Interim Management Statements

at March 31, 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 March 31, 2015

SUMMARY

Board of Directors [1]

Chairman and CEO	Marco Tronchetti Provera
Deputy Chairman	Alberto Pirelli
Independent Director	Anna Maria Artoni
Director (*)	Didier Casimiro
Director	Paolo Fiorentino
Independent Director (*)	Ivan Glasenberg
Independent Director (*)	Andrey Kostin
Director (*)	Petr Lazarev
Independent Director	Elisabetta Magistretti
Director	Gaetano Micciché
Independent Director	Paolo Pietrogrande
Lead Independent Director	Luigi Roth
Director (*)	Igor Sechin
Independent Director	Manuela Soffientini
Director (*)	Igor Soglaev
Secretary of the Board	Anna Chiara Svelto

Board of Statutory Auditors [2]

Chairman	Francesco Fallacara
Regular Auditors	Antonella Carù
Regular Auditors	Umile Sebastiano Iacovino
Alternate Auditors	Andrea Lorenzatti

Risk, Sustainability and Corporate Governance Committee

Chairwoman - Independent Director	Anna Maria Artoni
Independent Director	Andrey Kostin
Independent Director	Elisabetta Magistretti

Remuneration Committee

Chairman - Lead Independent Director	Luigi Roth
Independent Director	Ivan Glasenberg
Independent Director	Manuela Soffientini

Nominations and Successions Committee

Chairman	Marco Tronchetti Provera
Independent Director	Anna Maria Artoni
Director	Didier Casimiro
Independent Director	Paolo Pietrogrande

Strategies Committee

Chairman	Marco Tronchetti Provera
Director	Paolo Fiorentino
Director	Didier Casimiro
Independent Director	Andrey Kostin
Lead Independent Director	Luigi Roth
Director	Igor Sechin
Independent Director	Manuela Soffientini

Independent auditing firm[3]	Reconta Ernst & Young S.p.A.
Corporate Financial Reporting Manager[4]	Francesco Tanzi
General Manager Operations	Gregorio Borgo
General Manager Technology	Maurizio Boiocchi

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

Lawyer Angelo Cardarelli was appointed Common Representative of the savings shareholders for the three-year period 2015-2017 by the category General 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.
(*) Directors co-opted by the Board of Directors on July 10, 2014; their office shall expire at the next General Meeting.

2 Appointment: May 10, 2012. Expiry: General Meeting convened for the approval of the Financial Statements at December 31, 2014. On June 12, 2014, Umile Sebastiano Iacovino, previously Alternate Auditor, replaced Enrico Laghi who resigned on the same date.

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

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

MACROECONOMIC AND MARKET SCENARIO

The global macroeconomic environment in the first quarter continues to be characterised by limited growth and elements of divergence between the various geographical areas. Economic activity has been consolidated in the US, despite special factors, including extreme weather conditions and a slowdown in investment in the energy sector which have partly limited the positive trend. The favourable economic indicators in Europe are still struggling to translate themselves into an acceleration of economic growth, while some emerging economies are showing signs of weakness; China's GDP slowed to 7% of growth in the first quarter of 2015 (7.4% in 2014), whereas the outlook remains negative for Russia, Brazil and Argentina with a contraction in GDP expected in 2015. On the exchange rate front, in the wake of the purchase of sovereign bonds by the ECB during the quarter, the euro continued to weaken against the dollar (-11% from the beginning of the year to the end of the first quarter, -18% compared to the first quarter of 2014). The expectations of a rise in interest rates in the US have also led to an increase in the US dollar against the currencies of emerging countries such as the Brazilian real.

The price of oil climbed from its lows in mid-January, albeit slightly, and remains low with an average rate of 55 US dollar per barrel in the first quarter of 2015 which is almost half that of the first quarter of 2014 (108 US dollar per barrel). The prices of butadiene and natural rubber registered a similar trend. In particular, the price of butadiene in the first quarter stood at an average of euro 608 per tonne while that of natural rubber stood at 1,422 US dollar per tonne, with a decrease by 37% and 28% respectively over the same period of 2014.

Further uncertainty with respect to the global macroeconomic scenario_can be put down to the uncertain outcome of the ongoing negotiations between creditors of Greece and the Greek government, and to the conflicts in Ukraine, Libya and the Middle East.

Data on tyre sales for the first months of 2015 confirm the recovery in advanced countries, especially in the Consumer market, while reflecting the more difficult macroeconomic contexts in developing countries.

The performance of the tyre market was supported by the gradual recovery in Europe (car Replacement +2%, Original Equipment +3%, truck Replacement -1%, OE +4%) and the confirmation of the development of the Chinese market (car production in China +10%); the trend in North America reflects the sharp drop in imports following the introduction of customs duties against Chinese importers from January 2015 (local market car Replacement +2%, -6% including import duty, car Original Equipment +2%), while the drop in sales in Russia (car Replacement -13%, car Original Equipment -25%) and Latin America (car Replacement +2%, car Original Equipment -15%, truck Replacement -8%, truck Original Equipment -39%) is essentially due to the slowdown in economic activity in these countries.

SIGNIFICANT EVENTS IN THE FIRST QUARTER 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 revolving credit facility for euro 1.2 billion expiring in November 2015 which was thus terminated early. In addition, on **February 13, 2015**, an additional contract 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 line above.

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

On **February 6, 2015**, the disposal to Bekaert of Pirelli’s steelcord activities in Turkey (Izmit) was formalised. While on **March 27, 2015**, with the sale of the steelcord activities in China (Yanzhou), the transfer to Bekaert of all of Pirelli’s steelcord activities was completed. In line with what was already disclosed to the market in February 2014 along with the announcement of the transaction, the total value (Enterprise value) for 100% of the steelcord activity was confirmed as euro 255 million.

On **February 12, 2015**, the Board of Directors of Pirelli & C. S.p.A. examined the preliminary and unaudited results of the management in 2014. On **March 31, 2015**, the Board of Directors of Pirelli & C. S.p.A. approved the financial statements for the year 2014 ending with a total net profit of euro 332.8 million (+8.6% compared to the same period in 2013) and net profit for the parent company amounted to euro 258.0 million, an increase of 34.4% compared to the same period in 2013. The Board of Directors will propose to the General Meeting which will be held on 14 May 2015 the distribution of a dividend of euro 0.367 per ordinary share (euro 0.32 in the previous year) and euro 0.431 per savings share (euro 0.39 in the previous financial year).

On **March 22, 2015** China National Tire & Rubber Co. (CNRC), a subsidiary of ChemChina (ChemChina), Camfin S.p.A. (Camfin) and shareholders of Camfin (Coinv S.p.A. and Long-Term Investments Luxembourg S.A.) signed a binding agreement for a long-term Industrial partnership with Pirelli.

The stated objective of the partnership is to strengthen the development plans of Pirelli, the presence in geographically strategic areas and doubling of volumes in the Industrial segment (from about 6 million to about 12 million tyres) through the future integration of tyre activities of the Industrial segment of CNRC and Pirelli. The central element of the agreement is the continuity and independence of the current management structure of the Pirelli Group. The transaction foresees the appointment of the Chairman by CNRC and the continued presence of Marco Tronchetti Provera as CEO of Pirelli.

The headquarters and know-how of Pirelli 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.

The agreement foresees:

(i) the purchase by a newly constituted Italian company (Bidco), which will be indirectly controlled by CNRC in partnership with Camfin through two Italian companies, these too newly established (Newco and Holdco), of the equity investment held by Camfin in the share capital of Pirelli;

(ii) the simultaneous reinvestment by Camfin of a portion of the proceeds of the sale;

(iii) subsequently, upon completion of the purchase, a mandatory public offer on the remaining ordinary share capital of Pirelli at a price of euro 15.00 per ordinary share and a voluntary public offer for all the savings shares in Pirelli at a price per savings share of euro 15.00, subject to the attainment of not less than 30% of the savings capital. The mandatory public offer and voluntary public offer will be presumably made by Bidco with the aim of proceeding to the de-listing of Pirelli;

(iv) the dividend for the 2014 financial year will presumably be paid by Pirelli before the purchase by Bidco of Pirelli shares held by Camfin.

Completion of the transaction is subject to conditions typical of a transaction of this type and is expected in the summer of 2015, after approval by the antitrust authorities and other competent authorities. Extracts of the shareholder agreements relating to the partnership are available on the Pirelli website.

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 (EBITDA), 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 quarter 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 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 quarter of 2015 are characterised by:

- growth in revenue to +6.5% (+2.4% net of exchange rate effect), in line with the annual target, and supported by the solid performance of the Consumer business (+9.6%), while the Industrial business (-3.8%) reflects the general downturn in the market, most notably in South America (-39% the truck Original Equipment volume decrease, -8% in Replacement channel);
- the strengthening of the Premium segment, evidenced by a growth in volume of 10%, in line with the 2015 guidance, particularly in the emerging markets, Apac, Latam, MEAI and Russia, where Pirelli increases its market share; in line with the market trend the growth rate in Europe and Nafta. The Premium segment reached a weight of 59% in Consumer revenues, an improvement of 2 percentage points compared to the first quarter of 2014;
- the positive trend in the price/mix component (+3.7%), in line with the >= 4% forecast for the year 2015; the improvement in the product mix and the success of the value proposition in the Consumer business (price/mix +4.7%) to which can be added the basic stability of the price/mix in the Industrial business, which was affected by the postponement to the second quarter of part of the price increases in South America, due to the lasting difficult conditions in the local market;
- the positive trend in Consumer volumes (+0.4%) and Premium increase (+10%) offset the weakness of Non Premium especially in Original Equipment in South America and Russia. Business Industrial (volumes -6.7%) reflects the weakness of truck and agro market in Latam. Total volumes recorded a decline of 1.3%;
- the achievement of efficiencies of euro 21.1 million (23% of the annual target of euro 90 million) as a continuation of the four-year efficiency plan (2014-2017) of euro 350 million announced in November 2013 (euro 92 million in efficiencies in 2014);

- the increase in profitability (EBIT) to 210.1 million euros, +4.5% compared to the first quarter of 2014; EBIT margin stable at 13.4% (13.6% in the first quarter 2014); the trend of the Consumer business more than offset the decline in the Industrial business, affected by the above dynamics;
- net income from continuing operations of euro 101.4 million (euro +11 million compared to the first quarter of 2014);
- Net financial liabilities position of euro 1,732.9 million, an increase compared to euro 979.6 million as at 31 December 2014 for the seasonality of working capital that shows a recurring increase in trade receivables in the first quarter of the year that will be collected during the second quarter.

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

(in millions of euro)

	03/31/2015	03/31/2014	12/31/2014
Net sales	**1,568.4**	**1,473.2**	**6,018.1**
Gross operating profit before restructuring expenses	291.9	277.3	1,168.0
% of net sales	18.6%	18.8%	19.4%
Operating income before restructuring expenses	213.4	206.7	869.2
% of net sales	13.6%	14.0%	14.4%
Restructuring expenses	(3.3)	(5.7)	(31.3)
Operating income	**210.1**	**201.0**	**837.9**
% of net sales	13.4%	13.6%	13.9%
Net income (loss) from equity investments	(2.5)	(13.8)	(87.0)
Financial income/(expenses)	(52.1)	(43.3)	(262.4)
Net Income before tax	**155.5**	**143.9**	**488.5**
Tax expenses	(54.1)	(53.5)	(173.3)
Tax rate %	34.8%	37.2%	35.5%
Net income from continuing operations	**101.4**	**90.4**	**315.2**
Net income from discontinued operations	**(16.8)**	**1.1**	**17.6**
Total net income	**84.6**	**91.5**	**332.8**
Net income attributable to Pirelli & C. S.p.A.	82.0	89.7	319.3
Total net earnings per share attributable to Pirelli & C. S.p.A. (in euro)	0.168	0.184	0.654
Operating fixed assets	**4,055.3**	**3,862.6**	**3,874.0**
Inventories	1,142.5	965.4	1,055.0
Trade receivables	1,063.7	1,048.0	673.8
Trade payables	(1,072.4)	(882.5)	(1,394.4)
Operating Net working capital related to continuing operations	**1,133.8**	**1,130.9**	**334.4**
% of net sales	18.1%	19.2%	5.6%
Other receivables/other payables	111.5	5.9	33.9
Total Net working capital related to continuing operations	**1,245.3**	**1,136.8**	**368.3**
% of net sales	19.8%	19.3%	6.1%
Net invested capital held for sale	-	**145.6**	**30.8**
Total Net invested capital	**5,300.6**	**5,145.0**	**4,273.1**
Equity	**2,877.1**	**2,500.8**	**2,611.5**
Total Provisions	**690.6**	**678.6**	**682.0**
of which provisions held for sale	*0.0*	*10.9*	*5.2*
Total Net financial (liquidity)/debt position	**1,732.9**	**1,965.6**	**979.6**
of which Net Financial (liquidity)/debt position held for sale	*0.0*	*50.9*	*(5.8)*
Equity attributable to Pirelli & C. S.p.A.	2,811.4	2,441.6	2,548.3
Equity per share attributable to Pirelli & C. S.p.A. (in euro)	5.761	5.003	5.222
Investments in property, plant and equipment and intangible assets	85.6	65.3	378.1
Research and development expenses	53.1	49.8	205.5
% of net sales	3.4%	3.4%	3.4%
Headcount (number at end of period)	37,527	38,529	37,561
Industrial sites (number)	19	22	19

For a fuller understanding of the performance of the **Group**, the following are the economic data broken down by business sector.

(in millions of euro)	A Consumer		B Industrial		A+B = C Total Tyre		D Other business		C+D = E TOTAL	
	1Q 2015	1Q 2014	**1Q 2015**	1Q 2014	**1Q 2015**	1Q 2014	**1Q 2015**	1Q 2014	**1Q 2015**	1Q 2014
Net sales	**1,237.4**	1,128.7	**327.9**	340.8	**1,565.3**	1,469.5	**3.1**	3.7	**1,568.4**	1,473.2
Gross operating margin before restructuring expenses	**246.3**	219.4	**47.2**	60.9	**293.5**	280.3	**(1.6)**	(3.0)	**291.9**	277.3
Operating income (loss) before restructuring expenses	**182.0**	162.7	**33.3**	47.6	**215.3**	210.3	**(1.9)**	(3.6)	**213.4**	206.7
Restructuring expenses	**(1.6)**	(3.9)	**(0.4)**	(1.5)	**(2.0)**	(5.4)	**(1.3)**	(0.3)	**(3.3)**	(5.7)
Operating income (loss)	**180.4**	158.8	**32.9**	46.1	**213.3**	204.9	**(3.2)**	(3.9)	**210.1**	201.0

In the first quarter of 2015, **Group sales** totalled euro 1,568.4 million, an increase of 6.5% compared to euro 1,473.2 million in the same period in the previous year. The sales trend (+2.4% in organic growth, before the positive exchange rate effect of 4.1%) was driven by growth in the Consumer business (+9.6% in total, +5.1% before the positive exchange rate effect) while the Industrial business (-3.8% in total, -6.8% in revenue performance before exchange rates) was affected by the slowdown especially in the South American market.

Tyre business net sales came to euro 1,565.3 million, with organic growth of 2.4% (6.5% including the positive foreign currency effect of 4.1%) compared to the same period in the previous financial year.

Premium segment net sales came to euro 726.9 million (+13.6%, as compared to the 639.9 million euros of the first quarter of 2014), with an impact on turnover in the Consumer business which increased to 58.7% (56.7% in the first quarter of 2014) with volumes increasing by 10%.

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

	1 Q	
	2015	**2014**
Volume	-1.3%	3.8%
of which Premium volume	*10.0%*	*22.2%*
Price/mix	3.7%	4.6%
Change on a like-for-like basis	**2.4%**	**8.4%**
Translation effect	4.1%	-10.8%
Total change	**6.5%**	**-2.4%**

The decline in volumes (-1.3%) derives from a trend in the opposite direction between Consumer and Industrial. The increase in volumes in the Consumer segment (+0.4%) was supported by the good performance of Premium, which is the focus of Pirelli value strategy, in all main markets (volumes +10%), while the Non-Premium (volumes -5.7%) mainly reflects the weakness of Latam and Russia markets particularly in Original Equipment channel. The trend in Industrial volumes (-6.7%), reflects in particular the continuation of the downturn in the Original Equipment market in South America whose crisis was accentuated from the second quarter of 2014 onwards, and the slowing of the Replacement markets in South America, Europe and China. The improvement in the price/mix (+3.7%) was supported by the performance of the Consumer business (price/mix +4.7%) which benefited from the improvement in the product mix (a greater weight of the Premium segment over the first quarter of 2014), from the higher percentage of sales in the Replacement channel and the different composition of the business at regional level, with the largest weight in NAFTA and Asia-Pacific; remained stable the price/mix in Industrial business, which was affected by the postponement of the planned price increases in South America on account of weak demand; these price increases, applying since the second quarter of 2015, will lead to an improvement of the variable price/mix during the course of the year.

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

GEOGRAPHICAL AREA	**1 Q 2015**			**1 Q 2014**
	Euro\mln	*yoy*		
Europe	545.7	*2.2%*	34.9%	36.3%
Russia and CIS	43.6	*-29.9%*	2.8%	4.2%
Nafta	199.7	*17.3%*	12.8%	11.6%
South America	483.4	*4.2%*	30.9%	31.6%
Asia\Pacific (APAC)	157.9	*30.8%*	10.1%	8.2%
Middle East\Africa\India (MEAI)	135.0	*13.8%*	8.6%	8.1%
TOTAL	**1,565.3**	***6.5%***	**100.0%**	**100.0%**

PRODUCT	**1 Q 2015**			**1 Q 2014**
	Euro\mln	*yoy*		
Car	1,113.8	*10.6%*	71.2%	68.5%
Motorcycle	123.6	*1.7%*	7.9%	8.3%
Consumer	**1,237.4**	***9.6%***	**79.1%**	**76.8%**
Truck	290.3	*-2.8%*	18.5%	20.3%
Agriculture	37.6	*-10.9%*	2.4%	2.9%
Industrial	**327.9**	***-3.8%***	**20.9%**	**23.2%**

The **operating income of the Group (EBIT)** increased by 4.5%, amounting to euro 210.1 million compared to euro 201 million in the first quarter of 2014. The improvement of euro 9.1 million is broken down into euro 8.4 million from Tyre business and euro 0.7 million from other activities.

Operating income was affected by **restructuring expenses** of euro 3.3 million for the continuing rationalisation of facilities. As at March 31, 2014, restructuring expenses amounted to euro 5.7 million.

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

(in millions of euro)	**1 Q**
2014 Operating income	**204.9**
Foreign currency translation from consolidation	9.4
Prices/mix	31.0
Volumes	(7.6)
Cost of prodution factors (commodities)	16.4
Cost of prodution factors (labour/energy/others)	(34.6)
Efficiency	21.1
Amortisation, depreciation and other	(30.6)
Restructuring expenses	3.3
Change	**8.4**
2015 Operating income	**213.3**

The **operating income of the Tyre business** in the first quarter of 2015 amounted to euro 213.3 million (euro 204.9 million in the first quarter of 2014), with an EBIT margin of 13.6% (13.8% before restructuring expenses), essentially stable as compared to the first quarter of 2014.

The improvement in operating income was affected by:

- the positive contribution of the price/mix component (euro 31.0 million) and of the efficiencies (euro 21.1 million) which more than offset the impact of slightly lower volumes (euro -7.6 million) and higher depreciation and other costs (euro -30.6 million) of which euro -12.1 million mainly related to the development of the Premium;
- the lower cost of raw materials (euro +16.4 million) and the positive exchange rate effect (euro +9.4 million) which mitigated the inflation of production factors (euro -34.6 million);
- lower non-recurring expenses of euro 3.3 million.

Geographically, **APAC** (10.1% of tyre turnover, +1.9 percentage points compared to 2014) was confirmed as the geographic area with the most growth: +14.9% increase in revenues in organic terms (+30.8% including the exchange rate effect) driven by sales on the high-end range (41.6% growth in Premium revenues) and an EBIT margin in the high teens, stable compared to the previous year. The APAC market particularly benefited from the "pull-through" effect on sales that Pirelli's leadership in the local Premium Original Equipment was able to continue to generate in the Replacement channel, also due to the progressive growth of the distribution network.

NAFTA (12.8% of tyre business revenues) reported an increase in revenues of 17.3% (+20.1% including the positive exchange rate effect). Premium Car had a positive performance, while the moto and non-Premium businesses reflect weak market demand. The revenue performance reflects the positive volumes' trend, mix improvement and the partial adjustment of prices to the actual exchange rate and raw materials scenario while maintaining the positioning in the higher value segments.
In the Super Premium segment the growth is higher than the market, benefiting from the expansion of the FasTrack network and geomarketing tools to optimise the management of customer inventory. Profitability (EBIT margin) improved to "mid-teens", with an increase of about 1.5 percentage points compared to the first quarter of 2014.

MEAI (8.6% of revenues from tyre business) remained among the most profitable geographic areas with profitability in the high-teens, stable compared to 2014 and a growth in revenue of 13.8% (growth net of exchange rate effect of 6.3%).

The revenue growth in **Europe** is limited (34.8% of tyre business revenues, organic growth in revenues of +0.9%, +2.2% including exchange rate effect), reflecting the unfavourable start to 2015 in the market and the comparison with the strong growth in the corresponding period of 2014 (+10% revenue growth in the first quarter 2014). Increase in Premium sales, with positive impact on the price/mix, and profitability in the low-teens, substantially stable compared to the first quarter of 2014.

Russia (2.8% of tyre business revenues) despite an unfavourable scenario, showed organic sales growth of 2.3% (-29.9% after the exchange rate effect), and volume growth in excess of market trends. High single digit profitability was confirmed, stable compared to 2014, due to improved product mix and the efficiency programme.

South America (30.9 % of tyre business revenues) reported an increase in revenues of 4.2% (+1.8% excluding the positive exchange rate effect). The continuation of the difficult market situation in the area, especially in Original Equipment segment (car -15% and truck -39%) has weighed on volumes resulting in a decline overall, despite the slight rise recorded in the car Replacement channel and the solid trend in the Premium segment (volumes +19% in the quarter, above than the market trend). The continued growth of the product mix has helped the trend in revenues, together with price increases in Consumer business in response to exchange rate volatility; these elements have also had a positive impact on profitability by mitigating the decline in volumes and the costs associated with a lower plant utilisation, especially in Venezuela. Profitability was at double digit level for the quarter, down by 1 percentage point compared to the first quarter of 2014.

The **income from equity investments of the Group** was negative for euro 2.5 million and mainly relates to the impact from the consolidation with the equity method of results from the associated company Prelios S.p.A. (euro 2.6 million pro-quota loss for the fourth quarter of 2014). In the first quarter of 2014 the result was a loss of euro 13.8 million mainly related to the consolidation using the equity method of Prelios S.p.A..

The **net income from continuing operations** as at March 31, 2015 was euro 101.4 million (euro 90.4 million in 2014). This result, in addition to the changes shown in the operating income and net income (loss) from equity investments, reflects higher **net financial expenses** which rose from euro 43.3 million as at March 31, 2014 to euro 52.1 million as at March 31, 2015, an increase of euro 8.8 million. The increase registered in the **financial expenses** is mainly due to the impact of the devaluation of the Venezuelan bolivar on trade positions and the rise in interest rates in countries outside the Eurozone (about 40% of the total) in which Pirelli operates, in particular Russia. The average cost of debt for the period was 6.17%.

Tax expenses amounted to euro 54.1 million, an increase over the same period last year (euro 53.5 million) with a tax rate which stood at 34.8% (34.1% net of consolidation of equity of associated companies), a decrease compared to the first quarter of 2014 (37.2%).

The **net income (loss) from discontinued operations** for the first quarter of 2015 was a loss of euro 16.8 million. This result is mainly due to the exchange rate losses resulting from the conversion in euro of the Financial Statements of the Turkish subsidiary accounted for in previous periods and recorded in equity; such losses have been reclassified to profit and loss in the first quarter of 2015 as consequence of the sales of the Steelcord activities in Turkey occurred in February 2015.

Total net income amounted to euro 84.6 million compared to euro 91.5 million in the first quarter of 2014; the **share of net income attributable to Pirelli & C. S.p.A.** was positive at euro 82.0 million (0.168 euros per share) compared to euro 89.7 million in the previous year (amounting to 0.184 euros per share).

Equity went from euro 2,611.5 million as at December 31, 2014 to euro 2,877.1 million as at March 31, 2015.

Equity attributable to Pirelli & C. S.p.A. as at March 31, 2015 amounted to euro 2,811.4 million (euro 5.761 per share) compared to euro 2,548.3 million as at December 31, 2014 (euro 5.222 per share).

The change, displayed analytically in the following table, is essentially linked to the net income (loss) for the period, to the positive exchange rate effect generated by the conversion of assets in foreign currency to euros and the positive adjustment to fair value of financial assets.

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2014	**2,548.3**	**63.2**	**2,611.5**
Translation differences	102.5	3.8	106.3
Net income (loss)	82.0	2.6	84.6
Fair value adjustment of other financial assets/derivative instruments	60.4	-	60.4
Actuarial gains/(losses) on employee benefits	(2.1)	-	(2.1)
Dividends paid	-	(4.2)	(4.2)
Venezuela inflation effect	19.8	0.8	20.5
Other changes	0.6	(0.5)	0.1
Total changes	**263.1**	**2.5**	**265.6**
Equity at 03/31/2015	**2,811.4**	**65.7**	**2,877.1**

As at March 31, 2015 the **net financial position of the Group** was negative for euro 1,732.9 million compared to euro 979.6 million as at December 31, 2014, and was as follows:

	(in millions of euro)	03/31/2015	12/31/2014
	Current borrowings from banks and other financial institutions	1,074.5	530.9
	Current derivative financial instruments	20.7	4.6
	Non-Current borrowings from banks and other financial institutions	1,580.5	1,781.7
	Total gross debt continuing operations	**2,675.7**	**2,317.2**
	Cash and cash equivalents	(768.3)	(1,166.7)
	Securities held for trading	(38.2)	(61.4)
	Current financial receivables	(40.8)	(41.5)
	Current derivative financial instruments	(36.0)	(6.1)
	Non-current financial receivables	(59.5)	(56.1)
	Total financial receivables and cash	**(942.8)**	**(1,331.8)**
A	**Net financial (liquidity)/debt position continuing operations**	**1,732.9**	**985.4**
B	**Net financial (liquidity)/debt position discontinued operations**	**-**	**(5.8)**
A+B	**Total net financial (liquidity)/debt position**	**1,732.9**	**979.6**

The **structure of the gross financial debt**, which amounted to euro 2,675.7 million, was as follows:

(in millions of euro)

	Financial Statements 03/31/2015	**Maturity date**				
		2015	**2016**	**2017**	**2018**	**2019 and beyond**
Use of committed credit facilities	316.7	-	-	-	-	316.7
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	139.4	-	-	13.9	-	125.5
Schuldschein	155.0	-	114.0	31.0	-	10.0
Other loans	714.6	458.5	117.4	109.3	21.0	8.4
Total gross debt operating activities	**2,675.7**	**558.5**	**831.4**	**174.2**	**41.0**	**1,070.6**
		20.9%	31.1%	6.5%	1.5%	40.0%

As at March 31, 2015 the Group had an additional euro 883.3 million available related to the unused portion of the committed credit facility of euro 1.2 billion (euro 410 million available as at December 31, 2014), which, when added to the euro 806.5 million related to cash and cash equivalents and securities held for trading, provide the Group with a liquidity margin of euro 1,689.8 million.

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

	1 Q	
	2015	**2014**
Operating income (loss) before restructuring expenses	213.4	206.7
Amortisation and depreciation	78.5	70.6
Investments in property, plant and equipment and intangible assets	(85.6)	(65.3)
Change in working capital/other	(895.2)	(686.6)
Operating net cash flow	**(688.9)**	**(474.6)**
Ordinary financial income/(expenses)	(52.1)	(43.3)
Ordinary tax expenses	(54.1)	(53.5)
Ordinary net cash flow	**(795.1)**	**(571.4)**
Financial investments/disinvestments	(14.4)	(3.7)
Other dividends paid to third parties	(7.6)	(0.5)
Cash Out for restructuring	(6.4)	(12.9)
Net cash flow from discontinued operations	-	(8.7)
Differences from foreigh currency translation/other	45.8	(46.0)
Net cash flow before dividends paid	**(777.7)**	**(643.2)**
Impact Steelcord units disposal	24.4	-
Net cash flow	**(753.3)**	**(643.2)**

The **operating net cash flow** for the first quarter of 2015 was negative overall at -688.9 million euros, mainly due to the usual seasonality of working capital, an increase in trade receivables, commensurate with the trend in revenues for the quarter, and an increase in stocks of finished products, especially in Brazil and Europe, which will be absorbed during 2015. Total investments were made for approximately euro 85.6 million (euro 65.3 million in 2014), mainly for the increase of the Premium capacity in Europe, NAFTA and China, and the improvement in the mix.

The **net cash flow in the first quarter of 2015, excluding the impact of the partial disposal of the steelcord business**, was a loss of euro 777.7 million (loss of euro 643.2 million in 2014).

The **total net cash flow** was negative in euro 753.3 million including the positive effect from the disposal of the steelcord business for euro 24.4 million.

Employees

The employees of the Group as at March 31, 2015 totalled 37,527, compared to 37,561 as 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 2015	1 Q 2014
Net sales	**1,237.4**	1,128.7
yoy	9.6%	
Gross operating margin before restructuring expenses	**246.3**	219.4
% of net sales	19.9%	19.4%
Operating income before restructuring expenses	**182.0**	162.7
% of net sales	14.7%	14.4%
Restructuring expenses	**(1.6)**	(3.9)
Operating income	**180.4**	158.8
% of net sales	14.6%	14.1%

The table below provides a detailed breakdown of the market:

	1 Q
EUROPE (*)	
Original Equipment	+3%
Replacement	+3%
NAFTA (**)	
Original Equipment	+2%
Replacement	+2%
SOUTH AMERICA	
Original Equipment	-15%
Replacement	+2%
CINA	
Original Equipment	+10%

The figures exclude import except for South America
(*) including Turkey; excluding Russia
(**) the figures for NAFTA are exclusive of Mexico

Net sales totalled euro 1,237.4 million, with organic growth of 5.1% (+9.6% including the exchange rate effect) as a result of the following factors:

- the positive contribution made by volumes of +0.4% with greater growth in mature markets (+2.6%), in Apac and MEAI (mid-teen for both areas), while trend of South America and Russia were affected by the decline in the Original Equipment market (-15% Latam; -25% in Russia);
- the improvement of the price/mix (+4.7%) linked mainly to the increasing weight of the Premium segment (58.7% of Consumer revenues in 2015 compared to 56.7% in 2014) and to the price increases in South America and in Russia to counter the trend in exchange rates.

Premium revenues amounted to euro 726.9 million, a total growth of 13.6% (volumes +10%) over the previous year (+5.6% net of exchange rate effect) in all geographic areas, especially in Apac (+24.7%), in MEAI (+17.9%) and in Latam (+17.9%).

Below is the breakdown of the change in sales:

	1 Q	
	2015	**2014**
Volume	0.4%	5.9%
of which Premium volume	*10.0%*	*22.2%*
Price/mix	4.7%	4.4%
Change on a like-for-like basis	**5.1%**	**10.3%**
Translation effect	4.5%	-9.2%
Total change	**9.6%**	**1.1%**

The growth in **operating income before restructuring expenses** reached euro 182 million, with a margin of 14.7% compared to euro 162.7 million in 2014 (14.4% of sales). The **operating income** amounted to euro 180.4 million (with a marginality of 14.6%), an increase of euro 21.6 million compared to euro 158.8 million in 2014 (with a marginality of 14.1%).

Increasing profitability reflects:

- the improvement of the price/mix, thanks to the growing weight of Premium in all regions, and to the greater weight of the Replacement channel;
- the progressive achievement of internal efficiencies.

INDUSTRIAL BUSINESS

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

	1 Q	
(in millions of euro)	**2015**	**2014**
Net sales	**327.9**	340.8
yoy	-3.8%	
Gross operating margin before restructuring expenses	**47.2**	60.9
% of net sales	14.4%	17.9%
Operating income before restructuring expenses	**33.3**	47.6
% of net sales	10.2%	14.0%
Restructuring expenses	**(0.4)**	(1.5)
Operating income	**32.9**	46.1
% of net sales	10.0%	13.5%

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

	1 Q
EUROPE (*)	
Original Equipment	+4%
Replacement	-1%
NAFTA (**)	
Original Equipment	+18%
Replacement	+5%
SOUTH AMERICA	
Original Equipment	-39%
Replacement	-8%
CINA	
Original Equipment	-29%
Replacement	n.d.

The figures exclude import except for South America
(*) including Turkey; excluding Russia
(**) the figures for NAFTA are exclusive of Mexico

Net sales totalled euro 327.9 million, a decrease of 3.8% compared to the first quarter of 2014 (euro 340.8 million), including the positive exchange rate effect (3%). The decline in volumes (-6.7%) was affected by the market downturn in Latin America, especially in Original Equipment and, to a lesser extent, in the Replacement markets in Latin America, Europe and China. To this trend can be added the basic stability of the price/mix, also as a result of the postponement to the second quarter of part of the price increases in South America originally planned for the first quarter of the year and attributed to the difficult conditions of the local market.

Below is the breakdown of the change in sales:

	1 Q	
	2015	**2014**
Volume	-6.7%	-2.2%
Price/mix	-0.1%	5.4%
Change on a like-for-like basis	**-6.8%**	**3.2%**
Translation effect	3.0%	-15.4%
Total change	**-3.8%**	**-12.2%**

The **operating profit before restructuring expenses** amounted to euro 33.3 million, equivalent to 10.2% of sales and a decrease from euro 47.6 million in 2014 (14.0% of sales). **The operating income** amounted to euro 32.9 million (euro 46.1 milion at first quarter 2014), equivalent to 10% of sales respect to 13.5% of the comparative period 2014 (12.7% first quarter 2014 excluding the total impact of Steelcord activities and not only the component related to third parties).

The profitability trend net of Steelcord contribution, was affected by lower volumes, the inflation of input costs in Latin America and the costs associated with a lower capacity utilization in the area.

OUTLOOK 2015

Over the course of 2015 an improvement of the Consumer business is expected, thanks to the positive performance of the Premium segment the growth of which will be supported above all in emerging markets and North America and by exchange rate improvements. This performance will compensate the weakness of the industrial business, which is particularly accentuated in the Latam region. **Pirelli thus confirms the 2015 targets** indicated last February in terms of:

- Ebit equal to approximately euro 930 million after restructuring expenses of about euro 40 million
- revenue growth of +6.5%/+7% at approximately euro 6.4 billion
- investments below euro 400 million
- cash generation before dividends equal to or above euro 300 million before disposal of steelcord.

The targets foresee a net financial position at the end of 2015 of about euro 850 million.

Consolidated sales are seen growing by +6.5%/+7% to about euro 6.4 billion as an effect of:

- price/mix component growing approximately by +4% (previous estimate: equal to or above +4%)
- Premium volumes' growth confirmed at equal to or above +10%
- total volumes' growth at approximately +2% (previous estimate: equal to or above +3%), which discount the slowdown of the truck and agro market in Latam and Europe, and the Original Equipment Car market in Latam and Russia
- positive exchange rate effect estimated at approximately +1% (previous indication: negative impact of -1%) following the appreciation of the dollar against the euro.

The target for the **operating result (Ebit) after restructuring expenses** is confirmed at approximately euro 930 million euro after restructuring expenses of about euro 40 million. The improvement of the exchange rate component and lower cost of raw materials – the benefit of the latter estimated at around 30 million euro compared with the previous 6 million euro – offset the impact of lower volumes and higher costs resulting from the separation of the Industrial Business Unit (estimated at approximately euro 10 million).

As already announced on the occasion of the release of the figures for 2014, the targets cautiously assume the prolongation of the difficult economic situations in Venezuela and Argentina and if the macro-economic situation were to worsen – with a consequent further reduction of capacity utilization in Venezuela from the present 50% to 30%, and of sales' volumes in Argentina of 10%/15% - it would constitute a risk for the consolidated 2015 Ebit target quantifiable at euro 30 million.

For the **Consumer** business:

- revenues' target is revised upwards to approximately 5 billion euro (previous estimate: approximately euro 4.9 billion);
- total volumes' growth for the segment seen at >+2% (previous estimate: >+3%), with an increase of Premium volumes confirmed at equal to or above +10%;
- the contribution of the price/mix component confirmed at equal to or above +4%;
- greater positive exchange rate effect (>+8% compared with +6%/+6.5% previously indicated).

These operating variables translate into a confirmation of Consumer profitability, with an Ebit margin before restructuring expenses estimated at equal to or above 16%.

For the **Industrial** business revenues are expected at approximately euro 1.4 billion (previous target: approximately euro 1.5 billion) which are the result of:

- lower volumes' growth equal to approximately +1% (previous indication: +4.5%/+5%) in consideration of the slowdown of the truck and agro market in Latam and Europa;
- price/mix growth above +2.5% (previous indication: +4.5%) following the postponement – considering demand weakness – of price increases originally scheduled for the first quarter of 2015 to later quarters 2015;
- exchange rate impact confirmed at -2%.

The profitability of the Industrial business (Ebit margin before restructuring expenses) is expected at about 11% (previous target: about 12%).

HIGHLIGHTS OF OTHER ACTIVITIES

Other activities include Pirelli & C. Ambiente S.r.l. and PZero S.r.l. with the following breakdown:

(in millions of euro)

	Pirelli Ambiente		Pzero		Total Other Business	
	1Q 2015	1Q 2014	**1Q 2015**	1Q 2014	**1Q 2015**	1Q 2014
Net sales	**1.2**	1.7	**1.9**	2.0	**3.1**	3.7
Gross operating margin before restructuring expenses	**(0.5)**	(0.8)	**(1.1)**	(2.2)	**(1.6)**	(3.0)
Operating income (loss) before restructuring expenses	**(0.8)**	(1.2)	**(1.1)**	(2.4)	**(1.9)**	(3.6)
Restructuring expenses	**-**	-	**(1.3)**	(0.3)	**(1.3)**	(0.3)
Operating income (loss)	**(0.8)**	(1.2)	**(2.4)**	(2.7)	**(3.2)**	(3.9)

As at March 31, 2015, **net sales** amounted to euro 3.1 million compared to euro 3.7 million in the same period of 2014.

The **operating result** was a loss of euro 3.2 million compared to a loss of euro 3.9 million in the first three months of 2014 and includes higher restructuring expenses.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

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.

Pirelli announced **on April 20, 2015** that - with reference to the Ordinary General 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 General Meeting on the appointment of the six members of the Board of Directors, would be proposing to the General Meeting to confirm the appointment of the directors Igor Sechin, Didier Casimiro, Andrey Kostin, Ivan Glasenberg, 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. Andrey Kostin and Ivan Glasenberg declared their suitability to qualify as independent directors.

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 (EBITDA):** EBITDA is an intermediate economic figure derived from operating income, which excludes amortization of intangible assets and depreciation of property, plant and equipment ;
- **Fixed assets**: this figure is the sum of “Property, Plant and Equipment”, “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)”, “Personnel Provisions” 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 the “Net Financial Position”;
- **Net financial 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 regulatory requirements introduced by 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, the publication requirements of the disclosure documents prescribed at the time of significant mergers, demergers, capital increase by conferment in kind, acquisitions and disposals.

Transactions with Related Parties

Related party transactions, including intercompany transactions, are not classified as unusual or exceptional, but rather are part of the ordinary course of business for Group companies. Such transactions, when not carried out at standard conditions or dictated by specific regulations, are settled on an arm's length basis and executed in compliance with the rules set out in the Group Procedure for Related Party Transactions.

Below are details of economic and financial effects of transactions with related parties on the consolidated data of Pirelli & C. group as at March 31, 2015.

TRANSACTIONS WITH ASSOCIATES AND J.V.

(in millions of euro)

Other income	0.9	The amount mainly refers to rental income and operating expenses refunds from Prelios Group (euro 0.5 million), to income for services rendered by Poliambulatorio Bicocca S.r.l. to Prelios S.p.A. and royalties paid by Idea Granda Società Consortile S.r.l. to Pirelli & C. Ambiente S.r.l. (euro 0.2 million).
Other costs	13.8	The amount mainly concerns Pirelli Deutschland GmbH energy purchases and machinery rental from Industriekraftwerk Breuberg GmbH (euro 5.9 milion), costs for the purchase of products from Sino Italian Wire Technology Co. Ltd by Pirelli Tyre Co. Ltd (euro 7.7 million) and services provided by CORIMAV to Pirelli & C. S.p.A. (euro 0.1 million).
Financial income	0.4	The amount relates to accrued interest income from the loan granted by Pirelli International Plc (euro 0.1 million) and Pirelli Tyre Co. Ltd (euro 0.3 million) to Sino Italian Wire Technology Co. Ltd
Current trade receivables	1.7	The amount mainly concerns receivables for services provided by Pirelli Tyre S.p.A. and Poliambulatorio S.r.l. to Prelios Group S.p.A. (euro 0.3 million), by Pirelli & C. Ambiente S.r.l. to Idea Granda Società Consortile S.r.l. (euro 0.3 million) and to GWM Renewable Energy S.p.A. (euro 0.3 million), by Pirelli Tyre S.p.A. to PT Evoluzione Tyres (euro 0.1 million) and to Sino Italian Wire Technology Co. Ltd. (euro 0.7 million)
Other current receivables	35.5	The amount in particular includes receivables for the disposal of Pirelli & C. Ambiente S.p.A. plants to GWM Renewable Energy II S.p.A. (euro 0.1 million), Pirelli Tyre Co. Ltd financial receivables from Sino Italian Wire Technology Co. Ltd. (euro 25.8 million) and Pirelli International Plc (euro 9.3 million), and Pirelli & C. S.p.A. from Fenice S.r.l. (euro 0.2 million).
Non-current borrowings from banks and other financial institutions	1.7	Guarantee deposit to Prelios S.p.A. for R&D building rental.
Current trade payables	27.0	The amount mainly consists of Pirelli Deutschland GmbH payables for the purchase of energy from Industriekraftwerk Breuberg GmbH (euro 14.8 million), as well as of Pirelli Tyre Co. Ltd and Pirelli Tyre S.p.A. payables to Sino Italian Wire Technology Co. Ltd (euro 12.0 million) and of Pirelli & C. S.p.A. to CORIMAV (euro 0.1 million).
Other current payables	0.4	The amount refers to payables of Pirelli & C. Ambiente S.r.l. to GWM Renewable Energy II (euro 0.3 million) and the deferral for R&D building rental by Pirelli & C. S.p.A. to Prelios S.p.A. (euro 0.1 million).

TRANSACTIONS WITH OTHER RELATED PARTY

(in milllions of euro)

Financial expenses	0.5	The expenses are related to interests accrued on a loan and payable by Pirelli International Plc to Unicredit (euro 0.1 million), and by Pirelli Tyre Co. Ltd to Intesa-San Paolo Group (euro 0.3 million)
Non-current borrowings from banks and other financial institutions	33.4	The borrowings refer to the use of the syndicated credit facility of euro 1 billion by Pirelli International Plc (euro 31.7 million) from Unicredit Group and payables by Pirelli Tyre S.p.A. for loans granted by groups Intesa-San Paolo (euro 0.6 million) and Unicredit (euro 1.1 million).
Current borrowings from banks and other financial institutions	2.7	The amount refers to the balance on the current account of Pirell International Plc with Unicredit Group.
Current borrowings from banks and other financial institutions	16.1	The amount refers to payables for loans received by Pirelli Tyre Co. Ltd from Intesa-San Paolo (euro 13.8 million) and by Pirelli Tyre S.p.A. from groups Intesa-San Paolo (euro 0.3 million) and Unicredit (euro 0.2 million) and to current accounts balances of the Group companies to Intesa Group (euro 0.5 million) and Unicredit Group (euro 1.3 million).

The Board of Directors

Milan, May 13, 2015

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

	03/31/2015	12/31/2014
Property, plant and equipment	2,635,470	2,522,464
Intangible assets	981,109	984,002
Investments in associates and J.V.	211,983	186,783
Other financial assets	226,758	180,741
Deferred tax assets	258,537	248,564
Other receivables	181,424	169,145
Tax receivables	12,301	12,068
Non-current assets	**4,507,582**	**4,303,767**
Inventories	1,142,515	1,055,016
Trade receivables	1,063,743	673,808
Other receivables	327,158	265,274
Securities held for trading	38,184	61,404
Cash and cash equivalents	768,251	1,166,669
Tax receivables	83,190	73,960
Derivative financial instruments	64,196	29,104
Current assets	**3,487,237**	**3,325,235**
Assets held for sale	**-**	**44,037**
Total Assets	**7,994,819**	**7,673,039**
Equity attributable to owners of the Parent:	2,811,426	2,548,345
- Share capital	1,343,285	1,343,285
- Reserves	1,386,137	885,769
- Net income (loss)	82,004	319,291
Equity attributable to non-controlling interests:	65,638	63,157
- Reserves	63,061	49,611
- Net income (loss)	2,577	13,546
Equity	**2,877,064**	**2,611,502**
Borrowings from banks and other financial institutions	1,580,502	1,781,726
Other payables	72,750	74,692
Provisions for liabilities and charges	93,755	97,799
Provisions for deferred tax liabilities	51,115	53,029
Employee benefit obligations	477,409	458,945
Tax payables	3,213	3,397
Non-current liabilities	**2,278,744**	**2,469,588**
Borrowings from banks and other financial institutions	1,074,504	530,890
Trade payables	1,072,459	1,394,312
Other payables	428,661	443,477
Provisions for liabilities and charges	68,354	67,030
Tax payables	126,430	100,761
Derivative financial instruments	68,603	42,835
Current liabilities	**2,839,011**	**2,579,305**
Liabilities related to assets held for sale	**-**	**12,644**
Total Liabilities and Equity	**7,994,819**	**7,673,039**

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	01/01 - 03/31/2015	01/01 - 03/31/2014
Revenues from sales and services	1,568,420	1,473,194
Other income	40,172	38,166
Changes in inventories of unfinished, semi-finished and finished products	43,390	20,973
Raw materials and consumables (net of change in inventories)	(564,450)	(549,400)
Personnel expenses	(330,516)	(300,884)
Amortisation, depreciation and impairment	(79,026)	(70,608)
Other costs	(468,497)	(411,034)
Increase in Fixed Assets for Internal Work	639	640
Operating income (loss)	**210,132**	**201,047**
Net income (loss) from equity investments	(2,546)	(13,774)
- share of net income (loss) of associates and j.v.	*(3,167)*	*(14,055)*
- gains on equity investments	*56*	*-*
- losses on equity investments	*-*	*(57)*
- dividends	*565*	*338*
Financial income	64,047	28,155
Financial expenses	(116,131)	(71,472)
Net income (loss) before tax	**155,502**	**143,956**
Tax	(54,150)	(53,534)
Net income (loss) from continuing operations	**101,352**	**90,422**
Net income (loss) from discontinued operations	(16,771)	1,100
Total net income (loss)	**84,581**	**91,522**

Attributable to:

Owners of the parent	82,004	89,701
Non-controlling interests	2,577	1,821

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		1/1 - 03/31/2015	1/1 - 03/31/2014
A	**Net income (loss) for the period**	**84,581**	**91,522**
Components of other comprehensive income:			
	B - Items that will not be reclassified to income statement:		
	- Net actuarial gains (losses) on employee benefits	(2,113)	(523)
	- Tax effect	(896)	69
	Total B	(3,010)	(454)
	C - Items reclassified / that may be reclassified to income statement:		
	Exchange differences from translation of foreign financial statements		
	- Gains / (losses) for the period	88,012	(84,398)
	- (Gains) / losses reclassified to income statement	18,282	-
	Fair value adjustment of other financial assets:		
	- Gains / (losses) for the period	44,891	42,638
	- (Gains) / losses reclassified to income statement	-	-
	Fair value adjustment of derivatives designated as cash flow hedges:		
	- Gains / (losses) for the period	(15,224)	2,631
	- (Gains) / losses reclassified to income statement	2,377	2,559
	- Tax effect	834	(974)
	Total C	139,172	(37,544)
	Share of other comprehensive income related to associates and joint ventures net of taxes	28,380	4,484
	Total D	28,380	4,484
E	**Total components of other comprehensive income (B+C+D)**	**164,542**	**(33,514)**
A+E	**Total comprehensive income (loss)**	**249,123**	**58,008**
	Attributable to:		
	- Owners of the Parent	242,724	58,851
	- Non-controlling interests	6,399	(843)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 03/31/2015

(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**		
Total at 12/31/2014	**1,343,285**	**(283,430)**	**(436,204)**	**1,924,694**	**2,548,345**	**63,157**	**2,611,502**
Other components of other comprehensive income	-	102,472	58,248	-	160,720	3,822	164,542
Net income (loss)	-	-	-	82,004	82,004	2,577	84,581
Total conprehensive income (loss)	**-**	**102,472**	**58,248**	**82,004**	**242,724**	**6,399**	**249,123**
Dividends paid	-	-	-	-	-	(4,156)	(4,156)
Venezuela inflation effect	-	-	-	19,755	19,755	776	20,531
Other	-	-	264	338	602	(538)	64
Total at 03/31/2015	**1,343,285**	**(180,958)**	**(377,692)**	**2,026,791**	**2,811,426**	**65,638**	**2,877,064**

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	**Total IAS reserves**
Balance at 12/31/2014	**56,120**	**(20,246)**	**(547,147)**	**75,069**	**(436,204)**
Other components of other comprehensive income	73,271	(12,848)	(2,113)	(62)	58,248
Other changes	-	-	330	(66)	264
Balance at 03/31/2015	**129,391**	**(33,094)**	**(548,930)**	**74,940**	**(377,692)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 03/31/2014

(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**		
Total at 12/31/2013	**1,343,285**	**(228,301)**	**(452,545)**	**1,713,628**	**2,376,066**	**60,523**	**2,436,589**
Other comprehensive income	-	(81,735)	50,885	-	(30,850)	(2,664)	(33,514)
Net income (loss)	-	-	-	89,701	89,701	1,820	91,521
Total comprehensive income	**-**	**(81,735)**	**50,885**	**89,701**	**58,851**	**(844)**	**58,007**
Venezuela inflation effect	-	-	-	7,065	7,065	278	7,343
Other	-	-	576	(986)	(410)	(728)	(1,138)
Total at 03/31/2014	**1,343,285**	**(310,036)**	**(401,084)**	**1,809,408**	**2,441,572**	**59,229**	**2,500,801**

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Reserve for deferred taxes	**Total IAS reserve**
Balance at 12/31/2013	**35,632**	**(30,499)**	**(518,039)**	**60,361**	**(452,545)**
Other comprehensive income	47,122	5,190	(523)	(904)	50,885
Other changes	-	-	743	(167)	576
Balance at 03/31/2014	**82,754**	**(25,309)**	**(517,819)**	**59,290**	**(401,084)**

CONSOLIDATED STATEMENT OF CASH FLOW (in thousands of euro)

		01/01 - 03/31/2015	01/01 - 03/31/2014
	Net income (loss) before taxes	155,502	143,956
	Amortisation, depreciation, impairment losses and reversals of impaired property, plant and equipment and intangible assets	79,026	70,608
	Reversal of financial expenses	116,131	71,472
	Reversal of financial income	(64,047)	(28,155)
	Reversal of dividends	(565)	(338)
	Reversal of gains/(losses) on equity investments	(56)	57
	Reversal of share of net income from associates and joint ventures	3,167	14,055
	Taxes	(54,150)	(53,534)
	Change in inventories	(44,749)	(22,050)
	Change in trade receivables	(366,240)	(400,985)
	Change in trade payables	(391,784)	(260,870)
	Change in other receivables/payables	(80,627)	(23,248)
	Change in provisions for employee benefits and other provisions	(13,706)	(16,490)
	Other changes	1,001	10,638
A	**Net cash flows provided by (used in) operating activities**	**(661,097)**	**(494,884)**
	Investments in property, plant and equipment	(84,457)	(64,633)
	Disposal of property, plant and equipment	2,015	5,180
	Investments in intangible assets	(1,100)	(691)
	Disposals (Acquisition) of other financial assets	(14,393)	(3,702)
	Disposals of Steelcord	24,400	-
	Dividends received	565	338
B	**Net cash flows provided by (used in) investing activities**	**(72,970)**	**(63,508)**
	Change in financial payables	346,997	150,738
	Change in financial receivables/Securities held for trading	4,456	31,894
	Financial income (expenses)	(45,755)	(43,317)
	Dividends paid	(7,606)	-
C	**Net cash flows provided by (used in) financing activities**	**298,092**	**139,315**
	Net cash flows provided by (used in) operating activities	-	5,345
	Net cash flows provided by (used in) investing activities	-	-
	Net cash flows provided by (used in) financing activities	-	17,246
D	**Net cash flows provided by (used in) discontinued operations**	**-**	**22,591**
E	**Total cash flows provided (used) during the period (A+B+C+D)**	**(435,975)**	**(396,486)**
F	**Cash and cash equivalents at beginning of financial year**	**1,150,605**	**806,856**
G	**Exchange differences on translation of cash and cash equivalents**	**36,496**	**(62,811)**
H	**Cash and cash equivalents at end of financial year (E+F+G) (°)**	**751,126**	**347,559**
(°)	**of which:**		
	cash and cash equivalents	768,251	398,885
	bank overdrafts	(17,125)	(51,326)

FORM AND CONTENT

This Interim Report as at March 31, 2015 has been prepared on the basis of Article 154 ter of Legislative Decree no. 58/1998 and to the related Consob provisions.

For the assessment and measurement of the accounting figures, the principles were applied from the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission and in force at the time of approval of this report.
The accounting standards and criteria are consistent with those used in preparing the financial statements as at December 31, 2014 to which, for more details, reference should be made, except for the following new standards or amendments to existing standards, which apply as from January 1, 2015:

- IFRIC 21 - Taxes: there are no impacts resulting from the application of this interpretation.
- Amendments to IAS 19 - Employee benefits - defined benefit plans: contributions from employees or third parties: there are no impacts due to application of such changes.
- Improvements to IFRSs between 2010 and 2012 (issued by the IASB in December 2013): these amendments, approved by the European Union, will apply as from February 1, 2015. The amendments to IFRS 2, IAS 16 and IAS 38 are not applicable to the Group. As for the amendments to IFRS 3, IFRS 8, IAS 24 and IAS 37, there are no significant impacts on the financial statements or on the disclosures of the Group due to the application of such changes.
- Improvements to IFRSs between 2011 and 2013 (issued by the IASB in December 2013): there is no impact on the financial statements of the Group due to the application of such changes.

Net financial liquidity/debt position

(alternative performance indicators not envisaged by the accounting standards)

(in thousands of euro)

		03/31/2015	12/31/2014
	Current borrowings from banks and other financial institutions	1,074,504	530,890
	Current derivative financial instruments (liabilities)	20,688	4,642
	Non-current borrowings from banks and other financial institutions	1,580,502	1,781,726
	Total gross debt continuing operations	**2,675,694**	**2,317,258**
	Cash and cash equivalents	(768,251)	(1,166,669)
	Securities held for trading	(38,184)	(61,404)
	Current financial receivables	(40,841)	(41,484)
	Current derivative financial instruments (assets)	(36,006)	(6,075)
	Net financial debt *	**1,792,412**	**1,041,626**
	Non-current financial receivables	(59,511)	(56,167)
A	**Total net financial (liquidity)/debt position from continuing operations**	**1,732,901**	**985,459**
B	**Total net financial (liquidity)/debt position from discontinued operations**	**-**	(5,801)
A+B	**Total net financial (liquidity)/debt position**	**1,732,901**	**979,658**

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

Exchange rates

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

(local currency against euro)

	Period-end		Change in %	Average 1Q		Change in %
	03/31/2015	12/31/2014		2015	2014	
Venezuelan Bolivar Fuerte	12.9108	14.5692	(11.38%)	12.9108	14.7532	(12.49%)
Swedish Krona	9.2901	9.3930	(1.10%)	9.3800	8.8570	5.91%
Australian Dollar	1.4154	1.4829	(4.55%)	1.4313	1.5277	(6.31%)
Canadian Dollar	1.3738	1.4063	(2.31%)	1.3957	1.5100	(7.57%)
Singaporean Dollar	1.4774	1.6058	(8.00%)	1.5273	1.7379	(12.12%)
U.S. Dollar	1.0759	1.2141	(11.38%)	1.1261	1.3698	(17.79%)
Taiwan Dollar	33.6854	38.4336	(12.35%)	35.5317	41.4614	(14.30%)
Swiss Franc	1.0463	1.2924	(19.04%)	1.0722	1.2238	(12.38%)
Egyptian Pound	8.1563	8.6840	(6.08%)	8.4282	9.5389	(11.64%)
Turkish Lira (new)	2.8309	2.8207	0.36%	2.7692	3.0397	(8.90%)
New Romanian Leu	4.4098	4.4821	(1.61%)	4.4503	4.5018	(1.14%)
Argentinian Peso	9.4851	10.3818	(8.64%)	9.7825	10.4172	(6.09%)
Mexican Peso	16.3798	17.8808	(8.39%)	16.7891	18.1299	(7.40%)
South African Rand	13.1324	14.0353	(6.43%)	13.2283	14.8816	(11.11%)
Brazilian Real	3.4457	3.2270	6.78%	3.2213	3.2424	(0.65%)
Chinese Renminbi	6.6084	7.4291	(11.05%)	6.9123	8.3803	(17.52%)
Russian Ruble	63.3695	68.3427	(7.28%)	71.0700	48.1711	47.54%
British Pound	0.7273	0.7789	(6.62%)	0.7434	0.8280	(10.21%)
Japanese Yen	128.9500	145.2300	(11.21%)	134.1206	140.8591	(4.78%)

Note that, for the purposes of data consolidation of the subsidiary in Venezuela as at March 31, 2015, an exchange rate was adopted set by the auction of SICAD I at the end of March 2015, amounting to 12.0 bolivars per US dollar (12.91 bolivars per euro), and no longer at the official fixed exchange rate of 6.3 bolivars per US dollar (8.68 bolivars per euro), on the basis of the provisions of the “Convenio Cambiario No. 25” (Exchange Agreement No. 25) issued in Venezuela on 22/01/2014, which made it clear that the official exchange rate of 6.3 bolivars per US dollar is increasingly used only for purchases of goods and services deemed “essential” by the Venezuelan government.

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

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

hereby declare

pursuant to paragraph 2 of Article 154 bis of the Finance Consolidation Act, that the accounting briefing contained in the Interim Report as at March 31, 2015 is compliant with the documented results, books and accounting records.

Milan, May 13, 2015

Dr. Francesco Tanzi
Corporate Reporting Financial Manager