Quarterly Financial Report

at March 31, 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

REA (Economic Administrative Index) No. 1055

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

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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 Anna Chiara Svelto

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 Reconta 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: May 14, 2015. Expiry: Shareholders' Meeting convened to approve the Financial Statements at December 31, 2017 (David Reali, Bandera Giovanni and Fabrizio Acerbis appointed by the Shareholders' Meeting on March 15, 2016).

MACROECONOMIC AND MARKET SCENARIO

The growth of the global economy in the first quarter was still modest, characterised on the one hand, by a slow improvement in advanced countries, and on the other by a persistent weakness in emerging countries, particularly in countries exporting raw materials which were affected by the decline in oil and commodity prices.

The recovery in the US continued at a moderate pace: due to a slowdown in investments and a downturn in exports which limited the overall growth despite the good state of health of the labour market. In Europe, the macroeconomic data for the first quarter, such as for the Eurozone GDP, was at +0.6%, which demonstrated an improved performance trend despite signs of weakness in the external contextual economic scenario. The recent declines in oil prices further reduced inflation which was equal to 0% for the first quarter in the Eurozone. The economic scenario for emerging economies remained weak: China recorded a growth rate of 6.7% in the first quarter, which declined from the 6.9% as seen for 2015, while the economic indicators for the period in question confirmed the recessionary conditions in Brazil and Russia.

On the exchange rates front, the Euro remained stable recording a rate of 1.10 against the US dollar for the first quarter of 2016, in line with the fourth quarter of 2015, but slightly decreased (2%) compared to the first quarter of 2015. The currencies of emerging countries depreciated on average against the US dollar for the same period, with some significant exceptions, such as the Brazilian Real and the Russian Rouble, which instead signalled a recovery for the month of March compared to rates at the beginning of the year, also due to the monetary policy by the Fed.

The price of oil, even if in slight recovery from the lows touched on in mid-January, remained contained, with the average price of Brent at USD 35.00 per barrel for the first quarter of 2016 as compared to USD 55.00 per barrel for the first quarter of 2015.

The fall in prices of petroleum products also extended to butadiene and natural rubber. The price of butadiene stood at an average of Euro 515 per tonne, while that of natural rubber recorded an average of USD 1,150 per tonne, with a decline respectively of 15% and 19% compared to the same period of 2015.

Data on tyre sales for the first months of 2016 confirmed a recovery in advanced countries, especially in the Consumer market, but which still reflected the generally more difficult macroeconomic situations in developing countries.

The performance of the tyre market was supported by the recovery in Europe (car Replacement +3% and double digits for the car Premium Original Equipment +4%, truck Replacement +6%, truck Original Equipment +7%) while the Chinese market benefited from a reduction in taxation on the purchase of cars (Original Equipment +9%). The market trend for car Replacement for North America, which was penalised in 2015 as a result of the introduction of customs duties for Chinese importers (as of January 2015), began to display signs of recovery in the first quarter of 2016 (car Replacement +1%, the market including imports +6%). The car Original Equipment NAFTA also demonstrated growth at a rate of +5%. The drop in sales in Russia (car Replacement -19%, car Original Equipment -32%) and Latin America (car Replacement -6%, car Original Equipment -30%, truck Replacement -8%, truck Original Equipment -43%) was essentially due to the continuation of the difficult macroeconomic scenario in these countries.

SIGNIFICANT EVENTS OF THE FIRST QUARTER 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" 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 will allow 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 the new Articles of Association were also approved, as pertaining to their respective 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 project of the controlling 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 Industrial Holding Italy S.p.A. (Holdco) – the sole partner of Marco Polo Industrial Holding S.p.A. - for each 1 share held prior to the merger by Marco Polo Industrial Holding 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 reported in the "Significant Events Subsequent to the end of the First Quarter of 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 optimising the debt structure thanks to the utilisation of the bond and banking market.

Terms and Conditions of the refinancing, including any guarantees, will be defined in accordance with market conditions and standard practices, and shall take into account the rights incorporated in the Terms and Conditions in favour of the holders of the euro 600 million bond which matures in 2019, and which shall remain in place until maturity. The refinancing plan does not entail any changes to Pirelli's right to alternatively activate, 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..

On **February 26, 2016**, the mandatory conversion of Savings Shares into unlisted Special Shares came into effect. The last day of trading on the Stock Exchange of the Savings Shares was 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 years - and therefore until the Shareholders' Meeting for the approval of the Financial Statements as at December 31, 2018 - as 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 Investment 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, 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 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, 2015 - April 15, 2016.

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 are: Gross Operating Margin, Fixed assets, Provisions, Operating Working Capital, Net Working Capital and Net Financial Liquidity (Debt) Position. Please refer to the paragraph "Alternative Performance Indicators" for a more detailed description of these indicators.

The deconsolidation of the Venezuelan company Pirelli de Venezuela C.A. was effective as of December 31, 2015, and therefore the data for the first quarter of 2016 does not include the income statement and financial position values of the Venezuelan company. In order to offer a coherent representation of the new circumstances, the comparative operating results for the first quarter of 2015, are also shown net of the Venezuelan company.

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The **Group's** results for the first quarter of 2016 are characterised by:

- the continued growth of the Premium segment with an increase in volumes of 11.7%, which was superior to that of the market (10% for the first quarter); the impact on the Consumer revenues reached 67% (61% for 2015, on a like-for-like basis);
- the noticeable improvement in the price/mix component (+6.1%) (with growth in both the Consumer and Industrial business) was due to price increases in emerging markets, higher sales in the Replacement channel, and the different geographic and product mixes. This performance more than offset the slight reduction in volumes (-0.8%), concentrated in the Industrial business and in emerging markets, and the reduction in sales in other businesses (-0.2%);
- a growth in revenues of 5.1% net of the exchange rate effect (-9.3%) and consolidation on a like-for-like basis;
- efficiencies of euro 30.5 million euro (euro 21.1 million for the first quarter of 2015), which rapidly progressed compared to the euro 350 million 2014-2017 four-year plan;
- an improvement in the operating performance with an EBIT margin before restructuring expenses which stood at 15% (+1.2 percentage points compared to the first quarter of 2015 excluding Venezuela) due to the efficiency of internal levers such as price/mix as well as efficiencies for countering the volatility of exchange rates and the decline of some key markets, mainly in Industrial business sectors and emerging countries;
- in line with the seasonality of the collection and payment cycle of the sector, the Net Financial Position was negative for euro 1,903.7 billion (euro 1,199.1 million as at year end 2015): the performance for working capital was the principle driver for the seasonal absorption of total cash (euro 48.7 million) recorded for the first quarter of 2016, which was lower as compared to the same period of the previous financial year.

The **Group's Consolidated Financial Statements** are summarised as follows:

(in millions of euro)

	03/31/2016	03/31/2015 reported	12/31/2015 reported
Net sales	**1.436,0**	**1.568,4**	**6.309,6**
Gross operating margin before non-recurring and restructuring expenses	290,0	291,9	1.242,7
% of net sales	20,2%	18,6%	19,7%
Operating income before non-recurring and restructuring expenses	215,5	213,4	918,5
% of net sales	15,0%	13,6%	14,6%
Non-recurring and restructuring expenses	(15,3)	(3,3)	(68,2)
Operating income (loss)	**200,2**	**210,1**	**850,3**
% of net sales	13,9%	13,4%	13,5%
Net income (loss) from equity investments	(42,5)	(2,5)	(41,4)
Financial income/(expenses)	(82,7)	(52,1)	(328,2)
Net income (loss) before tax adjusted (*)	**75,0**	**155,5**	**480,7**
Loss from deconsolidation of Venezuela		-	(559,5)
Total net income (loss) before tax	**75,0**	**155,5**	**(78,8)**
Tax expenses	(34,6)	(54,1)	(182,5)
Tax rate % on net income (loss) before tax adjusted	46,2%	34,8%	38,0%
Impairment of deferred tax assets	-	-	(107,6)
Net income (loss) from continuing operations	**40,4**	**101,4**	**(368,9)**
Net income (loss) from discontinued operations	-	**(16,8)**	**(14,6)**
Total net income (loss)	**40,4**	**84,6**	**(383,5)**
Net income (loss) adjusted (**)	**40,4**	**84,6**	**298,2**
Net income attributable to Pirelli & C. S.p.A.	39,8	82,0	(391,4)
Operating fixed assets	**3.674,9**	**4.055,3**	**3.780,5**
Inventories	1.068,2	1.142,5	1.053,9
Trade receivables	1.006,7	1.063,7	676,2
Trade payables	(945,8)	(1.072,4)	(1.313,1)
Operating Net working capital	**1.129,1**	**1.133,8**	**417,0**
% of net sales (°)	19,7%	18,1%	6,6%
Other receivables/other payables	(85,0)	111,5	(107,6)
Total Net working capital	**1.044,1**	**1.245,3**	**309,4**
% of net sales (°)	18,2%	19,8%	4,9%
Net invested capital	**4.719,0**	**5.300,6**	**4.089,9**
Equity	**2.292,3**	**2.877,1**	**2.343,5**
Provisions	**523,0**	**690,6**	**547,3**
Net financial (liquidity)/debt position	**1.903,7**	**1.732,9**	**1.199,1**
Equity attributable to Pirelli & C. S.p.A.	2.230,6	2.811,4	2.280,1
Investments in property, plant and equipment and intangible assets	74,0	85,6	391,4
Research and development expenses	56,7	53,1	214,4
% of net sales	3,9%	3,4%	3,4%
Research and development expenses - Premium	46,5	44,1	176,5
% on sales Premium	5,9%	6,1%	5,8%
Employees (headcount at end of period) (***)	35.899	37.527	36.753
Industrial sites (number) (***)	18	19	19

(°) in interim periods net sales are calculated on the annual basis

(*) excluding the impact from deconsolidation of the Venezuelan subsidiary

(**) excluding the impact from deconsolidation of the Venezuelan subsidiary, impairment of deferred tax assets and net income (loss) from discontinued operations

(***) 2016 figures do not include Venezuela

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 Q 2016	1 Q 2015		**1 Q 2016**	1 Q 2015		**1 Q 2016**	1 Q 2015		**1 Q 2016**	1 Q 2015	**1 Q 2016**	1 Q 2015	
		excl. Venez.	reported		excl. Venez.	reported		excl. Venez.	reported				excl. Venez.	reported
Net sales	**1,165.7**	1,177.6	1,237.4	**269.4**	317.9	327.9	**1,435.1**	1,495.5	1,565.3	**0.9**	3.1	**1,436.0**	1,498.6	1,568.4
Gross operating margin before non-recurring and restructuring expenses	**263.3**	239.5	246.3	**26.9**	45.0	47.2	**290.2**	284.5	293.5	**(0.2)**	(1.6)	**290.0**	282.9	291.9
Operating income (loss) before non-recurring and restructuring expenses	**199.6**	177.4	182.0	**16.4**	31.4	33.3	**216.0**	208.8	215.3	**(0.5)**	(1.9)	**215.5**	206.9	213.4
Non-recurring and restructuring expenses	**(10.8)**	(1.6)	(1.6)	**(4.5)**	(0.4)	(0.4)	**(15.3)**	(2.0)	(2.0)	-	(1.3)	**(15.3)**	(3.3)	(3.3)
Operating income (loss)	**188.8**	175.8	180.4	**11.9**	31.0	32.9	**200.7**	206.8	213.3	**(0.5)**	(3.2)	**200.2**	203.6	210.1

For the first quarter of 2016, **Group sales** amounted to euro 1,436.0 million, which in organic terms represented a growth (net of exchange rates and on a consolidated like-for-like basis) of 5.1% compared to the same period of 2015. The top-lines were supported by the trend in the Consumer business with an organic growth of +6.9% thanks to the performance of the Premium segment and the mature markets, which more than compensated for the slight decrease in revenues from the Industrial business (-1.0%), which was mainly due to the continued market slowdown in South America and some emerging markets. With the inclusion of the negative exchange rate effect, consolidated revenues recorded a decrease of 4.2% as compared with the previous year (on a like-for-like basis).

Tyre Business sales amounted to euro 1,435.1 million, with an organic growth of 5.3% (-4.0% 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 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 781.9 million (+8.4% compared to euro 721.0 million for the first quarter of 2015, on a like-for-like basis, +10.5% net of the exchange rate effect), with an impact on the turnover for the Consumer business which increased by 67.1% (61.2% in the corresponding period of 2015, on a like-for-like basis), and with a growth in volumes of 11.7%, (superior to the 10% growth of the market).

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

	1 Q	
	2016	**2015**
Volume	-0.8%	-1.3%
of which Premium volume	*11.7%*	*10.0%*
Price/mix	6.1%	3.7%
Change on a like-for-like basis - same scope of consolidation	**5.3%**	**2.4%**
Translation effect	-9.3%	4.1%
Change (excl. Venezuela)	**-4.0%**	
Change in scope of consolidation - Venezuela	-4.3%	
Total change	**-8.3%**	**6.5%**

Volumes experienced a slight decline (-0.8% in the first quarter), which reflected the diverse dynamics between the Consumer and Industrial businesses and between mature and emerging markets. The volume trend in the Consumer segment (+1.7%) was supported by Premium segment growth in all markets (+11.7%) while Non-Premium (-6.7%) continued to be affected by weak demand in Latam and Russia, in particular in the Original Equipment channel.

The performance in Industrial volumes (-10.1%) was mainly affected by the worsening demand in South America (truck market down 43% in Original Equipment and 8% in the Replacement channel) and the slowdown in China.

The decisive overall improvement in the price/mix (+6.1% represented 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 +5.2%), 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 (+9.1%) reflected the price increases progressively carried out during 2015, particularly in South America and other emerging countries, which were however not sufficient to offset the sharp devaluation of exchange rates (-15.4% for the first quarter of 2016 and -14.6% for the second half of 2015).

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

GEOGRAPHICAL AREA	1Q 2016			1Q 2015	
				excl. Venez.	Reported
	Euro\mln	*yoy (excl. Venez)*			
Europe	552.3	*1.2%*	38.5%	36.4%	34.9%
Russia and CIS	35.9	*-17.7%*	2.5%	2.9%	2.8%
Nafta	213.3	*6.8%*	14.9%	13.4%	12.8%
South America	329.4	*-20.3%*	22.9%	27.7%	30.9%
Asia\Pacific (APAC)	151.0	*-4.4%*	10.5%	10.6%	10.1%
Middle East\Africa\India (MEAI)	153.2	*13.5%*	10.7%	9.0%	8.6%
TOTAL	**1,435.1**	*-4.0%*	**100.0%**	**100.0%**	**100.0%**

PRODUCT	1Q 2016			1Q 2015	
				excl. Venez.	Reported
	Euro\mln	*yoy (excl. Venez)*			
Car	1,054.3	*-0.1%*	73.5%	70.6%	71.2%
Motorcycle	111.4	*-8.6%*	7.8%	8.2%	7.9%
Consumer	**1,165.7**	*-1.0%*	**81.3%**	**78.7%**	**79.1%**
Truck	244.3	*-12.9%*	17.0%	18.8%	18.5%
Agriculture	25.1	*-32.7%*	1.7%	2.5%	2.4%
Industrial	**269.4**	*-15.3%*	**18.7%**	**21.3%**	**20.9%**
TOTAL	**1,435.1**	*-4.0%*	**100.0%**	**100.0%**	**100.0%**

The **Group's operating result (EBIT), before non-recurring and restructuring expenses** amounted to euro 215.5 million (an EBIT margin of 15%), a growth of 4.2% as compared to euro 206.9 million for the first quarter of 2015 on a consolidated like-for-like basis (an EBIT margin of 13.8%).

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

(in millions of euro)	**1 Q**
2015 Operating income (loss) before non-recurring and restructuring expenses - excl. Venezuela	**206.9**
Differences from foreign currency translation from consolidation	(22.0)
Price/mix	35.8
Volumes	(1.6)
Cost of prodution factors (raw materials)	(6.4)
Cost of prodution factors (labour/energy/others)	(23.5)
Efficiencies	30.5
Amortisation, depreciation and other	(5.6)
Other businesses	1.4
Change	**8.6**
2016 Operating income (loss) before non-recurring and restructuring expenses	**215.5**

The improvement was impacted by:

- the price/mix (euro +35.8 million), which more than compensated the effect of fluctuating exchange rates (euro –22.0 million) mainly linked to the consolidation of the exchange rates for South America), the decrease in volumes (euro -1.6 million) together with higher depreciation and other costs (euro 5.6 million);
- efficiencies of euro 30.5 million, which covered the higher costs of production (euro -23.5 million) and raw materials (euro -6.4 million);
- improvement in the operating income of other businesses (euro +1.4 million).

The **operating income of the Group** amounted to euro 200.2 million (-1.7% compared to the first quarter of 2015 on a like-for-like basis), and impacted the non-recurring and restructuring expenses to the amount of euro 15.3 million (euro 3.3 million for the first quarter of 2015) due to the continuing structural rationalisation, and ongoing activities related to the integration of Pirelli's Industrial segment with the assets of China National Industrial Tire & Rubber Co. Ltd.

APAC (10.5% of the tyre business revenues) along with Nafta, were the regions with the highest profitability with an EBIT margin in the twenties which was an improvement compared to the first quarter of 2015. The performance of revenues (-1.6% net of exchange rates) reflects the elevated basis of comparison (a +30.8% growth in revenues for the first quarter of 2015) 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 (14.9% of the tyre business revenues) recorded an increase in revenues of 6.8% (same growth also net of exchange rates). There was a positive performance for the Premium segment with an increase in revenues of 11.3%, with particular impact on the car business (+13.1% for Premium car sales), while the motorcycle business and Non-Premium 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 maintaining the same positioning for the higher value segments.
Profitability (EBIT margin) improved to the twenties range (high-teens profitability for the first quarter of 2015).

MEAI (10.7% of the tyre business revenues) recorded a revenue growth of 13.5% (+20.9% net of exchange rates) with profitability in the high-teens which was stable compared to 2015.

Europe (38.5% of the tyre business revenues) closed the first quarter with an improved net profitability (EBIT margin in the mid-teens compared to the low teens for the first quarter of 2015), thanks to the double digit growth of Premium segment revenues. The organic growth for total revenues was equal to +1.7%; a performance which reflected both the progressive reduction of market presence on the non-Premium segment and the drop in sales for the Industrial business.

Russia (2.5% of the tyre business revenues), recorded an organic decline in sales of 4.2% (-17.7% after the exchange rate effect), almost in line with the reduction in volumes, and which was comparable to the market in sharp decline (Replacement -18%, Original Equipment -32%). Profitability which was slightly negative compared to the positive figure (high single-digit) for 2015 was affected by the deterioration 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 (22.9% of the tyre business revenues) recorded a total reduction in revenues of 20.3%, excluding the relevant negative impact of the exchange rates (-28%) with an organic growth which stood at 7.7%. The continuation of the difficult market conditions in the area, which impacted Original Equipment (market volumes car -30% and truck -43%), but which also continued to be of concern for the Replacement channel (market volume car -6% and truck -8%), weighed on the performance in volumes which declined overall by 12.4%. 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, and the price increases in Consumer and Industrial progressively implemented during 2015 to counter the volatility of exchange rates.

Profitability was in the high single-digit, and represented a decrease as compared to the same period for 2015 (double digits). To deal with this scenario, Pirelli has activated new efficiency and restructuring plans as well as further price increases, in addition to the increase in export sales towards the North American market.

Income (loss) from investments by the Group was negative for euro 42.5 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 (a pro-quota loss of euro 5.8 million) and the results of the first quarter of 2016 for Fenice S.r.l. (a pro-quota loss of euro 28.4 million); with reference to Fenice S.r.l., the negative result was partially offset by the recovery of the value recorded for the investment (euro 8.4 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 share capital increase completed in March 2016 (euro 9.9 million), not subscribed by Pirelli, and the impairment of the investment in the RCS MediaGroup S.p.A. (euro 3.5 million).

The **net income of the Group** at March 31, 2016 was euro 40.4 million (euro 84.6 million for the first quarter 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 30.6 million (from euro 52.1 million at March 31, 2015 to euro 82.7 million at March 31, 2016). This increase was mainly due 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, and to the increase in interest rates in countries outside the Eurozone where Pirelli operates (approximately 40% of the total), particularly in Russia.
The average cost of debt for the period was 5.60%.

Tax expenses for the first quarter of 2016 amounted to euro 34.6 million (euro 54.1 million for the first quarter of 2015) with a tax rate which stood at 46.2% (31.2% net of consolidation using the equity method for the associated companies, negative impact for euro 35.8 million), compared with an impact of 34.8% (34.1% net of consolidation using the equity method for the associated companies, negative impact for euro 3.2 million) for the first quarter of 2015.

The **net income attributable to Pirelli & C. S.p.A.** was positive for euro 39.8 million compared to euro 82 million for the same period the previous financial year.

Equity went from euro 2,343.5 million at December 31, 2015 to euro 2,292.3 million at March 31, 2016.

Equity attributable to Pirelli & C. S.p.A. at March 31, 2016 amounted to euro 2,230.6 million as compared to euro 2,280.1 million at December 31, 2015.
This change, analytically shown in the table below, was essentially related to the result for the period offset by the negative fair value adjustment of financial assets and the negative exchange rate effect related to the conversion into Euro of assets in foreign currency.

(in millions of euro)

	Group	**Non-controlling interests**	**Total**
Equity at 12/31/2015	**2,280.1**	**63.4**	**2,343.5**
Translation differences	(45.4)	(2.3)	(47.7)
Net income (loss)	39.8	0.6	40.4
Fair value adjustment of other financial assets/derivative instruments	(43.1)	-	(43.1)
Other changes	(0.8)	-	(0.8)
Total changes	**(49.5)**	**(1.7)**	**(51.2)**
Equity at 03/31/2016	**2,230.6**	**61.7**	**2,292.3**

As March 31, 2016, the **net financial position of the Group** was negative for euro 1,903.7 million as compared to euro 1,199.1 million at December 31, 2015, and was as follows:

(in millions of euro)

	03/31/2016	12/31/2015
Current borrowings from banks and other financial institutions	945.5	1,138.6
Current derivative financial instruments	57.6	15.1
Non-Current borrowings from banks and other financial institutions	1,637.5	1,275.7
Total gross debt	**2,640.6**	**2,429.4**
Cash and cash equivalents	(636.5)	(1,082.7)
Securities held for trading	(32.4)	(78.2)
Current financial receivables	(12.5)	(11.9)
Current derivative financial instruments	(2.5)	(6.8)
Non-current financial receivables	(53.0)	(50.7)
Total financial receivables and cash	**(736.9)**	**(1,230.3)**
Total net financial (liquidity)/debt position	**1,903.7**	**1,199.1**

The **structure of the gross financial debt**, which amounted to euro 2,640.6 million, was as follows:

(in millions of euro)

	Financial Statements 03/31/2016	Maturity date				
		2016	2017	2018	2019	2020 and beyond
Use of committed credit facilities	870.6	-	-	-	-	870.6
Bond 1,750% - 2014/2019	600.0	-	-	-	600.0	-
EIB loans	150.0	100.0	20.0	20.0	10.0	-
USD private placement	131.8	131.8	-	-	-	-
Schuldschein	37.0	37.0	-	-	-	-
Other loans	851.2	767.3	46.8	26.6	2.0	8.5
Total gross debt from continuing operations	**2,640.6**	**1,036.1**	**66.8**	**46.6**	**612.0**	**879.1**
		39.2%	2.5%	1.8%	23.2%	33.3%

The Company, as a result of the extraordinary operations in-progress for the purpose 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, in the usual proactive context of managing the company’s financial liabilities, and in the interest of its investors - approved the early repayment of the US private placement loan for 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. This bond was redeemed on April 6, 2016. The related debt was therefore classified in its entierty in the current portion.

As March 31, 2016, the Group had a liquidity margin equal to euro 998.3 million composed of euro 329.4 million of non-utilised credit facilities (euro 1.2 billion in committed lines) and euro 668.9 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	
	2016	**2015**
Operating income (loss) before non-recurring and restructuring expenses	215.5	213.4
Amortisation and depreciation	74.5	78.5
Investments in property, plant and equipment and intangible assets	(74.0)	(85.6)
Change in working capital/other	(715.9)	(895.2)
Operating net cash flow	**(499.9)**	**(688.9)**
Financial income/(expenses)	(82.7)	(52.1)
Tax expenses	(34.6)	(54.1)
Ordinary net cash flow	**(617.2)**	**(795.1)**
Financial investments/disinvestments	(5.2)	(14.4)
Dividends paid to non-controlling interests	-	(7.6)
Cash Out for restructuring	(19.5)	(6.4)
Differences from foreign currency translation/other	(62.7)	45.8
Net cash flow before Steelcord disposal	**(704.6)**	**(777.7)**
Impact Steelcord disposal	-	24.4
Net cash flow	**(704.6)**	**(753.3)**

The improvement in **operating net cash flow in the first quarter of 2016** as compared to the same period for 2015 mainly related to the management of working capital.

Investments amounted to euro 74.0 million (euro 85.6 million for the first quarter of 2015), mainly due to the increase in Premium’s capacity in Europe, NAFTA and China, plus the improvement of the mix.

The **total net cash flow** for the year to March 31, 2016 was negative to the amount of euro 704.6 million compared to the negative value of euro 753.3 million for the first quarter of 2015, which included a positive euro 24.4 million linked to a collection tranche for 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		
	2016	2015	
		excl. Venez.	reported
Net sales	**1,165.7**	1,177.6	1,237.4
yoy (excluding Venezuela)	-1.0%		
Gross operating margin before non-recurring and restructuring expenses	**263.3**	239.5	246.3
% of net sales	22.6%	20.3%	19.9%
Operating income (loss) before non-recurring and restructuring expenses	**199.6**	177.4	182.0
% of net sales	17.1%	15.1%	14.7%
Non-recurring and restructuring expenses	**(10.8)**	(1.6)	(1.6)
Operating income (loss)	**188.8**	175.8	180.4
% of net sales	16.2%	14.9%	14.6%

Net sales totalled euro 1,165.7 million, with an organic growth on a like-for-like basis (excluding Venezuela for 2015) of 6.9% (-1% which also included the negative impact of exchange rates), thanks to:

- improvement of the price/mix (+5.2%) due to the increasing impact of Premium (67.1% of Consumer revenues in 2016 compared to 61.2% 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 +1.7% 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 781.9 million, an overall increase of 8.4% compared to the same period the previous year (+10.5% 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	
	2016	**2015**
Volume	1.7%	0.4%
of which Premium volume	*11.7%*	*10.0%*
Price/mix	5.2%	4.7%
Change on a like-for-like basis - same scope of consolidation	**6.9%**	**5.1%**
Change in scope of consolidation Consumer/Industrial	-0.3%	
Translation effect	-7.6%	4.5%
Change (excl. Venezuela)	**-1.0%**	
Change in scope of consolidation - Venezuela	-4.8%	
Total change	**-5.8%**	**9.6%**

There was improvement in profitability in the first quarter of 2016 with an **operating income before non-recurring and restructuring expenses** of euro 199.6 million (+12.5% for the same period of 2015 on a like-for-like basis) and a margin of 17.1%, an increase of 2 percentage points (15.1% for 2015), thanks to the dynamics mentioned above and the progressive achievement of internal efficiencies.

Operating income amounted to euro 188.8 million (with a margin of 16.2%), an increase of 7.4% compared to the euro 175.8 million for 2015 on a like-for-like basis (a margin of 14.9%).

INDUSTRIAL BUSINESS

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

(in millions of euro)

	1 Q		
	2016	**2015**	
		excl. Venez.	**reported**
Net sales	**269.4**	317.9	327.9
yoy (excluding Venezuela)	-15.3%		
Gross operating margin before non-recurring and restructuring expenses	**26.9**	45.0	47.2
% of net sales	10.0%	14.2%	14.4%
Operating income (loss) before non-recurring and restructuring expenses	**16.4**	31.4	33.3
% of net sales	6.1%	9.9%	10.2%
Non-recurring and restructuring expenses	**(4.5)**	(0.4)	(0.4)
Operating income (loss)	**11.9**	31.0	32.9
% of net sales	4.4%	9.8%	10.0%

The performance of the business was impacted by the continued negative 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 declines in volumes respectively of 43% in truck Original Equipment and 8% in truck Replacement.

Net sales totalled euro 269.4 million, a reduction of 15.3% compared to the first quarter of 2015 (euro 317.9 million excluding Venezuela), +0.1%, net of the exchange rate effect, negative at 15.4%. The decline in volumes (-10.1%) 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 (+9.1%) thanks to the improvement in the product and channel mix and to price increases progressively implemented during the course of 2015 in South America and other emerging markets, characterised by the devaluations of local currencies.

Below is the breakdown of the change in sales:

	1 Q	
	2016	**2015**
Volume	-10.1%	-6.7%
Price/mix	*9.1%*	*-0.1%*
Change on a like-for-like basis - same scope of consolidation	**-1.0%**	**-6.8%**
Change in scope of consolidation Consumer/Industrial	1.1%	
Translation effect	-15.4%	3.0%
Change (excl. Venezuela)	**-15.3%**	
Change in scope of consolidation - Venezuela	-2.5%	
Total change	**-17.8%**	**-3.8%**

Operating income before non-recurring and restructuring expenses amounted to euro 16.4 million, equal to 6.1% of sales, which represented a decrease compared to the euro 31.4 million for 2015 (9.9% of sales) on a like-for-like basis.

Operating income amounted to euro 11.9 million (euro 31.0 million for the first quarter of 2015 on a like-for-like basis), with a margin of 4.4% compared to 10% for the corresponding period of 2015. The profitability performance was affected by the continued decline in volumes and negative exchange rates, against which Pirelli is in the process of activating new efficiency plans.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FIRST QUARTER

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 – and 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 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 said 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 6, 2016** the merger deed between Marco Polo Industrial Holding S.p.A. and Pirelli & C. S.p.A., was stipulated. The merger will be legally effective as of June 1, 2016. Tax and accounting will, as was forecast by the merger project, come into effect retroactively as of January 1, 2016.

ALTERNATIVE PERFORMANCE INDICATORS

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

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

- **Gross operating margin:** is an intermediate economic figure which derives from the operating income, and which excludes amortization of intangible and depreciation of tangible assets;
- **Fixed assets:** this figure 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 figure 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 figure is constituted by the sum of "Inventory", "Trade receivables" and "Trade payables";
- **Net working capital:** this figure consists of the operating working capital and other receivables and payables not included in the “Net financial position";
- **Net financial position:** this figure is represented by gross financial debt less cash and cash equivalents 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.

Information on the Share Capital and Ownership Structure

Share Capital structure: the subscribed and paid up Share capital as at the date of approval of this Quarterly Financial Report amounts to euro 1,345,381 thousand, and is represented by 487,991,493 Registered Shares without indication of nominal value, which are subdivided as follows:

	Number of Shares	% of Share Capital
Ordinary Shares	475,740,182	97.49%
Special Shares	12,251,311	2.51%

The Ordinary Shares are held by the sole shareholder Marco Polo Industrial Holding S.p.A. with the exception of 351,590 Ordinary Shares which are held by Pirelli & C. S.p.A.. The Special Shares are held by the sole shareholder Marco Polo Industrial Holding S.p.A. with the exception of 772,792 Special 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 through Marco Polo International Holding S.p.A. is the sole shareholder of Marco Polo Industrial Holding 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, May 12, 2016

PIRELLI & C. S.p.A.

CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

AT MARCH 31, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of euro)

		03/31/2016	12/31/2015
6	Property, plant and equipment	2,398,563	2,419,453
7	Intangible assets	967,679	968,541
8	Investments in associates and J.V.	121,242	167,348
9	Other financial assets	187,378	225,121
10	Deferred tax assets	116,661	123,724
12	Other receivables	159,982	147,624
13	Tax receivables	6,502	6,169
	Non-current assets	**3,958,007**	**4,057,980**
14	Inventories	1,068,240	1,053,929
11	Trade receivables	1,006,714	676,192
12	Other receivables	256,472	165,408
15	Securities held for trading	32,355	78,167
16	Cash and cash equivalents	636,506	1,082,726
13	Tax receivables	79,417	62,410
24	Derivative financial instruments	67,560	61,305
	Current assets	**3,147,264**	**3,180,137**
	Total Assets	**7,105,271**	**7,238,117**
17.1	Equity attributable to owners of the Group:	2,230,617	2,280,177
	- Share capital	1,343,285	1,343,285
	- Reserves	847,513	1,328,258
	- Net income (loss)	39,819	(391,366)
17.2	Equity attributable to non-controlling interests:	61,683	63,367
	- Reserves	61,121	55,578
	- Net income (loss)	562	7,789
17	**Total Equity**	**2,292,300**	**2,343,544**
20	Borrowings from banks and other financial institutions	1,637,558	1,275,688
22	Other payables	104,848	98,631
18	Provisions for liabilities and charges	81,789	77,906
10	Provisions for deferred tax liabilities	32,250	43,622
19	Employee benefit obligations	347,952	362,540
23	Tax payables	2,696	2,646
	Non-current liabilities	**2,207,093**	**1,861,033**
20	Borrowings from banks and other financial institutions	945,456	1,138,592
21	Trade payables	945,803	1,313,131
22	Other payables	460,188	404,172
18	Provisions for liabilities and charges	60,996	63,221
23	Tax payables	86,751	62,445
24	Derivative financial instruments	106,684	51,979
	Current liabilities	**2,605,878**	**3,033,540**
	Total Liabilities and Equity	**7,105,271**	**7,238,117**

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

		01/01 - 03/31/2016	01/01 - 03/31/2015
26	Revenues from sales and services	1,436,024	1,568,420
27	Other income	41,038	40,172
	Changes in inventories of unfinished, semi-finished and finished products	4,904	43,390
	Raw materials and consumables (net of change in inventories)	(497,904)	(564,450)
28	Personnel expenses	(300,765)	(330,516)
29	Amortisation, depreciation and impairment	(74,445)	(79,026)
30	Other costs	(409,289)	(468,497)
	Increase in Fixed Assets for Internal Work	656	639
	Operating income (loss)	**200,219**	**210,132**
31	Net income (loss) from equity investments	(42,482)	(2,546)
	- share of net income (loss) of associates and j.v.	*(35,779)*	*(3,167)*
	- gains on equity investments	*8,407*	*56*
	- losses on equity investments	*(15,110)*	*-*
	- dividends	*-*	*565*
32	Financial income	14,627	64,047
33	Financial expenses	(97,355)	(116,131)
	Net income (loss) before tax	**75,009**	**155,502**
34	Tax	(34,628)	(54,150)
	Net income (loss) from continuing operations	**40,381**	**101,352**
	Net income (loss) from discontinued operations (*)	-	(16,771)
	Total net income (loss)	**40,381**	**84,581**
	Attributable to:		
	Owners of the parent company	39,819	82,004
	Non-controlling interests	562	2,577

(*) in 2015 Steelcord business qualified as "discontinued operations"

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euro)

		1/1 - 03/31/2016	1/1 - 03/31/2015
A	**Net income (loss) for the period**	**40,381**	**84,581**
Components of other comprehensive income:			
	B - Items that cannot be reclassified to Income Statement:		
	- Net actuarial gains (losses) on employee benefits	-	(2,113)
	- Tax effect	-	(896)
	Total B	**-**	**(3,010)**
	C - Items reclassified / that may be reclassified to income statement:		
	Exchange differences from translation of foreign Financial Statements		
	- Gains / (losses) for the period	(47,717)	88,012
	- (Gains) / losses reclassified to Income Statement	-	18,282
	Fair value adjustment of other financial assets:		
	- Gains / (losses) for the period	(45,689)	44,891
	- (Gains) / losses reclassified to Income Statement	-	-
	Fair value adjustment of derivatives designated as cash flow hedges:		
	- Gains / (losses) for the period	(3,319)	(15,224)
	- (Gains) / losses reclassified to Income Statement	8,277	2,377
	- Tax effect	(1,872)	834
	Share of other comprehensive income related to associates and joint ventures net of taxes	(493)	28,380
	Total C	**(90,813)**	**167,552**
D	**Total components of other comprehensive income (B+C)**	**(90,813)**	**164,542**
A+D	**Total comprehensive income (loss)**	**(50,432)**	**249,123**
	Attributable to:		
	- Owners of the Parent Company	(48,752)	242,724
	- Non-controlling interests	(1,681)	6,399

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 03/31/2016

(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	**1,343,285**	**(297,423)**	**(358,439)**	**1,592,754**	**2,280,177**	**63,367**	**2,343,544**
Components of other comprehensive income	-	(45,475)	(43,096)	-	(88,571)	(2,242)	(90,813)
Net income (loss)	-	-	-	39,819	39,819	562	40,381
Total conprehensive income (loss)	**-**	**(45,475)**	**(43,096)**	**39,819**	**(48,752)**	**(1,680)**	**(50,432)**
Other	-	-	-	(808)	(808)	(4)	(812)
Total at 03/31/2016	**1,343,285**	**(342,898)**	**(401,535)**	**1,631,765**	**2,230,617**	**61,683**	**2,292,300**

(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	**96,163**	**(15,469)**	**(494,329)**	**55,196**	**(358,439)**
Other components of other comprehensive income	(47,354)	6,130	-	(1,872)	(43,096)
Total at 03/31/2016	**48,809**	**(9,339)**	**(494,329)**	**53,324**	**(401,535)**

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

(in thousands of euro)

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

(in thousands of euro)

	Breakdown of IAS reserves *				
	Reserve for fair value adjustment of avaible-for-sale financial assets	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	**Total IAS reserves**
Balance at 12/31/2014	**56.120**	**(20.246)**	**(547.147)**	**75.069**	**(436.204)**
Other components of other comprehensive income	73.271	(12.848)	(2.113)	(62)	58.248
Other changes	-	-	330	(66)	264
Balance at 03/31/2015	**129.391**	**(33.094)**	**(548.930)**	**74.940**	**(377.692)**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		01/01 - 03/31/2016	**01/01 - 03/31/2015**
	Net income (loss) before taxes (excluding the deconsolidation of the Venezuelan subsidiary)	75.009	155.502
	Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	74.445	79.026
	Reversal of financial expenses	97.355	116.131
	Reversal of financial income	(14.627)	(64.047)
	Reversal of dividends	-	(565)
	Reversal of gains/(losses) on equity investments	6.703	(56)
	Reversal of share of net income from associates and joint ventures	35.779	3.167
	Ordinary taxes	(34.628)	(54.150)
	Change in inventories	(27.712)	(44.749)
	Change in trade receivables	(337.023)	(366.240)
	Change in trade payables	(312.327)	(391.784)
	Change in other receivables/other payables	(27.252)	(80.627)
	Change in provisions for employee benefit obligations and other provisions	(14.470)	(13.706)
	Other changes	(2.277)	1.001
A	**Net cash flows provided by (used in) operating activities**	**(481.025)**	**(661.097)**
	Investments in property, plant and equipment	(72.805)	(84.457)
	Disposal of property, plant and equipment	1.083	2.015
	Investments in intangible assets	(1.178)	(1.100)
	Disposals (Acquisition) of financial assets	(5.156)	(14.393)
	Disposal of Steelcord	-	24.400
	Dividends received	-	565
B	**Net cash flows provided by (used in) investing activities**	**(78.056)**	**(72.970)**
	Change in financial payables	126.806	346.997
	Change in financial receivables/Securities held for trading	94.009	4.456
	Financial income (expenses)	(82.728)	(45.755)
	Dividends paid	-	(7.606)
C	**Net cash flows provided by (used in) financing activities**	**138.087**	**298.092**
D	**Total cash flows provided (used) during the period (A+B+C)**	**(420.994)**	**(435.975)**
E	**Cash and cash equivalents at beginning of financial year**	**1.067.158**	**1.150.605**
F	**Exchange differences on translation of cash and cash equivalents**	(40.003)	36.496
G	**Cash and cash equivalents at end of financial year (D+E+F) (°)**	**606.161**	**751.126**
(°)	**of which:**		
	cash and cash equivalents	636.506	768.251
	bank passive current accounts	(30.345)	(17.125)

EXPLANATORY NOTES

1. GENERAL INFORMATION

As a result of the Public Offer launched during during 2015 by Marco Polo Industrial Holding S.p.A., of the conversion of Savings Shares into Special Shares, of the withdrawal operation relating to the Special Shares, as well as the subsequent redemption of the remaining of Special Shares in circulation carried out by the Company on April 29, 2016, as at the date of this report:

- 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 partner Marco Polo Industrial Holding S.p.A..

Pirelli & C. S.p.A. is subject to the management and coordination of Marco Polo International Italy S.p.A., a company that indirectly holds the entire share capital of Marco Polo Industrial Holding S.p.A. (a shareholder that directly controls the Company). Both 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, who reports to the Central Government of the People's Republic of China. It should also be noted that on **May 6, 2016** the merger deed between Marco Polo Industrial Holding S.p.A. (the incorporated company) and Pirelli & C. S.p.A. (the incorporating company), was stipulated. The merger will be (legally) effective as of June 1, 2016. Tax and accounting will, as was forecast by the merger project, come into effect retroactively as of January 1, 2016.

Taking the aforesaid into account, even though the Group had defined the half year as the interim period of reference for the application of the international accounting standard IAS 34, the Company considered it appropriate to voluntarily draw-up these condensed quarterly consolidated Financial Statements (hereinafter also the "quarterly Financial Statements"), in compliance with the aforesaid standard, as a provision for the possible use of some data taken from the quarterly Financial Statements to be supplied as support data for the refinancing of the Group.

These quarterly Financial Statements – approved by the Board of Directors on May 12, 2016 - have been prepared using the Euro as the reporting currency and all values have been rounded to the thousand Euro unless otherwise indicated.

2. BASIS OF PRESENTATION

Financial Statements

The condensed consolidated quarterly 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, which are accompanied by the quarterly Financial Report on the performance of operations.

The format adopted for the Statement of Financial Position provides for the distinction of assets and liabilities, which are either current or non-current.

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 Income Statement adopted provides for the classification of costs by nature.

The Statement of Comprehensive Income includes the results for the period and, for homogeneous categories, the revenues and costs are, in accordance with IFRSs, recognised directly in Equity. The Group 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 of 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 investments in companies subject to joint control, i.e. joint ventures.

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, i.e. 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 amount 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 the time when control ceases to exist. Net income (loss) and equity attributable to non-controlling interests were separately reported in the consolidated Statement of Financial Position and 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 when 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, participation in shareholders' agreements together with other forms of significant exercise of governance rights.

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, which is established by agreement and only exists when, decisions for the activity require the unanimous consent of all parties who share control. These 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 are distinguished from joint operations that are configured instead as agreements that give the parties of the agreement, which have joint control of the initiative, rights of 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 agreements for joint operations.

For the first quarter of 2016, no changes occurred in the consolidation area compared to the consolidated Financial Statements at December 31, 2015. Of note is that the deconsolidation of Pirelli de Venezuela C.A. was effective as of December 31, 2015 and therefore the results for the Venezualen 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 scope of consolidation prepared at the reporting date of the Financial Statements of the Parent company were adjusted to conform to IAS/IFRS standards as 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 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 that 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 investments is eliminated against the related share of net 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 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 aquired 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 by:

  - 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 pid 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 reset to zero and the share of any further losses is recognised under “Provisions for liabilities and charges,” to the extent to which the Group has a contractual or implicit obligation to cover the losses;

  - gains resulting from sales made by associate companies to joint ventures or other associates are eliminated in proportion to the share of ownership held by 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 refered 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 – Share-based payments; 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 the reportable segments assets 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 and IAS 38 – Intangible assets; identification and certain disclosures related to key managers in IAS 24 – Related party disclosures. The amendments to IFRS 2, IAS 16 and IAS 38 were not applicable to the Group. There was no significant impact on the Financial Statements or on the Group's disclosure due to the application of ammendments to other IAS / IFRS standards.

- Amendments to IFRS 11 – Joint Arrangements – accounting treatments for the acquisition of interests 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 is not correct in that the revenues generated by an asset reflect 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.

  Said amendments have 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 said amendments, the use of the equity method will be allowed as an option in 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 the said 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: amendment to method of divestiture in IFRS 5 - Non-current assets held for sale and discontinued operations; service contracts and applicability of the amendments to IFRS 7 to interim Financial Statements in IFRS 7 - Financial Instruments: additional disclosures; discount rate to be applied in IAS 19 - Employee Benefits; disclosure of information presented "in other parts of the interim Financial Statements" in IAS 34 Interim Financial Statements.

  Application of these amendments will 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 was classified among the items that may or may not be reclassified to the Income Statement.

Seasonality

We note seasonality factors with respect to trade receivables, which involved an increase in the values at the end of the quarter compared to the corresponding values at year-end. Revenue performance instead is not affected by significant trends connected to seasonality factors.

Estimates and assumptions

The preparation of the condensed consolidated quarterly Financial Statements requires that managementmake estimates and assumptions that, 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.

Estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the Income Statement forthe period in which the estimate is revised. If such estimates and assumptions, based on the best evaluation available at the time, should differ from actual circumstances, they are modified accordingly forthe period of the change of the circumstances.

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 uncertaintyfor which it cannot be ruled out that there will be different results for the next period compared to whay 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 quarterly 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.

4. FAIR VALUE MEASUREMENT

In relation to financial instruments measured at fair value, the following table shows the classification of these instruments on the basis of the hierarchy of levels pursuant to IFRS 13, which reflected the significance of the inputs used in determining the 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 **March 31, 2016**, divided into the three levels defined above:

(in thousands of euro)

	Note	Carrying amount at 03/31/2016	Level 1	Level 2	Level 3
FINANCIAL ASSETS:					
Financial assets carried at fair value through income statement:					
Securities held for trading	15	32,355	-	32,355	-
Current derivative financial instruments	24	67,560	-	67,560	-
Available-for-sale financial assets:					
Other financial assets					
Equities and shares		172,998	121,412	18,121	33,465
Investment funds		14,380	-	14,380	-
	9	187,378	121,412	32,501	33,465
TOTAL ASSETS		**287,292**	**121,412**	**132,415**	**33,465**
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through income statement:					
Current derivative financial instruments	24	(103,386)	-	(103,386)	-
Financial hedging instruments:					
Current derivative financial instruments	24	(3,298)	-	(3,298)	-
TOTAL LIABILITIES		**(106,684)**	**-**	**(106,684)**	**-**

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	15	78,167	-	78,167	-
Current derivative financial instruments	24	49,166	-	49,166	-
Financial hedging instruments:					
Current derivative financial instruments	24	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	-
	9	225,121	154,355	38,054	32,712
TOTAL ASSETS		**364,593**	**154,355**	**177,526**	**32,712**

	Note	Carrying amount at 12/31/2015	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES:					
Financial liabilities carried at fair value through income statement:					
Current derivative financial instruments	24	(51,974)	-	(51,974)	-
Financial hedging instruments:		-	-	-	-
Current derivative financial instruments	24	(5)	-	(5)	-
TOTAL LIABILITIES		**(51,979)**	**-**	**(51,979)**	**-**

For the first quarter 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 quarter of 2016:

(in thousands of euro)

	03/31/2016
Opening balance	32,712
Translation differences	(373)
Increases / Subscription of capital	1,156
Impairment	(54)
Fair value adjustments through Equity	26
Other changes	(2)
Closing balance	**33,465**

These financial assets are mainly represented by equity investments in Pirelli de Venezuela C.A. (euro 18,877 thousand), Alitalia S.p.A. (euro 1,107 thousand), European Institute of Oncology (euro 5,754 thousand) and Equinox Two S.C.A. (euro 4,151 thousand).

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

For the first quarter 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 equity investments classified as financial assets available for sale.

The fair value of financial instruments not traded on active markets (e.g. derivatives) is measured by means of assessment techniques that maximise the use of observable and available market data, using widely accepted financial industry techniques:

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

5. OPERATING SEGMENTS

The operating segments which were subject to separate disclosure at March 31, 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 segment for the **first quarter of 2016** were as follows:

(in thousands of euro)	CONSUMER	INDUSTRIAL	OTHER BUSINESS	1Q 2016
Total net sales	**1,165,701**	**269,401**	**922**	**1,436,024**
Gross operating margin	252,506	22,408	(250)	274,664
Depreciation and amortisation	(63,697)	(10,497)	(251)	(74,445)
Operating income (loss)	**188,809**	**11,911**	**(501)**	**200,219**
Net income (loss) from equity investments				(42,482)
Financial income (expenses)				(82,728)
Net income (loss) before tax				**75,009**
Taxes				(34,628)
Net income (loss) from continuing operations				**40,381**

The results subdivided by segment for the **first quarter of 2015** were as follows:

(in thousands of euro)	CONSUMER	INDUSTRIAL	OTHER BUSINESS	1Q 2015
Total net sales	**1,237,410**	**327,908**	**3,102**	**1,568,420**
Gross operating margin	244,700	46,800	(2,901)	288,599
Depreciation and amortisation	(64,277)	(13,892)	(298)	(78,467)
Operating income (loss)	**180,423**	**32,908**	**(3,199)**	**210,132**
Net income (loss) from equity investments				(2,546)
Financial income (expenses)				(52,084)
Net income (loss) before tax				**155,502**
Taxes				(54,150)
Net income (loss) from continuing operations				**101,352**

The following are **net sales based on geographic area**. They are allocated on the basis of the country in which the customer is located.

(in thousands of euro)

	1 Q 2016		1 Q 2015	
Europe	553,222	38.52%	548,802	34.99%
Russia & CSI	35,901	2.50%	43,608	2.78%
NAFTA	213,301	14.85%	199,705	12.73%
Central and South America	329,400	22.94%	483,405	30.82%
Asia/Pacific	151,000	10.52%	157,900	10.07%
Middle Est/Africa/India	153,200	10.67%	135,000	8.61%
Total	**1,436,024**	**100.00%**	**1,568,420**	**100.00%**

6. PROPERTY, PLANT AND EQUIPMENT

The following were the composition and changes for property, plant and equipment:

(in thousands of euro)

	03/31/2016			12/31/2015		
	Gross Value	Accumulated Depreciation	Net Value	Gross Value	Accumulated Depreciation	Net Value
Land	94,059	-	94,059	95,599	-	95,599
Buildings	966,811	(382,375)	584,436	969,155	(375,339)	593,816
Plant and machinery	3,247,363	(1,748,872)	1,498,491	3,231,137	(1,726,778)	1,504,359
Industrial and trade equipment	647,857	(473,426)	174,431	644,704	(467,045)	177,659
Other assets	181,932	(134,786)	47,146	184,500	(136,480)	48,020
	5,138,022	**(2,739,459)**	**2,398,563**	**5,125,095**	**(2,705,642)**	**2,419,453**

GROSS VALUE (in thousands of euro)

	12/31/2015	Translation differ.	Increases	Decreases	Reclassif.	Other	03/31/2016
Land	95,599	(1,456)	-	-	-	(84)	94,059
Buildings	969,155	(4,872)	2,923	(58)	-	(337)	966,811
Plant and machinery	3,231,137	(35,785)	55,163	(4,107)	75	880	3,247,363
Industrial and trade equipment	644,704	(2,878)	9,228	(6,947)	1,620	2,130	647,857
Other assets	184,500	(3,532)	5,491	(1,804)	(1,695)	(1,028)	181,932
	5,125,095	**(48,523)**	**72,805**	**(12,916)**	**-**	**1,561**	**5,138,022**

ACCUMULATED DEPRECIATION (in thousands of euro)

	12/31/2015	Translation differ.	Reclassif.	Decreases	Deprec.	Other	03/31/2016
Buildings	(375,339)	711	-	6	(7,869)	116	(382,375)
Plant and machinery	(1,726,778)	16,733	105	4,323	(44,012)	757	(1,748,872)
Industrial and trade equipment	(467,045)	1,796	(36)	5,823	(14,267)	303	(473,426)
Other assets	(136,480)	2,416	(69)	1,681	(3,610)	1,276	(134,786)
	(2,705,642)	**21,656**	**-**	**11,833**	**(69,758)**	**2,452**	**(2,739,459)**

NET VALUE (in thousands of euro)

	12/31/2015	Translation differ.	Increases	Decreases	Reclassif.	Depreciation	Other	03/31/2016
Land	95,599	(1,456)	-	-	-	-	(84)	94,059
Buildings	593,816	(4,161)	2,923	(52)	-	(7,869)	(221)	584,436
Plant and machinery	1,504,359	(19,052)	55,163	216	180	(44,012)	1,637	1,498,491
Industrial and trade equipment	177,659	(1,082)	9,228	(1,124)	1,584	(14,267)	2,433	174,431
Other assets	48,020	(1,116)	5,491	(123)	(1,764)	(3,610)	248	47,146
	2,419,453	**(26,867)**	**72,805**	**(1,083)**	**-**	**(69,758)**	**4,013**	**2,398,563**

Increases totalling euro 72,805 thousand were mainly aimed at the increased Premium capacity in Europe, NAFTA and China and the improvement in the mix.

The investment ratio with amortisations for first quarter of 2016 was at 1.04.

Property, plant and equipment in progress at March 31, 2016, were included in the individual fixed asset categories and totalled euro 155,602 thousand (euro 140,103 thousand at December 31, 2015).

7. INTANGIBLE ASSETS

Includes the following composition and changes:

(in thousands of euro)

	12/31/2015	Translation differences	Increase	Amortisation	Reclassif.	Other	03/31/2016
Patents and intellectual property rights	2	-	-	(1)	-	0	1
Concessions/licenses/trademarks - finite life	41,632	386	40	(1,199)	-	14	40,873
Concessions/licenses/trademarks - indefinite life	5,832	282	-	-	-	-	6,114
Goodwill	879,126	1,463	-	-	-	-	880,589
Application software	14,031	(6)	39	(2,355)	4,925	75	16,709
Other intangible assets	27,918	345	1,099	(1,132)	(4,925)	88	23,393
	968,541	**2,470**	**1,178**	**(4,687)**	**-**	**177**	**967,679**

The table below sets forth the allocation of goodwill sub-divided according by operating segment and cash generating units (CGU):

(in thousands of euro)

Operating segment	Cash generating unit	03/31/2016	12/31/2015
Consumer	Consumer	573,655	572,703
Industrial	Industrial	306,934	306,423
		880,589	**879,126**

With regard to goodwill, as there were no indications of impairment compared to the year ended December 31, 2015, therefore it was not necessary to update the impairment test.

The item **concessions, licenses and trademarks – finite life** primarily includes the trademarks derived from acquisitions which occurred in 2014, of the points-of-sale on the Abouchar network in Brazil (euro 4,452 thousand), from purchases in 2013 of 25 points-of-sale belonging to Wagner in Germany (euro 7,846 thousand), from the purchases in 2012 in Russia (euro 1,283 thousand) and the purchase of the Daeckia retail chains in Sweden (euro 19,371 thousand).

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

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

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in thousands of euro)

	03/31/2016			12/31/2015		
	associates	**JV**	**Total**	**associates**	**JV**	**Total**
Opening balance	**144,260**	**23,088**	**167,348**	**158,885**	**27,898**	**186,783**
Decreases	(11,161)	-	(11,161)	-	-	-
Increases	4,000	-	4,000	12,157	-	12,157
Distribution of dividends	50	-	50	(1,950)	-	(1,950)
Impairment	(9,908)	-	(9,908)	(21,742)	-	(21,742)
Restatement	8,407	-	8,407	-	-	-
Share of net income (loss)	(33,064)	(2,765)	(35,829)	(4,192)	(4,810)	(9,002)
Share of other components recognized in Equity	(1,665)	-	(1,665)	1,090	-	1,090
Reclassifications and other	-	-	-	12	-	12
Closing balance	**100,919**	**20,323**	**121,242**	**144,260**	**23,088**	**167,348**

8.1 Investments in associates

The **breakdown by investment 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**	**03/31/2016**
Eurostazioni S.p.A.	**60,498**	-	-	-	-	-	1,118	-	**61,616**
Prelios	**41,920**	-	-	-	(9,908)	-	(5,769)	-	**26,243**
Fenice S.r.l.	**29,845**	-	-	-	-	8,407	(28,413)	(1,665)	**8,174**
GWM Renewable Energy II S.p.A.	**11,161**	**(11,161)**	-	-	-	-	-	-	-
Focus Investments S.p.A.	-	-	4,000	-	-	-	-	-	**4,000**
Other companies	**836**	-	-	50	-	-	-	-	**886**
Total associates	**144,260**	**(11,161)**	**4,000**	**50**	**(9,908)**	**8,407**	**(33,064)**	**(1,665)**	**100,919**

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 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, Pirelli & C. S.p.A., following 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 a value equal to its fair value (stock market value at March 30, 2016) under the item "Other financial assets", and which 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 to the subscription on January 12, 2016 by Pirelli & C. S.p.A. of 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 was established as part of the extraordinary spin-off operation of the business activities related to investments and co-investments in property belonging to Prelios S.p.A. (a business unit transferred by Prelios S.p.A. to Focus Investments S.p.A.), from those related to service activities.

The item **impairment** refers to the investment in Prelios S.p.A. and is attributable entirely to the dilution loss resulting from the share capital increase of Prelios S.p.A. which was concluded in the month of March 2016.

The item **restatement** 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 amount of the investment evaluated under the equity method and its fair value including the liquidation preference. In order to estimate the fair value the income approach was used based on the criterion of options and with the use of level 2 inputs.

The **share of earnings** (negative for euro 33,064 thousand) refers mainly to the pro rata of Prelios S.p.A losses (loss of euro 5,769 thousand) and Fenice S.r.l. (loss of euro 28,413 thousand) offset by the positive portion of the investment in Eurostazioni S.p.A. (gain of euro 1,118 thousand). On the same basis as what was effected at March 31, 2015, the Financial Statements of Prelios S.p.A. used in applying the equity method refers to a different closing date as compared to March 31, 2016. In particular, the portion of the income attributable to the first quarter of 2016 is composed of a pro-rata share of Prelios losses for the fourth quarter of 2015.

8.2 Investments in joint ventures

The Group holds an investment of 60% (ownership unchanged from the previous financial year) in PT Evolution Tyres, a jointly controlled entity which operates in Indonesia and is active in tyre production. Even though the company is 60% owned, as a result 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 2,765 thousand refers to the pro rata amount of the losses for the first quarter of 2016.

9. OTHER FINANCIAL ASSETS

These amounted to euro 187,378 thousand compared to euro 225,121 thousand at December 31, 2015 and refer to financial assets available for sale, at fair value, with changes in fair value recognised in equity. The composition as is as follows:

(in thousands of euro)

	03/31/2016	12/31/2015
Opening balance	225,121	180,741
Translation differences	(373)	305
Increases	11,823	20,870
Impairment	(3,506)	(15,751)
Fair value adjustments recognised in Equity	(45,689)	38,853
Other	2	103
Closing balance	**187,378**	**225,121**

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

(in thousands of euro)

	03/31/2016					12/31/2015
	Historical cost	Cumulative FV adjustments recognised in equity	FV adjustments recognised in income statement		Fair Value	Fair Value
			Previous periods	2016		
Listed securities	A	B	C	D	A+B+C+D	
Mediobanca S.p.A.	90,247	36,705	(27,234)	-	99,718	139,968
RCS Mediagroup S.p.A.	37,480	-	(23,125)	(3,452)	10,903	14,355
Greentech Energy Systems A/S	10,667	88	-	-	10,755	-
Other companies	140	-	(104)	-	36	30
	138,534	**36,793**	**(50,463)**	**(3,452)**	**121,412**	**154,353**
Unlisted securities						
Alitalia - Compagnia Aerea Italiana S.p.A.	39,451	-	(38,344)	-	1,107	-
Fin. Priv. S.r.l.	14,458	4,655	(5,562)	-	13,551	18,787
Fondo Anastasia	13,250	1,130	-	-	14,380	14,478
European Institute of Oncology (Istituto Europeo di Oncologia S.r.l.)	4,039	1,715	-	-	5,754	5,754
F.C. Internazionale Milano S.p.A.	7,213	-	(6,920)	-	293	293
Euroqube	373	-	(269)	(54)	50	104
Tlcom I LP	1,359	-	(762)	-	597	644
Emittenti Titoli	117	4,453	-	-	4,570	4,789
Equinox Two SCA	7,607	-	(3,456)	-	4,151	4,425
Pirelli De Venezuela C.A.	18,877	-	-	-	18,877	18,877
Other companies	3,933	248	(1,545)	-	2,636	2,617
	110,677	**12,201**	**(56,858)**	**(54)**	**65,966**	**70,768**
	249,211	**48,994**	**(107,321)**	**(3,506)**	**187,378**	**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 Note 8 above “Investments in associates and joint ventures”.

The item **impairment** mainly refers to the investment in the RCS MediaGroup S.p.A. (euro 3,452 thousand) and results from the adjustment to the stock price at March 31, 2016.

The **fair value adjustment recognised in equity**, was equal to a negative value of euro 45,689 thousand, and mainly refers to investments in Mediobanca S.p.A. (euro 40,250 thousand) and in Fin.Priv. S.r.l. (euro 5,236 thousand).

The fair value of listed securities corresponds to the stock exchange listing at March 31, 2016.

The fair value of unlisted securities was determined by making estimates on the basis of the best information available at the time.

10. DEFERRED TAX ASSETS AND PROVISION FOR DEFERRED TAX LIABILITIES

The composition is as follows:

(in thousands of euro)

	03/31/2016	12/31/2015
Deferred tax assets	116,661	123,724
Provision for deferred tax liabilities	(32,250)	(43,622)
	84,411	**80,102**

Deferred tax assets and deferred tax liabilities were offset 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.

11. TRADE RECEIVABLES

Trade receivables were analysed as follows:

(in thousands of euro)

	03/31/2016			12/31/2015		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Customers	1,277,428	-	1,277,428	942,000	-	942,000
Provision for bad debts	(270,714)	-	(270,714)	(265,808)	-	(265,808)
	1,006,714	**-**	**1,006,714**	**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. The value of trade receivables at March 31, 2015 amounted to euro 1,063,743 thousand.

12. OTHER RECEIVABLES

Other receivables were analysed as follows:

(in thousands of euro)

	12/03/2016			12/31/2015		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Financial receivables	65,536	53,015	12,521	62,626	50,738	11,888
Trade accruals and deferrals	38,072	2,483	35,589	22,689	2,468	20,221
Receivables from employees	11,921	1,392	10,529	6,958	1,254	5,704
Receivables from social security and welfare institutions	6,972	-	6,972	7,139	-	7,139
Receivables from tax authorities not related to income taxes	146,632	11,162	135,470	95,556	8,809	86,747
Other receivables	150,604	91,930	58,674	123,262	84,355	38,907
	419,737	**159,982**	**259,755**	**318,230**	**147,624**	**170,606**
Provision for bad debts	(3,283)	-	(3,283)	(5,198)	-	(5,198)
	416,454	**159,982**	**256,472**	**313,032**	**147,624**	**165,408**

The item **non-current financial receivables** (euro 53,015 thousand) refers to euro 44,298 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 **receivables from tax authorities not related to income taxes** (euro 146,632 thousand) is mainly comprised of VAT receivables, receivables for property, and receivables for withholding taxes.

The item **other non-current receivables** (euro 91,930 thousand) mainly refers to amounts deposited as guarantees for legal and tax disputes involving the Brazilian units (euro 64,890 thousand), receivables as 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 8,230 thousand, and a receivable of euro 13,768 thousand relating to a contribution made in cash and paid at the time of signing of an association in participation contract.

The item **other current receivables** (euro 58,674 thousand) mainly includes advances to suppliers for euro 31,635 thousand, receivables from the disposal of property not used for industrial operations in Brazil for euro 2,467 thousand, and grants for research and development activities to be received from the Piedmont Region for euro 1,062 thousand.

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

13. TAX RECEIVABLES

The item **tax receivables** relates to income taxes and amounted to euro 85,919 thousand (of which euro 6,502 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 year), IRPEG corporate income tax for previous years payable by Pirelli & C. S.p.A., and tax receivables for previous years of the subsidiaries in Brazil.

14. INVENTORIES

Inventories were analysed as follows:

(in thousands of euro)

	03/31/2016	12/31/2015
Raw and auxiliary materials and consumables	208,727	208,012
Sundry materials	7,666	6,796
Work in progress and semi-finished products	58,732	67,710
Finished products	784,063	769,610
Advances to suppliers	9,052	1,801
	1,068,240	**1,053,929**

15. SECURITIES HELD FOR TRADING

Securities held for trading amounted to euro 32,355 thousand compared to euro 78,167 thousand at December 31, 2015 and consisted primarily of unlisted floating rate bonds and deposit certificates held by the Brazilian companies, the Swiss company Pirelli Tyre (Suisse) S.A. and the Argentine company Pirelli Neumaticos S.A.I.C..

The fair value of listed securities corresponds to the stock exchange listing at March 31, 2016.

The fair value of unlisted securities was determined by estimates made on the basis of the best information available at the time.

Changes in fair value for the period were recognised in the Income Statement as Financial expenses.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents went from euro 1,082,726 thousand at December 31, 2015 to euro 636,506 thousand at March 31, 2016, and recorded a decrease of euro 446,220 thousand mainly due to the 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. These were essentially invested on the short-term maturity deposits market through leading 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 30,345 thousand at March 31, 2016 (euro 17,125 thousand at March 31, 2015).

17. EQUITY

17.1 Attributable to the Parent Company

The **equity attributable to the Parent Company** went from euro 2,280,177 thousand at December 31, 2015 to euro 2,230,617 thousand at March 31, 2016. The decrease was mainly due to the fair value adjustment of available-for-sale investments (negative for euro 45,689 thousand), the translation differences of foreign Financial Statements (negative for euro 45,475 thousand), which were partially offset by the net income for the period (positive for euro 39,819 thousand).

The subscribed and paid-up **share capital** at March 31, 2016 (including the treasury shares held) is represented by 475,740,182 ordinary shares and 12,251,311 savings shares, without par value and with normal entitlements, for a total of euro 1,345,381 thousand. The share capital is represented net of the value of portfolio treasury shares (351,590 ordinary shares and 408.342 special shares) and therefore amounts to euro 1,343,285 thousand. The total of treasury shares held represents 0.16% of the share capital.

17.2 Attributable to minorities

The equity attributable to non-controlling interests went from euro 63,367 thousand at December 31, 2015 to euro 61,683 thousand at March 31, 2016. The change was mainly due to the translation of foreign Financial Statements (negative for euro 2,242 thousand).

18. PROVISIONS FOR LIABILITIES AND CHARGES

Below are the changes during the period:

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

	03/31/2016
Opening balance	77,906
Translation differences	2,714
Increases	3,469
Uses	(1,182)
Reversals	(1,229)
Other	111
Closing balance at 03/31/2016	**81,789**

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 36,965 thousand) and labour disputes (euro 26,212 thousand);
- by the Parent Company Pirelli & C. S.p.A. for tax disputes (euro 9,886 thousand) and for trade risks, remediation and labour disputes (euro 4,531 thousand).

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

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

The **reversals** of surplus provisions mostly concerned disputes.

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

	03/31/2016
Opening balance	63,221
Translation differences	(1,354)
Increases	2,135
Uses	(2,465)
Reversals	(505)
Other	(36)
Closing balance at 03/31/2016	**60,996**

The **current portion** mainly includes accruals for product claims and warranties (euro 17,026 thousand), remediation of disused areas (euro 4,366 thousand), reorganisation and closure of activities (euro 885 thousand), litigation for occupational diseases (euro 9,311 thousand), tax risks (euro 9,832 thousand), labour disputes (euro 2,218 thousand) and work accident insurance (euro 3,410 thousand).

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

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

The **reversals** of surplus provisions mostly concerned disputes.

19. EMPLOYEE BENEFIT OBLIGATIONS

The item includes:

(in thousands of euro)

	03/31/2016	12/31/2015
Pension funds:		
- funded	137,175	154,413
- unfunded	95,497	96,375
Employee leaving indemnities (TFR - Italian companies)	38,508	38,625
Healthcare plans	20,420	21,449
Other benefits	56,352	51,678
	347,952	**362,540**

20. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks and other financial institution were as follows:

(in thousands of euro)

	03/31/2016			12/31/2015		
	Total	**Non-current**	**Current**	**Total**	**Non-current**	**Current**
Bonds	725,578	594,378	131,200	1,231,006	731,224	499,782
Borrowings from banks	1,837,234	1,039,533	797,701	1,129,394	540,403	588,991
Borrowings from other financial institutions	5,529	1,956	3,573	20,517	2,344	18,173
Financial leasing payables	490	311	179	507	321	186
Accrued financial expenses and deferred financial income	9,687	20	9,667	25,593	63	25,530
Other financial payables	4,496	1,360	3,136	7,263	1,333	5,930
	2,583,014	**1,637,558**	**945,456**	**2,414,280**	**1,275,688**	**1,138,592**

The item **bonds** refers to:

- for the **current portion**, to the private placement placed by Pirelli International Plc on the American market on December 5, 2012 for an aggregate nominal amount of USD 150 million (equal to euro 131,752 thousand based on the exchange rate at March 31, 2016), with a duration of between 5 and 12 years with an average coupon of 5.05%;
- for the **non-current portion**, to 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%.

The **decrease in the current portion** compared to December 31, 2015 was due to the repayment in February 2016, at its natural maturity, of the unrated bond placed by Pirelli & C. S.p.A. on the Eurobond market in February 2011 for an aggregate nominal amount of euro 500 million, with a fixed coupon of 5.125%.

The Company - as a result of the extraordinary operations in progress and completed with the merger with Marco Polo Industrial Holding S.p.A., which reshaped the credit profile of the Group by way of the acquisition by Pirelli of an additional financial debt of approximately euro 4.2 billion, in the usual proactive management of its financial liabilities and in the interest of its investors, - approved the early repayment of the USD private placement of USD 150 million. In line with the contractual terms, the repayment of the loan resulted in higher charges to the amount of euro 25.4 million. This bond was redeemed on April 6, 2016. The related debt was therefore classified in its entierty in the current portion.

The carrying amount for bonds was determined as follows:

(in thousands of euro)

	03/31/2016	**12/31/2015**
Nominal value	731,724	1,237,728
Transaction costs	(8,532)	(13,828)
Amortisation of effective interest rate	2,386	7,106
	725,578	**1,231,006**

The item **borrowings from banks,** which amounted to euro 1,837,234 thousand, mainly refers to:

- loans granted by the European Investment Bank (EIB) to Pirelli Tyre S.p.A. for research and development projects and to S.C. Pirelli Tyres Romania S.r.l. for local industrial investments. These loans totalling euro 150,000 thousand (euro 150,000 thousand at December 31, 2015), were fully used with euro 100,000 thousand reported under current borrowings from banks, while the residual part of euro 50,000 thousand under non-current borrowings from banks;

- euro 670,573 thousand (euro 279,520 thousand at December 31, 2015) related to the use of the five-year term revolving credit facility and multicurrency term loan which amounted to euro 1,000,000 thousand granted to Pirelli International Plc and signed on January 9, 2015 to replace the preceding revolving credit facility of euro 1,200,000 thousand. The use of these were classified as non-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. and signed on February 13, 2015 was fully used. The use of these were classified as non-current borrowings from banks;
- euro 37,000 thousand related to the *Schuldschein* (originally for a total nominal value of euro 155,000 thousand and which was partially repaid in June 2015 to the amount of euro 112,000 thousand and in December 2015 with an additional amount of euro 6,000 thousand), was 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 with original maturity in June 2016, for an amount of euro 32,000 thousand, and in December 2017 for the remaining euro 5,000 thousand, with the latter tranche being reclassified under short-term payables as a result of the change of control as provided for by the contractual conditions;
- euro 69,471 thousand for certain loans classified as current borrowings from banks granted to the Mexican subsidiaries by HSBC Bank of euro 31,326 thousand, and by Banco Santander and Banco BBVA of euro 15,258 thousand each, and by Citibank for euro 7,629 thousand. All these loans have a maturity of 180 days and are not covered by any type of guarantee;
- euro 59,352 thousand for two uncommitted credit lines granted to Pirelli International Plc by Raiffeisen Bank and Banco Santander respectively for euro 30,000 thousand and euro 29,352 thousand. Both loans are classified as short-term borrowings from banks;

- euro 1,761 thousand related to loans granted by Banco Nacion Argentina between October 2011 and June 2012 to Pirelli Neumaticos S.A.I.C. The five year loan, with maturity in October 2016, provides for monthly repayments of euro 296 thousand and is backed by secured guarantees;
- use of credit facilities at local level in China, Brazil, Colombia, Egypt, Turkey and the USA for euro 628,741 thousand, of which euro 511,159 thousand is classified as current borrowings from banks with the remainder, amounting to euro 117,582 thousand, classified as other non-current borrowings from banks.

At March 31, 2016, the Group, aside from cash and securities held for trading of euro 668,861 thousand, had unused committed credit facilities for euro 329,427 thousand (euro 820,480 thousand at December 31, 2015 – with a total of euro 1.2 billion in committed credit lines) maturing in 2020.

The average cost of debt for the first quarter of 2016 was 5.60%.

With regard to the presence of financial covenants and negative pledge clauses, it is noted that:

- the revolving credit and multicurrency term loan facility granted to Pirelli & C. S.p.A., Pirelli Tyre S.p.A. and Pirelli International Limited for a total of euro 1,000,000 thousand, and used for euro 670,573 thousand foresees in cases of negative pledges, an undertaking not to grant secured guarantees beyond the threshold defined as being euro 200,000 thousand or 5% of total assets (as per the consolidated Financial Statements of Pirelli & C. S.p.A.) whichever is the higher, with the exception of secured guarantees on existing debt or on debt to replace it, and to be granted pursuant to law in respect of trade finance, project finance and facilitated finance, or on loans granted by supranational entities;

- the revolving credit and multicurrency term loan facility granted to Pirelli & C. S.p.A. for a total of euro 200,000 thousand and fully used, in cases of negative pledges, an undertaking not to grant secured guarantees beyond the threshold defined as being euro 200,000 thousand or 5% of total assets (as per the consolidated Financial Statements of Pirelli & C. S.p.A.) whichever is the highest, with the exception of secured guarantees on existing debt or on debt to replace it, to be granted pursuant to law in respect of trade finance, project finance and subsidised finance, or on loans granted by supranational entities;

- the *private placement* for a total of USD 150.000 thousand provides for the following, aside from the aforesaid commitments:

  - compliance to a maximum ratio between non-centralised indebtedness (for companies other than Pirelli International Limited, Pirelli & C. S.p.A. and Pirelli Tyre S.p.A.) and total assets as reported in the consolidated Financial Statements of Pirelli & C. S.p.A. as equal to 25% (and in any case the ratio between the so called secured debt and total assets to not exceed 15%);

  - a financial covenant whereby if the ratio applied to the gross operating margin / financial expenses as reported in the consolidated Financial Statements of Pirelli & C. S.p.A. is greater than or equal to 3.5 if the ratio between net consolidated indebtedness and the gross operating margin exceeds 2.5.

The following parameters were contractually measured every six months as at December 31, 2015 and were considered to have been met:

- in cases of negative pledges, an undertaking not to grant secured guarantees beyond the threshold defined as being euro 100,000 thousand or 3% of total assets whichever is the highest (as per the consolidated Financial Statements of Pirelli & C. S.p.A.), with the exception of secured guarantees on existing debt or debt to replace it, to be granted pursuant to law in respect of trade finance, project finance and facilitated finance, or on loans granted by supranational entities.

- the Schuldschein subscribed to by Pirelli International Plc for a nominal total amount of euro 37,000 thousand, with due dates falling between June 2016 and December 2017 (originally for an aggregate nominal sum of euro 155,000 thousand and partially reimbursed in June and December 2015) provides for, in cases of negative pledges, an undertaking not to grant secured guarantees beyond the threshold defined as being euro 100,000 thousand or 3% of total asset, whichever is the highest (as defined in the consolidated Financial Statements of Pirelli & C. S.p.A.), with the exception of secured guarantees on existing debt or debt to replace it (to be granted pursuant to law) in respect of trade finance, project finance, facilitated finance, or any loans granted by supranational entities.

The other outstanding financial payables do not contain financial covenants.

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

21. TRADE PAYABLES

Trade payables were composed as follows:

(in thousands of euro)

	03/31/2016			12/31/2015		
	Total	Non-current	Current	Total	Non-current	Current
Suppliers	918,517	-	918,517	1,281,810	-	1,281,810
Bill and notes payable	27,286	-	27,286	31,321	-	31,321
	945,803	**-**	**945,803**	**1,313,131**	**-**	**1,313,131**

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

22. OTHER PAYABLES

Other payables are as follows:

(in thousands of euro)

	03/31/2016			12/31/2015		
	Total	Non-current	Current	Total	Non-current	Current
Accrued trade expenses and deferred trade income	93,083	40,214	52,869	65,812	40,450	25,362
Tax payables not related to income taxes	101,886	3,906	97,980	76,682	3,485	73,197
Payables to employees	156,182	25,767	130,415	149,446	24,186	125,260
Payables to social security and welfare intitutions	60,530	26,122	34,408	66,402	22,195	44,207
Dividends payable	5,204	-	5,204	6,879	-	6,879
Other payables	148,151	8,839	139,312	137,582	8,315	129,267
	565,036	**104,848**	**460,188**	**502,803**	**98,631**	**404,172**

The item **other current payables** (euro 139,312 thousand) mainly includes:

- euro 65,890 thousand for the purchase of property, plant and equipment (euro 78,333 thousand at December 31, 2015);
- euro 10,150 thousand for withholding taxes on income (euro 9,914 thousand at December 31, 2015);
- euro 7,471 thousand in payables to representatives, agents, professionals and consultants (euro 6,467 thousand at December 31, 2015);
- euro 5,961 thousand in payables to directors, auditors and supervisory bodies (euro 6,851 thousand at December 31, 2015);

- euro 14,354 thousand for customer advances (euro 4,747 thousand at 31 December 2015);

For other current and non-current payables, it is considered that the value approximates their fair value.

23. TAX PAYABLES

Tax payables mostly relate to national and regional income taxes in the various countries and total euro 89,447 thousand (of which euro 2,696 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).

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

(in thousands of euro)

	03/31/2016		12/31/2015	
	Current Assets	**Current Liabilities**	**Current Assets**	**Current Liabilities**
Without adoption of hedge accounting				
Exchange rate derivatives - trade transactions	60,479	(45,815)	42,327	(36,825)
Exchange rate derivatives - included in net financial position	2,499	(57,571)	6,840	(15,149)
Interest rate derivatives	4,582		-	-
Hedge accounting adopted				
- cash flow hedge:				
Exchange rate derivatives - trade transactions	-	(3,298)	-	-
Interest rate derivatives	-	-	11,608	-
Other derivatives	-	-	530	(5)
	67,560	**(106,684)**	**61,305**	**(51,979)**
- Total derivatives included in net financial position	**2,499**	**(57,571)**	6,840	(15,149)

Derivative financial instruments not in hedge accounting

The value of **exchange rate derivatives** corresponds to the fair value measurement of purchases/sales of forward exchange currency at the closing date of the period. These were hedge operations for trade and financial transactions of the Group for which the hedge accounting option was not adopted. The fair value was determined by using the forward exchange rate at the reporting date.

The value of **interest rate derivatives** recorded as current assets for euro 4,582 thousand refers to the fair value 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, with a duration of between 5 and 12 years (please see Note 20 “Borrowings from banks and other financial institutions”). The goal was to cover the change in cash flow debt, denominated in foreign currency (both principal and interest), related to changes in the exchange rates.

For these derivatives, in February 2016, cash-flow hedge accounting was discontinued and since that date, changes in the fair value have been recognised in the Income Statement.

Losses previously accumulated in Equity (euro 8,550 thousand), were fully reclassified to the Income Statement for the period (please see Note 33 “Financial expenses”) as it was expected that the future transaction, represented by future cash flows associated with the debt, would no longer occur as the early repayment of the liability had been decided.

25. COMMITMENTS AND RISKS

Commitments for the purchase of property, plant and equipment

The commitments to purchase property, plant and equipment amounted to euro 106,092 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 specialised in investments in listed and unlisted companies with a high growth potential for a total value 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, be ascertained and ruled. 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 on 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 judgment be suspended until judgment is passed for sentencing for the already pending Italian proceedings, and that Prysmian pay to 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 quarterly Financial Statements as at March 31, 2016.

26. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were analysed as follows:

(in thousands of euro)

	1 Q 2016	1 Q 2015
Revenues from sale of goods	1,408,206	1,546,678
Revenues from services	27,818	21,742
	1,436,024	**1,568,420**

27. OTHER REVENUES

The item is composed as follows:

(in thousands of euro)

	1 Q 2016	1 Q 2015
Gains on disposal of property, plant and equipment	187	150
Rent income	1,912	1,890
Insurance indemnities and other refunds	2,901	2,360
Recoveries and reimbursements	18,220	16,018
Government grants	1,812	1,431
Other income	16,006	18,323
	41,038	**40,172**

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

- tax refunds totaling euro 6,110 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 4,801 thousand received in Italy for euro 3,793 thousand and in Germany for euro 902 thousand euro in grants for tyre disposals and gas and energy/power purchases.

The item **other** includes income from sports activities which amounted to euro 6,776 thousand, (euro 6,322 thousand for the first quarter of 2015), income from the release of the provisions for liabilities and charges for euro 1,735 thousand (euro 1,449 thousand for the first quarter of, 2015) and from the provision for bad debts for euro 1,136 thousand (euro 1,201 thousand for the first quarter of 2015).

28. PERSONNEL EXPENSES

The item is composed as follows:

(in thousands of euro)

	1Q 2016	1Q 2015
Wages and salaries	223,693	258,918
Social security and welfare contributions	52,640	43,732
Costs for employee leaving indemnities and similar	7,837	9,324
Costs for defined contribution pension funds	5,384	5,135
Costs for defined benefit pension funds	244	264
Costs for jubilee awards	580	619
Costs for defined contribution healthcare plans	8,568	10,912
Other costs	1,819	1,612
	300,765	**330,516**

29. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The item is composed as follows:

(in thousands of euro)

	1 Q 2016	1 Q 2015
Amortisation	4,687	5,061
Depreciation	69,758	73,406
Impairment of property, plant and equipment	-	559
	74,445	**79,026**

30. OTHER COSTS

The item is subdivided as follows:

(in thousands of euro)

	1 Q 2016	**1 Q 2015**
Selling costs	77,448	83,145
Purchases of goods for resale	45,515	78,077
Fluids and power	48,752	53,686
Advertising	50,701	55,096
Professional advice	18,411	14,845
Maintenance	14,605	15,653
Warehouse operating costs	17,444	15,292
Leases, rental and lease installments	28,908	30,752
Outsourcing	10,290	9,991
Travel expenses	10,771	11,592
IT expenses	7,191	7,325
Other provisions	5,604	5,442
Duty stamps, duties and local taxes	9,723	9,731
Canteen	5,012	6,320
Bad debts	9,581	6,152
Insurance	7,898	8,977
Cleaning expenses	4,129	5,125
Waste disposal	5,867	4,960
Security expenses	2,620	3,157
Telephone expenses	2,699	3,323
Other	26,120	39,855
	409,289	**468,497**

31. NET INCOME (LOSS) FROM EQUITY INVESTMENTS

31.1 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 35,779 thousand, and relates mainly to investments in Fenice S.r.l. (negative for euro 28,413 thousand), in Prelios S.p.A. (negative for euro 5,769 thousand), and in the joint venture PT Evolution Tyres in Indonesia (negative for euro 2,765 thousand). The share of the net income (loss) from the equity investment in Eurostazioni S.p.A. instead showed a gain of euro 1,118 thousand. Please refer to previous Note 8 “Investments in associates and joint ventures” for further details.

31.2 Gains on equity investments

The item at March 31, 2016 relates to the restatement of values carried on the investment in the Phoenix S.r.l. previously described in Note 8 "Investments in associates and joint ventures" which can be referred to for further details.

31.3 Losses on equity investments

This item amounted to euro 15,110 thousand, at March 31, 2016 and refers mainly to the investment in Prelios S.p.A. (euro 9,908 thousand) and the RCS MediaGroup S.p.A. (euro 3,452 thousand) as well as to the withdrawal from the company GWM Renewable Energy II S.p.A. by Pirelli & C. 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.

32. FINANCIAL INCOME

The item is composed as follows:

(in thousands of euro)

	Q1 2016	Q1 2015
Interest	12,055	14,213
Other financial income	2,568	2,432
Net gains on exchange rates	-	47,402
Valuation at fair value of securities held for trading	4	-
	14,627	**64,047**

The item **interest** includes euro 4,216 thousand for interest receivables from financial institutions (euro 5,877 thousand for the first quarter of 2015), euro 6,623 thousand of interest on fixed income securities (euro 4,753 thousand for the first quarter of 2015), euro 678 thousand for interest on trade receivables (euro 408 thousand for the first quarter of 2014) and euro 395 thousand euro for interest on government securities (euro 500 thousand for the first quarter of 2015). For the first quarter of 2015, the item included interest on interest rate swaps of euro 2,136 thousand.

The item **other financial income** mainly includes euro 1,304 thousand of accrued interest on security deposits paid by the Brazilian subsidiaries as a guarantee for legal and tax disputes.

33. FINANCIAL EXPENSES

The item is composed as follows:

(in thousands of euro)

	1Q 2016	1Q 2015
Interest	22,376	28,508
Commissions	29,283	6,247
High inflation effect Venezuela	-	10,257
Other financial expenses	1,680	1,336
Net losses on exchange rates	685	-
Net interest costs on employee benefit obligations	2,810	4,498
Valuation at fair value of securities held for trading	-	8
Valuation at fair value of currency derivatives	30,989	58,781
Valuation at fair value of other derivatives	9,532	6,496
	97,355	**116,131**

The item **interest** includes euro 3,818 thousand for the bond issued by Pirelli & C. S.p.A. in 2011 (euro 6,599 thousand for the first quarter of 2015), euro 1,658 thousand for the private placement placed by Pirelli International Plc on the American market at the end of 2012 (euro 1,457 thousand for the first quarter of 2015), euro 2,995 thousand for the bond placed by Pirelli International Plc on the Eurobond market in November 2014 (euro 2,974 thousand for the first quarter of 2015) and euro 1,460 thousand for interest on interest rate swaps (euro 1,758 thousand for the first quarter of 2015).

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.

The item **net losses on exchange rate** of euro 685 thousand (exchange rate gains of euro 793,557 thousand and exchange rate losses of euro 794,242 thousand) refers to the adjustment to the exchange rate at the end of the period of the items expressed in a currency other than the functional currency still in existence at the closing date of the Financial Statements, and the net gains on items closed during the quarter.

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 16,176 thousand, and the exchange rate component, at a net cost of euro 14,813 thousand. In comparing the net losses on exchange rates, which totalled euro 685 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 14,813 thousand), it can be concluded that the exchange rate risk management was essentially balanced considering that the negative balance which totalled euro 14,128 thousand was mainly due to the depreciation of the Egyptian currency (euro 20,720 thousand) which was not subject to hedging.

The item **valuation at fair value of other derivatives** (please see also Note 24 “Derivative financial instruments”) mainly includes euro 8,550 thousand which derives from the reversal to the Income Statement of the amount previously suspended in Equity, and from derivatives for which hedge accounting was discontinued prematurely (the private placement placed by Pirelli International Plc), and for the residual portion of the changes in the fair value of the instrument derived after hedge accounting was prematurely discontinued.

34. TAXES

Taxes were composed as follows:

(in thousands of euro)

	1Q 2016	1Q 2015
Current taxes	48,564	50,189
Deferred taxes	(13,936)	3,961
	34,628	**54,150**

The tax rate stood at 46.2% (31.2% net of the consolidation of associated companies using the equity method, negative impact for euro 35,779 thousand), compared with 34.8% (34.1% net of the consolidation of associated companies using the equity method, negative impact for euro 3,167 thousand) for the first quarter of 2015.

35. 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 Income Statement and the Statement of Financial Position with related party transactions on the consolidated data for the Pirelli & C. Group as at March 31, 2016 were as follows:

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

(in millions of euro)

Revenues from sales/services and other income	0.7	The amount refers mainly to rental income and relevant management fees paid by Prelios Group (euro 0.3 million) and to services rendered to PT Evoluzione Tyres (euro 0.3 million)
Other costs	7.2	The amount includes energy purchases and machinery lease from Industriekraftwerk Breuberg GmbH (euro 5.7 milion), costs for the purchase of goods from PT Evoluzione Tyres (euro 1.4 milion), and services provided by CORIMAV (euro 0.1 million).
Current trade receivables	2.1	The amount mainly concerns receivables for services provided to Prelios Group (euro 1.1 million) and to PT Evoluzione Tyres (euro 1.0 million)
Other current receivables	0.2	The amount 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. as guarantee for the rental of the Milan premises.
Current trade payables	17.7	This amount mainly consists of payables for the purchase of energy from Industriekraftwerk Breuberg GmbH.
Other current payables	0.1	Other current payables refers to the deferral of a portion of the rental charges for the Milan premises of Prelios S.p.A. (euro 0.1 million).

TRANSACTIONS WITH OTHER RELATED PARTY

(in milllions of euro)

Revenues from sales and services	1.0	The amount mostly consists of revenues generated from sales of goods and services rendered by Pirelli Tyre S.p.A. and Pirelli Pneus Ltda (euro 0.5 million) to Pirelli de Venezuela C.A. (euro 0.5 million).

36. OTHER INFORMATION

Research and development expenses

Research expenses went from euro 53.1 million for the first quarter of 2015 (3.4% of sales) to euro 56.7 million for the first quarter of 2016 (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 against euro)

	Period-end		Change in %	Average 1 Q		Change in %
	03/31/2016	**12/31/2015**		**2016**	**2015**	
Swedish Krona	**9.2253**	9.1895	0.39%	**9.3264**	9.3800	(0.57%)
Australian Dollar	**1.4807**	1.4897	(0.60%)	**1.5283**	1.4313	6.78%
Canadian Dollar	**1.4738**	1.5116	(2.50%)	**1.5136**	1.3957	8.45%
Singaporean Dollar	**1.5304**	1.5417	(0.73%)	**1.5463**	1.5273	1.25%
U.S. Dollar	**1.1385**	1.0887	4.57%	**1.1022**	1.1261	(2.13%)
Taiwan Dollar	**36.6734**	35.7769	2.51%	**36.5043**	35.5317	2.74%
Swiss Franc	**1.0931**	1.0835	0.89%	**1.0960**	1.0722	2.22%
Egyptian Pound	**10.1041**	8.5214	18.57%	**8.8820**	8.4282	5.38%
Turkish Lira (new)	**3.2081**	3.1776	0.96%	**3.2424**	2.7692	17.09%
New Romanian Leu	**4.4738**	4.5245	(1.12%)	**4.4905**	4.4503	0.90%
Argentinian Peso	**16.7360**	14.1357	18.40%	**15.9687**	9.7825	63.24%
Mexican Peso	**19.6612**	18.9074	3.99%	**19.8714**	16.7891	18.36%
South African Rand	**16.7866**	16.9530	(0.98%)	**17.4416**	13.2283	31.85%
Brazilian Real	**4.0539**	4.2504	(4.62%)	**4.2960**	3.2213	33.36%
Chinese Renminbi	**7.3561**	7.0696	4.05%	**7.1953**	6.9123	4.09%
Russian Ruble	**76.5386**	79.6972	(3.96%)	**82.3162**	71.0700	15.82%
British Pound	**0.7916**	0.7340	7.85%	**0.7704**	0.7434	3.64%
Japanese Yen	**127.9000**	131.0700	(2.42%)	**126.9926**	134.1206	(5.31%)

Net financial liquidity (debt) position

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

	Note	03/31/2016	12/31/2015
Current borrowings from banks and other financial institutions	**20**	945,456	1,138,592
Current derivative financial instruments (liabilities)	**24**	57,571	15,149
Non-current borrowings from banks and other financial institutions	**20**	1,637,558	1,275,688
Total gross debt		**2,640,585**	**2,429,429**
Cash and cash equivalents	**16**	(636,506)	(1,082,726)
Securities held for trading	**15**	(32,355)	(78,167)
Current financial receivables	**12**	(12,521)	(11,888)
Current derivative financial instruments (assets)	**24**	(2,499)	(6,840)
Non-current financial receivables	**12**	(53,015)	(50,738)
Total net financial (liquidity)/debt position		**1,903,689**	**1,199,070**

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 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.
Ultrasic S.r.l.	Sustainable mobility	Milan	Euro	20,000	100.00%	Pirelli & C. Ambiente 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	68.00%	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	951,000	56.15%	Pirelli Neumaticos S.A. - Sociedad Unipersonal
					0.32%	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.
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 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	3,315,069	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	57,080,000	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						
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.
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.
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 significant

Company	Business	Headquarter	Currency	Share Capital	% holding	Held by
Belgium						
Euroqube S.A. (in liquidation)	Services	Brussels	Euro	84,861,116	17.79%	Pirelli & C. S.p.A.
Denmark						
Greentech Energy System A/S	Sustainable mobility	Copenhagen	Danish Krone	533,313,475	11.93%	Pirelli & C. S.p.A.
France						
Aliapur S.A.	Tyre	Lion	Euro	262,500	14.29%	Pneus Pirelli S.A.S.
Italy						
Fin. Priv. S.r.l.	Financial	Milan	Euro	20,000	14.29%	Pirelli & C. S.p.A.
Poland						
Centrum Utylizacji Opon Organizacja Odzysku S.A.	Tyre	Warsaw	Pol. Zloty	1,008,000	14.29%	Pirelli Polska Sp. ZO.O.
United Kingdom						
Tlcom I Ltd Partnership	Financial	London	Euro	1,154	9.39%	Pirelli UK Ltd
Czech Republic						
ELT Management Company Czech Republic S.R.O.	Tyre	Kasirova	Czech crown	5,940,000.00	16.67%	Pirelli Tyre (Suisse) SA
Tunisia						
Société Tunisienne des Industries de Pnéumatiques S.A.	Tyre	Tunis	Tun. Dinar	12,623,469	15.83%	Pirelli Tyre S.p.A.
Venezuela						
Pirelli de Venezuela C.A. (*)	Tyre	Valencia	Ven. Bolivar/000	20,062,679	96.22%	Pirelli Tyre S.p.A.

(*) Deconsolidated at 31.12.2015

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Review report on the condensed consolidated quarterly financial statements

(Translation from the original Italian text)

To the Board of Directors of

Pirelli & C. S.p.A.

Introduction

We have reviewed the condensed consolidated quarterly 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 31 March 2016. The Directors of Pirelli & C. S.p.A. are responsible for the preparation of the condensed consolidated quarterly 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 quarterly financial statements based on our review.

Scope of Review

We conducted our review in accordance with *International Standard on Review Engagements* 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed consolidated quarterly 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 quarterly financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated quarterly financial statements of Pirelli Group as of March 31, 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.

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Other matters

The condensed consolidated quarterly financial statements for the three-month period ended 31 March 2016 present, for comparative purposes, corresponding amounts for the three-month period ended 31 March 2015 that have not been audited or reviewed by us. Presentation of comparative amounts and their disclosure in the explanatory notes have been examined for the purposes of this report.

Milan, 16 May 2016

Reconta Ernst & Young S.p.A.

Signed by: Pietro Carena, Partner

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