Half Year Financial Report

at June 30, 2016

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

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

Half Year Financial Report at June 30, 2016

SUMMARY

Board of Directors [1]

Chairman	Ren Jianxin
Executive Vice Chairman and CEO	Marco Tronchetti Provera
Directors	Yang Xingqiang Carlo Acutis Bai Xinping Gustavo Bracco Giorgio Luca Bruno Ze'ev Goldberg Andrey Kostin Jiao Chonggao Emerson Milenski Luca Rovati Igor Sechin Yang Xun Wang Dan Zhang Haitao

Secretary of the Board — Alberto Bastanzio

Board of Auditors [2]

Chairman	Francesco Fallacara
Statutory Auditors	Fabrizio Acerbis Fabio Artoni Giovanni Bandera David Reali
Alternate Auditors	Fabio Facchini Giovanna Oddo

Independent Auditing Firm — Ernst & Young S.p.A.

General Managers — Maurizio Boiocchi (Technology)
Gregorio Borgo (Operations)

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1. Appointment: March 15, 2016. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2018.
2. Appointment: March 14, 2016. Expiry: Shareholders' Meeting convened to approve the Financial Statements at December 31, 2017, (David Reali, Giovanni Bandera and Fabrizio Acerbis appointed by the Shareholders' Meeting on March 15, 2016).

MACROECONOMIC AND MARKET SCENARIO

The global economy strengthened in the second quarter according to the latest indicators, even though this was in context to an environment in modest growth. However, new elements of uncertainty emerge from the outcome of the referendum in the United Kingdom which favoured an exit from the European Union.

Recovery in the United States continued in the second quarter, at a contained pace, so much so that the expected rise in interest rates slipped once again – even in light of the global uncertainty. In Europe, the economic indicators available so far, confirm a continued growth in the second quarter, sustained by domestic demand, but at a more contained pace of 0.5 % for the first quarter. Fears of a hard landing for the Chinese economy distanced themselves, also due to the growth rate of the GDP of 6.7% for the second quarter, which was in line with the same results for the first quarter. Finally, even though the economic indicators confirmed recession conditions in Brazil and Russia, signs of improvement could be glimpsed which were linked to the recovery in oil and commodity prices.

On the exchange rate front, the Euro stood at average of 1.12 against the US Dollar for the first six months of the year, in line with the average rate for the corresponding half year in 2015. The British currency was less stable due to uncertainty in the months preceding the referendum, which resulted in a 6% depreciation of the Pound Sterling against both the Euro and the US Dollar (comparing the first half year of 2016 with the same period of the previous year) which touched lows last seen in 1985. The Yen instead strengthened by 8% for the first half year against the US Dollar, also due to the change in future interest rate expectations for the respective central banks. Some emerging country currencies appreciated against the US Dollar for the second quarter, particularly in Brazil and Russia as a result of the aforesaid slippage in interest rate hikes and the strengthening of commodity prices.

Despite these dynamics the average for the first six months of this year for the Brazilian Real and the Russian Rouble, remained respecively lower by 20% and 18%, compared to the same period in 2015. The Chinese currency was more stable in the second quarter.

Oil prices grew gradually during the first six months of the year, closing the month of June at a price of USD 50.00 per barrel, but reaching an average price of USD 41.00 per barrel for the half year, a decrease of 31% compared to the average price for the same period in 2015.

The gradual recovery in prices also extended to butadiene and natural rubber. For butadiene, the fall in prices which had been evident since the summer of 2015, stopped in recent months, and prices for the second quarter averaged at Euro 618 per ton, while that of natural rubber recorded an average of USD 1,377 per ton. Both prices were 20% higher compared to the first quarter of 2016, although still down 4% and 9% respectively compared to the same period in 2015.

Tyre sales figures for the first six months of 2016 confirmed the recovery of the business sector in Europe, as well as a positive trend for the car segment in China, while still reflecting the difficult macroeconomic environments in Latam countries and Russia.

In Europe, the car Replacement market grew by +2% for the first six months of 2016, compared to the same period in 2015, with a double-digit growth rate for the Premium segment, while the car Original Equipment segment grew by 6%, truck Replacement by +4%, e truck Original Equipment by +6%. The Original Equipment segment in China benefited from a tax reduction on automobile purchases (+9% car Original Equipment) and from a recovery in the production of commercial vehicles in recent months (+14% truck Original Equipment) following the sharp contraction of the segment in 2015.

The NAFTA car Replacement market which had been penalised in 2015 as a result of the introduction of customs duties for Chinese importers (as of January 2015), recorded an increase of 2% if imports are included, but fell (-1%) for domestic production alone, while the NAFTA Original Equipment channel grew at a rate of +3%. Sales remained depressed in Russia (car Replacement -13%, car Original Equipment -27%) and in Latin America (car Replacement -5%, car Original Equipment -22%, truck Replacement -3%, truck Original Equipment -33%), due to the effects of the difficult macroeconomic scenario in these countries.

SIGNIFICANT EVENTS OF THE FIRST HALF YEAR OF 2016

On **February 9, 2016,** Pirelli and the Lombardy Region signed a competitiveness agreement for a regional grant of euro 1.9 million for the R&D project "Total Safety System" to be conducted at the Milan Bicocca research centre. The project, which has a duration of 24 months and a total cost of euro 5.35 million, is part of the activities related to the development of a new generation of tyres based on the concept of "total safety". The project allows Pirelli to study new product mixes oriented towards higher value-added segments, and to achieve positive results in terms of the social and environmental aspects of safety on the roads, by reducing the fuel consumption of vehicles and increasing tyre mileage.

On **February 15, 2016,** Ren Jianxin, Yang Xingqiang, Bai Xinping, Ze'ev Goldberg, Tao Haisu, Wang Dan and Zhang Junfang, previously co-opted by the Board of Directors, were reappointed as Directors by the Ordinary Shareholders' Meeting of Pirelli & C. S.p.A. On the same date, the Board of Directors confirmed Ren Jianxin as Chairman. The Extraordinary Shareholders' Meeting also approved the proposal of the mandatory conversion of savings shares into newly issued special category unlisted shares without voting rights, as well as the proposal to adopt new Articles of Association. The mandatory conversion and the adoption of new Articles of Association were also approved, as pertains their duties, by the Special Savings Shareholders' Meeting of Pirelli & C. S.p.A. The Extraordinary Shareholders' Meeting of Pirelli & C. S.p.A. also approved the merger by incorporation of the parent company Marco Polo Industrial Holding S.p.A. into Pirelli & C. S.p.A. on the basis of 6.30 Pirelli shares to be assigned post-merger to Marco Polo International Holding Italy S.p.A. (Holdco) – the sole shareholder of Marco Polo Industrial Holding S.p.A. - for each 1 share held prior to the merger by Marco Polo International Holding Italy S.p.A. (Holdco) in Marco Polo Industrial Holding S.p.A..

The merger deed was stipulated on **May 6, 2016,** effective as of **June 1, 2016.** As was forecast by the merger project, tax and accounting effects came into force retroactively as of January 1, 2016.

On **February 16, 2016,** the Board of Directors of Pirelli & C. S.p.A. approved the main details of a refinancing plan for an amount of up to a maximum of euro 7 billion aimed at extending debt maturities and at optimising the debt structure.
The refinancing plan does not entail any changes to Pirelli's right to alternatively activate, when and if appropriate, the Mergeco Facility loan already made available to the company by a syndicate of banks as part of the Public Offer made to Pirelli by Marco Polo Industrial Holding S.p.A. Reference is made to the section "Significant events subsequent to the end of the first half year" for more information regarding the operation.

On **February 26, 2016** the mandatory conversion of savings shares into unlisted special shares took effect. The last day of trading on the Stock Exchange of the savings shares had been February 25, 2016.

On **March 15, 2016**, the Ordinary Shareholders' Meeting provided for the renewal of the entire Board of Directors and resolved to appoint for three financial years - and therefore until the Shareholders' Meeting for the approval of the Financial Statements as at December 31, 2018, - the Board Directors, Ren Jianxin, Yang Xingqiang, Bai Xinping, Ze'ev Goldberg, Wang Dan, Jiao Chonggao, Zhang Haitao and Yang Xun (representing the shareholder China National Tire & Rubber Corporation Ltd); Marco Tronchetti Provera, Giorgio Bruno, Luca Rovati, Carlo Acutis and Gustavo Bracco (representing the shareholder Camfin S.p.A.); Igor Sechin, Andrey Kostin and Emerson Milenski (representing the shareholder Long Term Investments S.A.).

In addition, in compliance with the new statutory provisions, the Shareholders' Meeting resolved to increase the number of Statutory Members of the Board of Auditors to 5 (five), by appointing as Statutory Auditors, Fabrizio Acerbis, Giovanni Bandera and David Reali. The Board of Auditors is currently composed as follows: Francesco Fallacara (as Chairman), Fabrizio Acerbis, Fabio Artoni, Giovanni Bandera and David Reali (as Statutory Auditors), and Fabio Facchini and Giovanna Oddo (as Alternate Auditors) which shall expire with the approval of the Financial Statements as at December 31, 2017.
The new Board of Directors - which met after the Shareholders' Meeting - voted to confirm, Ren Jianxin as Chairman, granting him the legal representation of the company as well as all the other powers attributed to the Chairman under the current Articles of Association, subject to the powers and prerogatives of the Board of Directors, and Marco Tronchetti Provera as Chief Executive Officer and Executive Vice Chairman, confirming to the said same the attribution of powers for the operational management of Pirelli already delegated in the previous mandate.

On **March 15, 2016**, the Company announced that the right of withdrawal, consequent to the conversion of savings shares into special shares, had been validly exercised for 460,277 savings shares (special shares after the mandatory conversion), for a total equivalent liquidated value of euro 6,894,028.91. The aforementioned shares subject to withdrawal were offered with the right of option and the right of pre-emption to all shareholders of Pirelli & C. S.p.A. for the period March 15 - April 15, 2016.

On **April 21, 2016,** following the outcome of the rights offer to shareholders of a total of 460,277 special shares in relation to which the right of withdrawal was validly exercised, by the shareholder Marco Polo Industrial Holding S.p.A. – who exercised the option and pre-emption rights to which they were entitled – purchased all the shares subject to the right of withdrawal.

On **April 27, 2016,** the Shareholders' Meeting approved the Financial Statements as at December 31, 2015, and the proposed allocation of the profits formulated by the Board of Directors. The Shareholders' Meeting also authorised the Company to purchase treasury shares for the redemption of special shares.

On **April 29, 2016**, in exercising the right of redemption as provided for by the Articles of Association, the Company purchased from the shareholders who held special shares (other than Marco Polo Industrial Holding S.p.A. and the Company), all the remaining outstanding special shares. Following the aforesaid operation, Marco Polo Industrial Holding S.p.A. – taking into account the treasury shares held by Pirelli & C. S.p.A. – held 100% of the ordinary and special capital of the Company.

On **May 12, 2016** the Board of Directors of Pirelli & C. S.p.A. examined and approved the Group's results as at March 31, 2016, which had closed with further growth in the Premium segment, with revenues at organic level, increased by 5.1%, equal to euro 1,436.0 million, thanks to the positive performance of the component price mix (+6.1%).

On **May 16, 2016** the shareholders of the RCS MediaGroup S.p.A., Pirelli & C. Spa (4.43%), Diego Della Valle (7.32%), Mediobanca S.p.A. (6.25%) and UnipolSai Assicurazioni S.p.A. (4.59%) – holders of a total of 22% of the capital of the publishing house - reached an agreement with Investindustrial for the joint launch of a voluntary Public Offer for the purchase of 77.4% of the share capital of the RCS MediaGroup S.p.A. which they did not hold. The launch of the Public Offer – aimed at a project for the strengthening and development of the publishing group – came about through the vehicle International Media Holding on June 20, 2016, at a unit price of euro 0.7 per share (which on June 24, was increased to euro 0.8 per share, and to euro 1.00 per share on July 8, 2016).

At the completion of the Public Offer, on July 15, 2016, International Media Holding could count on 37.7% of the RCS share capital (by way of shares offered as part of the tender, shares already available to the shareholders Pirelli, Diego Della Valle, Mediobanca and UnipolSai, and shares purchased on the stock market): but which did not meet the Terms and Conditions of the Minimum Quantity defined in the Public Offer prospectus. Therefore the Public Offer had not been fulfilled and was therefore declared without legal effect. The RCS MediaGroup S.p.A. shares tendered to the Public Offer by International Media Holding (equal to 12.9% of the total capital of RCS MediaGroup S.p.A.) shall be returned as entitled to their respective owners.

On **June 17, 2016** Pirelli and FIA renewed the contract for the supply of tyres for the FIA Formula 1 World Championship for another three years, from 2017 to 2019. Pirelli has been the sole supplier of Formula 1 tyres since 2011. The agreement was ratified at the end of the winter season during which Pirelli and FIA, in collaboration with the teams, reached an important agreement by making changes to the technical regulations. In 2017 in fact, new technical regulations will enter into force that will include significant modifications to the chassis and increases in tyre width.

GROUP PERFORMANCE AND RESULTS

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

By way of the effect of the reverse merger between the parent company Marco Polo Industrial Holding S.p.A. (incorporated company) and Pirelli & C. S.p.A. (incorporating company), which became effective as of June 1, 2016 but with accounting effects which were retroactively effective as of January 1, 2016, the Half Year Financial Statements of Pirelli & C. S.p.A. have been prepared on a going concern basis with respect to the Consolidated Financial Statements of the parent company Marco Polo Industrial Holding S.p.A.. Therefore the comparative Statement of Financial Position figures at December 31, 2015 and the Income Statement figures for the period January 1 – June 30, 2015 are those of the parent company Marco Polo Industrial Holding S.p.A..

For the sole purpose of ensuring a comparison of the performance of the Pirelli Group for the first half year of 2016, as compared to the same period for the previous year, the comparative data only for the Pirelli Group for the first half year of 2015 has also been reported in this document.

The comments regarding Income Statement figures, unless otherwise stated, refer to the comparison with the same period of the previous year for the Income Statement figures for the Pirelli Group only.

It is noted that the deconsolidation of the company Pirelli de Venezuela C.A. was effective as of December 31, 2015, and therefore the data for the first half year of 2016 no longer includes the data from the Income Statement and the Statement of Financial Position of the Venezuelan company.
In order to offer a coherent representation of the new scope, the operating results are discussed in terms of an analysis of changes in comparison to the same period of the previous financial year, also net of the results of the Venezuelan company.

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The **Group** results for the first half year of 2016 were characterised by:

- continued growth of the Premium segment with an increase in volumes of 13.4%, (15% for the second quarter following the 11.7% growth for the first quarter) which was superior to that of the market trend which was +9.4% for the first half year; the impact on Consumer revenues reached 65.1% (61.5% for the first half year of 2015, on a like-for-like basis);
- noticeable improvement in the price/mix component (+6.0%) with growth in both the Consumer and Industrial businesses was due, to price increases in emerging markets, to higher sales in the Replacement channel, and the different geographic and product mixes. This trend helped the organic growth of sales, in the presence of a stable overall performance for volumes, in the difficult market environment for the industrial segment (+1.9% in the Consumer segment, -7.3% in the Industrial business, and an impact on the decline in sales in other businesses of -0.1%);
- growth in revenues of 5.9% net of the exchange rate effect (-8.8%) and consolidation on a like-for-like basis;
- efficiencies of euro 51.3 million (euro 45.8 million in the first half of 2015). Since 2014, 68% of the target of 2014-2017 four-year plan of euro 350 million has been reached;

- improvement in the operating performance with an EBIT margin before restructuring expenses which stood at 14.5% (+0.3 percentage points compared to the first half year of 2015 net of Venezuela) due to the efficiency of internal levers such as price/mix as well as efficiencies for countering the volatility of exchange rates, the higher cost of raw materials in emerging markets, and the decline of some key markets, mainly in the Industrial business and in emerging countries;
- a negative net financial position of euro 5,999.4 million including the effects of the aforementioned merger with Marco Polo Industrial Holding S.p.A. (a net financial position at December 31, 2015 of euro 1,199.1 million excluding the debt deriving from the acquisition by Marco Polo Industrial Holding S.p.A., which instead totalled euro 5,331.0 million including the debt), with a lower seasonal cash flow usage compared to the previous year, on a like-for-like basis (euro 534.1 million for the first half year of 2016 compared with euro 565.3 million for the first half year of 2015).

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

(in millions of euro)

	06/30/2016	06/30/2015 (*)	12/31/2015 (**)	06/30/2015 Pirelli Group reported
Net sales	**2,968.6**	-	**2,208.8**	**3,178.5**
Gross operating margin before non-recurring and restructuring expenses	578.7	-	499.0	609.6
% of net sales	19.5%	-	22.6%	19.2%
Operating income before non-recurring and restructuring expenses	429.1	-	387.1	451.4
% of net sales	14.5%	-	17.5%	14.2%
Non-recurring and restructuring expenses	(23.5)	-	(34.8)	(4.8)
Operating income (loss)	**405.6**	**(0.8)**	**352.3**	**446.6**
% of net sales	13.7%	-	15.9%	14.1%
Net income (loss) from equity investments	(48.8)	-	(28.2)	(4.0)
Financial income/(expenses)	(280.8)	-	(234.9)	(113.4)
Total net income (loss) before tax	**76.0**	**(0.8)**	**89.2**	**329.2**
Tax expenses	(67.9)	-	(47.6)	(117.8)
Tax rate % on net income (loss) before tax	89.4%	-	53.4%	(35.8%)
Net income (loss) from continuing operations	**8.1**	**(0.8)**	**41.6**	**211.4**
Net income (loss) from discontinued operations	**-**	**-**	**-**	**(14.9)**
Total net income (loss)	**8.1**	**(0.8)**	**41.6**	**196.5**
Net income attributable to the Parent Company	4.6	(0.8)	41.1	190.8

	06/30/2016	06/30/2015 (*)	12/31/2015 (**)
Operating fixed assets	**8,791.8**	-	**8,879.9**
Inventories	1,075.4	-	1,053.9
Trade receivables	964.4	-	676.2
Trade payables	(1,118.0)	-	(1,320.1)
Operating Net working capital	**921.8**	-	**410.0**
% of net sales (°)	15.5%	-	n.s.
Other receivables/other payables	17.3	(0.8)	(110.9)
Total Net working capital	**939.1**	**(0.8)**	**299.1**
% of net sales (°)	15.8%	-	n.s.
Net invested capital	**9,730.9**	**(0.8)**	**9,179.0**
Equity	**3,195.8**	**(0.8)**	**3,300.7**
Provisions	**535.7**	-	**547.3**
Net financial (liquidity)/debt position	**5,999.4**	-	**5,331.0**
Equity attributable to the Parent Company	3,131.6	-	3,233.3

	06/30/2016
Investments in property, plant and equipment and intangible assets	156.0
Research and development expenses	114.8
% of net sales	3.9%
Research and development expenses - Premium	94.9
% on sales Premium	5.9%
Employees (headcount at end of period)	36,598
Industrial sites (number)	18

(°) in interim periods net sales are calculated on the annual basis
(*) accounting data of Marco Polo Industrial Holding S.p.A.
(**) data from consolidated financial statements of Marco Polo Industrial Holding S.p.A.

For a better understanding of the Group's performance, the following **economic data is subdivided according to business segment.**

(in millions of euro)

	A			B			A+B = C			D		C+D		
	Consumer			**Industrial**			**Total Tyre**			**Other business**		**TOTAL GROUP**		
	1 H 2016	1 H 2015 (Pirelli Group)		**1 H 2016**	1 H 2015 (Pirelli Group)		**1 H 2016**	1 H 2015 (Pirelli Group)		**1 H 2016**	1 H 2015 Pirelli Group	**1 H 2016**	1 H 2015 (Pirelli Group)	
		excl. Venez.	reported		excl. Venez.	reported		excl. Venez.	reported				excl. Venez.	reported
Net sales	**2,469.6**	2,419.3	2,521.7	**497.3**	633.4	652.0	**2,966.9**	3,052.7	3,173.7	**1.7**	4.8	**2,968.6**	3,057.5	3,178.5
Gross operating margin before non-recurring and restructuring expenses	**533.5**	506.1	523.1	**45.8**	84.9	89.5	**579.3**	591.0	612.6	**(0.6)**	(3.0)	**578.7**	588.0	609.6
Operating income (loss) before non-recurring and restructuring expenses	**405.7**	379.3	392.0	**24.5**	59.1	63.0	**430.2**	438.4	455.0	**(1.1)**	(3.6)	**429.1**	434.8	451.4
Non-recurring and restructuring expenses	**(18.1)**	(3.1)	(3.1)	**(5.4)**	(0.4)	(0.4)	**(23.5)**	(3.5)	(3.5)	-	(1.3)	**(23.5)**	(4.8)	(4.8)
Operating income (loss)	**387.6**	376.2	388.9	**19.1**	58.7	62.6	**406.7**	434.9	451.5	**(1.1)**	(4.9)	**405.6**	430.0	446.6

For the first half year of 2016, **Group net sales** amounted to euro 2,968.6 million, with growth in organic terms (net of exchange rates and on a consolidated like-for-like basis) of +5.9% compared to the same period of 2015. The top-lines were supported by the trend in the Consumer business, with an organic growth of +7.4% thanks to the performance of the Premium segment and the mature markets, while the Industrial business segment (an organic growth of +0.4%), was impacted by the tyre market slowdown in South America and other emerging markets. With the inclusion of the negative exchange rate effect, consolidated revenues recorded a decrease of 2.9% as compared with the previous year (on a like-for-like basis).

Tyre business net sales amounted to euro 2,966.9 million, with an organic growth of 6.0% (-2.8% including the exchange rate effect).

Net sales for the Premium segment (tyres with a rim diameter equal to or greater than 17 inches for the car business, and for radial and X-ply custom touring tyres, off-road and Sport Touring tyres with a speed rating of ≥H for the motorcycle business) totalled euro 1,607.2 million (+8.1% compared to euro 1,487.2 million for the first half year of 2015, on a like-for-like basis, +11.3% net of the exchange rate effect), with an impact on the turnover for the Consumer business which increased by 65.1% (61.5% for the corresponding period of 2015, on a like-for-like basis), and with a growth in volumes of 13.4%, (superior to the growth of the market at +9.4%).

The following table outlines the market drivers for the **Tyre sales performance:**

	1 Q		2 Q		1 H	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Volume	-0.8%	-1.3%	0.8%	0.6%	0.0%	-0.3%
of which Premium volume	*11.7%*	*10.0%*	*15.0%*	*11.0%*	*13.4%*	*10.4%*
Price/mix	6.1%	3.7%	5.9%	3.4%	6.0%	3.5%
Change on a like-for-like basis - same scope of consolidation	**5.3%**	**2.4%**	**6.7%**	**4.0%**	**6.0%**	**3.2%**
Translation effect	-9.3%	4.1%	-8.3%	2.4%	-8.8%	3.3%
Change (before impact of Venezuela)	**-4.0%**		**-1.6%**		**-2.8%**	
Change in scope of consolidation - Venezuela	-4.3%		-3.2%		-3.7%	
Total change	**-8.3%**	**6.5%**	**-4.8%**	**6.4%**	**-6.5%**	**6.5%**

The stable performance for the first half year for total tyre volumes reflected the diverse dynamics between the Consumer and Industrial businesses and between mature and emerging markets.

The performance in the Consumer segment (+1.9%) was supported by Premium growth (+13.4%) while Non-Premium (-6.1%) was affected by the weak demand in LatAm and Russia, in particular in the Original Equipment channel.

The performance in Industrial volumes (-7.3%) was affected by the negative trend in demand in South America (truck market down 33% in Original Equipment, and down -3% in the Replacement channel) and the slowdown in China.

The decisive improvement in the price/mix (+6.0% overall, representing an increase in both businesses) reflected the continuation of Pirelli's value strategy and was supported by the success of high-end products and the balancing of geographical markets and sales channels which were able to offer more opportunities. In particular, the positive performance of the Consumer business (price/mix +5.5%) benefited from the improvement in the product mix (the greater share of Premium), and from the greater share of sales in the Replacement channel.

The price/mix in Industrial business (+7.7%) reflected the price increases progressively carried out during 2015 and continued with in 2016, particularly in South America and other emerging countries, which were however not sufficient to offset the sharp devaluation of exchange rates (-13.5% for the first half year of 2016 and -14.6% for the second half year of 2015).

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

GEOGRAPHICAL AREA	**1H 2016**			**1H 2015**	
				excl. Venez.	**Reported**
	Euro\mln	*yoy (excl. Venez)*			
Europe	1,154.7	*5.5%*	38.9%	35.8%	34.5%
Russia and CIS	78.1	*-27.3%*	2.6%	3.5%	3.4%
Nafta	459.4	*7.8%*	15.5%	14.0%	13.4%
South America	655.9	*-18.2%*	22.1%	26.3%	29.1%
Asia\Pacific (APAC)	347.8	*-0.4%*	11.7%	11.4%	11.0%
Middle East\Africa\India (MEAI)	271.0	*-0.7%*	9.2%	9.0%	8.6%
TOTAL	**2,966.9**	***-2.8%***	**100.0%**	**100.0%**	**100.0%**

PRODUCT	**1H 2016**			**1H 2015**	
				excl. Venez.	**Reported**
	Euro\mln	*yoy (excl. Venez)*			
Car	2,263.8	*3.0%*	76.3%	72.0%	72.4%
Motorcycle	205.8	*-7.5%*	6.9%	7.3%	7.1%
Consumer	**2,469.6**	***2.1%***	**83.2%**	**79.3%**	**79.5%**
Truck	444.5	*-21.1%*	15.0%	18.4%	18.3%
Agriculture	52.8	*-24.8%*	1.8%	2.3%	2.2%
Industrial	**497.3**	*-21.5%*	**16.8%**	**20.7%**	**20.5%**
TOTAL	**2,966.9**	***-2.8%***	**100.0%**	**100.0%**	**100.0%**

The **Group's operating income (loss) (EBIT), before non-recurring and restructuring expenses** amounted to euro 429.1 million (an EBIT margin of 14.5%), a decrease of 1.3% as compared to euro 434.8 million for the first half year of 2015 on a consolidated like-for-like basis (an EBIT margin of 14.2%).

Specifically, the performance for **operating income (loss) before non-recurring and restructuring expenses for the Group** was as follows:

(in millions of euro)

	1 Q	2 Q	1 HALF
2015 Operating income (loss) before non-recurring and restructuring expenses - excl. Venezuela	**206.9**	**227.9**	**434.8**
Differences from foreign currency translation from consolidation	(22.0)	(22.1)	(44.1)
Price/mix	35.8	38.0	73.8
Volumes	(1.6)	0.7	(0.9)
Cost of prodution factors (raw materials)	(6.4)	(3.8)	(10.2)
Cost of prodution factors (labour/energy/others)	(23.5)	(27.8)	(51.3)
Efficiencies	30.5	20.8	51.3
Amortisation, depreciation and other	(5.6)	(21.2)	(26.8)
Other businesses	1.4	1.1	2.5
Change	**8.6**	**(14.3)**	**(5.7)**
2016 Operating income (loss) before non-recurring and restructuring expenses	**215.5**	**213.6**	**429.1**

The changes were impacted by:

- the price/mix (euro +73.8 million), which almost compensated the effects of fluctuating exchange rates (euro –44.1 million mainly linked to the consolidation of exchange rates for South America), by volumes (euro -0.9 million) together with higher depreciation and other costs (euro -26.8 million), and by the growth of raw materials in local currencies (euro -10.2 million);
- efficiencies of euro 51.3 million, which entirely covered the higher costs of production (euro -51.3 million); since 2014, efficiencies for euro 238.1 million have been achieved equal to 68% of the target of the 2014-2017 four year plan of euro 350 million;
- improvement in the operating income of other businesses (euro +2.5 million);

The **operating income (loss) of the Group** amounted to euro 405.6 million (-5.7% compared to the first half year of 2015 on a like-for-like basis), and impacted the non-recurring and restructuring expenses to the amount of euro 23.5 million (euro 4.8 million for the first half year of 2015) due to the continuing structural rationalisation, and above all the ongoing activities related to the integration of Pirelli's Industrial segment with the assets of China National Industrial Tire & Rubber Co. Ltd..

APAC (11.7% of the tyre business revenues) along with NAFTA were the regions with the highest profitability with an EBIT margin in the twenties which was stable compared to the first half year of 2015. The performance of revenues (+4.0% net of exchange rates) impacted the elevated basis of comparison with lower sales in the Industrial business and in the Consumer non-Premium business. The Premium business recorded a growth thanks to the increased market presence of the Original Equipment channel which counted new certifications with European and local car brands. The strategy of focusing on high-end products made it possible to limit the negative impact of the devaluation of the Yuan and the decline in market prices.

NAFTA (15.5% of the tyre business revenues) recorded an increase in revenues of 7.8% (+9.6% net of exchange rates). There was a positive performance for the Premium segment with an increase in revenues of 9.2 %, with particular impact on the car business (+10.9% for Premium car sales), while the motorcycle business and Non-Premium business reflected the weak market demand. The performance of revenues reflected the positive performance trend in volumes, the improvement in the product mix, as well as the partial price adjustment to the current scenario for exchange rates and for raw materials, while still maintaining the same positioning for the higher value segments. Profitability (EBIT margin) improved to the twenties range (high-teens profitability for the first half year of 2015).

MEAI (9.2% of tyre business revenues) recorded a revenue reduction of 0.7% (+7.5% net of exchange rates) with profitability in the high-teens which was stable compared to 2015.

Europe (38.9% of tyre business revenues) ended the first half year with a sharp improvement in net profitability (EBIT margin in the mid-teens compared to the low teens for the first half year of 2015), thanks to the 13.5% growth of Premium segment revenues. The organic growth for total revenues was equal to +4.6%; a performance which reflected both the progressive reduction of market presence in the non-Premium segment and the drop in sales for the Industrial business.

Russia (2.6% of tyre business revenues), recorded an organic decline in sales of 9.5% (-27.3% after the exchange rate effect), almost in line with the reduction in volumes which worsened at -16.4% in the presence of a market in sharp decline (Replacement -13%, Original Equipment -27%). Profitability which was slightly negative compared to 2015 which had been positive, and was affected by the worsening of exchange rates and the performance in volumes, which given the competitiveness of local production, were mainly intended as supporting factor for exports and for improved results for Europe.

South America (22.1% of tyre business revenues) recorded a total reduction in revenues of 18.3%, excluding the relevant negative impact of the exchange rates (-24.1%) with an organic growth which stood at +5.8%. The continuation of the difficult market conditions in the area, which badly impacted the Original Equipment channel (car market volumes -22% and truck -33%), but which also continued to be of concern for the Replacement channel (car market volumes -5% and truck -3%), weighed on the performance in volumes which declined overall by 10.0%. The performance in organic revenues was also due to the continued growth of the product mix, thanks to the performance in Premium and to the 01 Truck series, plus the price increases in Consumer and Industrial progressively implemented during 2015 to counter the volatility of exchange rates.

Profitability was in the mid single-digits, and represented a decrease compared to the same period for 2015 (double digits), principally due to the performance of the Industrial business considering the difficult economic situation, while for the Consumer business profitability was in the high single digits.

Income (loss) from equity investments by the Group was negative for euro 48.8 million and mainly refers to the impact of the equity method consolidation of the results of the associate Prelios S.p.A. for the fourth quarter of 2015 and first quarter of 2016 (a pro-quota loss of euro 6.8 million), of the PT Evoluzione Tyres Joint Venture (a loss of euro 3.9 million) and the results of the first half year of 2016 for Fenice S.r.l. (a pro-quota loss of euro 29.3 million); with reference to Fenice S.r.l., the negative result was partially offset by the restatement of the value recorded for the investment (euro 8.6 million) in order to adjust the same to its fair value, which resulted in the release to the Income Statement of part of the impairments recorded in the previous financial years. The result from equity investments also reflected the impairment of Prelios S.p.A. attributable to the loss from dilution following the Prelios S.p.A. share capital increase completed in March 2016 (euro 9.9 million), not subscribed by Pirelli, and the impairment of the investment in the company Pirelli de Venezuela C.A. (euro 7.9 million) mainly due to the significant depreciation of the Venezuelan Bolivar against the US Dollar in the first half year of 2016.

The **net income (loss) of the Group** at June 30, 2016 was euro 8.1 million (euro 211.4 million for the first half year of 2015). In addition to the changes shown regarding the operating income and net income (loss) from investments, this figure reflects the higher **net financial expenses** of euro 167.4 million (from euro 113.4 million for the first half year of 2015 to euro 280.8 million for the first half year of 2016). This increase was mainly attributable to the bank debt incurred by Marco Polo Industrial Holding S.p.A. for the acquisition of the Pirelli Group as well as to the early repayment of the US Private Placement bond loan for USD 150 million which, in accordance with the contract terms, resulted in higher expenses which amounted to euro 25.4 million.

The average cost of debt for the period was 6.24%.

Tax expenses for the first half year of 2016 amounted to euro 67.9 million (euro 117.8 million for the first half year of 2015) compared with earnings before tax of euro 76 million (euro 329.2 million for the first half year of 2015) with a tax rate of 89.4% (35.8% for the first half year of 2015). The reduction in earnings before tax was due, mainly, to the strong increase in financial expenses detected by the parent company, which did not correspond to the proportional reduction of the Group's taxes, as a result of prepaid taxes on tax losses carried forward and not recognised in the financial statements (an impact of 34.0 percentage points on the tax rate). The tax rate also needed to be normalised by the effect arising from the consolidation of equity investments in associated companies (euro -38.8 million, compared with euro -4.0 million for the first half year of 2015, with an impact of 30.2 percentage points on the tax rate) and the positive effect arising from the use of tax losses which did not correspond to the reversal of deferred tax assets in the Income Statement without the activation of deferred taxes on the losses themselves. This positive effect accounts for approximately 7.4 percentage points. Therefore net of these effects, the tax rate amounted to 32.6%.

The **net income attributable to Pirelli & C. S.p.A.** was positive for euro 4.6 million compared to euro 190.8 million for the same period the previous year.

Equity went from euro 3,300.7 million at December 31, 2015 to euro 3,195.8 million at June 30, 2016.

Equity attributable to Pirelli & C. S.p.A. at June 30, 2016 amounted to euro 3,131.6 million as compared to euro 3,233.3 million at December 31, 2015.

This change, analytically shown in the table below, was essentially related to the negative fair value adjustment of financial assets and to actuarial losses on pension funds.

(in millions of euro)

	Group	Non-controlling interests	Total
Equity at 12/31/2015 (**)	**3,233.3**	**67.4**	**3,300.7**
Translation differences	(6.1)	(0.3)	(6.4)
Net income (loss)	4.6	3.5	8.1
Fair value adjustment of other financial assets/derivative instruments	(65.0)	-	(65.0)
Actuarial gains/(losses) on employee benefits	(20.4)	-	(20.4)
Dividends declared / paid	-	(2.4)	(2.4)
Effect of purchase of special shares for withdrawal	(6.9)	(4.0)	(10.9)
Purchase of special treasury shares for redemption	(5.4)	-	(5.4)
Other	(2.5)	-	(2.5)
Total changes	**(101.7)**	**(3.2)**	**(104.9)**
Equity at 06/30/2016	**3,131.6**	**64.2**	**3,195.8**

(**) consolidated financial statements of Marco Polo Industrial Holding S.p.A.

At June 30, 2016, the **net financial position of the Group** was negative for euro 5,999.4 million compared to euro 5,331.0 million at December 31, 2015, and was composed as follows:

(in millions of euro)

	06/30/2016	12/31/2015
Current borrowings from banks and other financial institutions	5,890.1	5,297.8
Current derivative financial instruments	91.0	15.1
Non-Current borrowings from banks and other financial institutions	750.6	1,275.7
Total gross debt	**6,731.7**	**6,588.6**
Cash and cash equivalents	(603.5)	(1,110.0)
Securities held for trading	(35.0)	(78.2)
Current financial receivables	(15.7)	(11.9)
Current derivative financial instruments	(15.3)	(6.8)
Non-current financial receivables	(62.8)	(50.7)
Total financial receivables and cash	**(732.3)**	**(1,257.6)**
Total net financial (liquidity)/debt position	**5,999.4**	**5,331.0**

The s**tructure of the gross financial debt**, which amounted to euro 6,731.7 million, was as follows:

(in millions of euro)

	Financial Statements 06/30/2016	Maturity date				
		2016	2017	2018	2019	2020 and beyond
Use of committed credit facilities	1,028.7	1,028.7	-	-	-	-
Use of Bidco facility	4,258.1	4,258.1	-	-	-	-
Bond 1,750% - 2014/2019	600.0	-	-	-	600.0	-
EIB loans	50.0	-	20.0	20.0	10.0	-
Schuldschein	5.0	-	5.0	-	-	-
Other loans	789.9	652.0	53.0	73.3	2.3	9.3
Total gross debt from continuing operations	**6,731.7**	**5,938.8**	**78.0**	**93.3**	**612.3**	**9.3**
		88.2%	1.2%	1.4%	9.1%	0.1%

Following the merger of Marco Polo Industrial Holding S.p.A. ("Bidco") into Pirelli & C. S.p.A. which took place on June 1, 2016, the secured bank debt contract by Bidco ("Bidco Facility") was incorporated in Pirelli & C. S.p.A..

The Pirelli Group is therefore required to refinance within a limited period of time negotiated with the syndicated banks, be it the medium/long-term bank debt which existed prior to the merger, or the Bidco Facility debt. Therefore even the Pirelli Group's pre-existing committed credit facilities with an original contractual maturity of more than 12 months were reclassified to short term. Please refer to the section "Significant events subsequent to the end of the first half year" for more information regarding the refinancing operation.
In the proactive context of managing the company’s financial liabilities, and in the interest of its investors - as of April 6, 2016 Pirelli carried out the early repayment of the US private placement loan of USD 150 million. In accordance with the contract terms, the repayment of the loan resulted in higher charges, as previously indicated, which amounted to euro 25.4 million.

At June 30, 2016, the Group had a liquidity margin equal to euro 945.1 million composed of euro 306.6 million of non-utilised credit facilities (a contractual Bidco facility amount of euro 4.4 billion and euro 1.2 billion in total for the other committed credit facilities), and euro 638.5 million in cash and cash equivalents and securities held for trading.

The performance in **cash flows for the period** was as follows:

(in millions of euro)

	1 Q		2 Q		1 H	
	2016	2015 Pirelli Group reported	**2016**	2015 Pirelli Group reported	**2016**	2015 Pirelli Group reported
Operating income (loss) before non-recurring and restructuring expenses	215.5	213.4	213.6	238.0	429.1	451.4
Amortisation and depreciation	74.5	78.5	75.1	79.7	149.6	158.2
Investments in property, plant and equipment and intangible assets	(74.0)	(85.6)	(82.0)	(103.2)	(156.0)	(188.8)
Change in working capital/other	(715.9)	(895.2)	101.4	151.6	(614.5)	(743.6)
Operating net cash flow	**(499.9)**	**(688.9)**	**308.1**	**366.1**	**(191.8)**	**(322.8)**
Financial income/(expenses)	(82.7)	(52.1)	(198.1)	(61.3)	(280.8)	(113.4)
Tax expenses	(34.6)	(54.1)	(33.3)	(63.7)	(67.9)	(117.8)
Ordinary net cash flow	**(617.2)**	**(795.1)**	**76.7**	**241.1**	**(540.5)**	**(554.0)**
Financial (investments) / disinvestments	(5.2)	(14.4)	11.1	(0.4)	5.9	(14.8)
Dividends paid to non-controlling interests	-	(7.6)	(2.4)	(2.5)	(2.4)	(10.1)
Cash Out for restructuring	(19.5)	(6.4)	(11.4)	(2.6)	(30.9)	(9.0)
Reversal of impairment in Venezuela included in financial expenses	-	-	-	14.2	-	14.2
Financial expenses included in the debt of acquisition	-	-	122.2	-	122.2	-
Differences from foreign currency translation/other	(62.7)	45.8	(25.7)	(37.4)	(88.4)	8.4
Net cash flow before dividends paid / extraordinary transactions	**(704.6)**	**(777.7)**	**170.5**	**212.4**	**(534.1)**	**(565.3)**
Dividends paid by Parent Company	-	-	-	(179.5)	-	(179.5)
Impact Steelcord disposal	-	24.4	-	35.6	-	60.0
Change NFP Bidco from 01/01 to 05/31	-	-	(134.3)	-	(134.3)	-
Net cash flow	**(704.6)**	**(753.3)**	**36.2**	**68.5**	**(668.4)**	**(684.8)**

The improvement in **operating net cash flow for the first half year of 2016** compared to the same period for 2015 was above all mainly linked to the management of working capital.

Investments amounted to euro 156 million (euro 188.8 million for the first half year of 2015), and were mainly aimed at increasing the Premium segment capacity in Europe, NAFTA and China and improvement of the mix.

Total net cash flow for the year at June 30, 2016, prior to the effects arising from the merger with Marco Polo Industrial Holding S.p.A. was negative to the amount of euro 534.1 million, compared to the negative value of euro 565.3 million for the first half year of 2015 (prior to the payment of dividends and the collection of a tranche relative to the disposal of the Steelcord business).

CONSUMER BUSINESS

The table below shows the results as compared with the corresponding period for 2015:

(in millions of euro)

	1 Q			2 Q			TOTAL 1 H		
	2016	2015		2016	2015		2016	2015	
		excl. Venez.	Pirelli Group reported		excl. Venez.	Pirelli Group reported		excl. Venez.	Pirelli Group reported
Net sales	**1,165.7**	1,177.6	1,237.4	**1,303.9**	1,241.7	1,284.3	**2,469.6**	2,419.3	2,521.7
yoy (excluding Venezuela)	-1.0%			5.0%			2.1%		
Gross operating margin before non-recurring and restructuring expenses	**263.3**	239.5	246.3	**270.2**	266.6	276.8	**533.5**	506.1	523.1
% of net sales	22.6%	20.3%	19.9%	20.7%	21.5%	21.6%	21.6%	20.9%	20.7%
Operating income (loss) before non-recurring and restructuring expenses	**199.6**	177.4	182.0	**206.1**	201.9	210.0	**405.7**	379.3	392.0
% of net sales	17.1%	15.1%	14.7%	15.8%	16.3%	16.4%	16.4%	15.7%	15.5%
Non-recurring and restructuring expenses	**(10.8)**	(1.6)	(1.6)	**(7.3)**	(1.5)	(1.5)	**(18.1)**	(3.1)	(3.1)
Operating income (loss)	**188.8**	175.8	180.4	**198.8**	200.4	208.5	**387.6**	376.2	388.9
% of net sales	16.2%	14.9%	14.6%	15.2%	16.1%	16.2%	15.7%	15.5%	15.4%

Net sales totalled euro 2,469.6 million, with an organic growth on a like-for-like basis (excluding Venezuela for 2015) of 7.4% (+2.1% which also included the negative impact of exchange rates), thanks to:

- improvement of the price/mix (+5.5%) due to the increasing impact of Premium (65.1% of Consumer revenues in 2016 compared to 61.5% in 2015), higher sales in the Replacement channel and price increases in emerging markets to offset the exchange rates and inflation trend;
- positive contribution of the volumes component at +1.9% which was linked to the sustained growth in NAFTA, MEAI, APAC and Europe, while South America and Russia were affected by the general market downturn.

Premium net sales amounted to euro 1,607.2 million, an overall increase of 8.1% compared to the same period the previous year (+11.3% before the exchange rate effect), where growth was concentrated in the mature markets.

The analysis of the changes in sales is as follows:

	1 Q		2 Q		1 H	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Volume	1.7%	0.4%	2.1%	2.2%	1.9%	1.3%
of which Premium volume	*11.7%*	*10.0%*	*15.0%*	*11.0%*	*13.4%*	*10.4%*
Price/mix	5.2%	4.7%	5.8%	4.1%	5.5%	4.4%
Change on a like-for-like basis - same scope of consolidation	**6.9%**	**5.1%**	**7.9%**	**6.3%**	**7.4%**	**5.7%**
Change in scope of consolidation Consumer/Industrial	-0.3%		4.6%		2.2%	
Translation effect	-7.6%	4.5%	-7.5%	4.5%	-7.5%	4.5%
Change (before impact of Venezuela)	**-1.0%**		**5.0%**		**2.1%**	
Change in scope of consolidation - Venezuela	-4.8%		-3.5%		-4.2%	
Total change	**-5.8%**	**9.6%**	**1.5%**	**10.8%**	**-2.1%**	**10.2%**

There was improvement in profitability in the first half year of 2016 with an **operating income (loss) before non-recurring and restructuring expenses** of euro 405.7 million (+7% for the same period of 2015 on a like-for-like basis) and a margin of 16.4%, an increase of 0.7 percentage points (15.7% for 2015), thanks to the aforementioned dynamics and the progressive achievement of internal efficiencies.

Operating income (loss) amounted to euro 387.6 million (with a margin of 15.7%), an increase of 3.0% compared to the euro 376.2 million for 2015 on a like-for-like basis (a margin of 15.5%).

INDUSTRIAL BUSINESS

The table below shows the results as compared with the corresponding period for 2015:

(in millions of euro)

	1 Q			2 Q			TOTAL 1 H		
	2016	2015		2016	2015		2016	2015	
		excl. Venez.	Pirelli Group reported		excl. Venez.	Pirelli Group reported		excl. Venez.	Pirelli Group reported
Net sales	**269.4**	317.9	327.9	**227.9**	315.5	324.1	**497.3**	633.4	652.0
yoy (excluding Venezuela)	-15.3%			-27.8%			-21.5%		
Gross operating margin before non-recurring and restructuring expenses	**26.9**	45.0	47.2	**18.9**	39.9	42.3	**45.8**	84.9	89.5
% of net sales	10.0%	14.2%	14.4%	8.3%	12.6%	13.1%	9.2%	13.4%	13.7%
Operating income (loss) before non-recurring and restructuring expenses	**16.4**	31.4	33.3	**8.1**	27.7	29.7	**24.5**	59.1	63.0
% of net sales	6.1%	9.9%	10.2%	3.6%	8.8%	9.2%	4.9%	9.3%	9.7%
Non-recurring and restructuring expenses	**(4.5)**	(0.4)	(0.4)	**(0.9)**	-	-	**(5.4)**	(0.4)	(0.4)
Operating income (loss)	**11.9**	31.0	32.9	**7.2**	27.7	29.7	**19.1**	58.7	62.6
% of net sales	4.4%	9.8%	10.0%	3.2%	8.8%	9.2%	3.8%	9.3%	9.6%

The performance of the business was impacted by the economic conditions in South America (the region impacts as 50% of business turnover), in particular the drop in the Brazilian GDP which was forecast to decline by 3.6% for 2016, while the decline in industrial production and the rise in unemployment continued. In this context, demand in the truck and agro market suffered further contraction in volumes in the first half year with declines respectively of -33% in truck Original Equipment and -3% in truck Replacement.

Net sales totalled euro 497.3 million, a reduction of 21.5% compared to the first half year of 2015 (euro 633.4 million excluding Venezuela), an organic growth of +0.4% net of both the exchange rate effect (-13.4%) and the change of scope (-8.4%) and relative to the reorganisation of the business (controlled distribution totally included in the Conumer segment). The decline in volumes (-7.3%) was affected by the aforementioned decline in the Latin American markets and the slowdown of the Chinese market.

There was a positive performance in the price/mix component (+7.7%) thanks to the improvement in the product and channel mix, and to price increases progressively implemented during the course of 2015 and continued with in 2016 in South America and other emerging markets, which were characterised by the devaluation of local currencies.

The analysis of the changes in net sales is as follows:

	1 Q		2 Q		1 H	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Volume	-10.1%	-6.7%	-4.5%	-4.7%	-7.3%	-5.7%
Price/mix	*9.1%*	*-0.1%*	*6.3%*	*1.3%*	*7.7%*	*0.7%*
Change on a like-for-like basis - same scope of consolidation	**-1.0%**	**-6.8%**	**1.8%**	**-3.4%**	**0.4%**	**-5.0%**
Change in scope of consolidation Consumer/Industrial	1.1%		-18.1%		-8.4%	
Translation effect	-15.4%	3.0%	-11.5%	-4.4%	-13.5%	-0.8%
Change (before impact of Venezuela)	**-15.3%**		**-27.8%**		**-21.5%**	
Change in scope of consolidation - Venezuela	-2.5%		-1.9%		-2.2%	
Total change	**-17.8%**	**-3.8%**	**-29.7%**	**-7.8%**	**-23.7%**	**-5.8%**

Operating income before non-recurring and restructuring expenses amounted to euro 24.5 million, equal to 4.9% of sales, which represented a decrease compared to the euro 59.1 million for 2015 (9.3% of sales) on a like-for-like basis.

Operating income (loss) amounted to euro 19.1 million (euro 58.7 million for the first half year of 2015 on a like-for-like basis), with a margin of 3.8% compared to 9.3% for the corresponding period of 2015. Profitability performance was affected by the decline in volumes, the higher cost of raw materials and negative exchange rates.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST HALF YEAR

On **July 15, 2016** the Ordinary Shareholders' Meeting of Aeolus approved the transfer to Aeolus on behalf of Pirelli Tyre of 10% of Pirelli Industrial, and the transfer to Pirelli Tyre of 80% of the Aeolus car business, along with the integration into Aeolus of two assets owned by the CNRC (China National Tire and Rubber) and the formalisation of a license agreement between Pirelli Tyre and Aeolus regarding the technology of the Industrial segment. The closing of the transaction - already approved by the Board of Directors of Pirelli in the month of June - is expected in the coming months after obtaining amongst others of necessary governmental authorisations.

ALTERNATIVE PERFORMANCE INDICATORS

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

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

- **Gross operating margin:** is an intermediate economic measure which derives from the operating income which excludes amortisation of intangible and depreciation of tangible assets;
- **Fixed assets:** this measure is constituted by the sum of the items "Property, plant and equipment", "Intangible assets", "Investments in associates and joint ventures" and "Other financial assets";
- **Provisions:** this measure is constituted by the sum of "Provisions for liabilities and charges (current and non-current)", "Employee benefit obligations" and "Provisions for deferred taxes";
- **Operating working capital:** this measure is constituted by the sum of "Inventory", "Trade receivables" and "Trade payables";
- **Net working capital:** this measure consists of the operating working capital and other receivables and payables not included in the “Net financial position";
- **Net financial position:** this measure is represented by gross financial debt less cash and cash equivalents as well as financial receivables.

OTHER INFORMATION

Role of the Board of Directors

The Board of Directors is responsible for the strategic guidance and supervision of the overall business activities, with the power to address the administration as a whole and is empowered in the undertaking of the most important economic/strategic decisions and decisions which have a structural impact on operations or on functionality, and to exercise control and direction for Pirelli.

The Chairman is endowed with the legal representation of the Company including the legal proceedings of the Company, as well as all other powers granted to the same in accordance with the Articles of Association.

The Executive Vice Chairman and CEO are exclusively delegated powers for the ordinary management of the Company and the Group, as well as the power to propose Business Plans and Budgets to the Board of Directors, as well as any Resolutions concerning the strategic industrial partnerships and joint ventures of which Pirelli is a part.

The Board has internally instituted the following Committees with advisory tasks:

- Strategies Committee
- Remuneration Committee
- Nominations and Successions Committee
- Audit Committee (with expertise also in the field of internal control, risk, sustainability and Group corporate governance guidelines).

Information on the Share Capital and Ownership Structure

The subscribed and paid up share capital as at the date of approval of this Financial Report amounts to euro 1,345,381 thousand, and is represented by 207,625,214 registered shares without indication of nominal value, which are subdivided as follows:

	Number of Shares	% of Share Capital
Ordinary Shares	201,983,902	97.28%
Special Shares (*)	5,641,312	2.72%

(*) without voting rights

The ordinary shares are held by the sole shareholder Marco Polo International Holding Italy S.p.A. with the exception of 351,590 ordinary treasury shares which are held by Pirelli & C. S.p.A.

The special shares are held by the sole shareholder Marco Polo International Holding Italy S.p.A. with the exception of 772,792 special treasury shares which are held by Pirelli & C. S.p.A.

The company is subject to the management and coordination by Marco Polo International Italy S.p.A., which is the sole shareholder of Marco Polo International Holding Italy S.p.A.

The Agreements between the shareholders of Marco Polo International Italy S.p.A. which contain the provisions relative to the governance of Pirelli are available on the Company's website.

The Board of Directors

Milan, June 28, 2016

PIRELLI & C. S.p.A.

CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

AT JUNE 30, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

		06/30/2016	12/31/2015 (°)
7	Property, plant and equipment	2,456,260	2,419,453
8	Intangible assets	6,064,114	6,068,004
9	Investments in associates and J.V.	118,825	167,348
10	Other financial assets	152,628	225,121
11	Deferred tax assets	124,983	123,724
13	Other receivables	185,371	147,624
14	Tax receivables	7,452	6,169
	Non-current assets	**9,109,633**	**9,157,443**
15	Inventories	1,075,415	1,053,929
12	Trade receivables	964,369	676,192
13	Other receivables	290,990	165,409
16	Securities held for trading	34,956	78,167
17	Cash and cash equivalents	603,561	1,110,024
14	Tax receivables	96,042	62,410
25	Derivative financial instruments	30,289	61,305
	Current assets	**3,095,622**	**3,207,436**
	Total Assets	**12,205,255**	**12,364,879**
18.1	Equity attributable to owners of the Group:	3,131,591	3,233,313
	- Share capital	1,342,281	10,196
	- Reserves	1,784,736	3,182,019
	- Net income (loss)	4,574	41,098
18.2	Equity attributable to non-controlling interests:	64,169	67,362
	- Reserves	60,612	66,845
	- Net income (loss)	3,557	517
18	**Total Equity**	**3,195,760**	**3,300,675**
21	Borrowings from banks and other financial institutions	750,648	1,275,688
22	Other payables	87,982	98,631
19	Provisions for liabilities and charges	92,945	77,906
11	Provisions for deferred tax liabilities	25,820	43,622
20	Employee benefit obligations	360,792	362,540
24	Tax payables	3,208	2,646
	Non-current liabilities	**1,321,395**	**1,861,033**
21	Borrowings from banks and other financial institutions	5,890,092	5,297,841
22	Trade payables	1,117,990	1,320,058
23	Other payables	435,808	407,627
19	Provisions for liabilities and charges	56,110	63,221
24	Tax payables	79,711	62,445
25	Derivative financial instruments	108,389	51,979
	Current liabilities	**7,688,100**	**7,203,171**
	Total Liabilities and Equity	**12,205,255**	**12,364,879**

(°) as reported in "Note 2 - Financial Statements" the figures refer to the consolidated financial statements of Marco Polo Industrial Holding S.p.A.

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

		01/01 - 06/30/2016	01/01 - 06/30/2015 (°)
27	Revenues from sales and services	2,968,638	-
28	Other income	78,854	-
	Changes in inventories of unfinished, semi-finished and finished products	(12,687)	-
	Raw materials and consumables used (net of change in inventories)	(987,127)	-
29	Personnel expenses	(610,571)	-
30	Amortisation, depreciation and impairment	(149,689)	-
31	Other costs	(882,991)	(769)
	Increase in fixed assets for internal work	1,204	-
	Operating income (loss)	**405,631**	**(769)**
32	Net income (loss) from equity investments	(48,789)	-
	- share of net income (loss) of associates and j.v.	*(38,835)*	-
	- gains on equity investments	*8,973*	-
	- losses on equity investments	*(20,724)*	-
	- dividends	*1,797*	-
33	Financial income	44,070	-
34	Financial expenses	(324,945)	-
	Net income (loss) before tax	**75,967**	**(769)**
35	Tax	(67,836)	-
	Total net income (loss)	**8,131**	**(769)**
	Attributable to:		
	Owners of the parent company	4,574	(769)
	Non-controlling interests	3,557	-

(°) as reported in "Note 2 - Financial Statements" the figures refer to the accounting data of Marco Polo Industrial Holding S.p.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		Note	01/01 - 06/30/2016	01/01 - 06/30/2015 (°)
A	**Net income (loss) for the period**		**8,131**	**(769)**
Components of other comprehensive income:				
	B - Items that will not be reclassified to income statement:			
	- Net actuarial gains (losses) on employee benefits	20	(20,410)	
	- Tax effect		1,431	
	Total B		**(18,979)**	**-**
	C - Items reclassified / that may be reclassified to income statement:			
	Exchange differences from translation of foreign financial statements			
	- Gains / (losses) for the period		(6,420)	
	- (Gains) / losses reclassified to income statement		-	
	Fair value adjustment of other financial assets available for sale:			
	- Gains / (losses) for the period	10	(63,972)	
	- (Gains) / losses reclassified to income statement		-	
	Fair value adjustment of derivatives designated as cash flow hedges:			
	- Gains / (losses) for the period		(4,655)	
	- (Gains) / losses reclassified to income statement		2,911	
	- Tax effect		(641)	
	Share of other comprehensivie income related to associates and JVs net of tax	9	180	
	Total C		**(72,597)**	**-**
D	**Total components of other comprehensive income (B+C)**		**(91,576)**	**-**
A+D	**Total comprehensive income (loss) for the period**		**(83,445)**	**(769)**
	Attributable to:			
	- Owners of the Parent		(86,684)	(769)
	- Non-controlling interests		3,239	-

(°) as reported in "Note 2 - Financial Statements" the figures refer to the accounting data of Marco Polo Industrial Holding S.p.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 06/30/2016

(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 12/31/2015	**10,196**	**(61,814)**	**(18,590)**	**3,303,521**	**3,233,313**	**67,362**	**3,300,675**
Components of other comprehensive income	-	(6,102)	(85,156)	-	(91,258)	(318)	(91,576)
Net income (loss)	-	-	-	4,574	4,574	3,557	8,131
Total conprehensive income (loss)	**-**	**(6,102)**	**(85,156)**	**4,574**	**(86,684)**	**3,239**	**(83,445)**
Dividends paid	-	-	-	-	-	(2,397)	(2,397)
Effect of purchase of special shares for withdrawal	-	-	-	(6,894)	(6,894)	(3,995)	(10,889)
Purchase of special treasury shares for redemption	-	-	-	(5,449)	(5,449)	-	(5,449)
Effect of the incorporation of Marco Polo Industrial Holding S.p.A / Other	1,332,085	-	(38)	(1,334,742)	(2,695)	(40)	(2,735)
Total at 06/30/2016	**1,342,281**	**(67,916)**	**(103,784)**	**1,961,010**	**3,131,591**	**64,169**	**3,195,760**

(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 12/31/2015	**(4,538)**	**(2,797)**	**2,544**	**(13,799)**	**(18,590)**
Other components of other comprehensive income	(64,964)	(572)	(20,410)	790	(85,156)
Other changes	-	-	(38)	-	(38)
Balance at 06/30/2016	**(69,502)**	**(3,369)**	**(17,904)**	**(13,009)**	**(103,784)**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		Note	01/01 - 06/30/2016	01/01 - 06/30/2015
	Net income (loss) before taxes		75,967	(769)
	Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets		149,689	-
	Reversal of financial expenses		324,945	-
	Reversal of financial income		(44,070)	-
	Reversal of dividends		(1,797)	-
	Reversal of gains/(losses) on equity investments		11,751	-
	Reversal of share of net income from associates and joint ventures		38,835	-
	Ordinary taxes		(67,836)	-
	Change in inventories		1,089	-
	Change in trade receivables		(271,678)	-
	Change in trade payables		(174,564)	177
	Change in other receivables/other payables		(144,697)	-
	Change in provisions for employee benefit obligations and other provisions		(33,670)	-
	Other changes		(14,409)	-
A	**Net cash flows provided by (used in) operating activities**		**(150,445)**	**(592)**
	Investments in property, plant and equipment	7	(153,658)	-
	Disposal of property, plant and equipment	7	2,016	-
	Investments in intangible assets	8	(2,307)	-
	Disposals (Acquisition) of investments in associates and JV		(4,007)	-
	Disposals (Acquisition) of financial assets		9,916	-
	Dividends received		1,797	-
B	**Net cash flows provided by (used in) investing activities**		**(146,243)**	**-**
	Increase (reduction) in equity		-	50
	Change in financial payables		(68,947)	615
	Change in financial receivables/Securities held for trading		116,554	-
	Financial income (expenses)		(280,875)	-
	Dividends paid		(2,397)	-
C	**Net cash flows provided by (used in) financing activities**		**(235,665)**	**665**
D	**Total cash flows provided (used) during the period (A+B+C)**		**(532,353)**	**73**
E	**Cash and cash equivalents at beginning of financial year**		**1,094,457**	**-**
F	**Exchange differences from translation of cash and cash equivalents**		(11,534)	-
G	**Cash and cash equivalents at end of financial year (D+E+F) (°)**	17	**550,570**	**73**
(°)	**of which:**			
	cash and cash equivalents		603,561	73
	passive current accounts		(52,991)	-

(°) as reported in "Note 2 - Financial Statements" the figures refer to the accounting data of Marco Polo Industrial Holding S.p.A.

EXPLANATORY NOTES

1. GENERAL INFORMATION

These condensed consolidated half year Financial Statements have been prepared on a voluntary basis and in accordance with IAS 34 (Interim Financial Reporting).

As a result of the Public Offer launched during 2015 by Marco Polo Industrial Holding S.p.A., of the conversion of savings shares into special shares, of the withdrawal operation pertaining to the special shares, as well as the subsequent redemption of the remaining special shares in circulation carried out by the Company on April 29, 2016, and the merger of Marco Polo Industral Holding S.p.A. (the Shareholder which directly held the entire outstanding share capital of the Company) into Pirelli & C. S.p.A. (the merger was legally effective as of June 1, 2016), at the date of this document:

- Pirelli & C. S.p.A. had no shares listed on any regulated markets;
- the capital of the Company (ordinary and special category) was wholly owned - taking into account the treasury shares held by Pirelli & C. S.p.A. – by sole shareholder Marco Polo International Holding Italy S.p.A. (prior to the merger sole shareholder of the merged company Marco Polo Industrial Holding S.p.A.).

The accounting and tax effects of the aforesaid merger, as provided for in the merger plan, were recognised in the Financial Statements of the incorporating company as of January 1, 2016.

Pirelli & C. S.p.A. is subject to the management and coordination of Marco Polo International Italy S.p.A., the company which holds the entire share capital of Marco Polo International Holding Italy S.p.A. (the shareholder that directly controls the Company). Both the aforementioned companies are indirectly controlled by China National Chemical Corporation ("ChemChina"), a state-owned enterprise (SOE) governed by Chinese law with registered office in Beijing, which reports to the Central Government of the People’s Republic of China.

These condensed consolidated half year Financial Statements were prepared using the Euro as the reporting currency.

The condensed consolidated half year Financial Statements as at June 30, 2016 of Pirelli & C. S.p.A were approved by the Board of Directors of Pirelli & C. S.p.A. on July 28, 2016.

2. BASIS OF PRESENTATION

Financial statements

The condensed consolidated half year Financial Statements consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Explanatory Notes, and are accompanied by the Directors' Report on Operations.

By way of the effect of the reverse merger between the parent company Marco Polo Industrial Holding S.p.A. (incorporated company) into the subsidiary Pirelli & C. S.p.A. (incorporating company), which became effective as of June 1, 2016 but with accounting effects which were retroactively effective as of January 1, 2016, the half year Financial Statements of Pirelli & C. S.p.A. have been prepared on a going concern basis compared to the consolidated Financial Statements at December 31, 2015 of the parent company Marco Polo Industrial Holding S.p.A.. Therefore the comparative figures of the Statement of Financial Position at December 31, 2015, are those of the consolidated Financial Statement for the parent company itself at December 31, 2015, and the Income Statement figures and comparative cash flows for the period January 1 – June 30, 2015, are stand alone figures for the parent company Marco Polo Industrial Holding S.p.A. who does not have investments in any subsidiaries to be consolidated for this half year.

Based on the aforesaid it is to be noted that the Income Statement figures for the first half year 2016 are not comparable to those for the corresponding period for the previous financial year.

The format adopted for the Statement of Financial Position provides for the distinction of between current and non-current assets and liabilities.

The Group has opted to present the components of gains/loss for the financial year in a separate Income Statement, rather than include these components directly in the Statement of Comprehensive Income. The format of Income Statement adopted provides for the classification of costs by nature.

The Statement of Comprehensive Income includes the results for the period and, for the homogeneous categories the revenues and costs are, in accordance with the IFRS, recognised directly in equity.

The Group has opted for the presentation of the tax effects and reclassifications to the Income Statement of gains/losses which were recognised in equity in previous years, directly in the Statement of Comprehensive Income and not in the Explanatory Notes.

The Statement of Changes in Equity sets forth, in addition to total gains/losses of the period, the amounts for the transactions with equity holders and the changes which occurred during the period in the retained earnings.

In the Statement of Cash Flows, the cash flows derived from operating activities are presented using the indirect method, by way of which the gain or loss for the period has been adjusted by the effects of non-monetary transactions, by any deferment or accrual of past or future collections, or payments for operating activities, and by any revenue or cost items connected with the cash flows arising from investment or financing activities.

Scope of Consolidation

The scope of consolidation includes the subsidiaries, associates and joint control agreements, (joint arrangements).

Subsidiaries are defined as all the companies over which the Group holds (at the same time):

- the power of decision-making, or the ability to direct the relevant activities of the investee, that is activities that have a significant influence on the results of the investee;
- the right to the variable results (positive or negative) resulting from the investment in the entity;
- the ability to use its own power of decision-making to determine the amounts of the results arising from the investment in the entity.

The Financial Statements of subsidiaries are included in the consolidated Financial Statements as of the date when control is assumed until such time when control ceases to exist. The share of net income (loss) and equity attributable to non-controlling interests were separately reported in the consolidated Statement of Financial Position and in the consolidated Income Statement.

All companies for which the Group can exercise significant influence as defined by IAS 28 – Investments in Associates and Joint Operations, are considered associates. This influence is presumed to exist under the regulations whenever the Group holds a percentage of voting rights of between 20% and 50%, or when - even in the case of a lower share of voting rights – it has the power to participate in determining financial and operating policies by virtue of specific legal relationships, such as, for example, the participation in shareholders' agreements together with other forms of significant exercise of governance rights.

Joint control agreements (joint arrangements) are agreements under which two or more parties have joint control under a contract. Joint control is the shared control of a business activity, established by contract and only exists when, decisions relative to the business require the unanimous consent of all parties who share control. Such agreements may give rise to joint ventures or joint operations.

A joint venture is an agreement for the joint control of an entity whereby the parties that have joint control, have rights to the net assets of the said entity. Joint ventures differ from joint operations that are instead configured as agreements that grant to the parties of the agreement that have joint control of the initiative, rights on individual assets and obligations for individual liabilities relating to the agreement. In case of joint operations, the assets, liabilities, costs and revenue of the agreement must be recognised on the basis of the applicable accounting standards. The Group does not currently have any joint operation agreements.

For the first quarter of 2016, no changes occurred in the scope of consolidation compared to the consolidated Financial Statements at December 31, 2015. Of note is that the de-consolidation of Pirelli de Venezuela C.A. was effective as of December 31, 2015 and therefore the results for the Venezuelan company for the first quarter of 2016 are not included in the Statement of Financial Position and Income Statement.

Consolidation Principles

For consolidation purposes, the Financial Statements of the companies included in the area of consolidation were used, and prepared at the reporting date of the Financial Statements of the Parent company, and adjusted to conform to IAS/IFRS standards as have been applied by the Group.

The Financial Statements expressed in foreign currencies have been translated into Euro at the period-end exchange rates for the items in the Statement of Financial Position, and at the average exchange rates for the items of the Income Statement, with the exception, if applicable, of the Financial Statements of companies operating in high-inflation countries, whose Income Statements were translated at the period-end exchange rates.

The differences arising from the conversion of the initial net equity at period-end exchange rates were recognised in the reserve for translation differences, together with the difference arising from the translation of the result for the period at period-end exchange rates instead of the average exchange rate. The reserve for translation differences was reversed to the Income Statement at the time of the disposal of the company which generated the reserve.

The consolidation policies may be summarised as follows:

- subsidiaries are consolidated using the line-by-line method method under which:
  - assets and liabilities, revenues and expenses of the Financial Statements of subsidiaries are assumed in their entirety, regardless of the percentage of investment held;
  - the carrying amount of the investments is eliminated against the underlying share of equity;
  - the financial and operating transactions between companies consolidated on a line-by-line basis, including dividends distributed within the Group, are eliminated;
  - non-controlling interests are reported under equity, and similarly the share of gain or loss attributable to non-controlling interests is similarly shown separately in the Income Statement;
  - at the time of disposal of an investment with the consequent loss of control, in determining the gain or loss arising from the disposal, any goodwill that can be allocated to the subsidiary is taken into account;

- in the case of shares acquired after the assumption of control, any difference between the purchase cost and the corresponding share of net equity acquired is recognised in equity; similarly the effects deriving from the disposal of non-controlling interests without loss of control are also recognised in equity.

- investments in associates and joint ventures are accounted for under the equity method, on the basis of which the carrying amount of the investments is adjusted to take into account:

  - the investor's share of the financial results of the associate after the acquisition date;
  - the share of gains and losses recognised directly in the equity of the subsidiary, in accordance with the applicable standards;
  - dividends paid by the associate;
  - when the Group's share in the losses of the associate/joint venture exceeds the carrying amount of the investment in the Financial Statements, the carrying amount of the investment is eliminated and the share of any further losses is recognised under "Provisions for liabilities and charges," to the extent that the Group has a contractual or implicit obligation to cover the losses;
  - the gains resulting from sales made by subsidiaries to joint ventures or associates are eliminated in proportion to the percentage of equity interest in the acquiring entity.

3. ACCOUNTING STANDARDS ADOPTED

The accounting standards used are the same used for the preparation of the consolidated Financial Statements at December 31, 2015 which should be referred to for more details, except for the standards and interpretations listed below, which are applicable as of January 1, 2016:

- Amendments to IAS 19 - Employee benefits - defined benefit plans: contributions from employees or third parties
  These amendments apply to the contributions that employees or third parties pay to defined-benefit pension funds to simplify the accounting in certain specific circumstances.
  There were no effects due to the application of such changes.

- Improvements to IFRS 2010-2012 (issued by the IASB in December 2013).
  The IASB issued a series of amendments to 7 standards in force, in particular regarding: the definition of vesting conditions in IFRS 2 – Payments based on shares; the recognition of contingent consideration in a business combination in IFRS 3 – Business Combinations, the aggregation of operating segments and the reconciliation of the total assets of reportable segments compared to the total assets of the entity in IFRS 8 – Operating Segments; the proportional restatement of depreciation accumulated in IAS 16 – Property, plant and equipment in IAS 38 – Intangible assets and identification and certain disclosures relative to key managers in IAS 24 – Related party disclosures.
  There was no significant impact on the Financial Statements or on the Group's disclosures due to the application of of these amendments.

- Amendments to IFRS 11 - Joint Arrangements - accounting treatment for the acquisition of investments in joint operations
  The amendments to IFRS 11 specify the accounting treatment to be applied in case of acquisition of interests in joint operations that constitute a business as defined by IFRS 3.
  These amendments have had no impact on the Group's Financial Statements since there were no acquisitions of interests in joint operations for the period.

- Amendments to IAS 16 and IAS 38 – Explanation of the depreciation and amortisation methods deemed acceptable

  With these amendments, the IASB intended to clarify that the use of methods based on revenues for the calculation of depreciation was not correct in that the revenues generated by an asset reflected factors other than the consumption of the future financial benefits embodied in the asset itself. This consumption must represent the base principle for the calculation of depreciation and amortisation.

  The aforesaid aid amendments have had no impact on the Financial Statements since the Group does not use methods based on revenues to calculate depreciation.

- Amendments to IAS 27 – application of the equity method in the separate Financial Statements

  Following the these amendments, the use of the equity method will be allowed as an option in the accounting of investments in subsidiaries, associates and joint ventures also in the separate Financial Statements, with retrospective application.

  The adoption of the option permitted by this amendments is currently being analysed.

- Improvements to IFRS 2012-2014 (issued by the IASB in September 2014)

  The IASB has issued a series of amendments to four standards that are currently in force, relative to the following aspects in particular: the amendment to method of divestiture in IFRS 5 - Non-current assets held for sale and discontinued operations; service contracts and the applicability of the amendments to interim Financial Statements in IFRS 7 - Financial Instruments: additional disclosures; the discount rate to be applied in IAS 19 - Employee Benefits; the disclosure of information presented in other parts of the interim Financial Statements in IAS 34 - Interim Financial Statements.

  The application of these amendments did not have any impact on the Group's Financial Statements.

- Amendment to IAS 1 - Disclosure initiative

  The amendments to IAS 1, related to the disclosure initiative project, aim to clarify and improve the requirements of IAS 1, rather than amend it substantially.

  Following the application of these amendments, in the Statement of Comprehensive Income, the portion of other Comprehensive Income Statement components related to associates and joint ventures must also be distinguished amongst the items that may or may not be reclassified to the Income Statement.

Seasonality

Of note are the seasonality factors with respect to trade receivables, which resulted in an increase in the values at the end of the first half year compared to the corresponding values at financial year-end. Revenue performance instead was not affected by significant trends connected to seasonality factors.

Estimates and assumptions

The preparation of the condensed consolidated quarterly Financial Statements requires that management make estimates and assumptions which, in certain circumstances, are based on complex and subjective valuations and estimates based on historical experience, and assumptions which are from time to time considered reasonable and realistic under the circumstances. The results which actually emerge could therefore differ from such estimates.
The estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the Income Statement for the period in which the estimate is revised. If such estimates and assumptions, based on the best evaluation available at the time, should differ from the actual circumstances, they are modified accordingly for the period in which the change of circumstances occurred.
In this context, it is noted that the financial and economic crisis has led to the need to make assumptions for future performances but which are subject to significant uncertainty, for which it cannot be ruled out, that there will be different results for the next period compared to what was estimated, and which therefore might require adjustments, even significant ones, which at present obviously cannot be foreseen or estimated, to the carrying amount of the related items. Such estimates affect the carrying amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent assets/liabilities at the date of the condensed consolidated half year Financial Statements. The estimates and assumptions refer mainly to assessments of the recoverability of intangible assets, to the definition of the useful lives of property, plant and equipment, to the evaluation of the recoverability of investments in associated companies, to the recoverability of receivables, to the recognition/measurement of provisions for liabilities and charges, and to the evaluation of pension schemes and other post-employment benefits, and are based on data which reflects the best available information at the time.

Please also note that with regard to any effects of the referendum held in the UK on the Brexit theme, the condensed consolidated Financial Statements will reflect the effects of the currency fluctuations which the British Pound Sterling experienced in the period. The Pound

Sterling in fact depreciated reaching an exchange rate value of 0.8265 GBP/Euro at June 30, 2016 compared to the rate at December 31, 2015 of 0.73395 GBP/Euro.

With reference to any potential effects pending the uncertainty concerning the manner in which Great Britain should exit the European Union (which will be subject to specific negotiations, the definition of which is expected within two years), it is not considered possible to estimate with sufficient precision the impact on the operations that the Group conducts in the country. This aspect will therefore be monitored in the coming periods also in relation to any new information that may emerge for the area.

4. FAIR VALUE MEASUREMENT

The classification of financial instruments carried at fair value on the basis of a hierarchy of levels pursuant to IFRS 13 is illustrated below.This hierarchy reflects the significance of the inputs used to determine fair value. The following levels are defined as follows:

– level 1 – unadjusted quotations recorded on an active market for assets or liabilities subject to valuation;
– level 2 – inputs different from the aforesaid prices quoted at the preceding level, which are observable on the market either directly (as in the case of prices) or indirectly (because they are derived from prices);
– level 3 – inputs that are not based on observable market data.

The following table shows assets and liabilities carried at fair value as at **June 30, 2016**, divided into the three levels defined above:

(in thousands of euro)

	Note	Carrying amount at 06/30//2016	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through income statement:					
Securities held for trading	16	34,956	-	34,956	-
Current derivative financial instruments	25	30,272	-	30,272	-
Financial hedging instruments:					
Current derivative financial instruments	25	17	-	17	-
Available-for-sale financial assets:					
Other financial assets					
Equities and shares		138,248	99,850	13,624	24,774
Investment funds		14,380	-	14,380	-
	10	152,628	99,850	28,004	24,774
TOTAL ASSETS		**217,873**	**99,850**	**93,249**	**24,774**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through income statement:					
Current derivative financial instruments	25	(107,390)	-	(107,390)	-
Financial hedging instruments:					
Current derivative financial instruments	25	(1,000)	-	(1,000)	-
TOTAL LIABILITIES		**(108,390)**	**-**	**(108,390)**	**-**

The breakdown at **December 31, 2015** was as follows:

(in thousands of euro)

	Note	Carrying amount at 12/31/2015	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through income statement:					
Securities held for trading	16	78,167	-	78,167	-
Current derivative financial instruments	25	49,166	-	49,166	-
Financial hedging instruments:					
Current derivative financial instruments	25	12,139	-	12,139	-
Available-for-sale financial assets:					
Other financial assets					
Equities and shares		210,643	154,355	23,576	32,712
Investment funds		14,478	-	14,478	-
	10	225,121	154,355	38,054	32,712
TOTAL ASSETS		**364,593**	**154,355**	**177,526**	**32,712**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through income statement:					
Current derivative financial instruments	25	(51,974)	-	(51,974)	-
Financial hedging instruments:					
Current derivative financial instruments	25	(5)	-	(5)	-
TOTAL LIABILITIES		**(51,979)**	**-**	**(51,979)**	**-**

For the first half year of 2016, there were no transfers of financial assets/liabilities from level 1 to level 2 and vice versa.

The following table shows the changes in financial assets included in level 3 for the first half year of 2016:

(in thousands of euro)

	06/30/2016
Opening balance	32,712
Translation differences	(566)
Increases / Subscription of capital	1,156
Impairment	(9,107)
Fair value adjustments recognised in Equity	505
Other changes	74
Closing balance	**24,774**

These financial assets mainly consist of equity investments in Pirelli de Venezuela C.A. (euro 11,016 thousand), in the European Institute of Oncology (euro 6,231 thousand) and in Equinox Two S.C.A. (euro 3,892 thousand).

The item **increases/subscription of capital** mainly refers to the investment in Alitalia S.p.A. (euro 1,107 thousand).

The item **impairment** mainly refers to the investment in Pirelli De Venezuela C.A. (euro 7,861 thousand), whose fair value is substantially represented by the liquidity present in the impaired country due to the depreciation recorded in the first half year of 2016 of the Venezuelan Bolivar against the US Dollar, and the impairment of the investment in Alitalia - Compagnia Aerea Italiana SpA (euro 1,107 thousand).

The **fair value adjustment recognised in equity**, which amounted to a positive value of euro 505 thousand, mainly refers to the positive fair value adjustment recorded for the investment in the European Institute of Oncology.

For the first half year of 2016, there were no transfers of financial assets or liabilities from level 3 to other levels and vice versa.

The fair value of financial instruments traded on active markets is based on the price quotations published at the reporting date. These instruments, included in level 1, primarily comprise of equity investments classified as financial assets available for sale.

The fair value of financial instruments not traded on active markets (derivatives for example) was measured by means of techniques which maximise the use of observable and available market data, using prevalent financial measurement techniques:

1. market prices for similar instruments;
2. the fair value of interest rate swaps is calculated by discounting estimated future cash flows based on observable yield curves;
3. the fair value of foreign exchange derivatives (forward contracts) is determined by using the forward exchange rate at the reporting date.

5. BUSINESS COMBINATIONS

On August 11, 2015 - following the acquisition by Marco Polo Industrial Holding S.p.A, of 20.34% of Pirelli & C. S.p.A. by Camfin S.p.A., and the signing of the Pirelli shareholders' agreement, in addition to the acquired shares, was also interested in the 5.85% share of capital indirectly held by Camfin S.p.A. in Pirelli & C. S.p.A. through Cam 2012 S.p.A., and as an additional result of the Public Offer, which had been mandatory for the ordinary shares and voluntary for the savings shares of Pirelli, and through the subsequent procedure by which the offerer acquired the remaining residual ordinary shares, Marco Polo Industrial Holding S.p.A,in the course of 2015, acquired 100% of the outstanding Pirelli & C. S.p.A. ordinary shares and 95.9% of the outstanding savings shares.

Through these transactions China National Tire & Rubber Co. Ltd (CNRC - the controlling shareholder of Marco Polo Industrial Holding S.p.A.), by means of the vehicle Marco Polo Industrial Holding S.p.A., acquired control of the Pirelli Group and therefore this transaction was accounted for in accordance with the requirements of IFRS 3 - Business Combinations.

As regards the accounting for the acquisition, it is considered that the individual steps by which control of the Pirelli Group was acquired should be considered as a single transaction. On the basis of the below considerations it is maintained that the CNRC by means of the vehicle Marco Polo Industrial Holding S.p.A., as of the end of the first phase (the acquisition of 20.34% of the capital of Pirelli & C. S.p.A. by Camfin S.p.A., and the signing the Pirelli shareholders' agreement), had gained control of the Pirelli Group. Of particular is that:

- already from the beginning of the first phase, the objective of the CNRC was to obtain control of Pirelli;
- in order to achieve the goal of obtaining control of Pirelli & C. SpA., China National Tire & Rubber Co. Ltd (CNRC), a subsidiary of China National Chemical Corporation (ChemChina), Camfin S.p.A. (Camfin) and the Camfin S.p.A. shareholders (Coinv S.p.A. and Long-Term Investments Luxembourg S.A.), signed a binding agreement for a long term industrial partnership relative to Pirelli, establishing the terms and conditions for the acquisition and subsequent industrial reorganisation;
- the purchase price of euro 15 per share fully reflects the premium price for the control of Pirelli & C. S.p.A, confirming the desire of the CNRC to control Pirelli & C. S.p.A.;
- management considered it reasonable that CNRC could control Pirelli at the end of the Public Offer.

On the basis of the aforesaid, in consideration of August 11, 2015 as the date of the acquisistion of control, the management of CNRC designated September 1, 2015 to the terms and conditions of the contract, as the first effective date for the consolidation of Pirelli & C. S.p.A. and its subsidiaries.

The fair value of identifiable assets and liabilities purchased at the acquisition date is shown in the following table.

(in thousands of euro)

	Fair value at the acquisition date
Property, plant and equipment	2,467,316
Intangible assets	965,679
Investments in associates and J.V.	190,681
Other financial assets	216,673
Deferred tax assets	122,062
Other receivables	155,291
Tax receivables	6,259
Non-current assets	**4,123,961**
Inventories	1,074,589
Trade receivables	1,080,010
Other receivables	269,872
Securities held for trading	32,651
Cash and cash equivalents	751,750
Tax receivables	114,460
Derivative financial instruments	61,712
Current assets	**3,385,044**
Total Assets	**7,509,005**
Borrowings from banks and other financial institutions	1,341,266
Other payables	55,966
Provisions for liabilities and charges	349,376
Provisions for deferred tax liabilities	48,288
Employee benefit obligations	468,148
Tax payables	2,940
Non-current liabilities	**2,265,984**
Borrowings from banks and other financial institutions	1,351,462
Trade payables	1,019,488
Other payables	384,253
Provisions for liabilities and charges	66,943
Tax payables	120,379
Derivative financial instruments	37,663
Current liabilities	**2,980,188**
Total liabilities	**5,246,172**
Equity attributable to non-controlling interests	**62,505**
Total value Net assets acquired (99.83%)	**2,200,328**
Pro-rata of net assets acquired	**2,196,603**
Purchase price of the acquisition	**7,296,065**
Goodwill	**5,099,462**

The difference (euro 5,099.5 million) between the total of the amount (euro 7,296.1 million) and the pro-rata value of the net assets acquired (euro 2,196.6 million), which includes under the item intangible assets, the goodwill of the Pirelli Group which existed prior to the acquisition and amounted to euro 879.1 million, has been provisionally allocated as an increase to the Group's goodwill. The total goodwill at June 30, 2016 therefore amounted to euro 5,978.6 million.

The process for the allocation of the amount paid at fair value for the acquired net assets as part of the business combination (purchase price allocation - PPA) shall be completed within 12 months at the latest from the date of acquisition, as required by the IFRS 3 (*Business combination*) accounting principle.

The costs associated with the operation, of approximately euro 51 million, were not considered in the cost of aggregation and have been expensed to the 2015 financial year.

6. OPERATING SEGMENTS

The operating segments which were subject to separate disclosure at June 30, 2016 were:

- Consumer segment: including tyres for cars and motorbikes, destined for both the Original Equipment channel and the Replacement channel;
- Industrial segment: including tyres for truck and vehicles for agricultural use, destined for both the Original Equipment channel and the Replacement channel.

The results subdivided by sector for the **first half year of 2016** were as follows:

(in thousands of euro)	CONSUMER	INDUSTRIAL	OTHER BUSINESS	1H 2016
Total net sales	**2,469,650**	**497,311**	**1,677**	**2,968,638**
Gross operating margin	515,419	40,413	(591)	555,241
Depreciation and amortisation	(127,809)	(21,305)	(496)	(149,610)
Operating income (loss)	**387,610**	**19,108**	**(1,087)**	**405,631**
Net income (loss) from equity investments				(48,789)
Financial income (expenses)				(280,875)
Net income (loss) before tax				**75,967**
Taxes				(67,836)
Net income (loss)				**8,131**

The table below shows **sales by geographic area.** They are allocated on the basis of the country in which the customer is located.

(in thousands of euro)

	1 H 2016	
Europe	1,156,430	38.95%
Russia & CSI	78,101	2.63%
NAFTA	459,402	15.48%
Central and South America	655,903	22.09%
Asia/Pacific (APAC)	347,804	11.72%
Middle East/Africa/India (MEAI)	270,998	9.13%
Total	**2,968,638**	**100.00%**

7. PROPERTY, PLANT AND EQUIPMENT

The composition and changes for property, plant and equipment were as follows:

(in thousands of euro)

	06/30/2016			12/31/2015		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	94,769	-	94,769	95,599	-	95,599
Buildings	991,800	(398,723)	593,077	969,155	(375,339)	593,816
Plant and machinery	3,371,704	(1,834,223)	1,537,481	3,231,137	(1,726,778)	1,504,359
Industrial and trade equipment	686,710	(500,857)	185,853	644,704	(467,045)	177,659
Other assets	183,937	(138,857)	45,080	184,500	(136,480)	48,020
	5,328,920	**(2,872,660)**	**2,456,260**	**5,125,095**	**(2,705,642)**	**2,419,453**

GROSS VALUE (in thousands of euro)

	12/31/2015	Translation differ.	Increases	Decreases	Reclassif.	Other	06/30/2016
Land	95,599	(712)	-	-	-	(118)	94,769
Buildings	969,155	14,220	7,915	-	480	30	991,800
Plant and machinery	3,231,137	42,098	113,884	(9,954)	507	(5,968)	3,371,704
Industrial and trade equipment	644,704	16,890	22,766	(9,452)	3,530	8,272	686,710
Other assets	184,500	(1,602)	9,093	(3,857)	(4,517)	320	183,937
	5,125,095	**70,894**	**153,658**	**(23,263)**	**-**	**2,535**	**5,328,920**

ACCUMULATED DEPRECIATION (in thousands of euro)

	12/31/2015	Translation differ.	Reclassif.	Decreases	Deprec.	Other	06/30/2016
Buildings	(375,339)	(7,680)	-	-	(15,951)	247	(398,723)
Plant and machinery	(1,726,778)	(30,019)	101	9,701	(88,343)	1,115	(1,834,223)
Industrial and trade equipment	(467,045)	(12,802)	(36)	7,824	(29,022)	224	(500,857)
Other assets	(136,480)	2,648	(65)	3,722	(7,090)	(1,592)	(138,857)
	(2,705,642)	**(47,853)**	**-**	**21,247**	**(140,406)**	**(6)**	**(2,872,660)**

NET VALUE (in thousands of euro)

	12/31/2015	Translation differ.	Increases	Decreases	Reclassif.	Depreciation	Other	06/30/2016
Land	95,599	(712)	-	-	-	-	(118)	94,769
Buildings	593,816	6,540	7,915	-	480	(15,951)	277	593,077
Plant and machinery	1,504,359	12,079	113,884	(253)	608	(88,343)	(4,853)	1,537,481
Industrial and trade equipment	177,659	4,088	22,766	(1,628)	3,494	(29,022)	8,496	185,853
Other assets	48,020	1,046	9,093	(135)	(4,582)	(7,090)	(1,272)	45,080
	2,419,453	**23,041**	**153,658**	**(2,016)**	**-**	**(140,406)**	**2,529**	**2,456,260**

Increases totalling euro 153,658 thousand were mainly aimed at the increased Premium capacity in Europe, NAFTA and China and the improvement of the mix.

The investment ratio compared to amortisations for first half year of 2016 was 1.09.

Property, plant and equipment in progress at June 30, 2016, were included in the individual fixed asset categories and totalled euro 148,787 thousand (euro 140,103 thousand at December 31, 2015).

8. INTANGIBLE ASSETS

Changes in intangible assets were composed as follows:

(in thousands of euro)

	12/31/2015	Translation differences	Increase	Amortisation	Reclassif.	Other	06/30/2016
Patents and intellectual property rights	2	-	-	(1)	-	-	1
Concessions/licenses/trademarks - finite life	41,632	1,109	70	(2,529)	371	232	40,885
Concessions/licenses/trademarks - indefinite life	5,832	1,170	-	-	-	-	7,002
Goodwill	5,978,589	-	-	-	-	-	5,978,589
Application software	14,031	9	190	(4,371)	628	4,663	15,150
Other intangible assets	27,918	678	2,047	(2,302)	(999)	(4,854)	22,487
	6,068,004	**2,966**	**2,307**	**(9,204)**	**0**	**41**	**6,064,114**

The goodwill arising from the acquisition of the Pirelli Group by Marco Polo Industrial Holding S.p.A., which amounted to euro 5,099,462 thousand (which was added to the goodwill and previously recorded in the consolidated Financial Statements of Pirelli & C. S.p.A., results in a total of euro 5,978,589 thousand) has not been allocated for the moment to any Cash Generating Units since its value at June 30, 2016 is to be considered as still provisional and shall be defined within 12 months of the date of acquisition (September 2016) as described in the preceding Note 5 - Business combinations.

With regard to the initiated but not yet completed allocation of the goodwill to the Cash Generating Units, and there not being any manifest indications of impairment losses with respect to the Financial Statements at December 31, 2015, it was not considered necessary to carry out a specific impairment test.

The item **concessions, licenses and trademarks – finite life** mainly includes the trademarks derived from acquisitions which occurred in 2014, of the points-of-sale for the Abouchar network in Brazil (euro 4,963 thousand), from purchases in 2013 of 25 points-of-sale belonging to Wagner in Germany (euro 7,688 thousand), from the purchases in 2012 in Russia (euro 1,003 thousand) and from the purchase of the Daeckia retail chains in Sweden (euro 18,541 thousand).

The item **concessions, licenses and trademarks – indefinite life** refers to the Campneus trademark held by the Brazilian subsidiary company already recorded in the Financial Statements for 2015, due to a review of the trade and brand positioning strategy, which was considered to have met the requirements for it to be classified as an intangible asset with an indefinite life.

Other intangible assets are mainly composed of the fair value measurement of customer relationships and trade partnerships derived from acquisitions in Russia and Sweden (Däckia).

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

9.1 Investments in associates

Changes in investments in associates and joint ventures were as follows:

(in thousands of euro)

	06/30/2016		
	Associates	**JV**	**Total**
Opening balance	**144,260**	**23,088**	**167,348**
Decreases	(11,161)	-	(11,161)
Increases	4,007	-	4,007
Distribution of dividends	(200)	-	(200)
Impairment	(9,908)	-	(9,908)
Restatement	8,566	-	8,566
Share of net income (loss)	(34,888)	(3,947)	(38,835)
Share of other components recognized in Equity	(992)	-	(992)
Closing balance	**99,684**	**19,141**	**118,825**

The details for **investments in associates** is as follows:

(in thousands of euro)

	12/31/2015	Decreases	Increases	Distrub. of dividends	Impairment	Restatements	Share of net income (loss)	Share of other components recognised in Equity	06/30/2016
Eurostazioni S.p.A.	**60,498**	-	-	-	-	-	1,118	-	**61,616**
Prelios	**41,920**	-	-	-	(9,908)	-	(6,809)	673	**25,876**
Fenice S.r.l.	**29,845**	-	-	-	-	8,566	(29,297)	(1,665)	**7,449**
GWM Renewable Energy II S.p.A.	**11,161**	**(11,161)**	-	-	-	-	-	-	-
Focus Investments S.p.A.	-	-	4,000	-	-	-	-	-	**4,000**
Other companies	**836**	-	7	(200)	-	-	100	-	**743**
Total associates	**144,260**	**(11,161)**	**4,007**	**(200)**	**(9,908)**	**8,566**	**(34,888)**	**(992)**	**99,684**

With reference to the investment in Fenice S.r.l., in accordance with the previous financial year, although the percentage of ownership exceeds 50% of the capital, (69.88%) it does not entail control for Pirelli over the company by effect of the provisions of the shareholders' agreements.

The item **decreases** refers to the investment in GWM Renewable Energy II S.p.A. In particular, as a result of the completion on March 30, 2016 of the swap transaction, Pirelli & C. S.p.A., as a result of their withdrawal from the company GWM Renewable Energy II S.p.A., received in exchange, shares of the Danish listed company Greentech Energy Systems A/S equal to 11.93% of the share capital. The investment in Greentech Energy Systems A/S was recorded at an amount equal to its fair value (stock market value at March 30, 2016) under the item “Other financial assets”, and qualifies as a financial asset available for sale. The transaction generated a negative impact on the Income Statement of euro 1,692 thousand (including the reversal to the Income Statement of the cash flow hedge reserve which was negative to the amount of euro 1,172 thousand) and was included in the item "Losses from equity investments".

The item **increases** refers euro 4,000 thousand for the subscription on January 12, 2016 by Pirelli & C. S.p.A. to 111,111 class C shares of Focus Investments S.p.A. equal to 8.33% of the share capital, and 25% of the capital with voting rights. The company Focus Investments S.p.A. was established as part of the extraordinary spin-off operation of business activities related to investments and co-investments in property belonging to Prelios S.p.A., and from service business activities. The remaining part, amounting to euro 7 thousand, refers to the subscription of an investment of 13.75% in the share capital of the International Media Holding S.p.A., the vehicle that promoted the public offer of RCS MediaGroup S.p.A..

The item **impairment** refers to the investment in Prelios S.p.A. and is attributable entirely to the dilution loss resulting from the transaction to increase the share capital of Prelios S.p.A., which was concluded in the month of March 2016 and not subscribed to pro-rata by Pirelli.

The item **restatements** refers entirely to the investment in Fenice S.r.l. and refers to the release to the Income Statement of a part of the impairments effected in previous years as a result of the comparison between the recoverable value of the investment evaluated under the equity method and its fair value, including the liquidation preference. In order to estimate the fair value, an income approach was used based on the criterion of options and with the use of level 2 inputs.

The item **share of net income (loss)** (negative for euro 34,888 thousand) refers mainly to the pro-rata share of losses of Prelios S.p.A. (euro 6,809 thousand) and of Fenice S.r.l. (euro 29,297 thousand) offset by the positive portion of the investment in Eurostazioni S.p.A. (euro 1,118 thousand). The Financial Statements of Prelios S.p.A. used in applying the equity method refers to a different closing date than June 30, 2016, and is composed of the pro-rata share of losses for the fourth quarter of 2015 and for the first quarter of 2016.

9.2 Investments in joint ventures

The Group holds an investment of 60% (ownership unchanged from the previous financial year) in PT Evolution Tyres, an entity which operates in Indonesia and is active in tyre production. Even though the company is 60% owned, by way of the contractual agreements between shareholders, it falls under the definition of a joint venture since the governance regulations explicitly require unanimous consensus for significant business decisions. The investment is accounted for using the equity method.

The **share of net income (loss)** which was negative to the amount of euro 3.947 thousand, refers to the pro-rata share of losses for the first half year of 2016.

10. OTHER FINANCIAL ASSETS

These amounted to euro 152,628 thousand compared to euro 225,121 thousand at December 31, 2015 and refer to financial assets available for sale, evaluated at fair value, with any changes in fair value recognised in equity. They are composed as follows:

(in thousands of euro)

	06/30/2016
Opening balance	225,121
Translation differences	(559)
Increases	11,823
Decreases	(10,667)
Impairment	(9,118)
Fair value adjustments recognised in Equity	(63,972)
Closing balance	**152,628**

The composition of the item for each entity is as follows:

(in thousands of euro)

	06/30/2016	12/31/2015
Listed securities		
Mediobanca S.p.A.	81,208	139,968
RCS Mediagroup S.p.A.	18,612	14,355
Other companies	30	30
	99,850	**154,353**
Unlisted securities		
Fin. Priv. S.r.l.	11,143	18,787
Fondo Anastasia	14,380	14,478
European Institute of Oncology (Istituto Europeo di Oncologia S.r.l.)	6,231	5,754
F.C. Internazionale Milano S.p.A.	293	293
Euroqube	50	104
Tlcom I LP	590	644
Emittenti Titoli	2,481	4,789
Equinox Two SCA	3,892	4,425
Pirelli De Venezuela C.A.	11,016	18,877
Other companies	2,702	2,617
	52,778	**70,768**
	152,628	**225,121**

The item **increases** mainly refers to the fair value (corresponding to the stock market price) of the shares in the Danish listed company Greentech Energy Systems A/S (euro 10,667 thousand) received as a result of the closing on March 30, 2016 of the swap described in the preceding Note 9. The investment was subsequently disposed of during the course of the first half year as described in the comments in the **decrease** section.

The item **decreases** refers to the disposal which took place on June 24, 2016 for the entire stake held in Greentech Energy Systems A/S which generated gains of euro 405 thousand.

The item **impairment** mainly refers to the investment in Pirelli De Venezuela C.A. (euro 7,861 thousand), whose fair value is substantially represented by the liquidity present in the impaired country due to the depreciation recorded in the first half year of 2016 of the Venezuelan Bolivar against the US Dollar, and the impairment of the investment in Alitalia - Compagnia Aerea Italian SpA (euro 1,107 thousand).

The **fair value adjustment recognised in equity**, which amounted to a negative value of euro 63,972 thousand, mainly refers to the negative fair value adjustment recorded for the investments in Mediobanca S.p.A. (euro 58,760 thousand) and in Fin.Priv. S.r.l. (7,644 thousand euro), partly compensated by the positive adjustment recorded for RCS MediaGroup S.p.A. (euro 4,257 thousand).

The fair value of listed financial instruments corresponds to the stock market price as at June 30, 2016.

The fair value of unlisted financial instruments was determined by making estimates on the basis of the best information available.

11. DEFERRED TAX ASSETS AND PROVISION FOR DEFERRED TAX LIABILITIES

The composition is as follows:

(in thousands of euro)

	06/30/2016	12/31/2015
Deferred tax assets	124,983	123,724
Provision for deferred tax liabilities	(25,820)	(43,622)
	99,163	**80,102**

Deferred tax assets and deferred tax liabilities were compensated where a legal right existed that allowed the offset of current tax assets and current tax liabilities. The deferred taxes refer to the same legal entity and the same taxation authority.

12. TRADE RECEIVABLES

Trade receivables were analysed as follows:

(in thousands of euro)

	06/30/2016			12/31/2015		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Customers	1,243,028	-	1,243,028	942,000	-	942,000
Provision for bad debts	(278,659)	-	(278,659)	(265,808)	-	(265,808)
	964,369	**-**	**964,369**	**676,192**	-	**676,192**

The increase compared to December 31, 2015 was due to the usual seasonality linked to sales, with an increase in trade receivables in proportion to revenues.

13. OTHER RECEIVABLES

Other receivables were analysed as follows:

(in thousands of euro)

	06/30/2016			12/31/2015		
	Total	Non-current	Current	Total	Non-current	Current
Financial receivables	78,511	62,757	15,754	62,626	50,738	11,888
Trade accruals and deferrals	53,027	2,728	50,299	22,689	2,468	20,221
Receivables from employees	18,762	1,393	17,369	6,958	1,254	5,704
Receivables from social security and welfare institutions	7,661	-	7,661	7,139	-	7,139
Receivables from tax authorities not related to income taxes	140,980	13,373	127,607	95,556	8,809	86,747
Other receivables	180,480	105,120	75,360	123,262	84,355	38,908
	479,421	**185,371**	**294,050**	**318,230**	**147,624**	**170,607**
Provision for bad debts	(3,060)	-	(3,060)	(5,198)	-	(5,198)
	476,361	**185,371**	**290,990**	**313,032**	**147,624**	**165,409**

The item **non-current financial receivables** (euro 62,757 thousand) mainly refers to euro 52,074 thousand (euro 41,267 thousand at December 31, 2015) for amounts deposited as guarantees for tax and legal disputes in relation to the subsidiary Pirelli Pneus Ltda (Brazil) and TP Industrial de Pneus Brasil Ltda, remunerated at market rates.

The item **current financial receivables** (euro 15,754 thousand) mainly refers to euro 7,458 thousand for the amounts deposited by the Egyptian subsidiary to guarantee payments in foreign currency.

The item **receivables from tax authorities not related to income taxes** (euro 140,980 thousand) is mainly comprised of VAT receivables, property tax receivables and withholding tax receivables.

The item **other non-current receivables** (euro 105,120 thousand) mainly refers to amounts deposited as guarantees for legal and tax disputes involving the Brazilian units (euro 77,800 thousand), to receivables for guarantees in Pirelli’s favour that may be exercised in case of potential liabilities arising in relation to the acquisition of the company Campneus Lider de Pneumaticos Ltda (Brazil) for euro 9,798 thousand, and a receivable of euro 13,768 thousand relating to a contribution made in cash and paid at the time of signing an association in participation contract.

The item **other current receivables** (euro 75,360 thousand) mainly includes advances to suppliers of euro 44,407 thousand, and receivables from the disposal of property not used for industrial operations in Brazil for euro 2,824 thousand.

For other current and non-current receivables the carrying amount is considered to approximate their fair value.

14. TAX RECEIVABLES

The item tax receivables relates to income taxes and amounted to euro 103,494 thousand (of which euro 7,452 thousand was for non-current assets) compared to euro 68,579 thousand at December 31, 2015 (of which euro 6,169 thousand was for non-current assets) and refers mainly to receivables for income taxes (mainly related to tax prepayments for the financial year), to corporate income tax (IRPEG) for previous years payable by Pirelli & C. S.p.A., and the tax receivables of the Brazillian subsidiaries for previous years.

15. INVENTORIES

Inventories were analysed as follows:

(in thousands of euro)

	06/30/2016	**12/31/2015**
Raw and auxiliary materials and consumables	219,173	208,012
Sundry materials	8,270	6,796
Work in progress and semi-finished products	64,740	67,710
Finished products	768,501	769,610
Advances to suppliers	14,731	1,801
	1,075,415	**1,053,929**

The increase recorded in the first half year of 2016 was mainly due to the seasonality of business.

Inventories were not subject to any collateral pledges.

16. SECURITIES HELD FOR TRADING

Securities held for trading amounted to euro 34,956 thousand compared to euro 78,167 thousand at December 31, 2015, a decrease of euro 43,211 thousand.
They mainly include euro 34,438 thousand in unlisted floating-rate bonds (euro 68,040 thousand at December 31, 2015). This decrease, as compared to the amount recorded for the end of the 2015 financial year was mainly due to the cash flow performance for the first half year.

The fair value of unlisted financial instruments was determined by making estimates on the basis of the best information available.

Changes in fair values for the period were recognised in the Income Statement as financial expenses.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went from euro 1,110,024 thousand at December 31, 2015 to euro 603,561 thousand at June 30, 2016, and recorded a decrease mainly due to cash flow linked to the seasonality of working capital.
These were concentrated in the financial companies of the Group and in companies which generate cash and use it locally. They were essentially invested in the market as short-term maturity deposits with major banking counterparties at interest rates in line with the prevailing market conditions.

In the Statement of Cash Flows, the balance of cash and cash equivalents was stated net of passive current accounts and amounted to euro 52,991 thousand at June 30, 2016.

18. EQUITY

18.1 Attributable to the Parent Company

The **equity attributable to the Parent Company** went from euro 3,233,313 thousand at December 31, 2015 to euro 3,131,591 thousand at June 30, 2016. The decrease was mainly due to the fair value adjustment of available-for-sale investments (negative for euro 63,972 thousand), and to the translation differences of foreign Financial Statements (negative for euro 6,102 thousand), which were partially offset by the net income for the period (positive for euro 4,574 thousand).

The subscribed and paid-up **share capital** at June 30, 2016 (including treasury shares held) is represented by 201,983,902 ordinary shares and 5,641,312 special shares, without nominal value, for a total of euro 1,345,381 thousand. The share capital is represented net of the value of treasury shares held (351,590 ordinary shares and 772,792 special shares) and therefore amounts to euro 1,342,281 thousand.

The increase of share capital from euro 10,196 thousand to euro 1,342,281 thousand recorded for the first half year, was linked to the effects of the reverse merger with the parent company Marco Polo Industrial Holding S.p.A. which brought about an alignment with the share capital of the surviving entity Pirelli & C. S.p.A. resulting in the consequent reduction of the share premium reserve.

18.2 Attributable to non-controlling interests

The equity attributable to non-controlling interests went from euro 67,362 thousand at December 31, 2015 to euro 64,169 thousand at June 30, 2016. The change was mainly due to dividend pay-outs by the Egyptian company (euro 2,397 thousand).

19. PROVISIONS FOR LIABILITIES AND CHARGES

The changes that occurred during the period were as follows:

PROVISION FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION (in thousands of euro)

	06/30/2016
Opening balance	77,906
Translation differences	12,260
Increases	11,795
Uses	(2,654)
Reversals	(8,790)
Other	2,428
Closing balance at 06/30/2016	**92,945**

The **non-current portion** refers mainly to provisions made:

- by the subsidiaries Pirelli Pneus Ltda and TP Industrial de Pneus Brasil Ltda based in Brazil for legal-tax disputes (euro 42,754 thousand) and labour disputes (euro 30,715 thousand);
- by the Parent Company Pirelli & C. S.p.A. for tax disputes (euro 4,220 thousand) and for trade risks, site remediation and labour disputes (euro 3,440 thousand).

The item **increases** mainly refers to provisions for labour disputes of the subsidiaries Pirelli Pneus Ltda and TP Industrial de Pneus Brasil Ltda (Brazil), and to provisions for tax disputes.

The item **uses** were for costs incurred mainly due to the labour disputes of the subsidiaries Pirelli Pneus Ltda and TP Industrial de Pneus Brasil Ltda (Brazil).

The item r**eversals** of provisions mainly refers to the release of funds for tax risks following the resolution of disputes in the Group’s favour.

PROVISION FOR LIABILITIES AND CHARGES - CURRENT PORTION **(in thousands of euro)**

	06/30/2016
Opening balance	63,221
Translation differences	(879)
Increases	5,118
Uses	(9,727)
Reversals	(1,666)
Other	43
Closing balance at 06/30/2016	**56,110**

The item **current portion** mainly includes accruals for product claims and warranties (euro 17,569 thousand), for site remediation of disused areas (euro 4,841 thousand), for the reorganisation and closure of activities (euro 878 thousand), for litigation for occupational diseases (euro 8,851 thousand), tax risks (euro 2,993 thousand), for labour disputes (euro 2,628 thousand) and work accident insurance (euro 2,774 thousand).

The item **increases** mainly refers to provisions for product claims, labour disputes, insurance risks and work accident insurance.

The item **uses** was mainly attributable to costs incurred in settling pending actions against business units based in Italy for occupational disease litigations, for claims received from the various Group units, and for settling tax disputes in Turkey.

The **reversals** of surplus provisions mostly concerned disputes, claims and tax risks.

20. EMPLOYEE BENEFIT OBLIGATIONS

The item includes:

(in thousands of euro)

	06/30/2016	12/31/2015
Pension funds:		
- funded	133,620	154,413
- unfunded	102,272	96,375
Employee leaving indemnities (TFR - Italian companies)	41,560	38,625
Healthcare plans	21,975	21,449
Other benefits	61,365	51,678
	360,792	**362,540**

- Pension funds

The following table shows the **composition of pension funds at June 30, 2016**:

(in thousands of euro)

	06/30/2016						
	Germany	Sweden	Total unfunded pension funds	USA	UK	Other countries	Total funded pension funds
Funded funds							
Present value of funded liabilities				159,130	1,263,189	6,623	1,428,942
Fair value of plan assets				(117,866)	(1,172,037)	(5,419)	(1,295,322)
Unfunded funds							
Present value of unfunded liabilities	98,319	3,953	102,272				
Net liabilities recognised	**98,319**	**3,953**	**102,272**	**41,264**	**91,152**	**1,204**	**133,620**

The following table shows the **composition of pension funds at December 31, 2015**:

(in thousands of euro)

	12/31/2015						
	Germany	Sweden	Total unfunded pension funds	USA	UK	Other countries	Total funded pension funds
Funded funds							
Present value of funded liabilities				158,483	1,247,129	5,846	1,411,458
Fair value of plan assets				(122,875)	(1,129,387)	(4,783)	(1,257,045)
Unfunded funds							
Present value of unfunded liabilities	92,779	3,596	96,375				
Net liabilities recognised	**92,779**	**3,596**	**96,375**	**35,608**	**117,742**	**1,063**	**154,413**

Movements for the half year in the net liabilities of defined benefits (in reference to funded and non-funded pension funds) were as follows:

(in thousand of euro)

	Present value of gross liabilities	Fair value of plan assets	Total net liabilities
Opening balance at January 1, 2016	1,507,833	(1,257,045)	250,788
Translation difference	(152,325)	139,209	(13,116)
Movements through income statement:			
- current service cost	503	-	503
- interest expense / (income)	26,412	(22,906)	3,506
	26,915	(22,906)	4,009
Remeasurements recognized in equity:			
- actuarial (gains) / losses from change in demographic assumptions	3,726	-	3,726
- actuarial (gains) / losses from change in financial assumptions	187,902	-	187,902
- experience adjustment (gains) losses	(5,601)	-	(5,601)
- return on plan assets, net of interest income	-	(170,380)	(170,380)
	186,027	(170,380)	15,647
Employer contributions	-	(21,952)	(21,952)
Employee contributions	12	(12)	-
Benefits paid	(36,762)	36,762	-
Settlements	-	-	-
Other	(486)	1,001	515
Closing balance at June 30, 2016	**1,531,214**	**(1,295,323)**	**235,891**

The cost for the service is included in the item "personnel expenses" (Note 29), and net interests payable is included in "financial expenses" (Note 34).

Employees’ leaving indemnities (TFR)

Changes for the first half year for **employees’ leaving indemnities** (for Italian companies) were as follows:

(in thousands of euro)

	06/30/2016
Opening balance	38,625
Movements through income statement:	
- current service cost	504
- interest expense	406
Remeasurements recognized in equity:	
- actuarial (gains) losses arising from changes in financial assumptions	3,398
- experience (gains) losses	-
Indemnities/advanced payments	(893)
Other	(480)
Closing balance	**41,560**

The current cost of employee service is included in the item “personnel expenses” (note 29) while the net interests payable is included in the item “financial expenses” (note 34).

Healthcare plans

This item refers exclusively to the healthcare plan in place in the United States subsidiary. The following changes occurred during the period:

(in thousands of euro)

	06/30/2016
Opening balance	21,449
Translation differences	(410)
Movements through income statement:	
- current service cost	2
- interest expense	408
Remeasurements recognized in equity:	
- actuarial (gains) losses arising from changes in financial assumptions	1,290
- actuarial (gains) losses arising from changes in demographic assumptions	-
- experience (gains) losses	-
Benefits paid	(764)
Closing balance	**21,975**

The cost for the service is included in the item "personnel expenses" (Note 29), and net interests payable is included in "financial expenses" (Note 34).

Additional information regarding post-employment benefits

Net actuarial losses accrued in the first half year of 2016 and recognised directly in equity amounted to euro 20,410 thousand.

The principal actuarial assumptions used at June 30, 2016 were as follows:

	Italy	Germany	Netherlands	Sweden	UK	USA
Discount rate	1.35%	1.35%	1.35%	1.75%	2.90%	3.40%
Inflation rate	1.25%	1.75%	1.75%	1.50%	2.70%	N/A

The principal actuarial assumptions used at Decembre 31, 2015 were as follows:

	Italy	Germany	Netherlands	Sweden	UK	USA
Discount rate	2.10%	2.10%	2.10%	2.75%	3.90%	4.05%
Inflation rate	1.25%	1.75%	1.75%	1.50%	3.05%	N/A
Expected rate of wage and salary increases	-	3.00%	2.00%	-	-	N/A
Healthcare cost trend rates - initial	-	-	-	-	-	8.00%
Healthcare cost trend rates - final	-	-	-	-	-	4.50%

Other long-term benefits

The composition of the other benefits is as follows:

(in thousands of euro)

	06/30/2016	12/31/2015
Long-term incentive plans	9,800	-
Jubilee awards	16,508	17,348
Leaving indemnities - non Italian companies	28,891	26,881
Other long-term benefits	6,166	7,449
	61,365	**51,678**

21. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institution were as follows:

(in thousands of euro)

	06/30/2016			12/31/2015		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Bonds	593,903	593,903	-	1,231,006	731,224	499,782
Borrowings from banks	5,996,260	152,618	5,843,642	5,288,643	540,403	4,748,240
Borrowings from other financial institutions	5,147	2,344	2,803	20,517	2,344	18,173
Financial leasing payables	470	306	164	507	321	186
Accrued financial expenses and deferred financial income	37,034	96	36,938	25,593	63	25,530
Other financial payables	7,926	1,381	6,545	7,263	1,333	5,930
	6,640,740	**750,648**	**5,890,092**	**6,573,529**	**1,275,688**	**5,297,841**

The item **bonds** is relative to the **non-current portion** of the unrated bond, placed by Pirelli International Plc on the Eurobond market in November 2014 for a nominal amount of euro 600 million, with a fixed coupon of 1.75%. This reduction of this item at December 31, 2015 was mainly due to the early repayment on April 6, 2016 of the US Private Placement bond loan for USD 150 million which, in accordance with the contract terms, resulted in higher expenses which amounted to euro 25.4 million. This transaction was approved by the Company, as a result of the extraordinary operations for the purposes of the merger with Marco Polo Industrial Holding S.p.A. which reshaped the Group's credit profile through the assumption by Pirelli of additional financial debt of approximately euro 4.2 billion, and in the usual proactive context of managing the company’s financial liabilities as well as in the interest of its investors.

The **current portion** at December 31, 2015 was relative to the unrated bond, placed by Pirelli & C. S.p.A. on the Eurobond market in February 2011 for a nominal total amount of euro 500 million, with a fixed coupon of 5.125%. This loan was fully repaid in accordance to its natural maturity, in the month of February 2016.

The carrying amount for bonds was determined as follows:

(in thousands of euro)

	06/30/2016	**12/31/2015**
Nominal value	599,952	1,237,728
Transaction costs	(8,568)	(13,828)
Amortisation of effective interest rate	2,519	7,106
	593,903	**1,231,006**

The item **borrowings from banks**, which amounted to euro 5,996,260 thousand, mainly refers to:

- the use of the secured credit facility contracted by Marco Polo Industrial Holding S.p.A. ("Bidco Facility") of a nominal euro 4,258,137 thousand, with a syndicate of banks and subscribed to in order to finance the acquisition of the Pirelli Group. Of note is that the Company is required to refinance the credit facility within a limited period of time in accordance with the terms negotiated with the banks, and therefore the amount has been classified under current borrowings from banks.
- loans granted by the European Investment Bank (EIB) in favour of S.C. Pirelli Tyres Romania S.r.l. for local industrial investments. These loans totalling euro 50,000 thousand (euro 150,000 thousand at December 31, 2015), were fully used with euro 20,000 thousand reported under current borrowings from banks, while the residual part of euro 30,000 thousand was reported under non-current borrowings from banks. Also of note is that during the first half year of 2016 Pirelli Tyre S.p.A. repaid the loan, from the European Investment Bank (EIB) for a total of euro 100,000 thousand; which was outstanding at December 31, 2015.
- euro 828,678 thousand (euro 279,520 thousand at December 31, 2015) related to the use of the five year revolving credit and multi-currency term loan facility for a total of euro 1,000,000 thousand granted to Pirelli International Plc, subscribed to on January 9, 2015 to replace the preceding revolving credit facility of euro 1,200,000 thousand. Under the reorganisation of the structure of the Group's debt, this credit facility must be repaid within the limited period of time negotiated with the syndicate of banks, and has therefore been reclassified under current borrowings from banks.
- euro 200,000 thousand related to the five year term revolving credit facility and term loan granted to Pirelli & C. S.p.A., subscribed to on February 13, 2015 and fully used. Under the reorganisation of the structure of the Group's debt, this credit facility must be repaid within the limited period of time negotiated with the syndicate of banks, and has therefore been reclassified under current borrowings from banks.

- euro 5,000 thousand related to the *Schuldschein* (originally for a total nominal value of euro 155,000 thousand which at December 31, 2015 amounted to euro 37,000 thousand) a syndicated loan by the lender on the basis of a debt certificate governed by German law, granted to Pirelli International Plc and disbursed on December 14, 2012, classified under short-term borrowings from banks as a result of the change of control as provided for by the contractual conditions of this financial instrument; on June 14, 2016, the natural date of maturity, the tranche of euro 32,000 thousand was repaid;
- euro 67,007 thousand for certain loans classified as current borrowings from banks granted to the Mexican subsidiaries by the HSBC Bank of euro 30,158 thousand, and by Banco Santander and Banco BBVA of euro 14,690 thousand each, and by Citibank for euro 7,345 thousand. All these loans have a maturity of 180 days and are not covered by any type of guarantee;
- euro 30,000 thousand related to the uncommitted credit facility classified under short-term borrowings from banks granted to Pirelli International Plc by the Raiffeisen Bank. The credit facility of a further euro 29,305 thousand granted by Banco Santander was repaid on May 18, 2016.
- euro 34,489 thousand related to loans granted by a syndicate of banks including Santander, Banco Patagonia, HSBC, ISBC e Banco Nacion Argentina, classified under short-term borrowings from banks;
- the use of credit facilities at local level in Brazil, Colombia, Egypt, Turkey and the USA for euro 531,612 thousand, of which euro 409,946 thousand was classified as current borrowings from banks with the remainder, amounting to euro 121,666 thousand, classified as other non-current borrowings from banks.

Of note is that on February 16, 2016 the Board of Directors of Pirelli & C. S.p.A. approved the main details of a refinancing plan for a total amount of up to a maximum euro 7 billion aimed at extending debt maturities and optimising the debt structure. This refinancing is being finalised as at the date of this document.

The item **current accrued financial expenses and deferred financial income** (euro 36,938 thousand) mainly refers to accrued interest on loans granted by banks of euro 26,243 thousand (euro 853 thousand at December 31, 2015) and the accrued interest payable on bonds of euro 6,552 thousand (euro 23,757 thousand at December 31, 2015).

The item **other current financial liabilities** includes, amounts received from Monte Titoli for the acquisition of Pirelli shares by Marco Polo Industrial Holding S.p.A. and which must be returned to certain shareholders, (euro 1,509 thousand, euro 1,805 thousand at December 31, 2015), amounts to be paid to shareholders who had adhered to the withdrawal (euro 1,442 thousand), and outstanding loans of euro 2,093 thousand (2,619 thousand at December 31, 2015).

The item **other non-current financial payables** includes the security deposit towards Prelios S.p.A., of euro 1,332 thousand related to the lease of the R&D building, for the entire duration of the lease (October 15, 2012 – October 14, 2018).

The average cost of debt for the first quarter of 2016 was 6.24%.

The carrying amount of current payables is considered to approximate their fair value.

22. TRADE PAYABLES

Trade payables were composed as follows:

(in thousands of euro)

	06/30/2016			12/31/2015		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Suppliers	1,096,156	-	1,096,156	1,288,737	-	1,288,737
Bill and notes payable	21,834	-	21,834	31,321	-	31,321
	1,117,990	**-**	**1,117,990**	**1,320,058**	**-**	**1,320,058**

The carrying amount of trade payables is considered to approximate their fair value.

23. OTHER PAYABLES

Other payables are as follows:

(in thousands of euro)

	06/30/2016			12/31/2015		
	Total	Non-current	Current	Total	Non-current	Current
Accrued trade expenses and deferred trade income	70,545	40,887	29,658	65,812	40,450	25,362
Tax payables not related to income taxes	87,600	4,702	82,898	80,137	3,485	76,652
Payables to employees	145,964	6,755	139,209	149,446	24,186	125,260
Payables to social security and welfare intitutions	65,310	31,789	33,521	66,402	22,195	44,207
Dividends payable	7,353	-	7,353	6,879	-	6,879
Other payables	147,018	3,849	143,169	137,582	8,315	129,267
	523,790	**87,982**	**435,808**	**506,258**	**98,631**	**407,627**

The item **non-current accrued trade expenses and deferred trade income** refers to euro 37,593 thousand, to capital contributions received for investments made in Mexico and Romania, whose benefits are recognised in the Income Statement in proportion to the costs for which the contribution was disbursed.

The item **current accrued trade expenses and deferred trade income** includes, euro 5,154 thousand in government grants by the Piedmont Region for the financing of plants aimed at the realisation of the New Technological Centre, and whose benefits are recognised in the Income Statement in proportion to the costs for which the contribution was granted, with euro 3,783 thousand relative to the tax incentives for the Gravatai project realised in Brazil, and deferred for the duration of the amortisation period of the investment, euro 3,146 thousand for the amount not yet recorded in the Income Statement for government contributions received for the investments in Slatina in Romania, euro 3,045 thousand for various trade initiatives, euro 2,249 thousand for costs related to insurance coverage in some European countries, and euro 2,127 thousand for various promotional initiatives.

The item **tax payables for the taxes not related to income,** is mainly comprised of payables for VAT or equivalent taxes, indirect taxes not related to income and withholding tax for employees.

The item **payables to employees** mainly include amounts accrued during the period but not yet paid, as well as the residual debt related to the three year incentivisation plan.

The item **other current payables** (euro 143,169 thousand) mainly includes:

- euro 53,757 thousand for the purchase of property, plant and equipment (euro 78,333 thousand at December 31, 2015);
- euro 18,230 thousand for customer advances (euro 4,747 thousand at 31 December 2015);
- 18,698 thousand for debts related to trade initiatives, import expenses and transport;
- euro 11,349 thousand for withholding taxes on income (euro 9,914 thousand at December 31, 2015);
- euro 8,960 thousand in payables to directors, auditors and supervisory bodies (euro 6,851 thousand at December 31, 2015);
- euro 6,705 thousand in payables to representatives, agents, professionals and consultants (euro 6,467 thousand at December 31, 2015);
- euro 897 thousand for environmental and urban planning projects.

For other current and non-current payables, the carrying amount is considered to approximate their fair value.

24. TAX PAYABLES

Tax payables for the most part relate to national and regional income taxes in the various countries and totalled euro 82,919 thousand (of which euro 3,208 thousand for non-current liabilities) compared to euro 65,091 thousand at December 31, 2015 (of which euro 2,646 thousand for non-current liabilities).

25. DERIVATIVE FINANCIAL INSTRUMENTS

The item includes the fair value of derivative instruments and is composed as follows:

(in thousands of euro)

	06/30/2016		12/31/2015	
	Current Assets	**Current Liabilities**	**Current Assets**	**Current Liabilities**
Without adoption of hedge accounting				
Exchange rate derivatives - trade transactions	14,271	(15,653)	42,327	(36,825)
Exchange rate derivatives - included in net financial position	15,271	(90,977)	6,840	(15,149)
Interest rate derivatives	730	(759)	-	-
Hedge accounting adopted				
- cash flow hedge:				
Exchange rate derivatives - trade transactions	-	(1,000)	-	-
Interest rate derivatives	-	-	11,608	-
Other derivatives	17	-	530	(5)
	30,289	**(108,389)**	**61,305**	**(51,979)**
- Total derivatives included in net financial position	**15,271**	**(90,977)**	6,840	(15,149)

Derivative financial instruments not in hedge accounting

The value of **exchange rate derivatives** corresponds to the fair value of forward currency purchases/sales outstanding at the closing date of the period. These involve hedges for the Group's commercial and financial transactions for which hedge accounting was not adopted. The fair value is determined by using the forward exchange rate at the reporting date.

26. COMMITMENTS AND RISKS

Commitments for the purchase of property, plant and equipment

The commitments to purchase property, plant and equipment amounted to euro 104,813 thousand and refer mainly to companies in Russia, Romania, Brazil, Italy, Mexico and the UK.

Commitments for the purchase of equity investments/fund units

These refer to commitments to purchase shares in Equinox Two S.c.a., a private equity company specialising in investments in listed and unlisted companies with a high growth potential, for an equivalent value of a maximum of euro 2,159 thousand.

Other Risks

At the start of April 2014, the European Commission notified Pirelli and other subjects involved (including Prysmian Cavi e Sistemi, controlled by Pirelli since July 2005), of the decision made following the antitrust investigation regarding the energy cable business, which forsaw sanctions against Prysmian of approximately euro 104 million, a part of which, totalling euro 67 million, Pirelli was jointly liable along with Prysmian. This decision confirmed that there was no direct involvement by Pirelli in the alleged cartel. The alleged antitrust violation was attributable solely to the principle of parental liability, in that during part of the period of the alleged cartel, Prysmian was a subsidiary of Pirelli. Pirelli has filed an appeal to the European Court of Justice against the decision of the European Commission contesting the application of the principle of parental liability. In fact, Pirelli maintains that the parental liability principle cannot be applied.

The European Commission also ordered Pirelli to deposit a bank guarantee to cover the payment, if and when due, of 50% of the penalty levied on Prysmian and Pirelli jointly. As a consequence of the foregoing, on December 17, 2014, Pirelli provided the Commission with the requested guarantee.

Pirelli has commenced legal action before the Court of Milan so that the obligation of Prysmian to hold Pirelli harmless from any claim made including by the European Commission, in connection with the aforementioned penalty. Judgement has been suspended by the Court of Milan pending a final ruling by community judges. Pirelli has impugned the order for suspension before the Court of Cassation.

On November 23, 2015, Prysmian Cavi e Sistemi notified Pirelli of proceedings for the recovery of damages before the London High Court of Justice against Prysmian and other members of the cartel brought by National Grid and Scottish Power, companies who claim to have been injured by the alleged unlawful agreement. Specifically, Prysmian has submitted a plea to obtain from Pirelli and Goldman Sachs, based on the role played, at the time of the cartel, by its parent companies, to hold it harmless in respect of any obligations to pay claims by National Grid and Scottish Power.

Pirelli has challenged the lack of jurisdiction of the London High Court of Justice claiming that, since the above action recalled before the Court of Milan is still pending; it maintains that the decision on the merits must be referred to the aforementioned Court of Milan to which the case had previously been brought before. Following this action, a procedural understanding was reached that the English judgement be suspended until judgement is passed for sentencing for the already pending Italian proceedings,. Prysmian has refunded Pirelli a sum of GBP 150 thousand to cover the legal costs incurred by the latter in invoking the aforesaid lack of jurisdiction.

Pirelli, on the basis of accurate legal analyses provided by external counsel, maintains that it was not involved in the alleged irregularities of its former subsidiary and that full final liability for any breach must be borne exclusively by the company directly involved.

As a consequence of the foregoing, the assessment of the risk is such as not to require any specific provision to be set aside in the condensed consolidated half year Financial Statements as at June 30, 2016.

INCOME STATEMENT

Please note that the Income Statement figures for the first half year of 2015 are not shown/reported in the following tables as they are not comparable, as has been more fully explained in Note 2 "Basis of Presentation".

27. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were analysed as follows:

(in thousands of euro)

	1 H 2016
Revenues from sale of goods	2,892,937
Revenues from services	75,701
	2,968,638

28. OTHER REVENUES

The item is composed as follows:

(in thousands of euro)

	1 H 2016
Gains on disposal of property, plant and equipment	315
Rent income	3,753
Insurance indemnities and other refunds	5,052
Recoveries and reimbursements	31,389
Government grants	3,090
Other income	35,255
	78,854

The item **recoveries and reimbursements** in particular includes:

- tax refunds totalling euro 10,706 thousand arising from the tax facilitations obtained in Argentina, Egypt and in the state of Bahia in Brazil on trade exports;

- refunds of taxes and duties for a total of euro 10,945 thousand, received in Italy for euro 7,087 thousand, and in Germany for euro 1,758 thousand euro as grants for tyre disposals and gas and energy purchases, and in Brazil for euro 1,795 thousand as refunds for VAT credits;
- proceeds from the sale of scrap materials obtained from Turkey and the United Kingdom for a total of euro 2,317 thousand;
- the recovery of costs for marketing events, rental management fees, the development and transfer of products to Italy, Germany and the United Kingdom for a total of euro 1,453 thousand;
- rebates from utilities (electricity) of euro 1,211 thousand.

The item **other** includes income from sports activities which amounted to euro 16,093 thousand, income from the release of the provisions for liabilities and charges of euro 3,056 thousand, and from the release of the provision for bad debts of euro 545 thousand.

29. PERSONNEL EXPENSES

The item is composed as follows

(in thousands of euro)

	1 H 2016
Wages and salaries	458,110
Social security and welfare contributions	104,089
Costs for employee leaving indemnities and similar	14,240
Costs for defined contribution pension funds	10,896
Costs for defined benefit pension funds	503
Costs for jubilee awards	1,329
Costs for defined contribution healthcare plans	16,867
Other costs	4,537
	610,571

30. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The item is composed as follows

(in thousands of euro)

	1 H 2016
Amortisation	9,204
Depreciation	140,406
Impairment of property, plant and equipment	79
	149,689

31. OTHER COSTS

The item is subdivided as follows:

(in thousands of euro)

	1 H 2016	1 H 2015
Selling costs	160,967	-
Purchases of goods for resale	96,580	-
Fluids and power	95,289	-
Advertising	120,723	-
Professional advice	31,458	-
Maintenance	31,836	-
Warehouse operating costs	34,038	-
Leases, rental and lease installments	60,069	-
Outsourcing	20,436	-
Travel expenses	26,972	-
IT expenses	15,375	-
Other provisions	10,129	-
Duty stamps, duties and local taxes	18,015	-
Canteen	10,275	-
Bad debts	13,423	-
Insurance	16,479	-
Cleaning expenses	8,327	-
Waste disposal	11,605	-
Security expenses	5,641	-
Telephone expenses	5,615	-
Other	89,739	769
	882,991	**769**

32. NET INCOME (LOSS) FROM EQUITY INVESTMENTS

32.1 Share of the net income (loss) from equity investments in associates and joint ventures

The share of the net income (loss) from equity investments in associates and joint ventures was accounted for using the equity method and was negative for euro 38,835 thousand, and relates mainly to investments in Fenice S.r.l. (negative for euro 29,297 thousand), in Prelios S.p.A. (negative for euro 6,809 thousand), and in the joint venture PT Evolution Tyres in Indonesia (negative for euro 3,947 thousand). The share of the net income (loss) from the equity investment in Eurostazioni S.p.A. was instead positive for euro 1,118 thousand. For further details please refer to the data reported in the preceding Note 9.

32.2 Gains on equity investments

The balance for the first half year of 2016 mainly relates to the restatement of values (euro 8,566 thousand) implemented on the investment in the Fenice S.r.l. previously described in Note 9.

32.3 Losses on equity investments

This balance for the first half year of 2016 amounted to euro 20,724 thousand and refers mainly to the investment in Prelios S.p.A. (euro 9,908 thousand), in Pirelli de Venezuela C.A. (euro 7,861 thousand), and in Alitalia (euro 1.107 thousand) as well as to the withdrawal by Pirelli & C. S.p.A. from the company GWM Renewable Energy II S.p.A. (euro 1,692 thousand of which euro 1,172 thousand was for the reversal to the Income Statement of the cash flow hedge reserve), which was exchanged for shares of the Danish listed company Greentech Energy Systems A/S.

33. FINANCIAL INCOME

The item is composed as follows

(in thousands of euro)

	1H 2016
Interest	20,833
Other financial income	5,188
Net gains on exchange rates	18,049
	44,070

The item **interest** includes euro 8,378 thousand for interest on fixed income securities, euro 8,075 thousand for interest receivables from financial institutions, euro 2,228 thousand for interest interest rate swaps, and euro 1,275 thousand for interest on trade receivables.

The item **other financial income** mainly includes euro 4,337 thousand of interest matured on tax credits and on security deposits paid by the Brazilian subsidiaries as a guarantee for legal and tax disputes.

The item **net gains on exchange rates** which amounted to euro 18,049 thousand (gains of euro 1,481,107 thousand and losses of euro 1,463,058 thousand) refers to the adjustment of end of period exchange rates for items expressed in currencies other than the functional currency still in use at the reporting date, and to the net losses realised on items closed during the first half year.

In comparing the net gains on exchange rates, which totalled euro 18,049 thousand, with the fair value of the exchange rate derivatives for hedge exchange rates, which were negotiated as part of the Group's risk hedging strategy (net losses of euro 36,018 thousand), it can be concluded that the exchange rate risk management was essentially balanced considering that the negative balance which totalled euro 17,969 thousand was mainly due to the depreciation of the Egyptian currency (euro 20,598 thousand) which was not subject to hedging.

34. FINANCIAL EXPENSES

The item is composed as follows

(in thousands of euro)

	1H 2016
Interest	189,297
Commissions	47,210
Other financial expenses	3,914
Net interest costs on employee benefit obligations	5,526
Valuation at fair value of securities held for trading	91
Valuation at fair value of exchange rate derivatives	72,913
Valuation at fair value of other derivatives	5,994
	324,945

The item **interest** includes, euro 143,635 thousand deriving from the use of the secured credit facility contracted and subscribed to by Marco Polo Industrial Holding S.p.A. with a syndicate of banks for financing the acquisistion of the Pirelli Group, euro 3,818 thousand for the bond issued by Pirelli & C. S.p.A. in 2011 and repaid in February 2016, euro 2,310 thousand for the private placement placed by Pirelli International Plc on the US market at the end of 2012, euro 6,027 thousand for the bond placed by Pirelli International Plc on the Eurobond market in November 2014, and euro 1,942 thousand for interest on interest rate swaps.

The item **commissions** includes in particular, fees amounting to euro 25,424 thousand incurred for the early closing of the private placement placed by Pirelli International Plc on the US market at the end of 2012 with an original maturity of between 5 and 12 years, and commitment fees of euro 11,011 thousand deriving from the use of the secured credit facility contracted by Marco Polo Industrial Holding S.p.A.

The item **valuation at fair value of exchange rate derivatives** refers to the purchase/sale of the forward currency exchange rate hedge to cover trade and financial transactions in accordance with the exchange rate risk management policy of the group. For transactions still open at the end of the period, the fair value is determined using the forward currency exchange rate as at the reporting date of the Financial Statements. The valuation at fair value is composed of two elements: the interest component linked to the interest rate spread between the currencies, subject to the individual hedges, at a net cost of euro 36,894 thousand, and the exchange rate component, at a net cost of euro 36,018 thousand.

The item **fair value valuation of other derivative instruments** mainly includes the effect resulting from the early termination of four cross currency interest rate swaps negotiated in November 2012 to hedge the exposure to exchange rate risk and to limit exposure to interest rate risk associated with the private placement placed by Pirelli International Plc on the US market for a total nominal amount of USD 150 million, and reapaid early on April 6, 2016. For these derivatives hedge accounting of the cash flow type was adopted. The negative euro 3,224 thousand derives from the reversal to the Income Statement of the amount previously suspended in equity

35. TAXES

Taxes were composed as follows:

(in thousands of euro)

	1H 2016
Current taxes	93,476
Deferred taxes	(25,640)
	67,836

36. RELATED PARTY TRANSACTIONS

Related party transactions, including intercompany transactions, are neither unusual nor exceptional, but are part of the ordinary course of business for Group companies. Such transactions, when not settled under standard conditions, or are dictated by specific regulatory conditions, are in any case regulated by conditions in line with those of the market.

The effects of the related party transactions in Income Statement and the Statement of Financial Position, on the consolidated data for the Pirelli & C. Group as at June 30, 2016 were as follows:

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

(in millions of euro)

Revenues from sales/services and other income	1,3	The amount refers mainly to rental income and related rental management fees received from the Prelios Group (euro 0.9 million) and services rendered to PT Evoluzione Tyres (euro 0.3 million).
Other costs	13,8	This item includes acquisition costs for the purchase of energy and the hire of equipment from Industriekraftwerk Breuberg GmbH (euro 11.0 million), costs for the acquisition of products from PT Evoluzione Tyres (euro 2.7 million) and the supply of services by the consortium CORIMAV (euro 0, 1 million).
Other non-current receivables	6,3	Refers to a loan granted by Pirelli International Plc to PT Evoluzione Tyres
Current trade receivables	2,3	Includes receivables from services provided to the Prelios S.p.A. group (euro 1.3 million) and to PT Evoluzione Tyres (euro 1.0 million).
Other current receivables	0,2	The amount mainly refers to financial receivables from Fenice S.r.l. (euro 0.1 million).
Non-current borrowings from banks and other financial institutions	1,3	Security deposit received from Prelios S.p.A. to guarantee the lease of the Milan office.
Current trade payables	15,1	The amount mainly refers to payables for the purchase of energy from Industriekraftwerk Breuberg GmbH.
Other current payables	0,1	Other payables refers to the deferral of the portion relating to the rental fee of the Prelios S.p.A. office in Milan (euro 0.1 million).

37. OTHER INFORMATION

Research and development expenses

Research expenses for the first half year of 2016 amounted to to euro 114.8 million and represented 3.9% of sales. These were expensed in the Income Statement as they did not meet the requirements of the IFRS principles with regards to their capitalisation.

Exchange rates

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

(local currency vs euro)

	Period-end		Change in %	Average exchange rate 1H		Change in %
	06/30/2016	**12/31/2015**		**2016**	**2015**	
Swedish Krona	**9.4242**	9.1895	2.55%	**9.3015**	9.3401	(0.41%)
Australian Dollar	**1.4929**	1.4897	0.21%	**1.5214**	1.4261	6.68%
Canadian Dollar	**1.4384**	1.5116	(4.84%)	**1.4836**	1.3774	7.71%
Singaporean Dollar	**1.4957**	1.5417	(2.98%)	**1.5397**	1.5061	2.23%
U.S. Dollar	**1.1102**	1.0887	1.97%	**1.1161**	1.1158	0.03%
Taiwan Dollar	**35.8128**	35.7769	0.10%	**36.5661**	34.8141	5.03%
Swiss Franc	**1.0867**	1.0835	0.30%	**1.0961**	1.0567	3.73%
Egyptian Pound	**9.8586**	8.5214	15.69%	**9.4491**	8.4242	12.17%
Turkish Lira (new)	**3.2044**	3.1776	0.84%	**3.2556**	2.8576	13.93%
New Romanian Leu	**4.5210**	4.5245	(0.08%)	**4.4941**	4.4471	1.06%
Argentinian Peso	**16.6974**	14.1357	18.12%	**16.0255**	9.8467	62.75%
Mexican Peso	**20.4222**	18.9074	8.01%	**20.1407**	16.8726	19.37%
South African Rand	**16.4461**	16.9530	(2.99%)	**17.1897**	13.3048	29.20%
Brazilian Real	**3.5414**	4.2504	(16.68%)	**4.1237**	3.3115	24.53%
Chinese Renminbi	**7.3620**	7.0696	4.14%	**7.2884**	6.8384	6.58%
Russian Ruble	**71.2102**	79.6972	(10.65%)	**78.2979**	64.3300	21.71%
British Pound	**0.8265**	0.7340	12.61%	**0.7788**	0.7323	6.35%
Japanese Yen	**114.0500**	131.0700	(12.99%)	**124.3909**	134.2042	(7.31%)

Net financial liquidity (debt) position

(alternative performance indicator not provided for by the accounting standards)

(in thousand of euro)	Note	06/30/2016	12/31/2015
Current borrowings from banks and other financial institutions	**21**	5,890,092	5,297,841
Current derivative financial instruments (liabilities)	**25**	90,977	15,149
Non-current borrowings from banks and other financial institutions	**21**	750,648	1,275,688
Total gross debt		**6,731,717**	**6,588,678**
Cash and cash equivalents	**17**	(603,561)	(1,110,024)
Securities held for trading	**16**	(34,956)	(78,167)
Current financial receivables	**13**	(15,754)	(11,888)
Current derivative financial instruments (assets)	**25**	(15,271)	(6,840)
Non-current financial receivables	**13**	(62,757)	(50,738)
Total net financial (liquidity)/debt position		**5,999,418**	**5,331,021**

AREAS OF CONSOLIDATION

Companies consolidated line-by-line

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Europe						
Austria						
Pirelli GmbH	Tyre	Wien	Euro	726,728	100.00%	Pirelli Tyre (Suisse) SA
Belgium						
Pirelli Tyres Belux S.A.	Tyre	Brussels	Euro	700,000	100.00%	Pirelli Tyre (Suisse) SA
France						
Pneus Pirelli S.A.S.	Tyre	Villepinte	Euro	1,515,858	100.00%	Pirelli Tyre S.p.A.
Germany						
Deutsche Pirelli Reifen Holding GmbH	Tyre	Breuberg / Odenwald	Euro	7,694,943	100.00%	Pirelli Tyre S.p.A.
Drahtcord Saar Geschaeftsfuehrungs GmbH I.L in liquidation	Tyre	Merzig	Euro	60,000	50.00%	Pirelli Deutschland GmbH
Drahtcord Saar GmbH & Co. KG I.L. in liquidation	Tyre	Merzig	Euro	30,000,000	50.00%	Pirelli Deutschland GmbH
Driver Handelssysteme GmbH	Tyre	Breuberg / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Deutschland GmbH	Tyre	Breuberg / Odenwald	Euro	23,959,100	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pirelli Personal Service GmbH	Tyre	Breuberg / Odenwald	Euro	25,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
PK Grundstuecksverwaltungs GmbH	Tyre	Hoechst / Odenwald	Euro	26,000	100.00%	Deutsche Pirelli Reifen Holding GmbH
Pneumobil GmbH	Tyre	Breuberg / Odenwald	Euro	259,225	100.00%	Deutsche Pirelli Reifen Holding GmbH
TP Industrial Deutschland GmbH	Tyre	Breuberg / Odenwald	Euro	500,000	100.00%	Pirelli Industrial S.r.l.
Greece						
Elastika Pirelli C.S.A.	Tyre	Elliniko-Argyroupoli	Euro	11,630,000	99.90%	Pirelli Tyre S.p.A.
					0.10%	Pirelli Tyre (Suisse) SA
Pirelli Hellas S.A. (in liquidation)	Tyre	Athens	US $	22,050,000	79.86%	Pirelli Tyre S.p.A.
The Experts in Wheels - Driver Hellas C. S.A.	Tyre	Elliniko-Argyroupoli	Euro	100,000	72.80%	Elastika Pirelli C.S.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Italy						
Driver Italia S.p.A.	Tyre	Milan	Euro	350,000	71.48%	Pirelli Tyre S.p.A.
Driver Servizi Retail S.p.A.	Tyre	Milan	Euro	120,000	100.00%	Pirelli Tyre S.p.A.
HB Servizi S.r.l.	Services	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Maristel S.p.A.	Services	Milan	Euro	1,020,000	100.00%	Pirelli & C. S.p.A.
Pirelli & C. Ambiente S.r.l.	Sustainable mobility	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Pirelli Consumer Italia S.r.l.	Tyre	Milan	Euro	10,000	100.00%	Pirelli & C. S.p.A.
Pirelli Industrie Pneumatici S.r.l.	Tyre	Settimo Torinese (To)	Euro	40,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Labs S.p.A.	Services	Milan	Euro	5,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Servizi Amministrazione e Tesoreria S.p.A.	Services	Milan	Euro	2,047,000	100.00%	Pirelli & C. S.p.A.
Pirelli Sistemi Informativi S.r.l.	Information Systems	Milan	Euro	1,010,000	100.00%	Pirelli & C. S.p.A.
Pirelli Industrial S.r.l. (ex-Pirelli Tyre Commerciale Italia S.r.l.)	Tyre	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Industrial S.r.l.	Tyre	Milan	Euro	100,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyre S.p.A.	Tyre	Milan	Euro	756,820,000	100.00%	Pirelli & C. S.p.A.
Poliambulatorio Bicocca S.r.l.	Services	Milan	Euro	10,000	100.00%	Pirelli Tyre S.p.A.
Servizi Aziendali Pirelli S.C.p.A.	Services	Milan	Euro	104,000	92.25%	Pirelli & C. S.p.A.
					2.95%	Pirelli Tyre S.p.A.
					0.98%	Pirelli Industrial S.r.l.
					0.98%	Pirelli Industrie Pneumatici S.r.l.
					0.95%	Pirelli Servizi Amministrazione e Tesoreria S.p.A.
					0.95%	Pirelli Labs S.p.A.
					0.95%	Pirelli Sistemi Informativi S.r.l.
The Netherlands						
E-VOLUTION Tyre B.V.	Tyre	Rotterdam	Euro	261,700,000	65.00%	Pirelli Tyre S.p.A.
Pirelli China Tyre N.V.	Tyre	Rotterdam	Euro	38,045,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Tyres Nederland B.V.	Tyre	Rotterdam	Euro	18,152	100.00%	Pirelli Tyre (Suisse) SA
Poland						
Driver Polska Sp. z o.o.	Tyre	Warsaw	Pol. Zloty	100,000	67.50%	Pirelli Polska Sp. z o.o.
Pirelli Polska Sp. z o.o.	Tyre	Warsaw	Pol. Zloty	625,771	100.00%	Pirelli Tyre S.p.A.
TP Industrial Polska Sp. z o.o.	Tyre	Warsaw	Pol. Zloty	5,000,000	100.00%	Pirelli Industrial S.r.l.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
United Kingdom						
CTC 2008 Ltd	Tyre	Burton on Trent	British Pound	100,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Cif Trustees Ltd	Financial	Burton on Trent	British Pound	4	25.00%	Pirelli General Executive Pension Trustees LTD
					25.00%	Pirelli General & Overseas Pension Trustees LTD
					25.00%	Pirelli Tyres Executive Pension Trustees LTD
					25.00%	Pirelli Tyres Pension Trustees LTD
Pirelli International plc	Financial	Burton on Trent	Euro	250,000,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Motorsport Services Ltd	Tyre	Burton on Trent	British Pound	1	100.00%	Pirelli Tyre S.p.A.
Pirelli General Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli General & Overseas Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli UK Ltd
Pirelli Tyres Executive Pension Trustees Ltd	Financial	Burton on Trent	British Pound	1	100.00%	Pirelli Tyres Ltd
Pirelli Tyres Ltd	Tyre	Burton on Trent	British Pound	16,000,000	100.00%	Pirelli UK Tyres Ltd
Pirelli Tyres Pension Trustees Ltd	Tyre	Burton on Trent	British Pound	1	100.00%	Pirelli Tyres Ltd
Pirelli UK Ltd	Financial	Burton on Trent	British Pound	163,991,278	100.00%	Pirelli & C. S.p.A.
Pirelli UK Tyres Ltd	Tyre	Burton on Trent	British Pound	85,000,000	100.00%	Pirelli Tyre S.p.A.
TP Industrial UK Limited	Tyre	Burton on Trent	British Pound	1,200,001	100.00%	Pirelli Industrial S.r.l.
Slovakia						
Pirelli Slovakia S.R.O.	Tyre	Bratislava	Euro	6,639	100.00%	Pirelli Tyre S.p.A.
Romania						
S.C. Pirelli & C. Eco Technology RO S.r.l.	Sustainable mobility	Oras Bumbesti-Jiu	Rom. Leu	40,000,000	100.00%	Pirelli & C. Ambiente S.r.l.
S.C. Pirelli Tyres Romania S.r.l.	Tyre	Slatina	Rom. Leu	853,912,300	100.00%	Pirelli Tyre S.p.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Russia						
Closed Joint Stock Company "Voronezh Tyre Plant"	Tyre	Voronezh	Russian Rouble	1,520,000,000	100.00%	Limited Liability Company Pirelli Tyre Russia
OOO Pirelli Tyre Services	Tyre	Moscow	Russian Rouble	54,685,259	95.00%	Pirelli Tyre (Suisse) SA
					5.00%	Pirelli Tyre S.p.A.
Limited Liability Company "AMTEL-Russian Tyres"	Tyre	Moscow	Russian Rouble	10,000	100.00%	Limited Liability Company Pirelli Tyre Russia
Limited Liability Company Pirelli Tyre Russia	Tyre	Moscow	Russian Rouble	4,000,000	99.91%	E-VOLUTION Tyre B.V.
					0.09%	OOO Pirelli Tyre Services
Limited Liability Company "Vyatskaya Shina"	Tyre	Kirov	Russian Rouble	4,912,000	100.00%	Open Joint Stock Company "Kirov Tyre Plant"
Open Joint Stock Company "Kirov Tyre Plant"	Tyre	Kirov	Russian Rouble	354,088,639	100.00%	Limited Liability Company Pirelli Tyre Russia
Spain						
Euro Driver Car S.L.	Tyre	L'Hospitalet Del Llobregat	Euro	960,000	58.44%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
					0.31%	Omnia Motor S.A. - Sociedad Unipersonal
Omnia Motor S.A. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	1,502,530	100.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Pirelli Neumaticos S.A. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	25,075,907	100.00%	Pirelli Tyre S.p.A.
TP Industrial Espana Y Portugal S.L. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	3,000,000	100.00%	Pirelli Industrial S.r.l.
Tyre & Fleet S.L. - Sociedad Unipersonal	Tyre	L'Hospitalet Del Llobregat	Euro	20,000	100.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Sweden						
Dackia Aktiebolag	Tyre	Taby	Swed. Krona	31,000,000	100.00%	Pirelli Tyre S.p.A.
Inter Wheel Sweden Aktiebolag	Tyre	Karlstad	Swed. Krona	1,000,000	100.00%	Dackia Aktiebolag
Pirelli Tyre Nordic Aktiebolag	Tyre	Bromma	Swed. Krona	950,000	100.00%	Pirelli Tyre S.p.A.
Switzerland						
Pirelli Group Reinsurance Company SA	Reinsurance	Lugano	Swiss Franc	8,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Tyre (Suisse) SA	Tyre	Basel	Swiss Franc	1,000,000	100.00%	Pirelli Tyre S.p.A.
TP Industrial (Suisse) SA	Tyre	Basel	Swiss Franc	4,000,000	100.00%	Pirelli Industrial S.r.l.
Turkey						
TP Endüstriyel ve Ticari Lastikler A.S.	Tyre	Istanbul	Turkey Lira	204,500,000	100.00%	Pirelli Industrial S.r.l.
Pirelli Otomobil Lastikleri A.S.	Tyre	Istanbul	Turkey Lira	85,000,000	100.00%	Pirelli Tyre S.p.A.
Hungary						
Pirelli Hungary Tyre Trading and Services Ltd	Tyre	Budapest	Hun. Forint	3,000,000	100.00%	Pirelli Tyre S.p.A.

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
North America						
Canada						
Pirelli Tire Inc.	Tyre	St-Laurent (Quebec)	Can. $	6,000,000	100.00%	Pirelli Tyre (Suisse) SA
U.S.A.						
Pirelli North America Inc.	Tyre	New York (New York)	US $	10	100.00%	Pirelli Tyre S.p.A.
Pirelli Tire LLC	Tyre	Rome (Georgia)	US $	1	100.00%	Pirelli North America Inc.
TP Commercial Solutions LLC	Tyre	Rome (Georgia)	US $	10	100.00%	TP Industrial Tires, Inc.
TP Industrial Tires, Inc.	Tyre	Rome (Georgia)	US $	1	100.00%	Pirelli Industrial S.r.l.
Central/South America						
Argentina						
Pirelli Neumaticos S.A.I.C.	Tyre	Buenos Aires	Arg. Peso	101,325,176	66.50%	Pirelli Tyre S.p.A.
					28.50%	Pirelli Industrial S.r.l.
					5.00%	Pirelli Pneus Ltda
TP Industrial Tyres S.A.	Tyre	Buenos Aires	Arg. Peso	100,000	95.00%	Pirelli Tyre S.p.A.
					5.00%	Pirelli Pneus Ltda
Brazil						
Comercial e Importadora de Pneus Ltda	Tyre	Sao Paulo	Bra. Real	101,427,384	64.00%	Pirelli Pneus Ltda
CPA - Comercial e Importadora de Pneus Ltda	Tyre	Barueri	Bra. Real	200,000	100.00%	Comercial e Importadora de Pneus Ltda
Ecosil - Industria Quimica do Brasil Ltda	Tyre	Meleiro	Bra. Real	9,699,055	97.88%	Pirelli Pneus Ltda
Pirelli Comercial de Pneus Brasil Ltda	Tyre	Sao Paulo	Bra. Real	3,599,700	100.00%	Pirelli Tyre S.p.A.
Pirelli Latam Participacoes Ltda	Tyre	Sao Paulo	Bra. Real	10,000	100.00%	Pirelli Tyre S.p.A.
Pirelli Ltda	Financial	Sao Paulo	Bra. Real	14,000,000	100.00%	Pirelli & C. S.p.A.
Pirelli Pneus Ltda	Tyre	Santo Andrè	Bra. Real	750,117,627	100.00%	Pirelli Tyre S.p.A.
Pirelli Properties Ltda	Financial	Santo Andrè	Bra. Real	2,000,000	100.00%	Pirelli Ltda
RF Centro de Testes de Produtos Automotivos Ltda	Tyre	Elias Fausto (Sao Paulo)	Bra. Real	6,812,000	100.00%	Pirelli Pneus Ltda
TP Industrial de Pneus Brasil Ltda	Tyre	San Paolo	Bra. Real	90,020,522	100.00%	Pirelli Industrial S.r.l.
TLM - Total Logistic Management Serviços de Logistica Ltda	Tyre	Santo Andrè	Bra. Real	3,074,417	99.98%	Pirelli Pneus Ltda
					0.02%	Pirelli Ltda
Chile						
Pirelli Neumaticos Chile Ltda	Tyre	Santiago	Chile Peso/000	1,918,451	99.98%	Pirelli Pneus Ltda
					0.02%	Pirelli Ltda
Colombia						
Pirelli de Colombia SAS	Tyre	Santa Fe De Bogota	Col. Peso/000	3,315,070	96.12%	TP Industrial de Pneus Brasil Ltda
					2.28%	Pirelli de Venezuela C.A.
					1.60%	TLM - Total Logistic Management Serviços de Logistica Ltda
Pirelli Tyre Colombia S.A.S.	Tyre	Santa Fe De Bogota	Col. Peso/000	5,000,000,000	100.00%	Pirelli Pneus Ltda
Perù						
Pirelli de Peru S.A.C.	Tyre	Lima	Nuevos Soles	837,745	100.00%	Pirelli Pneus Ltda

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Mexico						
Pirelli Neumaticos de Mexico S.A. de C.V.	Tyre	Silao	Mex. Peso	35,098,400	99.98%	Pirelli Tyre S.p.A.
					0.02%	Pirelli Ltda
Pirelli Neumaticos S.A. de C.V.	Tyre	Silao	Mex. Peso	3,249,016,500	99.40%	Pirelli Tyre S.p.A.
					0.60%	Pirelli Pneus Ltda
Pirelli Servicios S.A. de C.V.	Tyre	Silao	Mex. Peso	50,000	99.00%	Pirelli Tyre S.p.A.
					1.00%	Pirelli North America Inc.
Servicios Pirelli Mexico S.A. de C.V. (In liquidation)	Tyre	Silao	Mex. Peso	50,000	99.00%	Pirelli Pneus Ltda
					1.00%	Pirelli Ltda
TP Servicios Industrial Tyre Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	50,000	99.00%	Pirelli Industrial S.r.l.
					1.00%	TP Industrial de Pneus Brasil Ltda
TP Tyre Industrial Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	175,000,000	99.00%	Pirelli Industrial S.r.l.
					1.00%	TP Industrial de Pneus Brasil Ltda

Africa

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Egypt						
Alexandria Tire Company S.A.E.	Tyre	Alexandria	Egy. Pound	393,000,000	89.08%	Pirelli Industrial S.r.l.
					0.03%	Pirelli Tyre (Suisse) SA
International Tire Company Ltd	Tyre	Alexandria	Egy. Pound	50,000	99.80%	Alexandria Tire Company S.A.E.
South Africa						
Pirelli Tyre (Pty) Ltd	Tyre	Centurion	S.A. Rand	1	100.00%	Pirelli Tyre (Suisse) SA

Oceania

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Australia						
Pirelli Tyres Australia Pty Ltd	Tyre	Sydney	Aus. $	150,000	100.00%	Pirelli Tyre (Suisse) SA
New Zealand						
Pirelli Tyres (NZ) Ltd	Tyre	Auckland	N.Z. $	100	100.00%	Pirelli Tyres Australia Pty Ltd

Asia

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
China						
Pirelli Tyre Co., Ltd	Tyre	Yanzhou	Ch. Renminbi	1,721,150,000	90.00%	Pirelli China Tyre N.V.
Pirelli Tyre Trading (Shanghai) Co., Ltd	Tyre	Shangai	US $	700,000	100.00%	Pirelli China Tyre N.V.
TP Trading (Beijing) Co., Ltd	Tyre	Beijing	Ch. Renminbi	2,000,000	100.00%	Pirelli Industrial S.r.l.
Yanzhou HIXIH Ecotech Environment Co., Ltd	Sustainable mobility	Yanzhou	Ch. Renminbi	130,000,000	100.00%	Pirelli Tyre Co. Ltd
Korea						
Pirelli Korea Ltd	Tyre	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd
Japan						
Pirelli Japan Kabushiki Kaisha	Tyre	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
Singapore						
Pirelli Asia Pte Ltd	Tyre	Singapore	Sing. $	2	100.00%	Pirelli Tyre (Suisse) SA
Taiwan						
Pirelli Taiwan Co. Ltd	Tyre	New Taipei City	N.T. $	10,000,000	100.00%	Pirelli Tyre (Suisse) SA

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Mexico						
Pirelli Neumaticos de Mexico S.A. de C.V.	Tyre	Silao	Mex. Peso	35,098,400	99.98%	Pirelli Tyre S.p.A.
					0.02%	Pirelli Ltda
Pirelli Neumaticos S.A. de C.V.	Tyre	Silao	Mex. Peso	3,249,016,500	99.40%	Pirelli Tyre S.p.A.
					0.60%	Pirelli Pneus Ltda
Pirelli Servicios S.A. de C.V.	Tyre	Silao	Mex. Peso	50,000	99.00%	Pirelli Tyre S.p.A.
					1.00%	Pirelli North America Inc.
Servicios Pirelli Mexico S.A. de C.V. (In liquidation)	Tyre	Silao	Mex. Peso	50,000	99.00%	Pirelli Pneus Ltda
					1.00%	Pirelli Ltda
TP Servicios Industrial Tyre Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	50,000	99.00%	Pirelli Industrial S.r.l.
					1.00%	TP Industrial de Pneus Brasil Ltda
TP Tyre Industrial Mexico S.A. de C.V.	Tyre	Mexico City	Mex. Peso	175,000,000	99.00%	Pirelli Industrial S.r.l.
					1.00%	TP Industrial de Pneus Brasil Ltda
Africa						
Egypt						
Alexandria Tire Company S.A.E.	Tyre	Alexandria	Egy. Pound	393,000,000	89.08%	Pirelli Industrial S.r.l.
					0.03%	Pirelli Tyre (Suisse) SA
International Tire Company Ltd	Tyre	Alexandria	Egy. Pound	50,000	99.80%	Alexandria Tire Company S.A.E.
South Africa						
Pirelli Tyre (Pty) Ltd	Tyre	Centurion	S.A. Rand	1	100.00%	Pirelli Tyre (Suisse) SA
Oceania						
Australia						
Pirelli Tyres Australia Pty Ltd	Tyre	Sydney	Aus. $	150,000	100.00%	Pirelli Tyre (Suisse) SA
New Zealand						
Pirelli Tyres (NZ) Ltd	Tyre	Auckland	N.Z. $	100	100.00%	Pirelli Tyres Australia Pty Ltd
Asia						
China						
Pirelli Tyre Co., Ltd	Tyre	Yanzhou	Ch. Renminbi	1,721,150,000	90.00%	Pirelli China Tyre N.V.
Pirelli Tyre Trading (Shanghai) Co., Ltd	Tyre	Shangai	US $	700,000	100.00%	Pirelli China Tyre N.V.
TP Trading (Beijing) Co., Ltd	Tyre	Beijing	Ch. Renminbi	2,000,000	100.00%	Pirelli Industrial S.r.l.
Yanzhou HIXIH Ecotech Environment Co., Ltd	Sustainable mobility	Yanzhou	Ch. Renminbi	130,000,000	100.00%	Pirelli Tyre Co. Ltd
Korea						
Pirelli Korea Ltd	Tyre	Seoul	Korean Won	100,000,000	100.00%	Pirelli Asia Pte Ltd
Japan						
Pirelli Japan Kabushiki Kaisha	Tyre	Tokyo	Jap. Yen	2,200,000,000	100.00%	Pirelli Tyre S.p.A.
Singapore						
Pirelli Asia Pte Ltd	Tyre	Singapore	Sing. $	2	100.00%	Pirelli Tyre (Suisse) SA
Taiwan						
Pirelli Taiwan Co. Ltd	Tyre	New Taipei City	N.T. $	10,000,000	100.00%	Pirelli Tyre (Suisse) SA

Investments accounted for by the equity method

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Europe						
Germany						
Industriekraftwerk Breuberg GmbH	Cogeneration	Hoechst / Odenwald	Euro	1,533,876	26.00%	Pirelli Deutschland GmbH
Greece						
Eco Elastika S.A.	Tyre	Athens	Euro	60,000	20.00%	Elastika Pirelli C.S.A.
Italy						
Consorzio per la Ricerca di Materiali Avanzati (CORIMAV)	Financial	Milan	Euro	103,500	100.00%	Pirelli & C. S.p.A.
Eurostazioni S.p.A.	Financial	Rome	Euro	160,000,000	32.71%	Pirelli & C. S.p.A.
Fenice S.r.l.	Financial	Milan	Euro	41,885,034	69.88%	Pirelli & C. S.p.A.
Focus Investments S.p.A.	Financial	Milan	Euro	183,333	25.00%	Pirelli & C. S.p.A.
International Media Holding S.p.A.	Financial	Milan	Euro	50,000	13.75%	
Prelios S.p.A.	Financial	Milan	Euro	426,441,257	12.85%	Pirelli & C. S.p.A. of the voting shares
Slovakia						
ELT Management Company Slovakia S.R.O.	Tyre	Bratislava	Euro	132,000.00	20.00%	Pirelli Slovakia S.R.O.
Romania						
S.C. Eco Anvelope S.A.	Tyre	Bucarest	Rom. Leu	160,000	20.00%	S.C. Pirelli Tyres Romania S.r.l.
Spain						
Signus Ecovalor S.L.	Tyre	Madrid	Euro	200,000	20.00%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
Asia						
Indonesia						
PT Evoluzione Tyres	Tyre	Subang	$ USA	68,000,000	60.00%	Pirelli Tyre S.p.A.

Other investments considered

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Venezuela						
Pirelli de Venezuela C.A.	Tyre	Valencia	Ven. Bolivar/000	20,062,679	96.22%	Pirelli Tyre S.p.A.

(*) Subsidiary deconsolidated at 31.12.2015 with 96.22% of share capital in possession

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Review report on the condensed consolidated half year financial statements
(Translation from the original Italian text)

To the Shareholder of
Pirelli & C. S.p.A.

Introduction

We have reviewed the condensed consolidated half year financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes of Pirelli & C. S.p.A. and its subsidiaries (the "Pirelli Group") as of 30 June 2016. The Directors of Pirelli & C. S.p.A. are responsible for the preparation of the condensed consolidated half year financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half year financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of condensed consolidated half year financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated half year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half year financial statements of Pirelli Group as of 30 June 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other matters

As a result of the merger of Marco Polo Industrial Holding S.p.A. into Pirelli & C. S.p.A., the condensed consolidated half year financial statements for the six-month period ended 30 June 2016 present, for comparative purposes, corresponding amounts as at 31 December 2015 which refer to the consolidated financial statements of Marco Polo Industrial Holding S.p.A. Group, for which we issued our audit report on 5 April 2016, and corresponding amounts for the

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six-month period ended 30 June 2015 of Marco Polo Industrial Holding S.p.A., that have not been audited or reviewed by us. Presentation of comparative amounts for the six-month period ended 30 June 2015 and their disclosure in the explanatory notes have been examined for the purposes of this review report.

Milan, 1 August 2016

EY S.p.A.
Signed by: Pietro Carena, Partner

This report has been translated into the English language solely for the convenience of international readers