1Q 2016 Financial Results

May 12, 2016

PEOPLE | INNOVATION | TECHNOLOGY

KEY MESSAGES

1 Sound 1Q 2016 results despite difficult scenario in South America and Russia

- Premium outperformance, now accounting for 67% of Consumer revenues
- Best price/mix improvement in the industry
- Profitability confirmed at high level: yoy Ebit improvement by internal levers (price/mix and efficiencies)

2 New Pzero launch

- Consolidation of our worldwide leadership in the Prestige segment and enhancement of our presence in Premium
- The most advanced expression of tyre technology available today, directly derived from F1 experience
- Already chosen by the finest Car makers (60 homologations)

AGENDA

1. 1Q 2016 RESULTS
2. CONSUMER AND INDUSTRIAL PERFORMANCE
3. APPENDIX

PIRELLI KEY FINANCIAL RESULTS

€/Mln	1Q 15 *Reported*	1Q 15 *Excl. Venezuela*	1Q 16	*Δ vs. 1Q 15 (excl. Venezuela)*
Revenues	**1,568.4**	**1,498.6**	**1,436.0**	*-4.2%*
Organic Growth[1]	*+2.4%*	*n.a.*		*+5.1%*
EBITDA before non recurring items and restr. costs	**291.9**	**282.9**	**290.0**	*+2.5%*
Margin	*18.6%*	*18.9%*	*20.2%*	*+1.3 p.p.*
EBIT before non recurring items and restr. costs	**213.4**	**206.9**	**215.5**	*+4.2%*
Margin	*13.6%*	*13.8%*	*15.0%*	*+1.2 p.p.*
EBIT	**210.1**	**203.6**	**200.2**	*-1.7%*
Margin	*13.4%*	*13.6%*	*13.9%*	*+0.3 p.p.*
Results from Equity Investments	(2.5)		(42.5)	
Financial Income / (Charges)	(52.1)		(82.7)	
PBT	**155.5**		**75.0**	
Tax Rate	*34.8%*		*46.2%*	
Net Income before disc. operations	**101.4**		**40.4**	
Discontinued operations	(16.8)		0.0	
Net Income	**84.6**		**40.4**	
Attributable Net Income	**82.0**		**39.8**	
Investments[2]	**85.6**		**74.0**	
Net Debt	**1,732.9**	**1,946.6**	**1,903.7**	*-2.2%*

1Q Highlights

Sound organic growth sustained by:

- Premium outperformance (+11.7% volume growth, ~+2pp vs the market)
- Strong price mix trend (+6.1% yoy)

- Quality top line drivers and efficiencies translated into profitability improvement
- Consumer profitability at 17.1% (+2pp yoy), Industrial business impacted by the LatAm weakness

- Mainly attributable to Fenice and Prelios value adjustment

- Higher financial charges due to early repayment of US Private Placement

- Net Debt trend in line with seasonality of net working capital

[1] Excluding exchange rate effects; [2] Tangible and Intangible investments

1Q 2016 PERFORMANCE BY REGION

€/Mln	Tyre Sales	Δ YoY	*Organic growth*[1]	Consumer Sales	Δ YoY	*Organic growth*[2]	Industrial Sales	Δ YoY	*Organic growth*[2]	Tyre EBIT Margin[3]
Total	**1,435.1**	-4.0%	***+5.3%***	**1,165.7**	-1.0%	***+6.9%***	**269.4**	-15.3%	***-1.0%***	**15.1% (+1.1 pp yoy)**
Europe	**38%**	+1.2%	***+1.7%***	**44%**	+2.0%		**15%**	-8.5%		**Mid-teens** (improving YoY)
NAFTA	**15%**	+6.8%	***+6.7%***	**18%**	+7.9%		**2%**	-20.0%		**Twenties** (improving YoY)
	47%	-10.7%	***+7.4%***	**38%**	-7.7%		**83%**	-16.2%		
Russia & CIS	**2%**	-17.7%	***-4.2%***		-18.0%			n.m.		**Negative** (declining YoY)
MEAI	**11%**	+13.5%	***+20.9%***		-1.7%			+25.7%		**High-teens** (stable YoY)
APac	**11%**	-4.4%	***-1.6%***		-2.8%			-22.9%		**Twenties** (improving YoY)
South America	**23%**	-20.3%	***+7.7%***		-10.5%			-33.5%		**High-single digit** (declining YoY)

[1] Excluding exchange rate effects and Venezuela; [2] Excluding exchange rate effects, Venezuela and Consumer/Industrial perimeter change; [3] Before non recurring items and restructuring costs

1Q 2016 PREMIUM PERFORMANCE BY REGION

€/Mln

	1Q 2015	1Q 2016	Δ YoY	***Organic growth[1]***
Total	**721.0**	**781.9**	**+8.4%**	***+10.5%***
Europe	50%	51%	+12.4%	+13.1%
NAFTA	24%	24%	+11.3%	+12.4%
	26%	**25%**		
Russia & CIS	1%	1%	*-4.1%*	+9.6%
MEAI	4%	4%	*+8.3%*	+13.2%
South America	5%	4%	*-19.6%*	+6.5%
APac	16%	16%	*+1.2%*	+3.7%
Weight on Consumer Revenues	***61%***	**67%**		

- Strong performance backed by:
  - Volume outperformance in the ≥18” replacement channel
  - Mix improvement due to reinforced leadership in technological niches, such as RunFlat, SUV and marked items
- Growth continues in Car Dealer channel, improved coverage and penetration in both Retail and Wholesale

- Successful product innovation: new AS lines tailored for US market (e.g. Scorpion Verde) and increasing penetration of OE marked tyres
- Market share gain in Super Premium

- **Russia and CIS**: volume outperformance and price increases to offset FX volatility
- **MEAI:** Premium and Super Premium market share gain in the region
- **South America**: leadership confirmed, volume growth penalized by lower OE activity, price/mix increase in response to FX depreciation
- **APac**: tough yoy comparison (+42% yoy revenues growth in 1Q15). Sound volume growth in Premium outperforming the market; lighter price/mix contribution given the higher weight of OE sales (homologation portfolio further expanded) and raw mat indexation clauses.

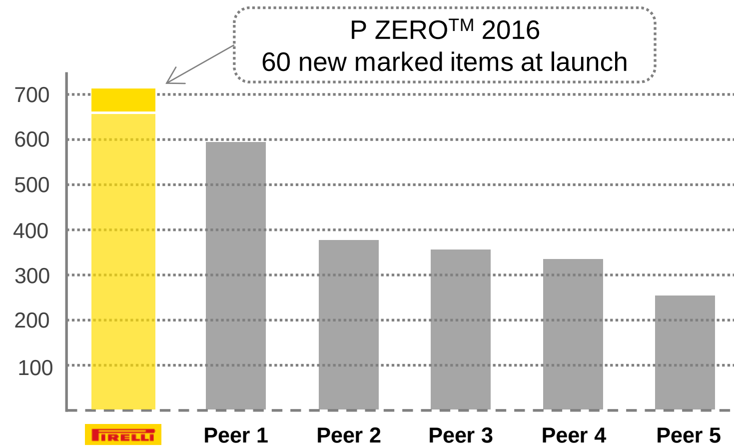
[1] Excluding exchange rate effects, Venezuela and Consumer/Industrial perimeter change

INTRODUCING THE NEW P ZERO™ GENERATION

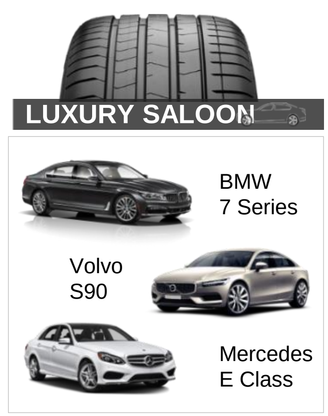
Leveraging a rich heritage and F1. ..

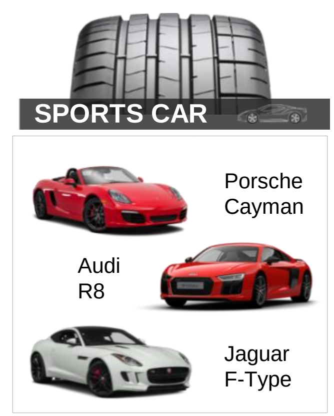
- **30 years of history**, being the reference for Supercars and Motorsport, resulting in a portfolio of **>800 homologations**
- **The most advanced expression of tyre technology** available today in terms of road holding at high speed, noise reduction and rolling resistance
- **F1 Bead technology** directly derived from **Formula 1**
- **Taylor-made strategy**: extreme customization of tyres for each car model to meet performance requirements; **available in 3 variants: Luxury Saloon, Sports Car** and **Super Car**
- **A complete range**, covering the UHP market with 77 items at launch, in 18"-22" sizes

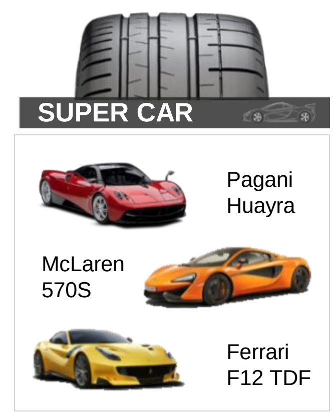
…while confirming our leadership on OE-marked items



3 models, same Brand, already chosen by the finest OEMs

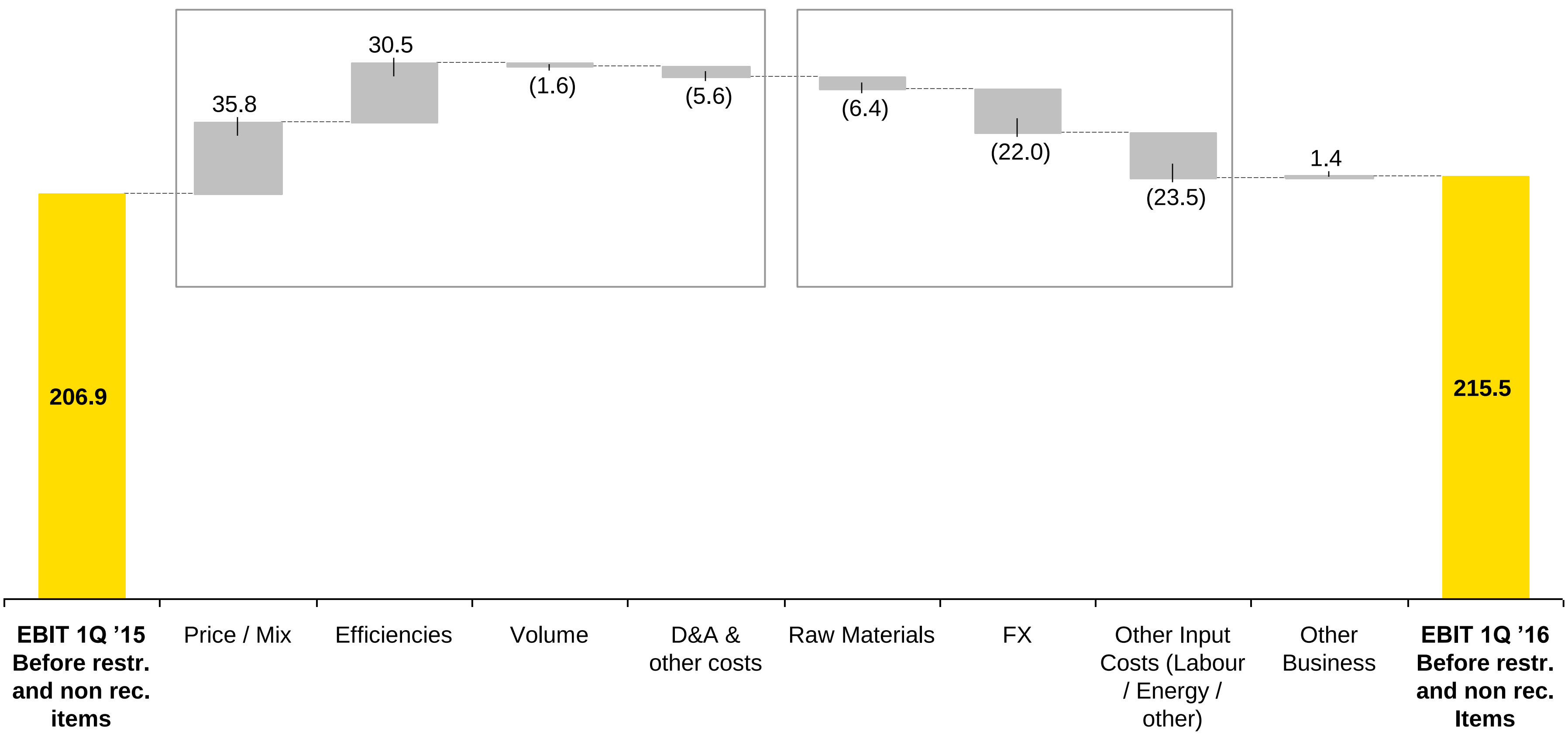






PIRELLI GROUP OPERATING PERFORMANCE

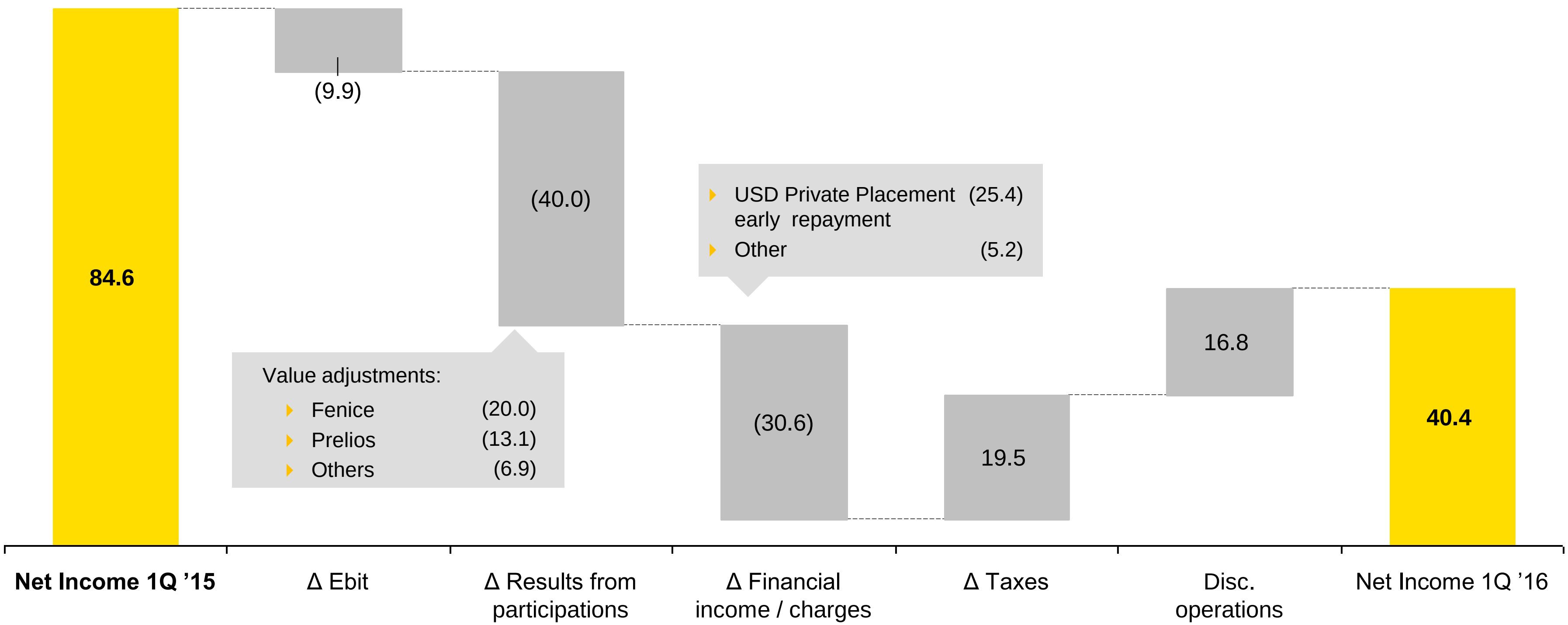
€/Mln



Note: 1Q 2015 Ebit net of Venezuela

PIRELLI NET INCOME 1Q 2016 VS 1Q 2015

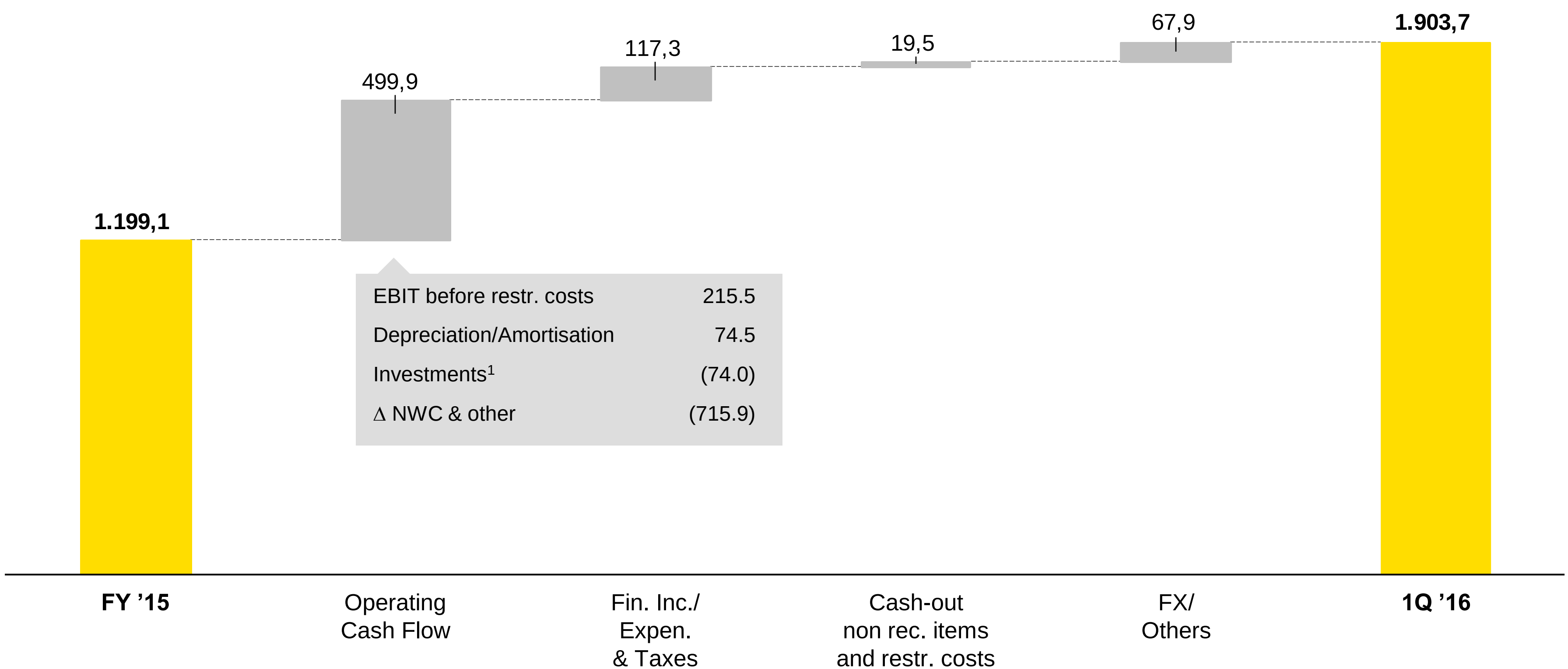
€/Mln



Note: Net Income 1Q ’15 Reported, including Venezuela

1Q 2016 NET FINANCIAL POSITION

€/Mln

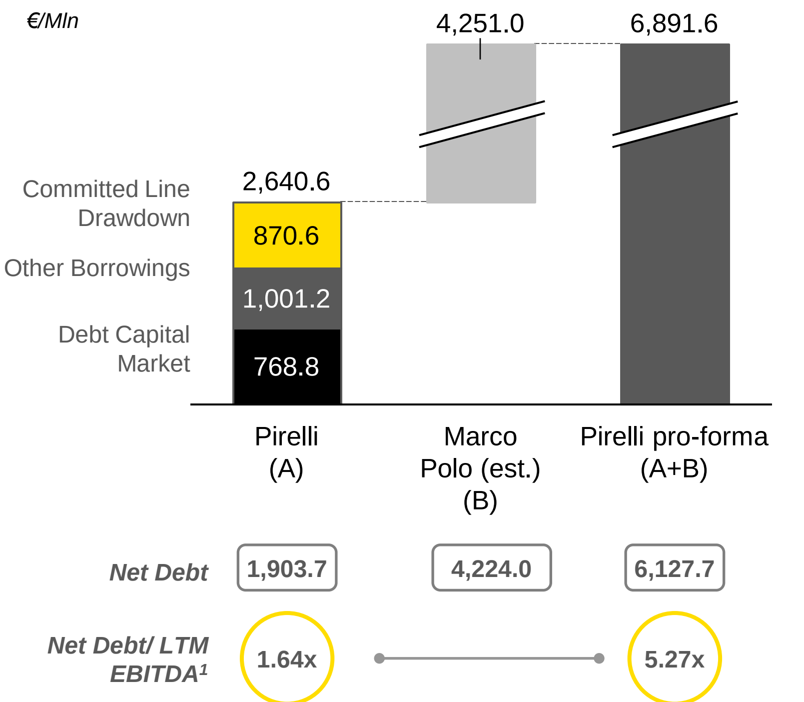


[1] *Tangible and intangible investments*

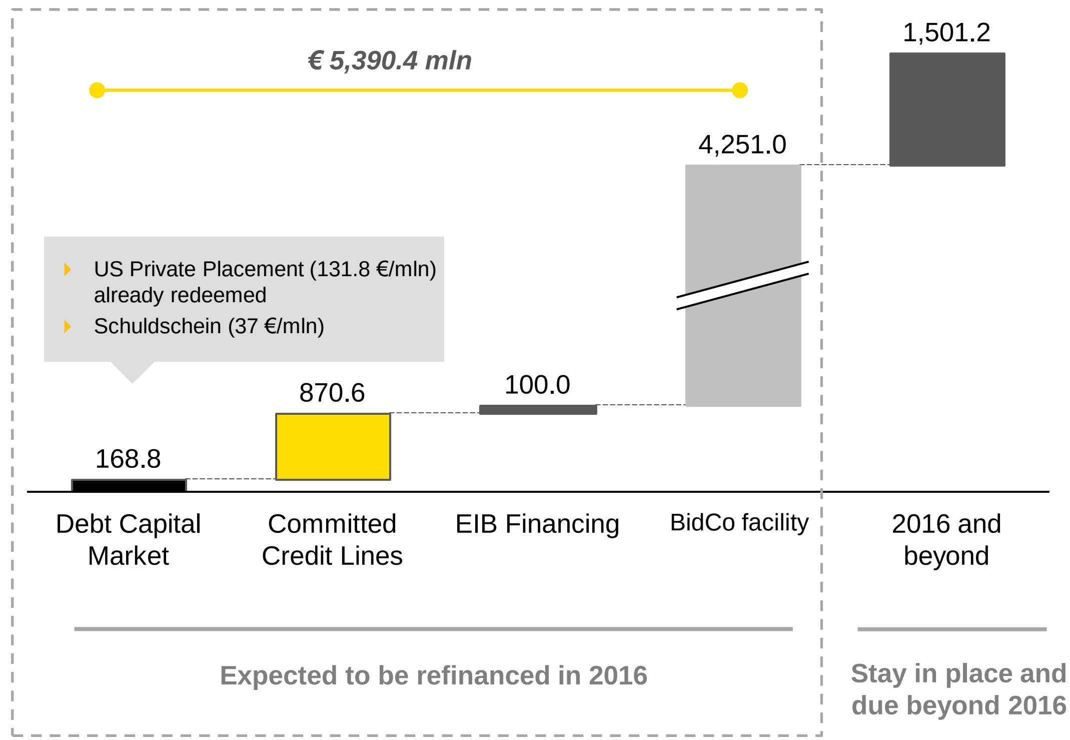
NEW DEBT STRUCTURE AFTER MARCO POLO MERGER INTO PIRELLI

- Merger approved by the Pirelli Shareholders meeting on Feb.15 and finalized on May 6, will be effective from June 1st 2016

Pirelli YE 1Q2016 Gross Debt pro-forma



Breakdown of Gross Debt



[1] Last 12 months

RATING AND REFINANCING PLAN

> **RATING:** A public credit rating of Pirelli debt will be issued by at least 2 major agencies, applicable to new notes

> **2016 RE-FINANCING PLAN UP TO 7 € BLN**
> *(approved by Pirelli Board of Directors on February 16th)*

Objectives	▸ Refinancing 5.4€ bln of Debt in 2016 and accommodating for working capital swings ▸ Extend Pirelli Debt maturity: ~80% of New financing maturing beyond 2021
Financing sources	▸ Multicurrency bank loans (term loan and revolving credit facility) ▸ Multicurrency bonds addressed to Institutional Investors

Pirelli retains the option to utilise the 6.8 € bln Mergeco Facility loan, made available to the company by a pool of banks in the context of Marco Polo Industrial Holding acquisition offer for Pirelli

AGENDA

KEY TYRE RESULTS

€/Mln	Q1'15 Reported	Δ YoY%	Q1'15 Venezuela excl.	Q1'16	Δ % vs. Q1'15 Venezuela excl.
Revenues	**1,565.3**	**+6.5%**	**1,495.5**	**1,435.1**	**-4.0%**
o/w Premium	*726.9*	*+13.6%*	*721.0*	*781.9*	*+8.4%*
EBITDA before non recur. items and restr. costs	**293.5**	**+4.7%**	**284.5**	**290.2**	**+2.0%**
Margin	*18.8%*	*-0.3 p.p.*	*19.0%*	*20.2%*	*+1.2 p.p.*
EBIT before non recur. items and restr. costs	**215.3**	**+2.4%**	**208.8**	**216.0**	**+3.4%**
Margin	*13.8%*	*-0.5 p.p.*	*14.0%*	*15.1%*	*+1.1 p.p.*
EBIT	**213.3**	**+4.1%**	**206.8**	**200.7**	**-2.9%**
Margin	*13.6%*	*-0.3 p.p.*	*13.8%*	*14.0%*	*+0.2 p.p.*

Revenue drivers	Q1'15	Q2'15	Q3'15	Q4'15	FY'15	Q1'16
Δ Price/Mix	+3.7%	+3.4%	+7.0%	+14.4%	+7.1%	+6.1%
Δ Volumes	-1.3%	+0.6%	-3.3%	-2.5%	-1.6%	-0.8%
o/w Premium	*+10.0%*	*+11.0%*	*+12.2%*	*+18.3%*	*+12.7%*	*+11.7%*
Δ Organic growth (before exchange rate impact)	**+2.4%**	**+4.0%**	**+3.7%**	**+11.9%**	**+5.5%**	**+5.3%**
Δ Exchange Rate	+4.1%	+2.4%	-4.2%	-4.6%	-0.6%	-9.3%
Δ Revenues *(w/o Venezuela)*						**-4.0%**
Δ Venezuela						-4.3%
Δ Total Revenue	**+6.5%**	**+6.4%**	**-0.5%**	**+7.3%**	**+4.9%**	**-8.3%**

CONSUMER BUSINESS: PIRELLI PERFORMANCE

€/Mln	Q1'15 Reported	Δ YoY%	Q1'15 Venezuela excl.	Q1'16	Δ % vs. Q1'15 Venezuela excl.
Revenues	**1,237.4**	**+9.6%**	**1,177.6**	**1,165.7**	**-1.0%**
o/w Premium	*726.9*	*+13.6%*	*721.0*	*781.9*	*+8.4%*
% revenues	*58.7%*	*+2.0 p.p.*	*61.2%*	*67.1%*	*+5.9 p.p.*
EBITDA before non recur. items and restr. Costs	**246.3**	**+12.3%**	**239.5**	**263.3**	**+9.9%**
Margin	*19.9%*	*+0.5 p.p.*	*20.3%*	*22.6%*	*+2.3 p.p.*
EBIT before non recur. items and restr. Costs	**182.0**	**+11.9%**	**177.4**	**199.6**	**+12.5%**
Margin	*14.7%*	*+0.3 p.p.*	*15.1%*	*17.1%*	*+2.0 p.p.*
EBIT	**180.4**	**+13.6%**	**175.8**	**188.8**	**+7.4%**
Margin	*14.6%*	*+0.5 p.p.*	*14.9%*	*16.2%*	*+1.3 p.p.*

Revenue drivers	Q1'15	Q2'15	Q3'15	Q4'15	FY'15	Q1'16
Δ Price/Mix	+4.7%	+4.1%	+7.8%	+14.1%	+7.6%	+5.2%
Δ Volumes	+0.4%	+2.2%	-1.4%	-0.1%	+0.3%	+1.7%
o/w Premium	*+10.0%*	*+11.0%*	*+12.2%*	*+18.3%*	*+12.7%*	*+11.7%*
Δ Organic Growth (before exchange rate impact)	**+5.1%**	**+6.3%**	**+6.4%**	**+14.0%**	**+7.9%**	**+6.9%**
Δ Perimeter Consumer / Industrial						-0.3%
Δ Exchange Rate	+4.5%	+4.5%	-1.1%	-1.5%	+1.6%	-7.6%
Δ Revenues (w/o Venezuela)						**-1.0%**
Δ Venezuela						-4.8%
Δ Total Revenue	**+9.6%**	**+10.8%**	**+5.3%**	**+12.5%**	**+9.5%**	**-5.8%**

CONSUMER BUSINESS: KEY MARKET TRENDS

Market trend % YoY		1Q'15	2Q'15	3Q'15	4Q'15	FY'15	1Q'16
Europe[1]	OE	7	7	10	6	7	4
	REPLACEMENT	3	3	-1	11	4	3
NAFTA	OE	2	3	4	2	2	5
	REPLACEMENT [2]	-4	5	1	4	2	6
South America	OE	-15	-16	-21	-29	-20	-30
	REPLACEMENT [3]	2	2	5	2	3	-6
China	OE	10	4	-6	16	7	9

[1]Russia excluded, Turkey excluded in 2016 (included in 2015); [2]NAFTA Replacement includes imports; [3]South America Replacement restated to include Brazilian imports

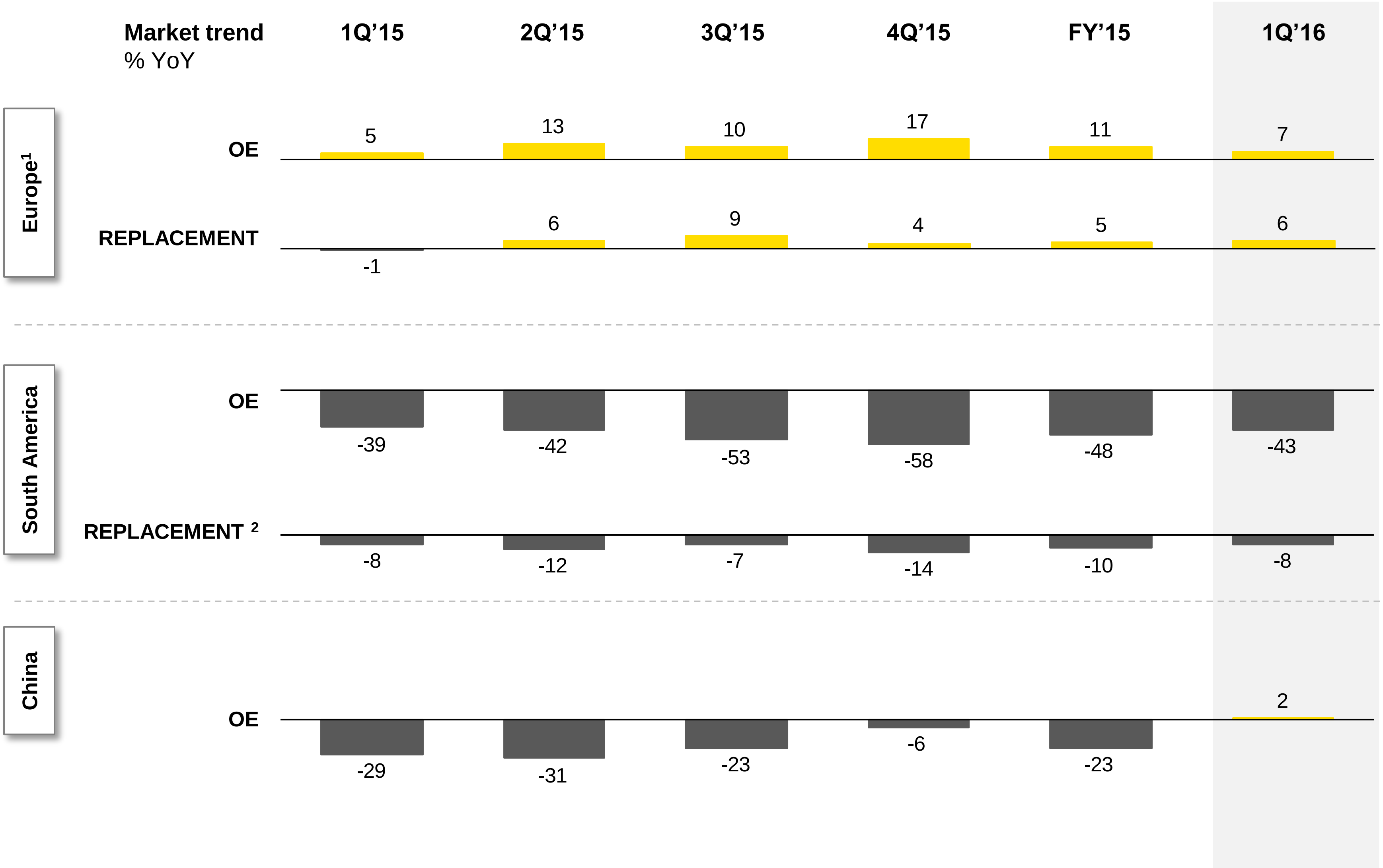
Source: Local tyre manufacturer associations

INDUSTRIAL BUSINESS: PIRELLI PERFORMANCE

€/Mln	Q1'15 Reported	Δ YoY%	Q1'15 Venezuela excl.	Q1'16	Δ % vs. Q1'15 Venezuela excl.
Revenues	**327.9**	**-3.8%**	**317.9**	**269.4**	**-15.3%**
EBITDA before non recur. items and restr. Costs	**47.2**	**-22.5%**	**45.0**	**26.9**	**-40.2%**
Margin	*14.4%*	*-3.5 p.p.*	*14.2%*	*10.0%*	*-4.2 p.p.*
EBIT before non recur. items and restr. Costs	**33.3**	**-30.0%**	**31.4**	**16.4**	**-47.8%**
Margin	*10.2%*	*-3.8 p.p.*	*9.9%*	*6.1%*	*-3.8 p.p.*
EBIT	**32.9**	**-28.6%**	**31.0**	**11.9**	**-61.6%**
Margin	*10.0%*	*-3.5 p.p.*	*9.8%*	*4.4%*	*-5.4 p.p.*

Revenue drivers	**Q1'15**	**Q2'15**	**Q3'15**	**Q4'15**	**FY'15**	**Q1'16**
Δ Price/Mix	-0.1%	+1.3%	+4.8%	+15.4%	+5.3%	+9.1%
Δ Volumes	-6.7%	-4.7%	-9.7%	-10.5%	-7.9%	-10.1%
Δ Organic growth (before exchange rate impact)	**-6.8%**	**-3.4%**	**-4.9%**	**+4.9%**	**-2.6%**	**-1.0%**
Δ Perimeter Consumer / Industrial						+1.1%
Δ Exchange Rate	+3.0%	-4.4%	-14.4%	-14.9%	-7.7%	-15.4%
Δ Revenues (w/o Venezuela)						**-15.3%**
Δ Venezuela						-2.6%
Δ Total Revenue	**-3.8%**	**-7.8%**	**-19.3%**	**-10.0%**	**-10.3%**	**-17.8%**

INDUSTRIAL BUSINESS: KEY MARKET TRENDS



[1]Russia excluded, Turkey excluded in 2016 (included in 2015); [2]Non-pool members' imports not included

Source: Major external data providers for each Region and Pirelli estimates

AGENDA

PIRELLI BALANCE SHEET

€/Mln	FY'15	1Q'16
FIXED ASSETS	**3,780.5**	**3,674.9**
Inventories	1,053.9	1,068.2
Trade receivables	676.2	1,006.7
Trade payables	(1,313.1)	(945.8)
NET OPERATING WORKING CAPITAL	**417.0**	**1,129.1**
Other payables/receivables	(107.6)	(85.0)
Net Working Capital	**309.4**	**1,044.1**
NET INVESTED CAPITAL	**4,089.9**	**4,719.0**
Total Net Equity	2,343.5	2,292.3
Provisions	547.3	523.0
Net Financial Position	1,199.1	1,903.7
TOTAL	**4,089.9**	**4,719.0**
Attributable Net Equity	2,280.1	2,230.6

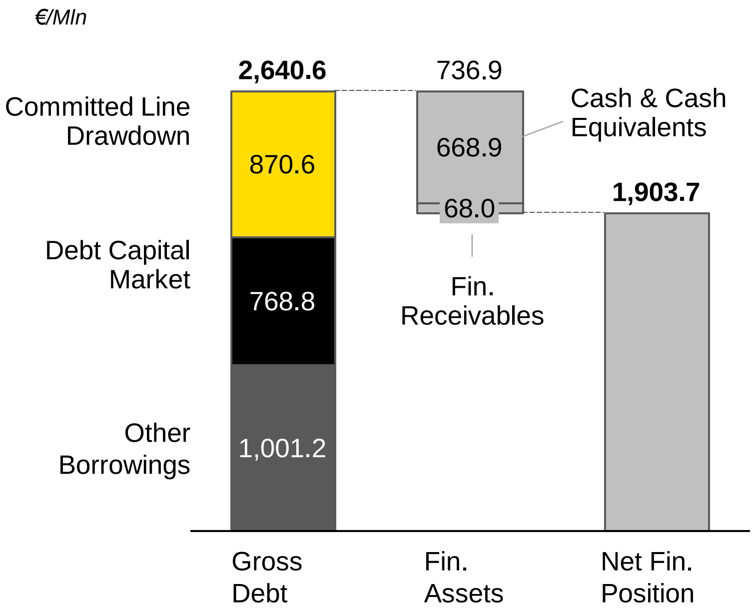
PIRELLI GROUP CASH FLOW

€/Mln	1Q'15	2Q'15	3Q'15	4Q'15	FY'15	1Q'16
EBIT before non rec. items and restr. costs	213.4	238.0	205.8	261.3	918.5	215.5
Depreciation / Amortisation	78.5	79.7	78.0	88.0	324.2	74.5
Capex	(85.6)	(103.2)	(73.0)	(129.6)	(391.4)	(74.0)
Working capital / other variations	(895.2)	151.6	(113.7)	707.4	(149.9)	(715.9)
OPERATING CASH FLOW	**(688.9)**	**366.1**	**97.1**	**927.1**	**701.4**	**(499.9)**
Financial income / (expenses)	(52.1)	(61.3)	(67.1)	(147.7)	(328.2)	(82.7)
Taxes	(54.2)	(63.7)	(52.4)	(119.9)	(290.1)	(34.6)
NET OPERATING CASH FLOW	**(795.1)**	**241.1**	**(22.4)**	**659.5**	**83.1**	**(617.2)**
Financial investments/divestments	(14.4)	(0.4)	-	6.6	(8.2)	(5.2)
Other dividends paid	(7.6)	(2.5)	-	-	(10.1)	-
Cash-out for non rec. items and restr. costs	(6.4)	(2.6)	(3.7)	(15.4)	(28.1)	(19.5)
Venezuela impact on financial charges	-	14.2	9.1	0.7	24.0	-
Tax assets devaluation	-	-	-	107.6	107.6	-
Call option exercised on Fenice	-	-	(12.2)	-	(12.2)	-
Exchange rate differentials / others	45.8	(37.4)	22.5	5.1	36.0	(62.7)
NET CASH FLOW BEFORE DIVIDENDS & EXTRAORDINARY ITEMS	**(777.7)**	**212.4**	**(6.7)**	**764.1**	**192.1**	**(704.6)**
Dividends paid	-	(179.5)	-	-	(179.5)	
Impact of Steelcord units disposalon NFP	24.4	35.6	(14.4)	-	45.6	-
Impact of Venezuela deconsolidationon NFP	-	-	-	(277.7)	(277.7)	-
NET CASH FLOW	**(753.3)**	**68.5**	**(21.1)**	**486.4**	**(219.5)**	**(704.6)**

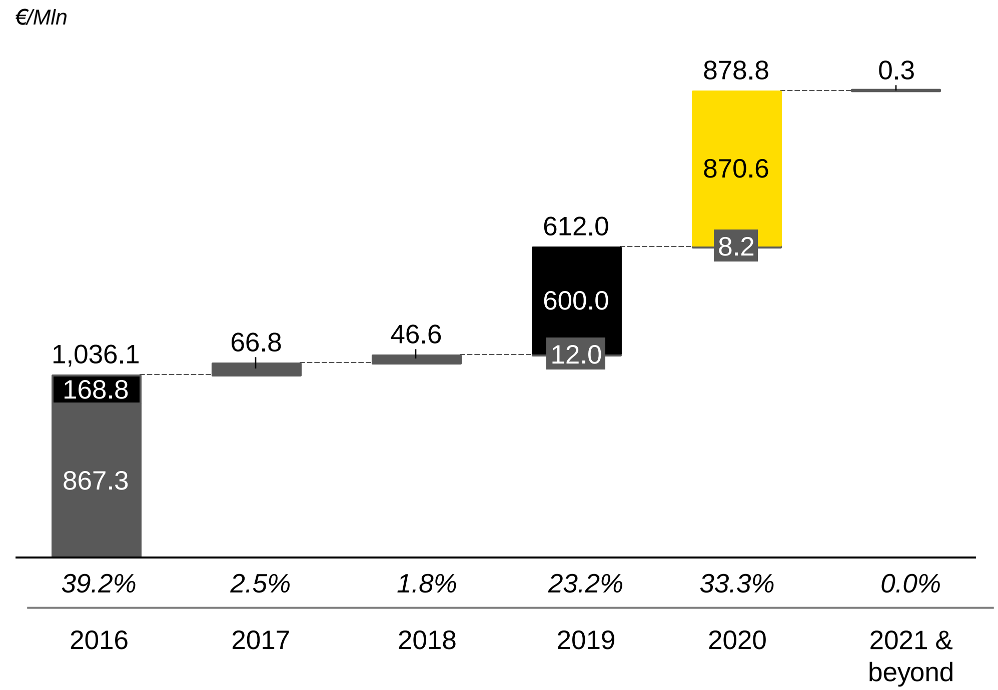
Note: Venezuela deconsolidated since 31 December 2015

PIRELLI DEBT STRUCTURE AS OF MARCH 31, 2016

Net Financial Position



Gross Debt Maturity



Liquidity Profile

€/Mln

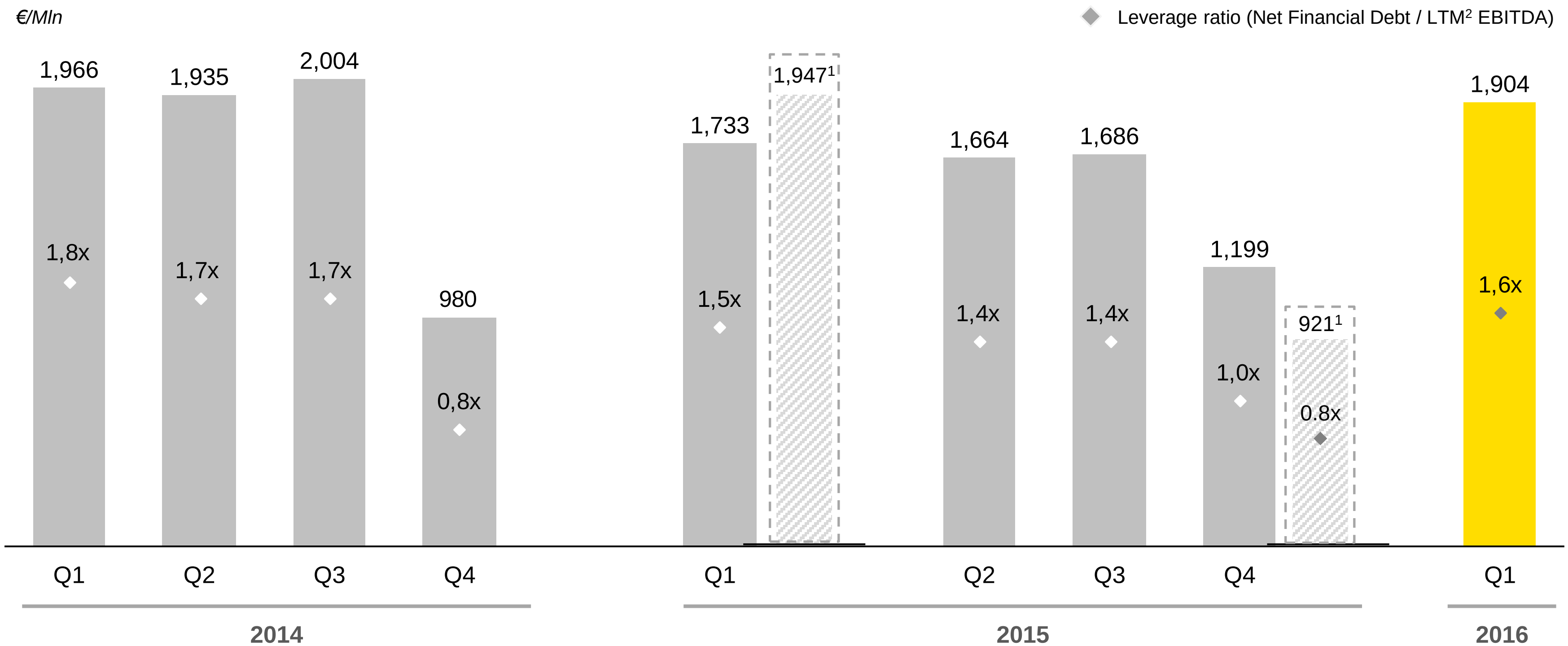
Liquidity position	668.9
Total committed lines not drawn due 2020	329.4
Liquidity Margin	**998.3**

Debt Profile

- ~ 60% of debt maturity beyond 2017
- Cost of debt 5.60% as of March 31th, 2016
- Gross debt profile ~ 55% Fixed and ~ 45% Floating
- Average debt maturity: ~ 2.3 years

NET FINANCIAL DEBT

Net Financial Position trend



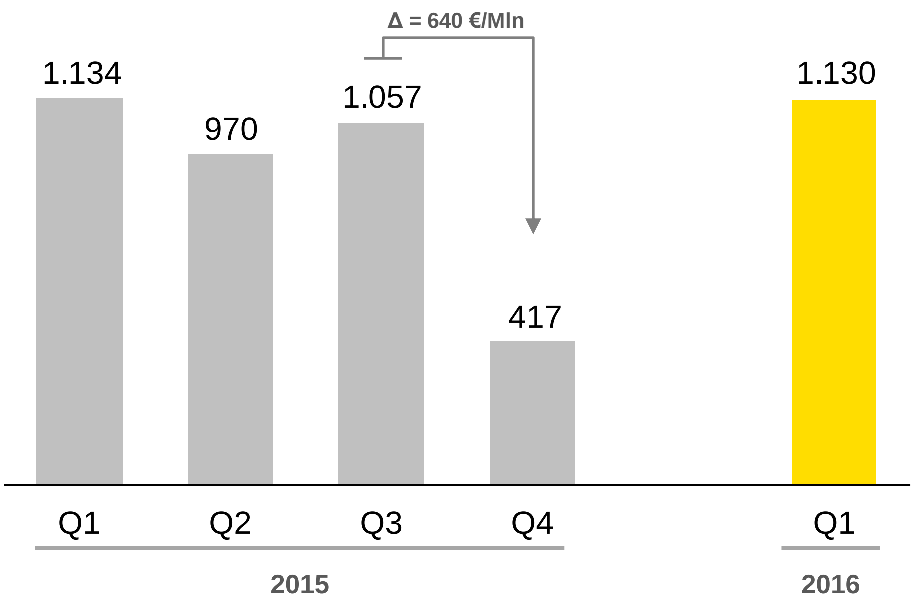
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1
Gross Debt	2.468	2.471	2.662	2.317	2.676	2.672	2.666	2.429	2.641
Liquidity Position	502	536	658	1.339	943	1.008	980	1.230	737

[1] NFP excluding Venezuela deconsolidation impact; [2] Last 12 months

OPERATING NET WORKING CAPITAL AND CAPEX SEASONALITY TREND

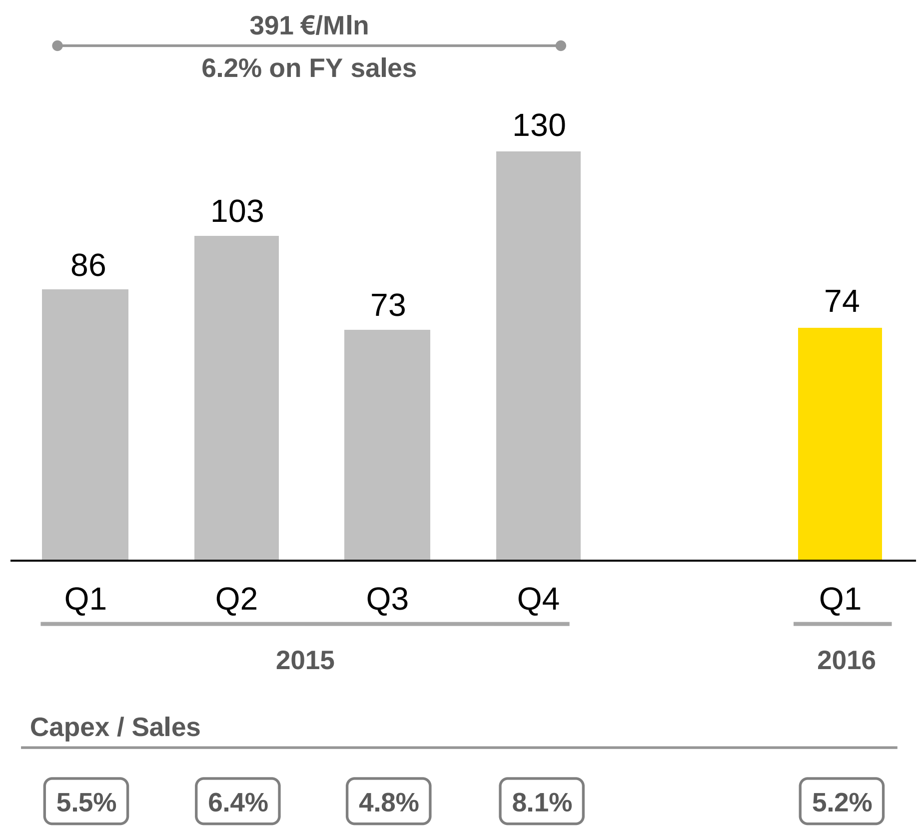
Operating Net Working Capital

€/Mln



Capex

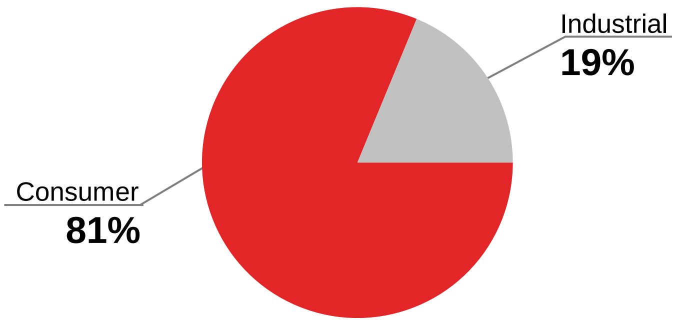
€/Mln



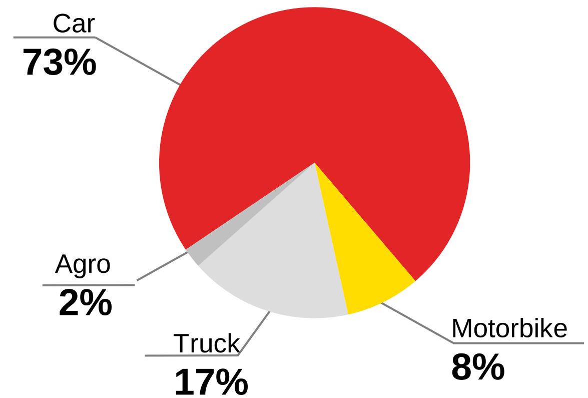
NWC definition: inventories + trade receivables - trade payables +/- other payables/receivables

1Q 2016 PIRELLI TYRE MIX

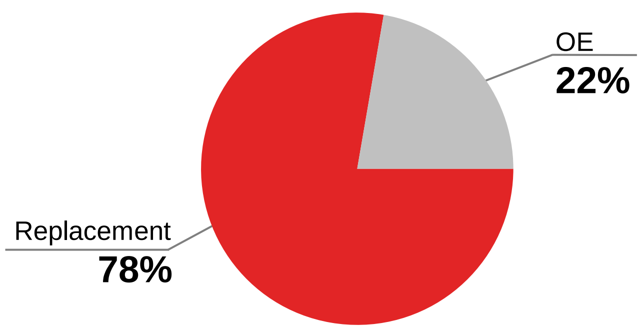
Sales by Business



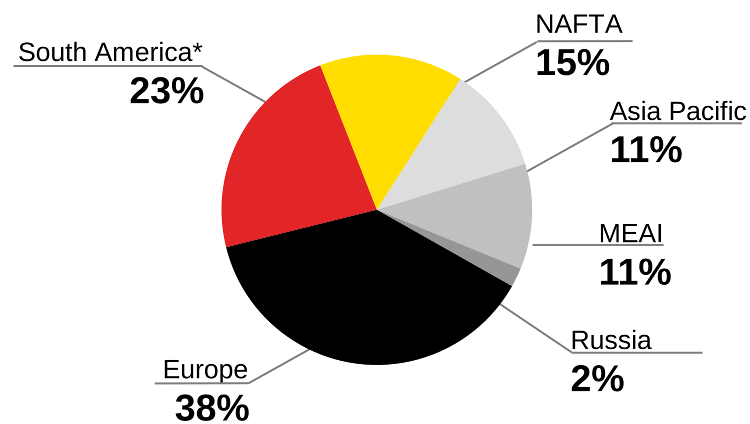
Sales by Segment



Sales by Channel



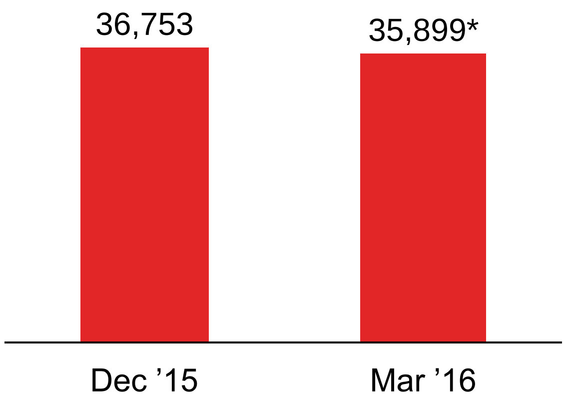
Sales by Region



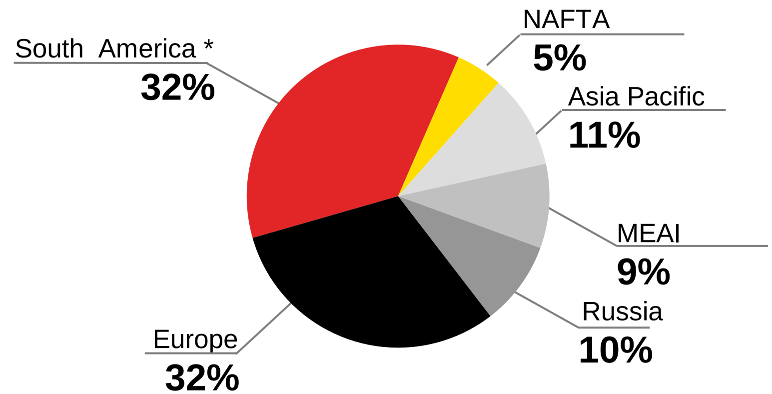
*Excluding Venezuela

MARCH 2016 PIRELLI PEOPLE

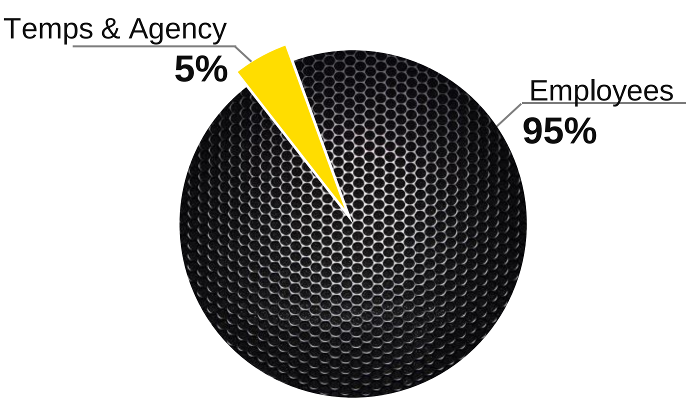
Headcount



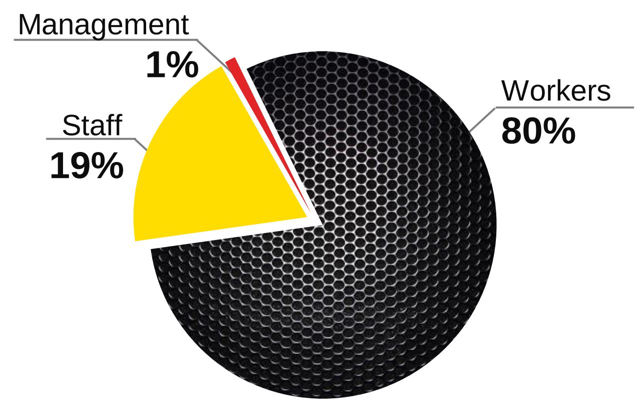
People by Region



People by Contract



People by Cluster



** Without Venezuela headcount (897 FTE as of 31,12,2015)*

PIRELLI PLANTS IN THE WORLD*

U.S.A.

Rome	Car

U.K.

Burton	Car
Carlisle	Car

ITALY

Bollate	Car
Settimo Torinese	Car

GERMANY

Breuberg	Car/Moto

RUSSIA

Kirov	Car
Voronezh	Car

MEXICO

Guanajuato	Car

ROMANIA

Slatina	Car

BRAZIL

Campinas	Car
Feira de Santana	Car/Truck
Santo André	Agro/Truck
Gravatai	Moto/Truck

CHINA

Yanzhou	Car / Moto / Truck

ARGENTINA

Merlo	Car

EGYPT

Alexandria	Truck

TURKEY

Izmit	Car / Truck

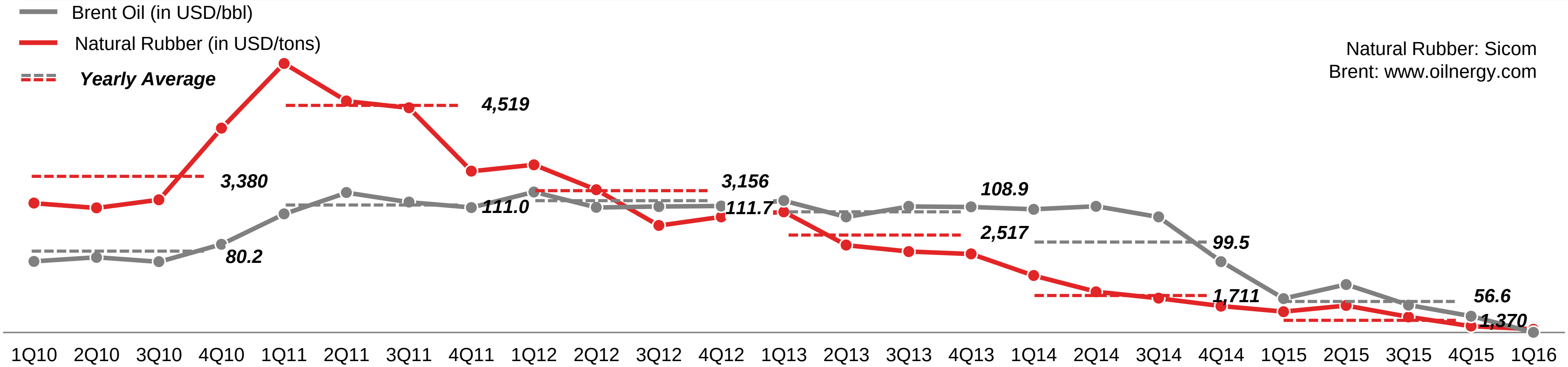
INDONESIA

Subang	Moto (JV)

*Excluding Venezuela

RAW MATERIALS

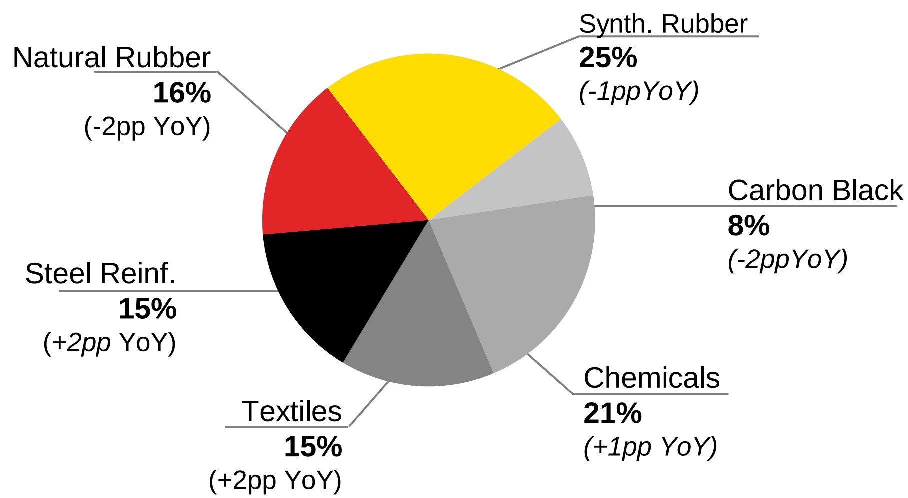
Raw Material Price Trend



1Q 2016 Mix (Based on Purchasing Cost)

35%

Raw mat. costs on sales



DISCLAIMER

This presentation is not and does not constitute an offer to sell or the solicitation, invitation or recommendation to purchase any securities in the United States or any other jurisdiction. The information included in this presentation is not intended to constitute or form part of, and should not be construed as, an offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of any of the companies mentioned nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities not shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.
This presentation may contains statements that may constitute forward-looking statements based on Pirelli & C SpA's current expectations and projections about future events. All statements other than statements of historical fact included in the presentation are forward-looking statements. Any projection, forecast, estimate or other "forward-looking" statement included in the presentation, including non-IFRS measures only illustrates hypothetical performance under specified assumptions of events or conditions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Pirelli & C SpA's control that could cause the actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Past performance cannot be relied on as a guide to future performance. Forward looking statements speak only as at the date of this presentation the Pirelli & C SpA expressly disclaims any obligations or undertaking to release any update of, or revisions to, any forward looking statements in this presentation. No statement in this presentation is intended to be a profit forecast. Consequently it is recommended that they be viewed as indicative only.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. Pirelli & C. SpA, its shareholders, directors or representatives, undertakes no obligation to update or keep current the information contained in this presentation, to correct any inaccuracies which may become apparent, or to publicly announce the result of any revision to the statements made herein, or to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Pirelli & C. SpA's business or acquisition strategy or to reflect the occurrence of unanticipated events.

This presentation contains certain data and forward looking statements regarding the automotive industry that were obtained from publicly available information, independent industry publications and reports prepared by industry consultants. Pirelli & C. SpA has not independently verified such data and forward looking statements and cannot guarantee their accuracy or completeness. Industry terms used by Pirelli & C. SpA may differ from those used by other operators in the automotive industry which may mean certain metrics are not comparable with other operators who report similar metrics.