euro -93.9 million); Slight positive was the impact of exchange rates (the first 9 months 2015) due to the euro +3.3 million) but suffers from the impact of the high volatility that mainly affected the Brazilian real and the Russian ruble in the third quarter (euro -10.9 million exchange rate impact in the third quarter);
- greater costs for euro 10.7 million tied to the project for separating Industrila business
- lower restructuring expenses for euro 9.8 million.

Geographically, **APAC** (11.2% of tyre revenues, +2.1 percentage points from 2014) is confirmed as the area of greatest growth (+28.4% revenues in the first nine months, +12.8% excluding exchange rates) and among the most profitable with an EBIT margin of over 20%, an increase over the previous year. The Premium segment is the main development driver with an increase in revenues progressively to September of 34.5% and an increase in market share in particular in the Replacement channel thanks to the progressive growth of the distribution network.

**NAFTA** (13.9% of tyre revenues) reported an increase in revenues of 23.5% (+4% growth net of exchange rates), with a positive trend in the third quarter of 28.3% (+11.9%, organic growth). The Premium car segment shows a positive trend while the motorcycle business and Premium reflect weak market demand. Revenue performance reflects the positive trend in volumes, improved product mix and partial price adjustment to the current scenario of exchange rates and raw materials while maintaining the same position on the higher value segments.

Pirelli growth is higher than the market trend in the Premium and Super Premium segments, which benefited from the expansion of the FasTrack network and geomarketing tools able to optimize the management of customer inventory. Profitability (EBIT margin) improved significantly to "low twenties" ("mid-teens" profitability in the first nine months of 2014)

**MEAI** (8.4% of tyre revenues) recorded revenue growth of 11.8% (8.4% excluding exchange rates) with profitability in the "high-teens" stable compared to 2014.

**Europe** (35.1% of tyre revenues) closed the first nine months with a revenue growth of 5.0% (+3.6% net of exchange rates), a significant improvement in the third quarter (+7.2% increase in revenues, +5.9% organic growth), thanks to the good performance of Premium and the gradual improvement of the price/mix component. Profitability in the first nine months "low-teens" substantially stable compared to the corresponding period of 2014.

**Russia** (3.2% of tyre revenues, -1 percentage point compared to 2014), despite an unfavourable scenario, presented organic sales growth of 6.8% (-20.7% after the impact of exchange rates) with substantially stable volumes (-1% in Q1-Q2-Q3 with respect to a market characterized by a sharp decline (Replacement market -20%, Original Equipment -28%). Profitability was "mid single digit", a decrease compared to 2014 (high single digit), which was affected by the deterioration in exchange rates and volume trends, impact mitigated by the improved mix, the efficiency program and the increase of export activities.

**South America** (28.2% of tyre revenues, -4.2 percentage points compared to 2014) recorded a reduction in revenues of 9.4% (-1.4% excluding the impact of exchange rates). The continuation of the difficult market situation in the area, especially in Original Equipment (car market volumes -17% and truck -45%), has weighed on the volumes trend resulting in an overall decline (11.5%), despite the slight rise recorded in the car Replacement channel and the good trend of Premium (volumes +13.3% cumulative at September, higher than the market trend). The trend in revenues was supported by the continued growth of the product mix, and price increases in Consumer (as of the first quarter) and Industrial (as of the second quarter) to counter exchange rate volatility.

Profitability "double digit", a decrease compared to the same period of 2014, with the third quarter high teens due to the greater decline in the truck market (Original Equipment to -53%, -7% Replacement channel) and consequent higher unsaturation costs, as well as the high volatility of exchange rates. To deal with this scenario, Pirelli is activating new efficiency and restructuring plans and further price increases.



**Net income (loss) from equity investments by the Group** was negative for euro 6.2 million and mainly relates to the impact from the consolidation with the equity method of results of the associate Prelios S.p.A. of the first nine months (euro 5.3 million related to the loss per share for the fourth quarter 2014 and the first half-year 2015). In the first nine months of 2014, the result was a loss of euro 32.3 million mainly related to the results of Prelios S.p.A. (the fourth quarter of 2013 and the first half-year 2014), negative for euro 21.4 million, and the impairment of the investment in Alitalia S.p.A. for euro 11.2 million.

**Net income (loss) from continuing operations** at September 30, 2015 was euro 291.2 million (euro 297.4 million in 2014). In addition to the changes shown regarding the operating income and net income (loss) from equity investments, said figure reflects higher **net financial expenses** for euro 44.8 million (from euro 135.7 million at September 30, 2014 to euro 180.5 million at September 30, 2015). This increase is mainly attributable to the impact of the devaluation of the Venezuelan Bolivar from 12 to 13.5 USD/VEF on trade positions for a total of euro 23.3 million and the increase in interest rates in countries outside the Eurozone (about 40% of the total) where Pirelli operates, particularly in Russia. The average cost of debt for the period was 6.04%.

**Tax expenses** amounted to euro 170.2 million, a slight increase compared to the same period of the previous year (euro 164.3 million) as a result of the improvement in operating income. The tax rate was 36.9% (36.4% net of the consolidation with the equity method of associated companies), an increase compared to the first nine months of 2014 (35.6%) due to higher non-deductible costs (Bolívar devaluation impact).

**Net income (loss) from discontinued operations** for the first nine months of 2015 was a loss of euro 14.6 million. This result is mainly due to foreign exchange losses from the conversion into euro of the financial statements of the Turkish subsidiary and accrued in previous years, recorded in equity, and reclassified to the income statement in Q1 2015, following the sale of the steelcord activities in Turkey which took place in February 2015.

**Total net income** amounted to euro 276.6 million compared to euro 300.0 million in the first nine months of 2014; the **share of net income attributable to Pirelli & C. S.p.A.** was positive at euro 269.0 million (euro 0.551 per share) compared to euro 290.5 million of the same period in the previous year (amounting to euro 0.595 per share).

**Equity** went from euro 2,611.5 million at December 31, 2014 to euro 2,665.3 million.

**Equity attributable to Pirelli & C. S.p.A.** at September 30, 2015 amounted to euro 2,603.7 million (euro 5.335 per share) compared to euro 2,548.3 million at December 31, 2014 (euro 5.222 per share).

The change, analytically shown in the table below, is essentially related to the result of the period, the positive effect of the high inflation of the Venezuelan subsidiary, the positive fair value adjustment of financial assets offset by the negative exchange rate effect related to the conversion in euro of assets in foreign currency and dividends paid.

(in millions of euro)

	<b>Group</b>	<b>Non-controlling interests</b>	<b>Total</b>
<b>Equity at 12/31/2014</b>	<b>2,548.3</b>	<b>63.2</b>	<b>2,611.5</b>
Translation differences	(147.4)	(3.8)	(151.2)
Net income (loss)	269.0	7.6	276.6
Fair value adjustment of other financial assets/derivative instruments	46.0	-	46.0
Actuarial gains/(losses) on employee benefits	9.9	-	9.9
Dividends paid	(179.6)	(6.7)	(186.3)
Venezuela inflation effect	56.2	2.2	58.4
Other changes	1.3	(0.9)	0.4
<b>Total changes</b>	<b>55.4</b>	<b>(1.6)</b>	<b>53.8</b>
<b>Equity at 09/30/2015</b>	<b>2,603.7</b>	<b>61.6</b>	<b>2,665.3</b>

At September 30, 2015, **Group net financial liquidity (debt) position** was negative for euro 1,685.5 million compared to euro 979.6 million at December 31, 2014, and was as follows:

(in millions of euro)

	09/30/2015	12/31/2014
Current borrowings from banks and other financial institutions	1,381.3	530.9
Current derivative financial instruments	13.9	4.6
Non-Current borrowings from banks and other financial institutions	1,270.4	1,781.7
<b>Total gross debt continuing operations</b>	<b>2,665.6</b>	<b>2,317.2</b>
Cash and cash equivalents	(859.3)	(1,166.7)
Securities held for trading	(37.3)	(61.4)
Current financial receivables	(8.6)	(41.5)
Current derivative financial instruments	(26.1)	(6.1)
Non-current financial receivables	(48.8)	(56.1)
<b>Total financial receivables and cash</b>	<b>(980.1)</b>	<b>(1,331.8)</b>
<b>A Net financial (liquidity)/debt position continuing operations</b>	<b>1,685.5</b>	<b>985.4</b>
<b>B Net financial (liquidity)/debt position discontinued operations</b>	<b>-</b>	<b>(5.8)</b>
<b>A+B Total net financial (liquidity)/debt position</b>	<b>1,685.5</b>	<b>979.6</b>

The **structure of the gross financial debt**, which amounted to euro 2,665.6 million, was as follows:

(in millions of euro)

	Financial Statements 09/30/2015	Maturity date				
		2015	2016	2017	2018	2019 and beyond
Use of committed credit facilities	373.8	-	-	-	-	373.8
Bond 5,125% - 2011/2016	500.0	-	500.0	-	-	-
Bond 1,750% - 2014/2019	600.0	-	-	-	-	600.0
EIB loans	250.0	100.0	100.0	20.0	20.0	10.0
USD private placement	133.9	-	-	13.4	-	120.5
<i>Schuldschein</i>	43.0	-	36.0	7.0	-	-
Other loans	764.9	472.8	190.0	76.8	22.3	3.0
<b>Total gross debt continuing operations</b>	<b>2,665.6</b>	<b>572.8</b>	<b>826.0</b>	<b>117.2</b>	<b>42.3</b>	<b>1,107.3</b>
		21.5%	31.0%	4.4%	1.6%	41.5%

At September 30, 2015 the Group had liquidity margin of euro 1,722.8 million made up of euro 826.2 million of unused credit facility (euro 1.2 billion of committed facility) and euro 896.6 million related to cash, cash equivalents and securities held for trading.

As also stated in the section on significant events subsequent to the end of the quarter, it is noted that on October 20, 2015, as a result of the overrun of the threshold of 50% of the ordinary share capital of Pirelli held by Marco Polo Industrial Holding, there was a "change of control" under two loans of Pirelli International Plc and guaranteed by Pirelli & C. S.p.A. and Pirelli Tyre S.p.A. and thus the lenders of the "US Private Placement" loans, amounting to 150 million US dollars, and a "Schuldschein", for a residual amount of euro 43 million, will have the opportunity to request early redemption for a nominal maximum total of about euro 176 million.

The trend in **cash flows for the period** is as follows:

(in millions of euro)

	1 Q		2 Q		3 Q		Cumulative at 09/30	
	2015	2014	2015	2014	2015	2014	2015	2014
Operating income (loss) before restructuring expenses	213.4	206.7	238.0	232.2	205.8	208.9	657.2	647.8
Amortisation and depreciation	78.5	70.6	79.7	73.3	78.0	76.0	236.2	219.9
Investments in property, plant and equipment and intangible assets	(85.6)	(65.3)	(103.2)	(78.3)	(73.0)	(101.1)	(261.8)	(244.7)
Change in working capital/other	(895.2)	(686.6)	151.6	77.4	(113.7)	(155.0)	(857.3)	(764.2)
<b>Operating net cash flow</b>	<b>(688.9)</b>	<b>(474.6)</b>	<b>366.1</b>	<b>304.6</b>	<b>97.1</b>	<b>28.8</b>	<b>(225.7)</b>	<b>(141.2)</b>
Ordinary financial income/(expenses)	(52.1)	(43.3)	(61.3)	(48.8)	(67.1)	(43.6)	(180.5)	(135.7)
Ordinary tax expenses	(54.1)	(53.5)	(63.7)	(61.3)	(52.4)	(49.5)	(170.2)	(164.3)
<b>Ordinary net cash flow</b>	<b>(795.1)</b>	<b>(571.4)</b>	<b>241.1</b>	<b>194.5</b>	<b>(22.4)</b>	<b>(64.3)</b>	<b>(576.4)</b>	<b>(441.2)</b>
Financial investments/disinvestments	(14.4)	(3.7)	(0.4)	2.8	-	(12.1)	(14.8)	(13.0)
Other dividends paid to third parties	(7.6)	(0.5)	(2.5)	(2.9)	-	-	(10.1)	(3.4)
Cash Out for restructuring	(6.4)	(12.9)	(2.6)	(5.9)	(3.7)	(8.0)	(12.7)	(26.8)
Reversal of impairment in Venezuela included in financial expenses	-	-	14.2	-	9.1	-	23.3	-
Exercise of Fenice share options	-	-	-	-	(12.2)	-	(12.2)	-
Net cash flow from discontinued operations	-	(8.7)	-	10.5	-	2.5	-	4.3
Differences from foreign currency translation/other	45.8	(46.0)	(37.4)	(11.9)	22.5	13.2	30.9	(44.7)
<b>Net cash flow before dividends paid</b>	<b>(777.7)</b>	<b>(643.2)</b>	<b>212.4</b>	<b>187.2</b>	<b>(6.7)</b>	<b>(68.7)</b>	<b>(572.0)</b>	<b>(524.8)</b>
Dividends paid by Parent	-	-	(179.5)	(156.7)	-	-	(179.5)	(156.7)
Impact Steekcord units disposal	24.4	-	35.6	-	(14.4)	-	45.6	-
<b>Net cash flow</b>	<b>(753.3)</b>	<b>(643.2)</b>	<b>68.5</b>	<b>30.4</b>	<b>(21.1)</b>	<b>(68.7)</b>	<b>(705.9)</b>	<b>(681.5)</b>

An improvement in the **operating net cash flow in the third quarter**: euro 97.1 million compared to euro 28.8 million in the same period in 2014, thanks to a more efficient management of working capital and lower investments, already anticipated in the previous quarters. In the first nine months, operating net cash flow was negative for euro 225.7 million (euro -141.2 million in the corresponding period in 2014) reflecting the greater cash absorption in the first quarter (higher trade receivables proportional to the performance of revenues and increase in stocks of finished products, especially in Brazil and Europe, in absorption in 2015).

**Investments** amounted to euro 261.8 million (euro 244.7 million in 2014), mainly due to the increase of the Premium capacity in Europe, NAFTA and China and the improvement of the mix.

**Total net cash flow (before dividends and steelcord disposal)** was negative in the first nine months for euro 572.0 million (euro 524.8 million in the corresponding period in 2014).

**Total net cash flow** cumulative at September 30, 2015, was negative for euro 705.9 million, including the positive effect deriving from the disposal of the steelcord activities for euro 45.6 million, and the payment of Parent Company dividends for euro 179.5 million (total negative cash flow for euro 681.5 million in the first nine months of 2014 with payment of Parent Company dividends for euro 156.7 million).

### **Employees**

Employees of the Group at September 30, 2015 totalled 37,616 compared to 37,561 at December 31, 2014.

## CONSUMER BUSINESS

The table below shows the results compared with the corresponding period of 2014:

(in millions of euro)

	1 Q		2 Q		3 Q		Cumulative at 09/30	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Net sales</b>	<b>1,237.4</b>	1,128.7	<b>1,284.3</b>	1,159.6	<b>1,239.9</b>	1,178.0	<b>3,761.6</b>	3,466.3
yoy	9.6%		10.8%		5.3%	-	8.5%	0.0%
Gross operating margin before restructuring expenses	<b>246.3</b>	219.4	<b>276.8</b>	245.1	<b>255.9</b>	228.0	<b>779.0</b>	692.5
% of net sales	19.9%	19.4%	21.6%	21.1%	20.6%	19.4%	20.7%	20.0%
Operating income (loss) before restructuring expenses	<b>182.0</b>	162.7	<b>210.0</b>	186.8	<b>190.4</b>	167.3	<b>582.4</b>	516.8
% of net sales	14.7%	14.4%	16.4%	16.1%	15.4%	14.2%	15.5%	14.9%
Restructuring expenses	<b>(1.6)</b>	(3.9)	<b>(1.5)</b>	(5.5)	<b>(3.2)</b>	(3.1)	<b>(6.3)</b>	(12.5)
<b>Operating income (loss)</b>	<b>180.4</b>	158.8	<b>208.5</b>	181.3	<b>187.2</b>	164.2	<b>576.1</b>	504.3
% of net sales	14.6%	14.1%	16.2%	15.6%	15.1%	13.9%	15.3%	14.5%

The table below provides a detailed breakdown of the market trend:

	1 Q	2 Q	1H	3 Q	9 months
<b>EUROPE (*)</b>					
Original Equipment	+7%	+7%	+7%	+8%	+7%
Replacement	+3%	+3%	+3%	-1%	+2%
<b>NAFTA (**)</b>					
Original Equipment	+2%	-0%	+1%	+4%	+2%
Replacement	+2%	+5%	+4%	+6%	+4%
<b>SOUTH AMERICA</b>					
Original Equipment	-15%	-16%	-15%	-21%	-17%
Replacement	+2%	+2%	+2%	+5%	+3%
<b>CINA</b>					
Original Equipment	+10%	+4%	+7%	-6%	+3%
The figures exclude import except for South America (*) including Turkey; excluding Russia (**) the figures for NAFTA are exclusive of Mexico					

**Net sales** totalled euro 3,761.6 million, with organic growth of 5.9% (+8.5% including the impact of exchange rates) thanks to:

- the improvement of the price/mix (+5.5%) due to the increasing weight of Premium (60% of Consumer revenues in 2015 compared to 55.8% in 2014), higher sales in the Replacement channel and the price increases in South America and Russia to offset the exchange rates trend;

- the positive contribution of the volumes component of +0.4%, with sustained growth in APAC, MEAI, NAFTA and Europe, while South America and Russia were affected by the decline in the Original Equipment market (-17% in LatAm; -28% in Russia);

**Premium net sales** totalled euro 2,262.5 million, up by a total of 17.0% over the previous year (+8.9% excluding the exchange rate impact), with growth in emerging markets of 26.5% and 13.6% in mature markets.

In line with previous quarters, organic growth in revenues in the third quarter (+6%), however with different dynamics:

- +7.4%, the price/mix that reflects the aforementioned price increases, the greater weight of Premium (62% of Consumer revenues, up 6.6 percentage points) as well as the different geographical mix (higher sales in APAC, NAFTA and Europe) and channel mix (higher sales in the Replacement channel)
- -1.4% volumes affected by the greater market downturn in Latin America and Russia.

Below is the breakdown of the change in sales:

	1 Q		2 Q		3 Q		Cumulative at 09/30	
	2015	2014	2015	2014	2015	2014	2015	2014
Volume	0.4%	5.9%	2.2%	4.3%	-1.4%	5.3%	0.4%	5.2%
<i>of which Premium volume</i>	10.0%	22.2%	11.0%	20.9%	12.2%	17.3%	11.0%	20.1%
Price/mix	4.7%	4.4%	4.1%	5.8%	7.8%	3.1%	5.5%	4.4%
<b>Change on a like-for-like basis</b>	<b>5.1%</b>	<b>10.3%</b>	<b>6.3%</b>	<b>10.1%</b>	<b>6.4%</b>	<b>8.4%</b>	<b>5.9%</b>	<b>9.6%</b>
Translation effect	4.5%	-9.2%	4.5%	-8.3%	-1.1%	-3.5%	2.6%	-7.0%
<b>Total change</b>	<b>9.6%</b>	<b>1.1%</b>	<b>10.8%</b>	<b>1.8%</b>	<b>5.3%</b>	<b>4.9%</b>	<b>8.5%</b>	<b>2.6%</b>



Improvement in the profitability of the business in the first nine months of 2015 with an **operating income (loss) before restructuring expenses** of euro 582.4 million (+12.7% compared to the same period in 2014) and a margin of 15.5% (14.9% in the first nine months of 2014). In Q3, profitability recorded a growth of 13.8% and a margin of 15.4% (+1.2 percentage points compared to the same period in 2014).

**Operating income (loss)** amounted to euro 576.1 million (with a marginality of 15.3%), an increase of euro 71.8 million compared to euro 504.3 million in 2014 (14.5% marginality) thanks to the aforementioned dynamics and the progressive achievement of internal efficiencies.

## INDUSTRIAL BUSINESS

The table below shows the results compared with the corresponding period of 2014:

(in millions of euro)

	1 Q		2 Q		3 Q		Cumulative at 09/30	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Net sales</b>	<b>327.9</b>	340.8	<b>324.1</b>	351.7	<b>291.4</b>	361.2	<b>943.4</b>	1,053.7
	-3.8%		-7.8%		-19.3%		-10.5%	
Gross operating margin before restructuring expenses	<b>47.2</b>	60.9	<b>42.3</b>	63.6	<b>29.5</b>	59.2	<b>119.0</b>	183.7
% of net sales	14.4%	17.9%	13.1%	18.1%	10.1%	16.4%	12.6%	17.4%
Operating income (loss) before restructuring expenses	<b>33.3</b>	47.6	<b>29.7</b>	49.3	<b>17.4</b>	44.4	<b>80.4</b>	141.3
% of net sales	10.2%	14.0%	9.2%	14.0%	6.0%	12.3%	8.5%	13.4%
Restructuring expenses	<b>(0.4)</b>	(1.5)	-	(1.5)	<b>(0.6)</b>	(2.3)	<b>(1.0)</b>	(5.3)
<b>Operating income (loss)</b>	<b>32.9</b>	46.1	<b>29.7</b>	47.8	<b>16.8</b>	42.1	<b>79.4</b>	136.0
% of net sales	10.0%	13.5%	9.2%	13.6%	5.8%	11.7%	8.4%	12.9%

The table below provides a detailed breakdown of the market trend:

	1 Q	2 Q	1H	3 Q	9 months
<b>EUROPE (*)</b>					
Original Equipment	+5%	+13%	+9%	+10%	+10%
Replacement	-1%	+6%	+3%	+9%	+5%
<b>NAFTA (**)</b>					
Original Equipment	+21%	+12%	+16%	+3%	+12%
Replacement	+5%	+4%	+4%	-2%	+2%
<b>SOUTH AMERICA</b>					
Original Equipment	-39%	-42%	-43%	-53%	-46%
Replacement	-8%	-12%	-10%	-7%	-9%
<b>CINA</b>					
Original Equipment	-29%	-31%	-30%	-23%	-28%
The figures exclude import except for South America (*) including Turkey; excluding Russia (**) the figures for NAFTA are exclusive of Mexico					

The performance of the Industrial business is affected by the negative economic situation in South America (50% weight of the regions on Industrial sales) characterized by a drop in Brazilian GDP of 2.1% in the first half-year of 2015 (declines respectively of 2.6% in the second quarter and 1.6% in the first quarter of 2015, from the decline in industrial production and rising unemployment. In this context, truck and agro market demand declined sharply with volumes down respectively by 46% in truck Original Equipment and 9% in truck Replacement .

**Net sales** totalled euro 943.4 million, a reduction of 10.5% compared to the first nine months of 2014 (euro 1,053.7 million), -5.1% net of exchange rates. The decline in volumes (-7.1%) was affected by the aforementioned decline in the Latin American market and the slowdown in the truck market Original Equipment channel in China (-28%). Positive performance of the price/mix component (+2.0%) thanks to the improved product and channel mix and price increases in South America. These increases only partially offset the exchange rate devaluation, considering the accentuated volatility of currencies in the third quarter, especially the Brazilian real.

In the third quarter, the organic sales trend was a negative 4.9% (-19.3% including the exchange rate effect) with volumes down 9.7% due to the deterioration of demand in emerging markets (South America truck Original Equipment -53%, Replacement -7%, China OIE -23%) and price/mix improvement of 4.8% thanks to rising prices and improved channel mix.

Below is the breakdown of the change in sales:

	1 Q		2 Q		3 Q		Cumulative at 09/30	
	2015	2014	2015	2014	2015	2014	2015	2014
Volume	-6.7%	-2.2%	-4.7%	-12.2%	-9.7%	-3.6%	-7.1%	-6.2%
Price/mix	-0.1%	5.4%	1.3%	6.5%	4.8%	4.0%	2.0%	5.3%
<b>Change on a like-for-like basis</b>	<b>-6.8%</b>	<b>3.2%</b>	<b>-3.4%</b>	<b>-5.7%</b>	<b>-4.9%</b>	<b>0.4%</b>	<b>-5.1%</b>	<b>-0.9%</b>
Translation effect	3.0%	-15.4%	-4.4%	-12.4%	-14.4%	-1.8%	-5.4%	-10.1%
<b>Total change</b>	<b>-3.8%</b>	<b>-12.2%</b>	<b>-7.8%</b>	<b>-18.1%</b>	<b>-19.3%</b>	<b>-1.4%</b>	<b>-10.5%</b>	<b>-11.0%</b>

**Operating income (loss) before restructuring expenses** reached euro 80.4 million, equal to 8.5% of sales and a decrease compared to euro 141.3 million in 2014 (13.4% of sales).

**Operating income (loss)** amounted to euro 79.4 million (euro 136.0 million in the first nine months of 2014), with a margin of 8.4% compared to 12.9% in the corresponding period of 2014 (11.4% in the first nine months of 2014 excluding the total steelcord activities and not just those relating to supplies to third parties). The trend in profitability reflects:

- the decline in volumes,
- negative exchange rates, further accentuated in the third quarter (-14.4%),
- the impact of the different source of procurement of steelcord,
- inflation of production factor costs in Latin America and the costs associated with a lower use of production capacity in the area. In this regard, new efficiency and restructuring plans are being implemented to mitigate the current impacts, and further price increases also in the fourth quarter of the year are being planned.

In the third quarter, the further deterioration in the macroeconomic scenario in South America and the market impacted on business profitability with an operating income of euro 16.8 million and a margin of 5.8% (11.7% in the third quarter of 2014). This performance was affected by the sharp fall in volumes, the greater exchange rate impact and rising unsaturation cost of factories.

## **HIGHLIGHTS OF OTHER ACTIVITIES**

Other activities include Pirelli Ambiente and Pirelli Design with the following breakdown:

(in millions of euro)

	Pirelli Ambiente		Pirelli Design		Total Other Business	
	at 09/30/2015	at 09/30/2014	at 09/30/2015	at 09/30/2014	at 09/30/2015	at 09/30/2014
<b>Net sales</b>	<b>4.1</b>	4.0	<b>2.8</b>	4.7	<b>6.9</b>	8.7
Gross operating margin before restructuring expenses	<b>(0.1)</b>	(1.9)	<b>(4.5)</b>	(6.6)	<b>(4.6)</b>	(8.5)
Operating income (loss) before restructuring expenses	<b>(0.9)</b>	(3.1)	<b>(4.7)</b>	(7.2)	<b>(5.6)</b>	(10.3)
Restructuring expenses	-	-	<b>(1.8)</b>	(0.3)	<b>(1.8)</b>	(0.3)
<b>Operating income (loss)</b>	<b>(0.9)</b>	(3.1)	<b>(6.5)</b>	(7.5)	<b>(7.4)</b>	(10.6)

**Net sales** in the first nine months of 2015 total euro 6.9 million compared to euro 8.7 million for the same period in 2014.

**Operating income** shows a loss of euro 7.4 million but slightly reduced compared to the loss of 10.6 million in the first nine months of 2014 despite an increase in restructuring charges.

## **OUTLOOK 2015**

The outlook for 2015 reflects the worsening of the macro-economic framework in emerging economies, in particular Russia and Brazil beginning in August. In detail, in Brazil the significant slowdown of its economy led in mid-August to a downgrading of its State treasuries by Standard & Poor's, with a consequent impact on the value of the Real (-36% against the US dollar in the third quarter alone, -28% in the first nine months of 2015). Current expectations are that GDP in 2015 will fall -3% compared with an earlier forecast of -1.5%. In Russia, 2015 GDP is expected to contract by -4.2%, worse than the previous estimate (-3.8%) as a consequence of weak internal demand and international sanctions.

On the basis of this macro-economic context, the trend in the tyre market is expected to worsen. In Latam, the Truck market is forecast to fall by over 15% (previous estimate -9%), with Original Equipment at -47% (previous estimate -36%) and the Replacement channel at -9% (previous estimate -3%). In Car, the forecast decline is 2.6% (previous estimate -1.5%), weighed down by the weakness of the Original Equipment market (-18% compared with -14%), while the Replacement channel is confirmed growing by 2%. In Russia, on the other hand, it is expected that the truck market will fall by 16% (previous estimate -10%) and the car market by -23% (previous estimate -18.5%). The Apac market slowed down, with the Truck segment falling by over -4% (previous estimate -2%) and car at +2% (previous indication +4%).

With regard to exchange rates, it is expected that the weakness of the Brazilian Real, the Ruble and the euro against the dollar will continue, with a consequent impact of the total cost of raw materials.

To mitigate the impact on results, Pirelli used its internal levers, further improving the price/mix and acting to achieve greater efficiencies.

For 2015, **Pirelli therefore forecasts the following results:**

- Revenue growth of  $\sim+4\%$  to  $>\sim 6.25$  billion euro (previous estimate  $>\sim 6.35$  billion euro)
- Ebit at  $\sim 925$  million euro before non-recurring and restructuring charges of about 55 million euro (previous estimate  $\sim 960$  million euro before charges of 30 million)
- Investment below 400 million euro (unchanged)
- Cash generation before dividends equal to or above 300 million euro before the disposal of steelcord (unchanged)
- Net financial position at the end of 2015 at  $\sim 850$  million euro (unchanged).

**Consolidated sales** are seen growing by about 4% to  $>\sim 6.25$  billion euro as a result of:

- price/mix component improvement to  $\geq +5.5\%$  (previous estimate  $\sim +4\%$ ) due to the effect of greater sales in the Replacement channel and in mature markets (Europe and Nafta)
- Premium volumes' growth confirmed at equal to or greater than +10%
- Overall volumes seen falling by between  $\sim -0,5\%$  and  $\sim -1\%$  (previous estimate  $+0.5\%/+1\%$ ), which discount the already cited market slowdowns in Latam, Russia and Apac;
- Forex effect seen at  $\sim -1.5\%$  (previous estimate  $\sim +1\%$ ) as a result of the weakening of the ruble, the euro and the Real against the dollar.

The **operating result (Ebit) before non-recurring and restructuring charges** is forecast at ~ 925 million euro (previous indication ~960 million euro) and reflects the impact of the changed macro-economic scenario mitigated by internal levers. In particular by the improvement of the price/mix component (+45 million euro) and greater efficiencies (+10 million euro) offset by the impact stemming from a decline in volumes (-22 million euro) and exchange rates (-38 million). The negative impact of raw materials, entirely due to the forex effect, is estimated at -30 million euro.

The target for the **operating result (Ebit)** is ~870 million euro and discounts non-recurring charges of 55 million euro (previous indication ~930 after charges off 30 million euro). The higher non-recurring charges (25 million euro) mainly refer to restructuring actions in Latam and extraordinary costs linked to the separation of the Industrial business.

With regard to the **Consumer business**, the revenues' target is confirmed at >5 billion euro as a result of:

- The growth of total volumes of ~+1% (previous estimate ~+1.5%/+2%), with an increase of Premium volumes confirmed at equal to or above +10%;
- A price/mix component contribution estimated at >+6.5% (previous estimate ~+4.5%);
- Flat forex effect, worsening compared with the previous estimate of ~+2%.

These operating variables translate into a Consumer profitability which is substantially unchanged compared with the previous estimate, with an Ebit margin before non-recurring charges forecast at ~16% (previous estimate >16%).



With regard to the **Industrial business**, the revenues' target is ~1.25 billion euro (previous target ~1.35 billion euro) which is the result of:

- A volumes' decline of ~-6% (previous indication ~-3%) as a result of the slowdown in emerging markets, in particular Latam and China;
- Growth of improving price/mix to >+2% (previous indication ~+1%) as a result of price increases in response to forex volatility;
- Forex effect of ~-7%, in deterioration compared with the ~-2% previously indicated.

The profitability of the Industrial business (Ebit margin before non-recurring charges) is expected to be  $\geq 8\%$ , compared with the previous indication of ~10%.

## **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER**

On **October 11, 2015**, Pirelli announced that it reached a commercial agreement to remain in Formula 1 until 2019. Details will follow in accordance with the procedure established by the FIA.

On **October 13, 2015**, at the conclusion of the subscription period for the Public Tender Offer which began on **September 9, 2015**, Marco Polo Industrial Holding announced that it held 413,807,381 ordinary shares of Pirelli, equal to 86.982% of ordinary share capital and 84.798% of entire shareholder capital. Marco Polo Industrial Holding also announced the re-opening of the terms of the offer from October 21 to 27, at the conclusion of which on October 30, it stated that it held – including its own shares – a total of 96.043% of Pirelli ordinary share capital. The offering party has launched the correlated process of acquiring the residual shares not yet in its possession with effect on November 6, 2015, the day on which Pirelli's shares were delisted from the Milan bourse.

On **October 13, 2015**, following an overrun of the threshold of 50% of the ordinary share capital of Pirelli by Marco Polo Industrial Holding, Pirelli announced that with payment of the shares by the Bidder (October 20, 2015), there was a "Change of Control" under two loans of Pirelli International Plc and guaranteed by Pirelli & C. S.p.A. and Pirelli Tyre S.p.A. Following this event, the lenders of the "US Private Placement" loans, amounting to 150 million US dollars, and a "Schuldschein", for a residual amount of euro 43 million, will have the opportunity to request early redemption for a nominal maximum total of about euro 176 million.

On **October 14, 2015**, with effect from October 19, 2015 directors Anna Maria Artoni, Didier Casimiro, Ivan Glasenberg, Petr Lazarev and Igor Soglaev resigned from the Board of Directors of the Company.

On **October 20, 2015**, the Board of Directors of Pirelli & C. S.p.A. co-opted Ren Jianxin, Yang Xingqiang, Wang Dan, Tao Haisu and Zhang Junfang in replacement of the Directors who resigned on October 14, 2015. The Board of Directors, following the resignations of Marco Tronchetti Provera as Chairman and Alberto Pirelli as Deputy Chairman, appointed Ren Jianxin as Chairman, granting him legal representation of the company as well as all other powers conferred to the Chairman under the current by-laws, without prejudice to the powers and prerogatives of the Board of Directors, and Marco Tronchetti Provera, already CEO, to Executive Deputy Chairman, confirming to him the allocation of powers for the operational management of Pirelli, already delegated to the same. Considering the new composition of the Board of Directors, the Board of Directors, which established the new Committee for the Related-Party Transactions, proceeded to a reorganization of the members of the Board Committees responsible for investigations, advice and proposals.

## **ALTERNATIVE PERFORMANCE INDICATORS**

This document, in addition to the financial figures provided by the International Financial Reporting Standards (IFRS), also includes figures derived from the latter, although not required by IFRS (Non-GAAP Measures). These measures are presented in order to allow a better assessment of the operations of the Group and shall not be considered alternatives to those required by IFRS.

In particular, the Non-GAAP Measures used are as follows:

- **Gross operating margin:** is an intermediate economic figure derived from operating income, which excludes amortization of intangible and depreciation of tangible assets;
- **Fixed assets:** this figure is the sum of "Tangible assets", "Intangible assets", "Investments in Associates and Joint Ventures" and "Other financial assets";
- **Provisions:** this figure is the sum of "Provisions for liabilities and charges (current and non-current)", "Employee benefit obligations" and "Provisions for deferred taxes";
- **Operating working capital:** this figure is the sum of "Inventory", "Trade receivables" and "Trade payables";
- **Net working capital:** this figure consists of the operating working capital and other receivables and payables not included in "Net financial position";
- **Net financial liquidity (debt) position:** this figure is represented by gross financial debt less cash and cash equivalents and other financial receivables.

## **OTHER INFORMATION**

The Board of Directors, taking account of the simplification of the regulatory requirements introduced by the Consob in the Issuers Regulation 11971/99, resolved to exercise the power to derogate, under the provisions of Article 70, paragraph 8, and Article 71, paragraph 1-bis of the Regulation, to the publication requirements of the disclosure documents prescribed on the occasion of significant mergers, demergers, capital increase by contribution in kind, acquisitions and disposals.

### **Transactions with Related Parties**

Related party transactions, including intercompany transactions, are neither unusual nor exceptional, but are part of the ordinary course of business of Group companies. Such transactions, when not concluded at standard conditions or dictated by specific laws, are in any case regulated in line with market conditions and implemented in accordance with the provisions of the Company's Procedure for transactions with related parties.

The financial and equity effects of related party transactions on the consolidated figures of the Pirelli & C. Group at September 30, 2015 are detailed below.

**TRANSACTIONS WITH ASSOCIATES AND J.V.**

(in millions of euro)

Other income	2.1	The amount mainly refers to rental income and operating expenses from Prelios Group (euro 1.5 million), to services rendered to Prelios S.p.A. (euro 0.1 million) and royalties paid by Idea Granda Società Consortile S.r.l. to Pirelli & C. Ambiente S.r.l. (euro 0.2 million).
Other costs	25.0	The amount mainly concerns energy purchases and machinery rental from Industriekraftwerk Breuberg GmbH (euro 16.7 million), costs for the purchase of goods from Sino Italian Wire Technology Co. Ltd (euro 7.7 million) and PT Evoluzione Tyres (euro 0.4 million) and services provided by CORIMAV (euro 0.1 million).
Financial income	0.4	The amount relates to accrued interest income from the loan granted to Sino Italian Wire Technology Co. Ltd
Current trade receivables	1.4	The amount mainly concerns receivables for services provided to Prelios Group S.p.A. (euro 1.1 million), to Idea Granda Società Consortile S.r.l. (euro 0.1 million) and to PT Evoluzione Tyres (euro 0.2 million)
Other current receivables	1.8	The amount includes dividends receivable from Eurostazioni S.p.A. (euro 1.7 million), and financial receivables from Fenice S.r.l. (euro 0.1 million)
Non-current borrowings from banks and other financial institutions	1.7	Guarantee deposit from Prelios S.p.A. for R&D building rental in Milan
Current trade payables	16.3	The amount mainly consists of payables for the purchase of energy from Industriekraftwerk Breuberg GmbH
Other current payables	0.1	The payables refer to the deferral for R&D building rental to Prelios S.p.A. (euro 0.1 million)

**TRANSACTIONS WITH OTHER RELATED PARTY**

(in millions of euro)

Financial expenses	0.7	The expenses are related to interests payable to Unicredit (euro 0.2 million) and Intesa-San Paolo Group (euro 0.4 million)
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The Board of Directors  
Milan, November 11, 2015

## **FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (in thousands of euro)

	09/30/2015	12/31/2014
Property, plant and equipment	2,446,511	2,522,464
Intangible assets	963,147	984,002
Investments in associates and J.V.	198,191	186,783
Other financial assets	217,607	180,741
Deferred tax assets	223,033	248,564
Other receivables	148,242	169,145
Tax receivables	5,891	12,068
<b>Non-current assets</b>	<b>4,202,622</b>	<b>4,303,767</b>
Inventories	1,062,209	1,055,016
Trade receivables	1,034,963	673,808
Other receivables	256,918	265,274
Securities held for trading	37,324	61,404
Cash and cash equivalents	859,329	1,166,669
Tax receivables	107,726	73,960
Derivative financial instruments	58,840	29,104
<b>Current assets</b>	<b>3,417,309</b>	<b>3,325,235</b>
<b>Assets held for sale</b>	<b>-</b>	<b>44,037</b>
<b>Total Assets</b>	<b>7,619,931</b>	<b>7,673,039</b>
Equity attributable to owners of the Group:	2,603,711	2,548,345
- Share capital	1,343,285	1,343,285
- Reserves	991,408	885,769
- Net income (loss)	269,018	319,291
Equity attributable to non-controlling interests:	61,549	63,157
- Reserves	54,006	49,611
- Net income (loss)	7,543	13,546
<b>Equity</b>	<b>2,665,260</b>	<b>2,611,502</b>
Borrowings from banks and other financial institutions	1,270,437	1,781,726
Other payables	61,360	74,692
Provisions for liabilities and charges	76,092	97,799
Provisions for deferred tax liabilities	51,340	53,029
Employee benefit obligations	443,035	458,945
Tax payables	2,522	3,397
<b>Non-current liabilities</b>	<b>1,904,786</b>	<b>2,469,588</b>
Borrowings from banks and other financial institutions	1,381,329	530,890
Trade payables	1,040,402	1,394,312
Other payables	420,723	443,477
Provisions for liabilities and charges	63,534	67,030
Tax payables	103,274	100,761
Derivative financial instruments	40,623	42,835
<b>Current liabilities</b>	<b>3,049,885</b>	<b>2,579,305</b>
<b>Liabilities related to assets held for sale</b>	<b>-</b>	<b>12,644</b>
<b>Total Liabilities and Equity</b>	<b>7,619,931</b>	<b>7,673,039</b>



**CONSOLIDATED INCOME STATEMENT** (in thousands of euro)

	<b>01/01 - 09/30/2015</b>	<b>01/01 - 09/30/2014</b>
Revenues from sales and services	4,711,930	4,528,676
Other income	123,565	126,429
Changes in inventories of unfinished, semi-finished and finished products	51,344	64,698
Raw materials and consumables (net of change in inventories)	(1,598,807)	(1,595,542)
Personnel expenses	(951,542)	(924,849)
Amortisation, depreciation and impairment	(237,009)	(222,098)
Other costs	(1,453,256)	(1,349,292)
Increase in Fixed Assets for Internal Work	1,851	1,644
<b>Operating income (loss)</b>	<b>648,076</b>	<b>629,666</b>
Net income (loss) from equity investments	(6,170)	(32,253)
- share of net income (loss) of associates and j.v.	(6,332)	(21,176)
- gains on equity investments	199	14,160
- losses on equity investments	(1,507)	(26,370)
- dividends	1,470	1,133
Financial income	49,205	33,011
Financial expenses	(229,660)	(168,740)
<b>Net income (loss) before tax</b>	<b>461,451</b>	<b>461,684</b>
Tax	(170,239)	(164,327)
<b>Net income (loss) from continuing operations</b>	<b>291,212</b>	<b>297,357</b>
Net income (loss) from discontinued operations	(14,651)	2,600
<b>Total net income (loss)</b>	<b>276,561</b>	<b>299,957</b>
<b>Attributable to:</b>		
Owners of the parent	269,018	290,541
Non-controlling interests	7,543	9,416

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)**

	01/01 - 09/30/2015	01/01 - 09/30/2014
<b>A Net income (loss) for the period</b>	<b>276,561</b>	<b>299,957</b>
<b>Components of other comprehensive income:</b>		
<b>B - Items that will not be reclassified to income statement:</b>		
- Net actuarial gains (losses) on employee benefits	9,929	(54,468)
- Tax effect	(4,561)	23,675
<b>Total B</b>	<b>5,368</b>	<b>(30,793)</b>
<b>C - Items reclassified / that may be reclassified to income statement:</b>		
Exchange differences from translation of foreign financial statements		
- Gains / (losses) for the period	(165,127)	(89,943)
- (Gains) / losses reclassified to income statement	13,950	-
Fair value adjustment of other financial assets:		
- Gains / (losses) for the period	36,877	(2,758)
- (Gains) / losses reclassified to income statement	-	4,772
Fair value adjustment of derivatives designated as cash flow hedges:		
- Gains / (losses) for the period	3,955	21,038
- (Gains) / losses reclassified to income statement	3,853	(15,417)
- Tax effect	(1,595)	(1,042)
Fair value adjustment of derivatives designated as net investment hedges:		
- Gains / (losses) for the period	-	(4,761)
<b>Total C</b>	<b>(108,087)</b>	<b>(88,111)</b>
Share of other comprehensive income related to associates and joint ventures	7,470	(14,055)
<b>Total D</b>	<b>7,470</b>	<b>(14,055)</b>
<b>E Total components of other comprehensive income (B+C+D)</b>	<b>(95,249)</b>	<b>(132,960)</b>
<b>A+E Total comprehensive income (loss) for the period</b>	<b>181,312</b>	<b>166,997</b>
<b>Attributable to:</b>		
- Owners of the Parent	177,541	157,581
- Non-controlling interests	3,771	9,416

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 09/30/2015**

(in thousands of euro)

	Attributable to the Parent					Non controlling interests	TOTAL
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/ retained earnings	Total attributable to the Parent		
<b>Total at 12/31/2014</b>	<b>1,343,285</b>	<b>(283,430)</b>	<b>(436,204)</b>	<b>1,924,694</b>	<b>2,548,345</b>	<b>63,157</b>	<b>2,611,502</b>
Components of other comprehensive income	-	(147,405)	55,928	-	(91,477)	(3,772)	(95,249)
Net income (loss)	-	-	-	269,018	269,018	7,543	276,561
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>(147,405)</b>	<b>55,928</b>	<b>269,018</b>	<b>177,541</b>	<b>3,771</b>	<b>181,312</b>
Dividends paid	-	-	-	(179,572)	(179,572)	(6,656)	(186,228)
Venezuela inflation effect	-	-	-	56,159	56,159	2,210	58,369
Other	-	-	264	974	1,238	(933)	305
<b>Total at 09/30/2015</b>	<b>1,343,285</b>	<b>(430,835)</b>	<b>(380,012)</b>	<b>2,071,273</b>	<b>2,603,711</b>	<b>61,549</b>	<b>2,665,260</b>

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of available-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	Total IAS reserves
<b>Balance at 12/31/2014</b>	<b>56,120</b>	<b>(20,246)</b>	<b>(547,147)</b>	<b>75,069</b>	<b>(436,204)</b>
Other components of other comprehensive income	44,581	7,574	9,929	(6,156)	55,928
Other changes	-	-	330	(66)	264
<b>Balance at 09/30/2015</b>	<b>100,701</b>	<b>(12,672)</b>	<b>(536,888)</b>	<b>68,847</b>	<b>(380,012)</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 09/30/2014**

(in thousands of euro)

	Attributable to owners of the Parent					Non controlling interests	TOTAL
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/retained earnings	Total attributable to owners of the Parent		
<b>Total at 12/31/2013</b>	<b>1,343,285</b>	<b>(228,301)</b>	<b>(452,545)</b>	<b>1,713,628</b>	<b>2,376,066</b>	<b>60,523</b>	<b>2,436,589</b>
Other comprehensive income	-	(89,943)	(43,016)	-	(132,959)	-	(132,959)
Net income (loss)	-	-	-	290,541	290,541	9,416	299,957
<b>Total comprehensive income</b>	<b>-</b>	<b>(89,943)</b>	<b>(43,016)</b>	<b>290,541</b>	<b>157,582</b>	<b>9,416</b>	<b>166,998</b>
Dividends paid	-	-	-	(156,743)	(156,743)	(3,358)	(160,101)
Venezuela inflation effect	-	-	-	37,821	37,821	1,485	39,306
Disposal of minorities stakes	-	-	-	(3,230)	(3,230)	5,957	2,727
Acquisition through capital increase reserved to third parties	-	-	-	-	-	5,936	5,936
Other	-	-	619	1,823	2,442	(705)	1,737
<b>Total at 09/30/2014</b>	<b>1,343,285</b>	<b>(318,244)</b>	<b>(494,943)</b>	<b>1,883,840</b>	<b>2,413,938</b>	<b>79,254</b>	<b>2,493,192</b>

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of available-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Reserve for deferred taxes	Total IAS reserve
<b>Balance at 12/31/2013</b>	<b>35,632</b>	<b>(30,499)</b>	<b>(518,039)</b>	<b>60,361</b>	<b>(452,545)</b>
Other comprehensive income	(11,808)	627	(54,468)	22,633	(43,017)
Other changes	-	-	792	(173)	619
<b>Balance at 09/30/2014</b>	<b>23,824</b>	<b>(29,872)</b>	<b>(571,716)</b>	<b>82,821</b>	<b>(494,943)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS** (in thousands of euro)

	01/01 - 09/30/2015	01/01 - 09/30/2014
Net income (loss) before taxes	461.451	461.684
Amortisation, depreciation, impairment losses and reversals of impaired property, plant and equipment and intangible assets	237.009	222.098
Reversal of financial expenses	229.660	168.740
Reversal of financial income	(49.205)	(33.011)
Reversal of dividends	(1.470)	(1.133)
Reversal of gains/(losses) on equity investments	1.308	12.210
Reversal of share of net income from associates and joint ventures	6.332	21.176
Taxes	(170.239)	(164.327)
Change in inventories	(60.251)	(89.239)
Change in trade receivables	(401.566)	(413.970)
Change in trade payables	(294.790)	(205.811)
Change in other receivables/payables	(60.164)	(82.568)
Change in provisions for employee benefit obligations and other provisions	(20.617)	(13.423)
Other changes	(24.293)	(15.294)
<b>A Net cash flows provided by (used in) operating activities</b>	<b>(146.836)</b>	<b>(132.868)</b>
Investments in property, plant and equipment	(255.101)	(239.130)
Disposal of property, plant and equipment	3.888	14.988
Investments in intangible assets	(6.698)	(5.640)
Exercise of Fenice share options	(12.200)	-
Disposals (Acquisition) of other financial assets	(15.129)	(447)
Disposal of Steelcord	45.600	-
Dividends received	1.470	1.133
<b>B Net cash flows provided by (used in) investing activities</b>	<b>(238.170)</b>	<b>(229.096)</b>
Other changes in equity	-	2.799
Change in financial payables	409.199	405.356
Change in financial receivables/Securities held for trading	25.091	15.261
Financial income (expenses)	(157.186)	(135.729)
Dividends paid	(189.561)	(156.743)
<b>C Net cash flows provided by (used in) financing activities</b>	<b>87.543</b>	<b>130.944</b>
Net cash flows provided by (used in) operating activities	919	699
Net cash flows provided by (used in) investing activities	-	-
Net cash flows provided by (used in) financing activities	-	6.774
<b>D Net cash flows provided by (used in) discontinued operations</b>	<b>919</b>	<b>7.473</b>
<b>E Total cash flows provided (used) during the period (A+B+C+D)</b>	<b>(296.543)</b>	<b>(223.547)</b>
<b>F Cash and cash equivalents at beginning of financial year</b>	<b>1.150.605</b>	<b>806.856</b>
<b>G Exchange differences on translation of cash and cash equivalents</b>	<b>(73.582)</b>	<b>(48.895)</b>
<b>H Cash and cash equivalents at end of financial year (E+F+G) <sup>(°)</sup></b>	<b>780.480</b>	<b>534.414</b>
<b><sup>(°)</sup> of which:</b>		
cash and cash equivalents	859.329	572.853
bank overdrafts	(78.849)	(38.439)

## **FORM AND CONTENT**

This Interim Management Statements at September 30, 2015, is prepared under art. 154 *ter* of Legislative Decree no. 58/1998 and related Consob provisions.

For the assessment and measurement of the accounting figures, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force at the time of this Report, were applied.

The accounting standards and criteria are the same used for the preparation of the financial statements at December 31, 2014, to which reference is made for further details, except for the following standards and amendments of existing standards, which are applicable as of January 1, 2015:

- IFRIC 21 – Levies: application of this interpretation will not have any impact.
- "Improvements" to the 2011-2013 IFRS cycle (issued by the IASB in December 2013): there will be no impact on the Group Financial Statements due to the application of said amendments.

## **Net financial liquidity (debt) position**

**(alternative performance indicator not envisaged by the accounting standards)**

(in thousands of euro)

	<b>09/30/2015</b>	<b>12/31/2014</b>
Current borrowings from banks and other financial institutions	1,381,329	530,890
Current derivative financial instruments (liabilities)	13,947	4,642
Non-current borrowings from banks and other financial institutions	1,270,437	1,781,726
<b>Total gross debt continuing operations</b>	<b>2,665,713</b>	<b>2,317,258</b>
Cash and cash equivalents	(859,329)	(1,166,669)
Securities held for trading	(37,324)	(61,404)
Current financial receivables	(8,609)	(41,484)
Current derivative financial instruments (assets)	(26,149)	(6,075)
<b>Net financial debt *</b>	<b>1,734,302</b>	<b>1,041,626</b>
Non-current financial receivables	(48,780)	(56,167)
<b>A Total net financial (liquidity)/debt position from continuing operations</b>	<b>1,685,522</b>	<b>985,459</b>
<b>Total net financial (liquidity)/debt position from discontinued</b>		
<b>B operations</b>	-	<b>(5,801)</b>
<b>A+B Total net financial (liquidity)/debt position</b>	<b>1,685,522</b>	<b>979,658</b>

\* Pursuant to Consob Notice of July 28, 2006 and in compliance with CESR recommendation of February 10, 2005 "Recommendations for the consistent implementation of the European Commission regulation on Prospectuses".

## Exchange rates

The main exchange rates used for the consolidation are as follows:

(local currency against euro)

	Period-end		Change in %	Average at 09/30		Change in %
	09/30/2015	12/31/2014		2015	2014	
Venezuelan Bolivar Fuerte	<b>15.1241</b>	14.5692	3.81%	<b>15.1241</b>	15.0996	0.16%
Swedish Krona	<b>9.4083</b>	9.3930	0.16%	<b>9.3708</b>	9.0404	3.65%
Australian Dollar	<b>1.5939</b>	1.4829	7.49%	<b>1.4630</b>	1.4765	(0.91%)
Canadian Dollar	<b>1.5034</b>	1.4063	6.90%	<b>1.4038</b>	1.4825	(5.31%)
Singaporean Dollar	<b>1.5921</b>	1.6058	(0.85%)	<b>1.5202</b>	1.7046	(10.82%)
U.S. Dollar	<b>1.1203</b>	1.2141	(7.73%)	<b>1.1144</b>	1.3555	(17.78%)
Taiwan Dollar	<b>36.9609</b>	38.4336	(3.83%)	<b>35.0822</b>	40.8343	(14.09%)
Swiss Franc	<b>1.0915</b>	1.2924	(15.54%)	<b>1.0622</b>	1.2181	(12.80%)
Egyptian Pound	<b>8.7643</b>	8.6840	0.93%	<b>8.5151</b>	9.5767	(11.09%)
Turkish Lira (new)	<b>3.4212</b>	2.8207	21.29%	<b>2.9568</b>	2.9367	0.68%
New Romanian Leu	<b>4.4167</b>	4.4821	(1.46%)	<b>4.4404</b>	4.4474	(0.16%)
Argentinian Peso	<b>10.5555</b>	10.3818	1.67%	<b>10.0009</b>	10.8343	(7.69%)
Mexican Peso	<b>19.0461</b>	17.8808	6.52%	<b>17.3598</b>	17.7565	(2.23%)
South African Rand	<b>15.4984</b>	14.0353	10.42%	<b>13.7005</b>	14.5368	(5.75%)
Brazilian Real	<b>4.4349</b>	3.2270	37.43%	<b>3.5286</b>	3.1012	13.78%
Chinese Renminbi	<b>7.1266</b>	7.4291	(4.07%)	<b>6.8806</b>	8.3293	(17.39%)
Russian Ruble	<b>74.5825</b>	68.3427	9.13%	<b>66.3589</b>	48.0659	38.06%
British Pound	<b>0.7385</b>	0.7789	(5.19%)	<b>0.7272</b>	0.8121	(10.46%)
Japanese Yen	<b>134.6900</b>	145.2300	(7.26%)	<b>134.7823</b>	139.5474	(3.41%)

It is noted that, for the purposes of data consolidation of the subsidiary in Venezuela at September 30, 2015, the exchange rate fixed by the auction of the SICAD in September 2015 was adopted, amounting to 13.5 bolivar per dollar (15.12 bolivar per euro), rather than the official exchange rate of 6.3 bolivar per dollar fixed (8.68 bolivar per euro), on the basis of the provisions of "Convenio Cambiario No. 25" issued in Venezuela January 22, 2014, which clarified that the official exchange rate of 6.3 bolivar per dollar is increasingly used solely for the purchase of goods and services deemed "essential" by the Venezuelan government.



**Declaration pursuant to Article 154-bis, paragraph 2  
of Legislative Decree February 24, 1998 no. 58 ("Consolidated Finance Act")**

The undersigned, Francesco Tanzi, Chief Financial Officer and Corporate Financial Reporting Manager of Pirelli & C. S.p.A., with registered office in Milan, Viale Piero e Alberto Pirelli 25, share capital euro 1,345,380,534.66, tax ID, VAT and registration number in the Register of Companies of Milan 00860340157

Hereby declares

pursuant to paragraph 2 of Article 154 bis of the Consolidated Finance Act, that the accounting information contained in the Interim Report at September 30, 2015 corresponds to the document results, books and accounting records.

Milan, November 11, 2015

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Francesco Tanzi  
Corporate Financial  
Reporting Manager