INTERIM FINANCIAL REPORT
AT MARCH 31, 2019

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

Milan Office

Viale Piero e Alberto Pirelli n. 25

Share Capital Euro 1,904,374,935.66

Register of Companies of Milan No. 00860340157

REA (Economic Administrative Index) No. 1055

PIRELLI & C. S.p.A. – MILAN

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Board of Directors[1]

Chairman	Ning Gaoning
Executive Vice Chairman	
and Chief Executive Officer	Marco Tronchetti Provera
Director	Yang Xingqiang
Director	Bai Xinping
Director	Giorgio Luca Bruno
Independent Director	Laura Cioli
Independent Director	Domenico De Sole
Independent Director	Fan Xiaohua
Director	Ze'ev Goldberg
Independent Directo	Giovanni Lo Storto
Independent Director	Marisa Pappalardo
Independent Director	Cristina Scocchia
Independent Director	Tao Haisu
Director	Giovanni Tronchetti Provera
Independent Director	Wei Yintao

Secretary of the Board Alberto Bastanzio

Board of Statutory Auditors[2]

Chairman	Francesco Fallacara
Statutory Auditors	Fabio Artoni
	Antonella Carù
	Luca Nicodemi
	Alberto Villani

[1]Appointment: August 1, 2017 effective as of August 31, 2017. Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2019. The Director Giovanni Lo Storto was appointed by the Shareholders' Meeting held on May 15, 2018. Ning Gaoning was co-opted by the Board of Directors on August 7, 2018, replacing Ren Jianxin, who resigned on July 30, 2018. Chairman Ning Gaoning shall remain in office until the next Meeting.

[2] Appointment: May 15, 2018 Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2020.

Alternate Auditors	Elenio Bidoggia
	Franca Brusco
	Giovanna Oddo

Audit, Risk, Sustainability and Corporate Governance Committee

Chairman – Independent Director	Fan Xiaohua
Independent Director	Laura Cioli
Independent Directo	Giovanni Lo Storto
Independent Director	Cristina Scocchia

Committee for Related Party Transactions

Chairman – Independent Director	Domenico De Sole
Independent Director	Marisa Pappalardo
Independent Director	Cristina Scocchia

Nominations and Successions Committee

Chairman	Marco Tronchetti Provera
Director	Ning Gaoning
Director	Bai Xinping
Director	Giovanni Tronchetti Provera

Remuneration Committee

Chairman – Independent Director	Tao Haisu
Director	Bai Xinping
Independent Director	Laura Cioli
Independent Director	Giovanni Lo Storto

Strategies Committee

Chairman	Marco Tronchetti Provera
Director	Yang Xinqiang
Director	Bai Xinping
Director	Giorgio Luca Bruno
Independent Director	Domenico De Sole
Director	Ze'ev Goldberg
Independent Director	Wei Yintao

Independent Auditing Firm[3] PricewaterhouseCoopers S.p.A.

Corporate Financial Reporting Manager[4] Francesco Tanzi

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

[3] Appointment: August 1, 2017, effective as of the date of the commencement of trading of Pirelli shares on the Mercato Telematico Azionario (screen-based stock exchange) which is organised and managed by Borsa Italiana S.p.A. (October 4, 2017). Expiry: Shareholders' Meeting convened for the approval of the Financial Statements at December 31, 2025.

[4] Appointment: Board of Directors Meeting on August 31, 2017. Expiry: jointly with the current Board of Directors.

MACROECONOMIC AND MARKET SCENARIO

Macroeconomic Performance

The macroeconomic scenario during the first quarter of 2019 was characterised by improved performances in Europe, the USA and China, while emerging countries, particularly Brazil and Russia, continued to record economic slowdowns.

There was a slight improvement in the European Union's GDP, which grew by +0.5% for the first quarter of 2019 compared to +0.3% for the fourth quarter of 2018, with a low level of inflation which led the European Central Bank to announce stable rates and a more accommodative monetary policy for 2019.

The American economy grew by +3.2% for the first quarter of 2019, overcoming expectations of a slowdown in consumption due to the government shutdown. The more accommodative stance of the Federal Reserve also reduced expectations of further interest rate hikes during the course of 2019.

The Chinese economy recorded a growth of +6.4% in GDP for the first quarter of 2019, which was better than expected but consistent with the trend recorded for the previous quarter.

Brazil’s economy recorded a different trend, where uncertainty regarding economic policy weighed on consumers and companies.

Even growth in Russia - according to the main indicators – was modest for the first quarter of the year, mainly influenced by the negative impact of sanctions.

Trend in Exchange Rates

For the first quarter, the Euro vs. US Dollar exchange rate stood at 1.14, a slight fall (-0.5%) compared to the average for the fourth quarter of 2018, but with the US Dollar revalued by +8.2% compared to the first quarter of 2018.

For the first quarter the British Pound Sterling recorded an average price of Euro 0.873 with an appreciation of +2% compared to the previous quarter, and of +1% year-on-year.

At the beginning of 2019, in the wake of indications of a reduction in trade tensions between the USA and China, the Chinese Renminbi regained ground against the US Dollar. For the first quarter its average price equalled USD 6.75, an appreciation of +3% compared to the average of USD 6.92 for the fourth quarter of 2018, but at levels still lower by -6% compared to the average of USD 6.36 for the first quarter of 2018.

There was high volatility for the main currencies of emerging countries. The Russian Rouble was evidently stable against the US Dollar for the first quarter of 2019, compared to the last quarter of 2018. The average for the quarter was RUB 66.0 per USD, which was substantially consistent with the average of USD 66.5 for the fourth quarter of 2018, while year-on-year depreciation reached -14% due to the tightening of international sanctions.

During the first quarter of 2019, the Brazilian Real recorded an average price of 3.77 against the US Dollar, an appreciation of +1% on the previous quarter but a depreciation of -14% compared to the first quarter of 2018.

The currency crises that have hit Argentina and Turkey since 2018 intensified during the first quarter of 2019. By late March, the price of the Argentine Peso was lower by -13% compared to the end of 2018, and by -55% compared to March 2018. The Turkish Lira attained an average price of 5.37 with an appreciation of +2.6% against the US Dollar compared to the previous quarter, but a depreciation of -29% year-on-year.

Trend in Raw Materials

Prices for energy sources and butadiene were lower for the first quarter of 2019 compared to the end of 2018, while natural rubber demonstrated an opposite trend.

The average price of Brent stood at USD 64 per barrel for the first quarter of 2019, down by -6% compared to the fourth quarter of 2018, and by -5% year-on-year. This performance was influenced by the increase in crude oil production in the USA, and by the slowdown in global demand.

The price of butadiene was also influenced by the fall in global demand. Its average price stood at Euro 865 per tonne for the first quarter, a contraction of -18% compared to the previous quarter (Euro 1,058 per tonne), but had risen by +7% year-on-year.

For the first quarter of 2019, the average price of natural rubber equalled USD 1,397 per tonne, an increase of +10% compared to the previous quarter, but a contraction of -5% year-on-year. Despite a slowdown in demand, prices were sustained by a reduction in supply due to the effects of adverse weather conditions in Asia.

Trend in Car Tyre Markets

During the first quarter of 2019, the Car market recorded a global contraction -1.8%, impacted by a strong decline in motor vehicle production, with a -6.8% performance for Car tyres on the Original Equipment channel.

The New Premium segment (tyres with a rim diameter ≥18 inches) recorded the highest growth, with +5.2% at global level, driven by the good performance of the Replacement channel (+10.5%) in all markets, while Original Equipment recorded a contraction -0.9% mainly in EMEA (-1.9%, -2.9 % for Europe) and APAC (-2.5%), partially offset by the performance of North America (+1.3%).

The Standard segment (tyres with a rim diameter ≤17 inches) contracted by -3.1% for the first quarter of 2019, with the Original Equipment channel down by -8.5% and the Replacement channel down by -0.9%.

In more detail:

- EMEA closed the first quarter with Car tyre volumes in decline by -3.5%, highlighting the different dynamics between the New Premium and Standard segments, respectively performing at +5.2% and -4.8%. On the Replacement channel (-1.5%) sales for Car New Premium tyres recorded a growth of +10.6%, while sales on the Standard segment were down by -2.8%. The Original Equipment channel (-9.5%) was impacted by the fall in motor vehicle production, with New Premium recording -1.9% and Standard -11.8%;

- North America recorded a growth of +2.5% for the first quarter of 2019, driven by the New Premium segment which recorded an increase in sales of +7% (+0.6% for Standard segment sales). On the Replacement channel (+4.2%) sales for New Premium Car tyres recorded a growth of +10.6% compared to +2.1% for the Standard segment. Original Equipment channel sales which fell by -2.7% were impacted by the contraction of the Standard segment (-5.9%) but partially offset by the growth of the New Premium segment (+1.3%);

- in APAC sales of Car tyres saw a -2.2% market contraction, but with opposite dynamics between the two channels, with +2.4% for the Replacement channel and -7.6% for Original Equipment. The New Premium segment (+1.4%) recorded sustained growth on the Replacement channel (+10.7%) while Original Equipment (-2.5%) was impacted by the fall in motor vehicle production. Sales on the Standard segment contracted (-2.7%) with a fall in Original Equipment sales (-8.6%) which was partially offset by the Replacement channel (+1.9%);

- The LatAm market reflected the difficult macroeconomic scenario. The Car tyre market contracted by a total of -7% during the first quarter of 2019 (-4.7% for Original Equipment, and -7.5% for the Replacement channel);

- The Russia & Nordic market (-2.4%) contracted but with different performances for the two channels, with -3.5% for the Replacement channel and +6.8% for Original Equipment.

SIGNIFICANT EVENTS OF THE FIRST THREE MONTHS OF 2019

It should be noted that there were no significant events for the first quarter.

GROUP PERFORMANCE AND RESULTS

In this document, in addition to the financial measures as provided for by the International Financial Reporting Standards (IFRS), alternative performance indicators derived from the IFRS were used in order to allow for a better assessment of the of the Group's operating and financial performance.

Reference should be made to the paragraph *"Alternative Performance Indicators"* for a more analytical description of these indicators.

* * *

The Interim Financial Report at March 31, 2019 was prepared by applying the new accounting standard IFRS 16 – Leases, which came into force as of January 1, 2019 (transition date). Following the application of this standard, at the transition date the Group accounted for the following estimated impacts in relation to lease contracts previously classified as operational:

- a financial liability of euro 490.0 million, equal to the present value of residual future payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract. Financial liabilities at March 31, 2019 amounted to euro 474.3 million;
- a right of use included under assets of euro 490.4 million, equal to the value of the financial liability at the transition date, net of any accruals and deferrals relative to the lease, and recognised in the Statement of Financial Position at the transition date. The right of use at March 31, 2019 amounted to euro 472.4 million.

As of January 1, 2019, lease payments previously included in the EBITDA, were recognised as a reduction of lease obligations (for the capital portion) and under financial expenses (for the interest portion). At the same time, the amortisation of the rights of use of leasing assets, which had initially been recorded under assets in the Statement of Financial Position in respect of leasing obligations, were recognised in the EBIT. The Income Statement, Statement of Financial Position and Financial Statement figures at March 31, 2019 include the impacts deriving from the application of the new standard, while the comparative data for 2018 has not been restated. With the transition, the Group did in fact adopt the modified retrospective method, and has recognised the cumulated effects deriving from the first application at January 1, 2019.

* * *

Pirelli's results for the first quarter of 2019 confirmed the resilience of the business model focused on the High Value segment, in a market environment characterised by a slowdown in the demand for tyres - particularly on the Original Equipment channel - and by increased cost of production factors. In particular:

- revenues equal to euro 1,313.8 million, with a growth of +0.3% (+1.2% excluding the exchange rate effect) distinguished by the strengthening of Pirelli's leadership position in the high end product range in all regions. High Value revenues grew by +7.3% and represented approximately 68.1% of total sales;

- an EBIT adjusted of euro 219.2 million (euro 218.4 million for the first quarter of 2018), and a margin equal to 16.7% which was stable compared to the first quarter of 2018. This result was supported by internal levers (price/mix, efficiencies, costs rationalisation) which offset the impacts of the external scenario (exchange rate volatility, increase in the costs of production factors, weakness in the market demand for Original Equipment) and the contraction in Standard segment sales;

- net income related to continuing operations which amounted to euro 101.4 million, had grown by +9.7% compared to euro 92.4 million for the first quarter of 2018.

- the Net Financial Position was negative at euro 4,387.3 million. Excluding the impact of leasing obligations, recorded following the introduction of IFRS 16 to the amount of euro 474.3 million, the net financial position equalled euro 3,913.0 million, and had grown compared to euro 3,180.1 million at December 31, 2018 due to the usual seasonality of working capital, but had improved compared to euro 3,938.9 million at March 31, 2018, when it had benefited from the impact of investment disposals and extraordinary transactions to the amount of euro 141.8 million. Net cash flow before extraordinary transactions equalled euro -700 million, recording a cash absorption which was lower by euro 162.2 million compared to the first quarter of 2018 (for the first quarter of 2018 net cash flow before extraordinary transactions had amounted to euro -862 million). This improvement was mainly linked to working capital, whose performance benefited from the continued improvement of payment conditions with suppliers, and the start of recovery actions for trade receivables (the realignment of payment terms with dealers in Brazil), and for Standard inventories.

The main actions underlying these results can be summarised as follows:

- **strengthening of the High Value segment** which represented 68.1% of revenues (up by +4.5 percentage points compared to 63.6% for 2018). High Value volumes recorded a growth of +4.5% impacted by the fall in Car tyre production and the slowdown in the Premium motorcycle market. Given this market environment, Pirelli did in any case improve its market share for the Car New Premium segment (sales volumes grew by +6.7% for Car tyres ≥18" compared to the +5.2% growth of the market), particularly on the Replacement channel (a growth of +12.1% in volumes for Pirelli ≥18" tyres compared to +10.5% for the market).

- **reduction of exposure on the Standard segment** with a -16.6% contraction in volumes driven by the progressive exit from products with lower rim diameters and profitability, given the general slowdown of the Standard market.The combination of High Value and Standard segment performances resulted in an overall change in volumes of -6.5%;
- **improvement in the price/mix component**: +7.7% for the first quarter of 2019 due to the increasing share of high-end range products, the continued improvement of the product mix and channels, and the price increases put in place in emerging countries and North America to offset the volatility of exchange rates;
- **implementation of the efficiencies program** (euro 16.4 million for the first quarter of 2019, equalling 1.2% of revenues, with a target for the year set at euro 70 million), which more than offset costs inflation (euro -14.9 million for the first quarter). These programs involved product and industrial activities: from the optimisation of raw materials costs and the simplification of products to improved productivity, thanks to the increasing digitalisation of processes.
- **continued implementation of costs recovery** (an additional target for the year of approximately euro 50 million, euro 12.8 million for the first quarter, mainly for marketing budget and advertising costs, consultancy fees, and general and administrative expenses) in response to the worsening market trends for the Standard segment in general, and particularly in emerging countries.

The **Group's consolidated Financial Statements** can be summarised as follows:

(In million of euro)		**1Q 2019**	**1Q 2018**
Net sales		**1,313.8**	**1,310.3**
EBITDA adjusted without start-up costs (°)		**327.0**	**298.0**
% of net sales		24.9%	22.7%
EBITDA adjusted (°°)		**315.6**	**288.1**
% of net sales		24.0%	22.0%
EBITDA (°°°)		**308.2**	**282.4**
% of net sales		23.5%	21.6%
EBIT adjusted without start-up costs (°)		**230.7**	**229.4**
% of net sales		17.6%	17.5%
EBIT adjusted		**219.2**	**218.4**
% of net sales		16.7%	16.7%
Adjustment:	- amortisation of intangible assets included in PPA	(28.7)	(28.7)
	- non-recurring, restructuring expenses and other	(7.4)	(5.7)
EBIT		**183.1**	**184.0**
% of net sales		13.9%	14.0%
Net income (loss) from equity investments		2.0	0.8
Financial income/(expenses) (°°°)		(48.1)	(55.2)
Net income (loss) before tax		**137.0**	**129.6**
Tax expenses		(35.6)	(37.2)
Tax rate %		(26.0%)	(28.7%)
Net income (loss) related to continuing operations		**101.4**	**92.4**
Eanings/(loss) per share related to continuing operations (in euro per share)		0.098	0.090
Net income (loss) related to continuing operations adjusted		123.4	113.3
Net income (loss) related to discontinued operations		-	(3.3)
Total net income (loss)		**101.4**	**89.0**
Net income attributable to owners of the Parent Company		97.6	90.4

(°) Start-up costs refer to contribution to EBITDA and EBIT (amounting to euro 11.4 million (euro 9.9 million in 1Q 2018) and euro 11.5 million (euro 11.0 million in 1Q 2018) respectively of the Cyber and Velo activities and costs sustained for the digital transformation of the Group.

(°°) Adjustments refer to non recurring and restructuring expenses amounting to euro 5.1 million (euro 2.4 million in 1Q 2018) and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 amounting to euro 2.3 million (euro 3.3 million in 1Q 2018)

(°°°) The item includes for 2019, the impacts deriving from the application for the new accounting standard IFRS 16 - Leases to the amount of euro 25 million on EBITDA and euro -6.7 million on financial expenses

(In million of euro)	03/31/2019	12/31/2018	03/31/2018
Fixed assets related to continuing operations without IFRS 16	9,069.7	9,017.8	8,958.2
Right of use IFRS 16	472.4	n/a	n/a
Fixed assets related to continuing operations	**9,542.1**	**9,017.8**	**8,958.2**
Inventories	1,165.5	1,128.5	940.2
Trade receivables	858.4	628.0	875.9
Trade payables	(1,142.5)	(1,604.7)	(1,062.5)
Operating working capital related to continuing operations	**881.4**	**151.8**	**753.6**
% of net sales (*)	16.8%	2.9%	14.4%
Other receivables/other payables	133.3	34.3	89.9
Net working capital related to continuing operations	**1,014.7**	**186.1**	**843.5**
% of net sales (*)	19.3%	3.6%	16.1%
Net invested capital held for sale	0.8	10.7	51.3
Net invested capital	**10,557.6**	**9,214.6**	**9,853.0**
Equity	**4,687.9**	**4,550.9**	**4,267.6**
Provisions	1,482.4	1,483.6	1,646.5
Net financial (liquidity)/debt position without IFRS 16	**3,913.0**	**3,180.1**	**3,938.9**
Lease obligations IFRS 16	474.3	n/a	n/a
Total Net financial (liquidity)/debt position	**4,387.3**	**3,180.1**	**3,938.9**
Equity attributable to owners of the Parent Company	4,603.9	4,468.1	4,205.7
Investments in property, plant and equipment and intangible assets without IFRS16	78.0	463.4	85.3
Investments in property, plant and equipment and intangible assets IFRS16	3.2	n/a	n/a
Research and development expenses	62.6	219.0	56.3
% of net sales	4.8%	4.2%	4.3%
Research and development expenses - High Value	57.3	202.9	51.3
% on sales High Value	6.4%	6.1%	6.2%
Employees (headcount at end of period)	31,697	31,489	31,267
Industrial sites (number)	19	19	19

(°) during interim periods net sales are annualised

Net sales amounted to euro 1,313.8 million and recorded an organic growth of +1.2% compared to the previous financial year, or +0.3% including the combined impact of the exchange rate effect and the adoption of hyper-inflation accounting in Argentina (totalling -0.9%).

High Value revenues for the first quarter of 2019 amounted to euro 895 million, a growth of +7.3% (+5.3% excluding the positive impact of the exchange rate effect of +2.0%) which accounted for 68.1% of turnover (+4.5 percentage points compared to the first quarter of 2018).

(In million of euro)	1Q 2019	% of total	1Q 2018	% of total	Change YoY	Organic change YoY
High Value	895.0	68.1%	833.9	63.6%	7.3%	5.3%
Standard	418.8	31.9%	476.4	36.4%	-12.1%	-6.0%
Total net sales	**1,313.8**	**100.0%**	**1,310.3**	**100.0%**	**0.3%**	**1.2%**

The following table shows the **market drivers for net sales performance**:

	1 Q 2019
Volume	-6.5%
of which:	
- High Value	*4.5%*
- Standard	*-16.6%*
Price/mix	7.7%
Change on a like-for-like basis	**1.2%**
Translation effect/High inflation Argentina	-0.9%
Total change	**0.3%**

The performance for sales volumes for the first quarter of 2019 (-6.5%) reflected the different trends between the High Value and Standard segments.

High Value volumes recorded a growth of +4.5%. Volume growth for Car tyres ≥18" was more sustained (+6.7%, compared to +5.2% for the market) with an improvement in market share in all the main geographic regions. Particularly on the Replacement channel, Pirelli recorded a growth in volumes of +12.1%, while Original Equipment (+0.4%) was impacted by the weakness of the markets in EMEA, APAC and North America.

The delta between the growth trend of the High Value segment compared to that of Car ≥18" was attributable to:

- the slowdown in demand for *Specialties* ≤17" mainly on the Original Equipment channel, consistent with the fall in Car tyre production;
- the slowdown of the Premium motorcycle market, on the Original Equipment channel in Europe, and on the Replacement channel in North America, impacted by difficult weather conditions which led to postponements in the decision to purchase.

There was an opposite performance on the Standard segment which recorded a contraction

of -16.6% compared to the first quarter of 2018. This trend was impacted by:

- on the one hand, by the contraction in the demand for Standard products in all markets (global performance for the Standard Car segment recorded -3.1%, with -7.7% for LatAm);
- on the other, by Pirelli's decision to continue the reduction in volumes of lower profitability products.

The strong price/mix improvement (+7.7%) was the result of the implementation of Pirelli's value strategy, supported by the growing share of High Value products, by the improvement of the mix for the Standard segment, and by price increases put in place in emerging countries and in North America, to offset the volatility of exchange rates and the rise in the costs of raw materials.

The exchange rate performance was negative (-0.9%) due to the volatility of exchange rates in emerging countries (LatAm -15%, Russia – 6%) versus the Euro, mitigated by the revaluation of the US Dollar (+8%) compared to the first quarter of 2018, and the adoption of high inflation accounting in Argentina.

With the objective to accelerate the implementation of the business model focused on the High Value segment, Pirelli has adopted a new organisational model at regional level composed of five regions instead of six.

In addition to APAC, North America (previously called NAFTA) and LatAm, two new macro geographic regions have been created:

- EMEA, which includes Europe, the Middle East and Africa. The Gulf countries fall under this area, that is, markets with increasing exposure to the High Value segment;
- Russia and Nordic, which are markets with a high similarity. The objective is to create a productive and commercial synergy, particularly for *Winter* products.

The apportionment of **net sales by geographic region** was composed as follows:

	1Q 2019				1Q 2018 **
	Euro\mln	*%*	*yoy*	*Organic Yoy**	*%*
EMEA	598.7	45.6%	*-2.3%*	*-1.6%*	46.8%
North America	269.8	20.5%	*10.8%*	*2.8%*	18.6%
APAC	214.2	16.3%	*6.8%*	*4.4%*	15.3%
South America	167.2	12.7%	*-11.7%*	*3.3%*	14.4%
Russia and Nordic	63.9	4.9%	*-0.8%*	*5.0%*	4.9%
Total	**1,313.8**	**100.0%**	***0.3%***	***1.2%***	**100.0%**

* before exchange rate effect and high inflation accounting in Argentina
**data for the first quarter 2018 have been restated according to the new regional aggregation

EMEA (45.6% of sales) closed the first quarter with an organic change in revenues of -1.6% (-2.3% including the negative exchange rate effect of -0.7 percentage points), impacted by the fall in Car and Motorcycle registrations in Europe during the first quarter.

Given this context, Pirelli nevertheless improved its market share, both for the Original Equipment channel for Car tyres ≥18" thanks to a diversified homologations portfolio, and for the Replacement channel thanks to the pull-through effect.

The performance of Car Specialties ≤17" was instead negative, as were Premium Motorcycle volumes which were affected by the fall in motor vehicle and motorcycle production in Europe.

Despite the difficulties of the Original Equipment market, High Value revenues recorded an organic growth of +2.0%.

For the Standard segment, however, there was the continued reduction of exposure to the less profitable products. This segment recorded an organic contraction in revenues of -10.8%.

Profitability in the mid-teens range, contracted slightly compared to the first quarter of 2018, due to the impact of the previously mentioned slowdown on the Original Equipment channel.

North America (20.5% of sales) recorded an organic growth in revenues of +2.8% (+10.8% including the positive exchange rate effect of +8.0 percentage points) driven by the High Value segment (an organic growth of +6.4%), particularly on the Replacement channel where Pirelli recorded an increase in market share thanks to the success of Specialties tyres ≥18'' and *All Season* products.

Profitability (EBIT margin adjusted) improved by more than +2 percentage points to twenties levels (high-teens for the first quarter of 2018), thanks to the increasing turnover share of the high-end range, to costs efficiencies efforts and to the progressive strengthening of the US Dollar.

APAC (16.3% of sales) which recorded an organic growth in revenues of +4.4% (+6.8% including the positive exchange rate effect of +2.4 percentage points) was the region with the highest growth and profitability (an EBIT margin adjusted in the twenties range), representing an improvement compared to the previous financial year. Revenues recorded organic growth driven by the High Value segment (+6.1%), mainly on the Replacement channel, thanks to the pull-through effect and to an ever wider commercial presence which counted over 4,500 points of sale.

Sales on the Standard segment contracted with an organic change of -1.5%, with a fall in sales for ≤17" rim diameters in a weak market environment for this segment.

South America (12.7% of sales) recorded an organic change in revenues of +3.3% (-11.7% including the exchange rate effect, and the adoption of inflation accounting in Argentina which totalled a negative -15.0 percentage points), mainly due to a drop in volumes of -16.6% as a result of:

- market weakness (a -7% performance for the total car market, -7.5% for the Replacement channel and -4.7% for the Original Equipment market);
- the continued focus on the mix, with the progressive reduction in sales of less profitable Standard segment products with lower rim diameters;
- the destination of a portion of production for export to North America in view of the growing demand for High Value Pirelli products, and the continuing growth of the mix recorded by the Brazilian factories.

The price/mix saw a marked improvement (+20.0% for the first quarter of 2019 compared to the corresponding period of 2018), thanks to price increases in Brazil as of the fourth quarter, and to the strong improvement of the product mix.

Profitability (EBIT margin adjusted) in the high single-digits range represented a slight growth compared to the first quarter of 2018, due to continued efforts aimed at costs efficiencies and to the improvement and conversion of the mix.

Russia and Nordic (4.9% of sales) recorded an organic change in revenues of +5.0% (-0.8% including the negative exchange rate effect of -5.8 percentage points). The strategy of focusing on the most profitable segments and the recovery of the market favourably impacted the results of the quarter with an organic growth in High Value revenues of +37.4% (+32.4% growth including the impact of the negative exchange rate effect of -5 percentage points), and an organic reduction of Standard revenues by -5.3% (-11.2% including the exchange rate effect).

Significant improvement in profitability compared to the first quarter of 2018 (a double-digit EBIT margin adjusted, compared to mid-single-digit levels for 2018).

An **EBIT adjusted without start-up costs** equal to euro 230.7 million (euro 229.4 million for the first quarter of 2018). The EBIT margin adjusted without start-up costs stood at 17.6% (17.5% for the first quarter of 2018).

An **EBIT adjusted** of euro 219.2 million (218.4 for the first quarter of 2018) with a margin of 16.7% which was stable compared to the first quarter of 2018. Internal levers (price mix, efficiencies and the costs reduction program) offset the impacts tied to the deterioration of the external scenario (raw materials, exchange rates, inflation, weakness of the Original Equipment market in EMEA, APAC and North America), and to the contraction in volumes on the Standard segment.

In more detail:

- the improvement in the price/mix (euro 62.7 million) contributed in reducing the impact deriving from the rise in raw materials prices (euro -27 million), from exchange rate volatility (euro -2.1 million), as well as from the aforementioned fall in volumes (euro -37.7 million);
- industrial efficiencies (euro 16.4 million, 1.2% of revenues) which more than offset costs inflation (euro -14.9 million);
- the costs reduction plan achieved a total of euro 12.8 million to offset the contraction in sales on the Standard segment especially in Brazil, more than offset the increased amortisation, depreciation and other costs linked to the development of the High Value segment (euro -8.9 million);
- start-up costs which increased slightly (an impact of euro +0.5 million on the EBIT, went from euro -11 million euro for the first quarter of 2018 to euro -11.5 million for the first quarter of 2019) and were mainly relative to *Cyber* activities and the digital transformation of the Group.

(In million of euro)	**1 Q**
2018 EBIT Adjusted	**218.4**
- Internal levers:	
Volumes	(37.7)
Price/mix	62.7
Amortisation, depreciation and other costs	3.4
Efficiencies	16.4
- External levers:	
Cost of production factors (commodities)	(27.0)
Cost of production factors (labour/energy/others)	(14.9)
Difference from foreign currency translation	(2.1)
Total change	**0.8**
2019 EBIT adjusted	**219.2**

The **EBIT** which amounted to euro 183.1 million (compared to euro 184.0 million for the first quarter of 2018) included:

- the amortisation of intangible assets identified during the Purchase Price Allocation of euro 28.7 million (consistent with the first quarter of 2018);
- non-recurring and restructuring expenses to the amount of euro 5.1 million (euro 2.4 million for the first quarter of 2018) and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018 to the amount of euro 2.3 million (euro 3.3 million for the first semester of 2018).

Net income from equity investments was positive to the amount of euro 2 million (positive to the amount of euro 0.8 million for the first quarter of 2018), mainly due to the positive pro-rata result of the Indonesian Joint Venture PT Evoluzione Tyres, evaluated using the equity method.

Net financial expenses fell by euro 7.1 million (from euro 55.2 million for the first quarter of 2018 to euro 48.1 million for the first quarter of 2019) due to lower foreign currency translation losses (which had impacted the first quarter of 2018 as a result of the impairment in Argentina), and lower financial expenses linked to hedging operations in Brazil, which further offset the higher leasing expenses (euro 6.7 million) deriving from the application of the new accounting standard IFRS 16 - Leases.

The cost of debt year-on-year (last 12 months) for expenses relative to the Group's net financial debt without IFRS 16 stood at 3.06% compared to 2.95% at December 31, 2018, where the latter had borne the accounting impact of one-off transactions which had occurred during the first quarter of 2018, amongst which, in particular, was the repricing of the Group's main credit facility.

Excluding the benefits deriving from the repricing, which are amortised over the duration of the loan, the cost of debt at December 31, 2018 equalled 3.37%.

Tax expenses for the first quarter of 2019 amounted to euro 35.6 million against a net income before tax of euro 137 million, with a tax rate which at 26% was consistent with the expected tax rate for the 2019 financial year.

Net income related to continuing operations, which amounted to euro 101.4 million compared to earnings of euro 92.4 million for the first quarter of 2018, had grown by +9.7%.

Net income related to continuing operations adjusted amounted to euro 123.4 million compared to euro 113.3 million for the same period of 2018.

The following table shows the calculation for net income related to continuing operations adjusted:

(In million of euro)	1Q	
	2019	**2018**
Net income (loss) related to continuing operations	**101.4**	**92.4**
Amortisation of intangible assets included in PPA	28.7	28.7
Non-recurring and restructuring expenses	5.1	2.4
Retention plan	2.3	3.3
Net financial expenses	-	(6.1)
Tax	(14.1)	(7.4)
Net income (loss) related to continuing operations adjusted	**123.4**	**113.3**

Net income related to discontinued operations for the first quarter of 2018 included the financial data of some of the residual Industrial activities in China and Argentina whose separation was for the most part completed at the end of 2018.

Net income attributable to the owners of the Parent Company amounted to euro 97.6 million compared to the positive result of euro 90.4 million for the first quarter of 2018.

Equity went from euro 4,550.9 million at December 31, 2018 to euro 4,687.9 million at March 31, 2019.

Equity attributable to the owners of the Parent Company at March 31, 2019 amounted to euro 4,603.9 million compared to euro 4,468.1 million at December 31, 2018.

The change is shown in the table below:

(In million of euro)	**Group**	**Non-controlling interests**	**Total**
Equity at 12/31/2018	**4,468.1**	**82.8**	**4,550.9**
Translation differences	30.5	5.3	35.8
Net income (loss)	97.6	3.8	101.4
Dividends approved	-	(8.2)	(8.2)
High inflation accounting Argentina	7.6	-	7.6
Other	0.1	0.3	0.4
Total changes	**135.8**	**1.2**	**137.0**
Equity at 03/31/2019	**4,603.9**	**84.0**	**4,687.9**

The **Net Financial Position** was negative to the amount of euro 4,387.3 million (euro 3,913.0 million excluding leasing obligations pursuant to IFRS 16 to the amount of euro 474.3 million), compared to euro 3,180.1 million at December 31, 2018. It was composed as follows:

(In million of euro)	**03/31/2019**	**12/31/2018**
Current borrowings from banks and other financial institutions without IFRS 16	964.2	800.1
Current derivative financial instruments	27.2	53.5
Non-Current borrowings from banks and other financial institutions without IFRS 16	4,123.9	3,929.1
Non-Current derivative financial instruments	20.0	13.8
Lease obligations IFRS 16	474.3	-
Total gross debt	**5,609.6**	**4,796.5**
Cash and cash equivalents	(963.0)	(1,326.9)
Other financial assets at fair value through Income Statement	(8.5)	(27.2)
Current financial receivables and other assets**	(21.9)	(27.4)
Current derivative financial instruments	(79.5)	(91.2)
Net financial debt *	**4,536.7**	**3,323.8**
Non-Current derivative financial instruments	(36.6)	(20.1)
Non-current financial receivables and other assets**	(112.8)	(123.6)
Total net financial (liquidity)/debt position	**4,387.3**	**3,180.1**
Lease obligations IFRS 16	(474.3)	-
Total net financial (liquidity)/debt position without IFRS 16	**3,913.0**	**3,180.1**

* Pursuant to Consob Notice of July 28, 2006 and in compliance with ESMA/2013/319 Recommendations.

** The amount for "financial receivables and other assets" is reported net of the relative provision for impairment amounting to euro 6,1 million as at March 31, 2019 and December 31, 2018.

The **structure of gross financial debt** which amounted to euro 5,609.6 million, was as follows:

(In million of euro)	03/31/2019	Maturity date					
		2019	2020	2021	2022	2023	2024 and beyond
Use of unsecured financing ("Facilities")	2,233.9	-	498.8	-	1,735.1	-	-
Bond EURIBOR +0,70% - 2018/2020	199.6	-	199.6	-	-	-	-
Bond 1,375% - 2018/2023	546.9	-	-	-	-	546.9	-
Schuldschein	523.5	-	-	81.8	-	421.7	20.0
Bilateral long term borrowing	596.4	-	-	-	-	-	596.4
ISP short term borrowing	200.0	200.0	-	-	-	-	-
Other loans	835.0	574.2	222.3	8.3	20.0	10.2	-
Lease obligations IFRS 16	474.3	76.8	91.5	58.7	50.6	34.5	162.2
Total gross debt	**5,609.6**	**851.0**	**1,012.2**	**148.8**	**1,805.7**	**1,013.3**	**778.6**
		15.2%	*18.0%*	*2.7%*	*32.2%*	*18.0%*	*13.9%*

At March 31, 2019 the Group had a liquidity margin equal to euro 1,671.5 million composed of euro 700.0 million in the form of non-utilised committed credit facilities, and euro 963.0 million in cash and cash equivalents, in addition to financial assets at fair value through the Income Statement to the amount of euro 8.5 million.

The following is the reconciliation between the net financial position at December 31, 2018, not including the effects deriving from the application of IFRS 16, and the net financial position at March 31, 2019, which includes these effects:

(In million of euro)	
Total net financial (liquidity)/debt position 12.31.2018	**3,180.1**
Net cash flow without IFRS 16	732.9
Total net financial (liquidity)/debt position 03.31.2019 without IFRS 16	**3,913.0**
Lease obligations IFRS 16 at transition date (01.01.2019)	490.0
Net cash flow from lease obligations IFRS 16	(15.7)
Total net financial (liquidity)/debt position 03.31.2019	**4,387.3**

Cash flows for the period in terms of change in the net financial position was negative to the amount of euro 717.2 million, and negative to the amount of euro 732.9 million without IFRS 16:

(In million of euro)	1Q	
	2019	**2018**
EBIT adjusted	219.2	218.4
Amortisation and depreciation (excluding PPA amortisation)	96.5	69.7
Investments in property, plant and equipment and intangible assets without IFRS16	(78.0)	(85.3)
Investments in property, plant and equipment IFRS16	(3.2)	n.a.
Change in working capital/other	(836.0)	(928.8)
Operating net cash flow	**(601.5)**	**(726.0)**
Financial income/(expenses)	(48.1)	(55.2)
Taxes paid	(30.1)	(31.1)
Cash Out for non-recurring and restructuring expenses/other	(16.0)	(38.2)
Differences from foreign currency translation/other	(4.3)	(11.7)
Net cash flow before extraordinary operations and equity transactions	**(700.0)**	**(862.2)**
Industrial reorganization	-	5.3
Disposals/(Acquisition) of equity transactions	(17.2)	136.5
Net cash flow (*)	**(717.2)**	**(720.4)**
Net cash flow without IFRS 16	(732.9)	-

* The item at March 31,2019 refers to the change in Net Financial Position calculated by including lease obligations both at 01.01.2019 and 03.31.2019 for leasing recorded due to the application of the new standard IFRS 16 - Leases

Net cash flow before extraordinary operations and equity transactions which was negative to the amount of euro 700.0 million, had improved by euro 162.2 million compared to the same period of the previous financial year (negative to the amount of euro 862 million), thanks to:

- the improvement in the management of operating cash flow (cash absorption was lower by euro 124.5 million);
- lower financial expenses, and lower non-recurring and restructuring expenses (euro 37.7 million).

More specifically, **operating net cash flow** for the first quarter of 2019 was negative to the amount of euro 601.5 million, an improvement of euro 124.5 million compared to the same period of 2018 (euro -726.0 million), which reflected:

- investments without IFRS 16, to the amount of euro 78.0 million (euro 85.3 million for the first quarter of 2018), euro 81.2 million including the impact due to the application of the new standard IFRS 16. These investments were primarily aimed at increasing the High Value segment capacity in Europe and North America, at the strategic conversion of Standard segment capacity into High-Value in Brazil, and at the continued improvement of the quality and mix of all manufacturing plants.
- lower cash absorption linked to the usual seasonality of working and other capital equal to euro 836.0 million. This absorption resulted lower at the reporting date for the first quarter 2018 (euro -928.8 million) thanks to the working capital recovery actions announced together with the publication of the 2018 financial results.

During the first quarter of 2019, the performance of working and other capital in fact benefitted:

- from the continued improvement of payment conditions with suppliers, and
- the start of recovery actions for trade receivables, through the realignment of payment terms with the main dealers in Brazil, which had temporarily been extended to the end of 2018,due to the difficult market conditions.

In particular, inventories recorded a reduction in volumes of -2%, with:

- a contraction of -11% in Standard products, consistent with the recovery plan announced at the beginning of the year, and
- a slight in increase of +5% in High Value products to ensure a better level of service to the end customer.

This improvement in the inventory mix and in the impact of the exchange rate effect led to a slight increase in the value of inventories.

Total **net cash flow** which was negative to the amount of euro 717.2 million included the impact of extraordinary and equity transactions carried out during the quarter (euro -17.2 million), mainly attributable to the recapitalisation operation for the Indonesian Joint Venture PT Evoluzione Tyres. During the first quarter of 2018, the impact of equity transactions and extraordinary transactions had been positive to the amount of euro 141.8 million (mainly attributable to the disposal of Mediobanca).

OUTLOOK FOR 2019

Euro million	**2018**	**2019**
Revenues	5,194.5	~+3%/+4%
Weight of High Value on revenues	*~64%*	*~67%*
Volumes	-3.1%	~ -1%
Volumes High Value	*+11%*	*>+9%*
Volumes Standard	*-14%*	*~ -11%*
Price/Mix	+6.8%	5%/5.5%
Forex	-5.9%	-1%/-0.5%
Ebit margin adjusted	18.4%	≥19%
Start-up costs	48	~40
Net financial position/Ebitda Adjusted without start-up costs	2.49X	~2.1X ~ 2.3X incl. IFRS16
CapEx	463	~400

The market's performance for the first months of the year demonstrated a prolonged weakness in demand in Original Equipment. In particular, in the New Premium segment (tyres with rim sizes of ≥18 inches), the Original Equipment market in 2019 is expected to grow by between +2% and +3%, compared with the previous estimate of +5%. For the Replacement market ≥18 inches, however, double-digit growth (+10%) is confirmed. Given these dynamics, the New Premium market is expected to post total growth of around 7% (previous estimated +8%).

On the basis of this scenario, Pirelli is revising its estimates for High Value volumes which are now expected to grow by over 9% (previous indication around +11%), a level that is however above the market's growth:

- in Original Equipment thanks to a diversified portfolio of homologations and new supply contract in North America and APAC in the second half;
- in Replacement leveraging the pull-through effect (83% in 2018).

Standard segment volumes have also been revised, with the decline foreseen at -11% (prior indication -9%/-10%), given the market's weakness and the accelerated exit from less profitable products.

Total volumes are expected to decrease by about -1% (prior guidance +0%, +1%).

The company confirms expectations of improved price/mix (+5%/+5.5%) and exchange rates (-1%/-0.5%).

The forecasts for 2019 hence are:

- revenue growth of between 3% and 4% (previous indication +4% to +6%) compared with 5,194.5 million euro in 2018, supported by the strengthening of High Value (confirmed at ~67% of revenues);
- profitability growth, with an adjusted Ebit margin foreseen at ≥19% (previous indication 19%) compared with 18.4% in 2018, supported by improvement in internal levers (price/mix and cost efficiencies);

- weight of l’High Value on adjusted Ebit before start-up costs at ~85% (in line with the prior indication);
- debt reduction with a ratio between Net Financial Debt and adjusted Ebitda before start-up costs at around 2.1x (2.49 at end 2018), around 2.3x including the impact of the adoption of the new IFRS16 accounting principle;
- investments of around 400 million euro (previous indication 430 million euro), consistent with the new market scenario.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On **8 April 2019,** the sentence of the Federal Regional Tribunal of the First Region (T.R.F.-1 with headquarters in Brasilia) - which recognized the right of Pirelli's Brazilian subsidiary Pirelli Pneus Ltda. to exclude the ICMS (State Tax on Operations levied on the delivery of goods and interstate and inter-municipal transport and communication services) from the calculation basis of the PIS and COFINS social contributions for the period 2003-2014 - became final (res judicata).
Following the sentence, of which the market was informed on **1 April 2019**, there will be a positive non-recurring impact in the income statement on the net result of approximately 107 million euro, made up of:

- positive impact on the Operating Result (Ebit) of around 80 million euro
- positive impact on Financial Proceeds of about 82 million euro
- negative fiscal impact of around -55 million euro

The benefits in terms of group cash flow are expected in the 5-year period 2020-2024.

On **May 13, 2019**, Pirelli announced the reorganization of its production footprint in Brazil to improve competitiveness in the Country through the creation of a hub for the production of High Value Car, Motorsport and Moto tyres in Campinas, to which the production of moto tyres will be transferred from Gravataì. The Company foresees an investment plan of 120 million euro in the period 2019-2021 for the modernization and reconversion of production plants from Standard to High Value, and the ongoing improvement of the mix and quality of the factories of Campinas (San Paolo), and Feira de Santana (Bahia). The resources relative to the reorganization are mainly derived from the signing of the fiscal agreement for the Patent Box, in October of 2018, which, as then announced, go towards the further focus on High Value and a quicker reduction of the standard segment. The strengthening of Campinas will permit the hiring of around 300 people by 2022 and, with the goal of finding an agreement with unions during the period of the production transfer from Gravataì to Campinas, all possible actions will be taken to mitigate the social impacts at Gravataì, which today employs around 900 people.

ALTERNATIVE PERFORMANCE INDICATORS

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

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

- **EBITDA:** is equal to the EBIT, but which excludes the depreciation and amortisation of property, plant and equipment and intangible assets. The EBITDA is used to measure the ability to generate earnings from operations, excluding the impact of investments;

- **EBITDA adjusted:** is an alternative measure to the EBITDA which excludes non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBITDA adjusted without start-up costs:** is equal to the EBITDA adjusted but excludes the contribution to the EBITDA (start-up costs) of the *Cyber* and *Velo* Activities and costs sustained for the digital transformation of the Group. The EBITDA adjusted without start-up costs is an alternative measure to the EBITDA adjusted which excludes start-up costs;

- **EBITDA adjusted without start-up costs without IFRS 16:** is equal to the EBITDA adjusted without start-up costs but excludes the impact deriving from the application of the new accounting standard IFRS – Leases;

- **EBITDA margin:** this is calculated by dividing the EBITDA by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency, excluding the impacts arising from investment activities;

- **EBITDA margin adjusted:** this is calculated by dividing the EBITDA adjusted by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency, excluding the impacts arising from investments, operating costs attributable to non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBITDA margin adjusted without start-up costs:** this is calculated by dividing the EBITDA adjusted without start-up costs by revenues from sales and services (net sales). This is an alternative measure to the EBITDA margin adjusted which excludes start-up costs;

- **EBIT:** is an intermediate measure, which is derived from the net income (loss) which excludes the net income (loss) from discontinued operations, taxes, financial income, financial expenses and net income (loss) from equity investments. The EBIT is used to measure the ability to generate earnings from operations, including the impact arising from investments;

- **EBIT adjusted:** is an alternative measure to the EBIT which excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operational costs attributable to non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBIT adjusted without start-up costs:** is equal to the EBIT adjusted but excludes the contribution to the EBIT (start-up costs) of the *Cyber* and *Velo* Activities and costs sustained for the digital transformation of the Group. The EBIT adjusted without start-up costs is an alternative measure to the EBIT adjusted which excludes start-up costs;

- **EBIT margin:** this is calculated by dividing the EBIT by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency;

- **EBIT margin adjusted:** this is calculated by dividing the EBIT adjusted by revenues from sales and services (net sales). This measure is used to evaluate operational efficiency, but excludes the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses, and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

- **EBIT margin adjusted without start-up costs:** this is calculated by dividing the EBIT adjusted without start-up costs by revenues from sales and services (net sales). This is an alternative measure to the EBIT margin adjusted which excludes start-up costs;

- **Net income (loss) related to continuing operations adjusted:** this is calculated by excluding the following items from the net income (loss) related to continuing operations;

    - the amortisation of intangible assets relative to assets recognised as a consequence of Business Combinations, operating costs attributable to non-recurring and restructuring expenses and expenses relative to the retention plan approved by the Board of Directors on February 26, 2018;

    - non-recurring income/costs recognised under financial income and expenses;

    - non-recurring costs/income recognised as a tax item, as well as the tax impact relative to the adjustments referred to in the previous points.

This is used to measure net profitability, excluding the impact of the items referred to in the previous points.

- **Fixed assets related to continuing operations**: this measure is constituted of the sum of the items, *"Property, plant and equipment", "Intangible assets", "Investments in Associates and Joint Ventures"* and *"Other financial assets at fair value through other Comprehensive Income" and "Other financial assets at fair value through the Income Statement".* Fixed assets related to continuing operations represent non-current assets included in the net invested capital;

- **Fixed assets related to continuing operations without IFRS 16**: this measure is calculated by excluding the rights of use detected in the application of the new standard IFRS 16 - Leases, from fixed assets related to continuing operations;

- **Net operating working capital related to continuing operations:** this measure is constituted by the sum of the items, *"Inventories", "Trade receivables"* and *"Trade payables".* It is used to measure the financial stability of commercial activities.

- **Net working capital related to continuing operations:** this measure consists of the operating working capital and of other receivables and payables and derivative financial instruments not included in the net financial (liquidity)/debt position. The measure represents short-term assets and liabilities included in the net invested capital, and is used to measure short-term financial stability;

- **Net invested capital assets held for sale:** this measure is constituted by the difference between *"Assets held for sale"* and *"Liabilities held for sale"*. Net invested capital assets held for sale is used to measure net assets relative to assets held for sale;

- **Net invested capital:** this measure is constituted by the sum of (i) fixed assets related to continuing operations, (ii) net working capital related to continuing operations, and (iii) net invested capital assets held for sale. Net invested capital is used to represent the investment of financial resources;

- **Average net invested capital:** this measure consists of the average between the net invested capital at the beginning and end of the period, excluding investments in Associated companies and Joint Ventures, *"Other financial assets at fair value through other Comprehensive Income", "Other non-current financial assets at fair value through the Income Statement"* and the intangible assets relative to assets recognised as a consequence of Business Combinations. This measure is used to calculate the ROI;

- **Provisions:** this measure is constituted by the sum of *"Provisions for liabilities and charges (current and non-current)", "Employee benefit obligations (current and non-current)"* and *"Provisions for deferred taxes".* The item provisions represents the total amount of liabilities due to obligations of a probable but not certain nature;

- **ROI:** this is calculated as the ratio between the EBIT adjusted and the average net invested capital. The ROI is used as to measure the profitability of invested capital;

- **Net financial debt**: this is calculated pursuant to the CONSOB Communication dated July 28, 2006, and in compliance with Recommendations ESMA/2013/319. Net financial debt represents the borrowings from banks and other financial institutions net of cash and cash equivalents, "*Other financial assets at fair value through the Income Statement"*, *"Current financial receivables"* (included in the item *"Other receivables"*) and, current derivative financial instruments included in the total net financial (liquidity)/debt position (included under current assets as *"Derivative financial instruments"*);

- **Total net financial (liquidity)/debt position**: this measure represents the net financial debt less *"Non-current financial receivables"* (included in the non-current assets item *"Other receivables"*) and non-current derivative financial instruments included in the net financial position (included under non-current assets as *"Derivative financial instruments"*). Total net financial (liquidity)/debt position is an alternative measure to net financial debt which includes non-current financial assets;

- **Net financial (liquidity)/debt position without IFRS 16**: this measure is calculated by excluding leasing obligations detected during the application of the new standard IFRS 16 – Leases, from the total net financial (liquidity)/debt position;

- **Net financial (liquidity)/debt position without IFRS 16 / EBITDA adjusted without start-up costs without IFRS 16**: this is calculated as the ratio between the total net financial (liquidity)/debt position without IFRS 16 and the EBITDA adjusted without start-up costs without IFRS. This is used to measure the sustainability of debt;

- **CapEx (Capital Expenditures)** or **Investments in property, plant & equipment and intangible assets without IFRS 16** and **Investments in property, plant & equipment IFRS 16**: these are respectively calculated as the (i) sum of investments (increases) in intangible assets and investments (increases) in property, plant and equipment, excluding the increases relative to the rights of use and (ii) the increases relative to the rights of use detected during the application of the new standard IFRS 16 – Leases. This measure represents the total amount of investments in property, plant and equipment and intangible assets;

- **Impact of depreciation on investments:** is calculated by dividing the investments (increases) in property, plant and equipment with the depreciation for the period. The ratio of investments to depreciation is used to measure the ability to maintain or restore amounts for property, plant and equipment.

OTHER INFORMATION

The Board of Directors, taking into account the simplification of regulatory requirements introduced by CONSOB in the Issuer's Regulation No: 11971/99, resolved to exercise the power to derogate, pursuant to the provisions of Article 70, paragraph 8, and Article 71, paragraph 1-bis of the said Regulation, the obligations to publish the disclosure documents required at the time of significant mergers, de-mergers, capital increases by contributions in kind, acquisitions and disposals.

ROLE OF THE BOARD OF DIRECTORS

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

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

The Executive Vice Chairman and Chief Executive Officer are exclusively delegated powers for the ordinary management of the Company and the Group, as well as the power to make proposals regarding the Industrial Plan and Budgets to the Board of Directors, as well as any resolutions concerning any strategic industrial partnerships and joint ventures of which Pirelli is a part.

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

- Audit, Risk, Sustainability and Corporate Governance Committee
- Remuneration Committee
- Committee for Related Party Transactions
- Nominations and Successions Committee
- Strategies Committee

INFORMATION ON THE SHARE CAPITAL AND OWNERSHIP STRUCTURE

The subscribed and paid up share capital at the date of approval of this Financial Report amounted to euro 1,904,374,935.66 and was represented by 1,000,000,000 registered ordinary shares without indication of their nominal value.

The shareholder Marco Polo International Italy S.r.l. - pursuant to Article 93 of Legislative Decree 58/1998 - controls the Company with a 45.52% share of the capital, but does not exercise management and coordination activities.

Updated extracts are available on the Company's website of the existing agreements between some of the shareholders, including indirect shareholders, of the Company, which contain the provisions of the Shareholders' Agreements relative, amongst other things, to the governance of Pirelli.

For more details on the governance and ownership structure of the Company reference should be made to the *"Report on Corporate Governance and Ownership Structure"* included in the Annual Report, and other additional information, published in the *Governance and Investor Relations* section of the Company's website (www.pirelli.com).

RELATED-PARTY TRANSACTIONS

Related party transactions, including intra-group transactions, do not qualify as either unusual or exceptional, but are part of the ordinary course of business for the companies of the Group. Such transactions, when not concluded under standard conditions or dictated by specific regulatory conditions, are in any case governed by conditions consistent with those of the market, and carried out in compliance with the provisions of the Procedure for Related Party Transactions that the Company has adopted.

The effects of the Related Party Transactions contained in the Income Statement and in the Statement of Financial Position, on the consolidated financial data were as follows:

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

STATEMENT OF FINANCIAL POSITION		
(in millions of euro)	**03/31/2019**	**12/31/2018**
Other non current receivables	-	12.6
Trade receivables	6.3	3.6
Other current receivables	28.5	32.2
Trade payables	20.4	23.1
Other current payables	-	0.1

INCOME STATEMENT		
(in millions of euro)	**1Q 2019**	**1Q 2018**
Revenues from sales and services	3.4	2.3
Other income	0.3	-
Other costs	14.1	9.7
Financial income	0.1	0.2
Financial expenses	0.2	-

Statement of Financial Position Transactions

The item **other non-current receivables at December 31, 2018** had referred to a loan granted by Pirelli Tyre S.p.A. to the Indonesian Joint Venture PT Evoluzione Tyres. During the course of the first quarter of 2019, Pirelli Tyre S.p.A. converted the outstanding loans at December 31, 2018 (euro 12.6 million classified under other non-current receivables, and euro 6.1 million classified under other current receivables) into advance payments towards a future share capital increase which is part of the recapitalisation operation for the the Indonesian Joint Venture.

The item **trade receivables** mainly includes receivables for services rendered to PT Evoluzione Tyres for the amount of euro 3.2 million, and to the Joint Stock Company Kirov Tyre Plant for the amount of euro 0.8 million.

The item **other current receivables** mainly refers to receivables for, advances from Pirelli Tyre S.p.A. to PT Evoluzione Tyres to the amount of euro 14.8 million for the supply of motorcycle products, for the sale of materials and moulds to the Joint Stock Company Kirov Tyre Plant to the amount of euro 7.5 million, and for the recovery of costs by Pirelli Tyre Co. from Jining Shenzhou Tyres Co., Ltd to the amount of euro 3.6 million.

The item **trade payables** mainly refers to payables for the purchase of energy from Industriekraftwerk Breuberg GmbH, and trade payables towards the Joint Stock Company Kirov Tyre Plant.

Income Statement Transactions

The item **revenues from sales and services** mainly refers to sales of materials and services rendered to the Joint Stock Company Kirov Tyre Plant to the amount of euro 1.2 million.

This item **other costs** mainly refers to costs for the purchase of energy and machine hire from Industriekraftwerk Breuberg GmbH to the amount of euro 5.9 million, and costs for the purchase of products from PT Evoluzione Tyres to the amount of euro 6.6 million

TRANSACTIONS WITH OTHER RELATED PARTIES

The transactions detailed below refer mainly to transactions with the Aeolus Tyre Co., Ltd, and to transactions with the Prometeon Group, which are companies subject to common control.[5]

STATEMENT OF FINANCIAL POSITION		
(in millions of euro)	**03/31/2019**	**12/31/2018**
Trade receivables	11.9	12.0
Other current receivables	21.6	23.2
Trade payables	82.0	168.5
Other current payables	8.7	7.4

INCOME STATEMENT		
(in millions of euro)	**1Q 2019**	**1Q 2018**
Revenues from sales and services	0.1	1.2
Other income	17.3	28.4
Raw materials and consumables used	0.8	5.2
Other costs	44.4	62.5
Financial income	0.1	0.1
Other income from discontinued operations	-	1.9
Other costs from discontinued operations	-	13.7

Statement of Financial Position Transactions

The item **trade receivables** refers to receivables from companies of the Prometeon Group to the amount of euro 11.9 million.

The item **other trade receivables** refers to receivables for royalties from the Aeolus Tyre Co., Ltd. to the amount of euro 6 million, trade receivables to the amount of euro 12 million from companies of the Prometeon Group, and receivables from the Aeolus Tyre Co., Ltd for equipment hire to the amount of euro 3.6 million.

The item **trade payables** refers to payables towards companies of the Prometeon Group to the amount of euro 78 million, and payables for utilities and services towards the Aeolus Tyre Co., Ltd. to the amount of euro 4.9 million.

The item **other current payables** mainly refers to other current payables to companies of the Prometeon Group to the amount of euro 8.1 million.

Income Statement Transactions

The item **other operating income** for the first quarter of 2019 includes royalties recognised from the Aeolus Tyre Co., Ltd. to the amount of euro 1.8 thousand - in respect of the license agreement

[5] On February 14, 2019, the Company's Board of Directors approved the renegotiation of some of the terms of the existing license agreements with the Prometeon Tyre Group S.r.l. and the Aeolus Tyre Co., Ltd. For a description of the aforementioned remodulations and the financial effects of the same (attributable in part to the 2018 financial year) reference should be made to the 2018 Financial Statements, as well as to the Disclosure Documents on transactions published (on a prudent and voluntary basis) by the Company on February 20, 2019 which are both available on the Pirelli website at www.pirelli.com

stipulated in 2016 and subjected to the renegotiation of some of the terms and conditions in February 2019. The item also includes income from companies of the Prometeon Group mainly relative to:

- royalties arising from the trademark license agreement to the amount of euro 4.0 million;
- the sale of finished and semi-finished products for the total amount of euro 4.9 million of which euro 4.4 million from Pirelli Pneus Ltda;
- the Long Term Service Agreement, to the amount of euro 2.5 million of which euro 1.0 million was from Pirelli Sistemi Informativi S.r.l., euro 0.3 million from Pirelli Pneus Ltda, and euro 1.2 million from other Group companies;
- logistics services for the total amount of euro 0.8 million of which euro 0.4 million was carried out by the Brazilian company Total Logistic Management Serviços del Logistica Ltda;
- royalties arising from the licence agreement for know-how charged by Pirelli Tyre S.p.A. to the amount of euro 2.5 million;
- other, to the amount of euro 0.8 million.

The item **raw and consumable materials used** refers to costs payable to companies of the Prometeon Group for the purchase of direct materials, of consumables and compounds for the total amount of euro 0.8 million.

The item **other costs** includes contributions to the *Fondazione Hangar Bicocca* (Hangar Bicocca Foundation) and the *Fondazione Pirelli* (Pirelli Foundation) to the amount of euro 0.3 million, and costs payable to companies of the Prometeon Group mainly for:

- the purchase of truck products for a total amount of euro 24.7 million of which euro 21.1 million was carried out by the Brazilian company Comercial e Importadora de Pneus Ltda for the Brazilian sales network, euro 1.3 million carried out by the German company Driver Reifen und KFZ-Technik GmbH, and purchases by other companies of the Group to the amount of euro 2.3 million;
- the purchase of finished and semi-finished Car/Motorcycle products for a total amount of euro 13.8 million, of which 12.9 million was carried out by the Turkish company Pirelli Otomobil Latikleri A.S. as part of the Off-Take contract, and euro 0.9 million by Pirelli Pneus Ltda for the purchase of inner tubes for tyres;
- costs to the amount of euro 2.9 million incurred by Pirelli Pneus Ltda for services for the transformation of raw materials as a result of activities pertinent to the Toll manufacturing contract.
- other, to the amount of euro 2.7 million.

EXCEPTIONAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Communication No. 6064293 of July 28, 2006, it is hereby specified that during the course of the first quarter, that no exceptional and/or unusual transactions as defined in the aforesaid Notice were carried out by the Company.

The Board of Directors

Milan, May 14, 2019

FINANCIAL STATEMENTS

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

	03/31/2019	12/31/2018
Property, plant and equipment	3,621,036	3,092,927
Intangible assets	5,753,354	5,783,338
Investments in associates and J.V.	92,110	72,705
Other financial assets at fair value through other comprehensive income	75,650	68,781
Other financial assets at fair value through income statement	-	-
Deferred tax assets	59,250	74,118
Other receivables	214,340	225,707
Tax receivables	15,335	16,169
Derivative financial instruments	36,637	20,134
Non-current assets	**9,867,712**	**9,353,879**
Inventories	1,165,512	1,128,466
Trade receivables	858,442	627,968
Other receivables	482,345	416,651
Other financial assets at fair value through income statement	8,501	27,196
Cash and cash equivalents	962,957	1,326,900
Tax receivables	42,248	41,393
Derivative financial instruments	84,471	98,567
Current assets	**3,604,476**	**3,667,141**
Assets held for sale	**796**	**10,677**
Total Assets	**13,472,984**	**13,031,697**
Equity attributable to the owners of the Parent Company:	**4,603,896**	**4,468,121**
Share capital	1,904,375	1,904,375
Reserves	2,601,907	2,132,140
Net income (loss)	97,614	431,606
Equity attributable to non-controlling interests:	**84,012**	**82,806**
Reserves	80,190	72,040
Net income (loss)	3,822	10,766
Total Equity	**4,687,908**	**4,550,927**
Borrowings from banks and other financial institutions	4,521,423	3,929,079
Other payables	82,237	83,287
Provisions for liabilities and charges	131,648	138,327
Provisions for deferred tax liabilities	1,087,594	1,081,605
Employee benefit obligations	218,875	224,312
Tax payables	2,123	2,091
Derivative financial instruments	23,313	16,039
Non-current liabilities	**6,067,213**	**5,474,740**
Borrowings from banks and other financial institutions	1,041,022	800,145
Trade payables	1,142,538	1,604,677
Other payables	401,425	436,752
Provisions for liabilities and charges	36,534	33,876
Employee benefit obligations	7,787	5,475
Tax payables	54,011	65,503
Derivative financial instruments	34,546	59,602
Current liabilities	**2,717,863**	**3,006,030**
Total Liabilities and Equity	**13,472,984**	**13,031,697**

CONSOLIDATED INCOME STATEMENT (In thousands of euro)

	01/01 - 03/31/2019	01/01 - 03/31/2018
Revenues from sales and services	**1,313,804**	**1,310,257**
Other income	99,049	112,999
Changes in inventories of unfinished, semi-finished and finished products	29,810	9,154
Raw materials and consumables used (net of change in inventories)	(457,327)	(446,737)
Personnel expenses	(265,513)	(265,442)
Amortisation, depreciation and impairment	(124,885)	(98,204)
Other costs	(410,304)	(438,985)
Net impairment loss on financial assets	(2,613)	
Increase in fixed assets for internal work	1,052	1,002
Operating income (loss)	**183,073**	**184,044**
Net income (loss) from equity investments	2,012	773
- share of net income (loss) of associates and j.v.	*330*	*(3,237)*
- gains on equity investments	*1,682*	*4,010*
- losses on equity investments	-	-
- dividends	-	-
Financial income	18,867	41,860
Financial expenses	(66,918)	(97,045)
Net income (loss) before tax	**137,034**	**129,632**
Tax	(35,598)	(37,178)
Net income (loss) from continuing operations	**101,436**	**92,454**
Net income (loss) from discontinued operations	-	(3,339)
Total net income (loss)	**101,436**	**89,115**
Attributable to:		
Owners of the parent company	97,614	90,369
Non-controlling interests	3,822	(1,254)
Total earnings/(loss) per share (in euro per share)	**0.098**	**0.091**
Earnings/(loss) per share related to continuing operations (in euro per share)	0.098	0.094
Earnings/(loss) per share related to discontinued operations (in euro per share)	-	(0.003)

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

		1/1 - 03/31/2019	1/1 - 03/31/2018
A	**Net income (loss) for the period**	**101,436**	**89,115**
Other components of comprehensive income:			
	B - Items that will not be reclassified to income statement:		
	- Net actuarial gains (losses) on employee benefits	-	-
	- Fair value adjustment of financial assets at fair value through other comprehensive income	6,846	(676)
	Total B	**6,846**	**(676)**
	C - Items reclassified / that will be reclassified to income statement:		
	Exchange differences from translation of foreign financial statements		
	- Gains / (losses) for the period	37,373	(1,222)
	- (Gains) / losses reclassified to income statement	(1,567)	-
	Fair value adjustment of derivatives designated as cash flow hedges:		
	- Gains / (losses) for the period	42,101	(47,431)
	- (Gains) / losses reclassified to income statement	(47,177)	48,408
	- Tax effect	1,502	(225)
	Cost of hedging		
	- Gains / (losses) for the period	296	5,010
	- (Gains) / losses reclassified to income statement	(1,676)	-
	- Tax effect	255	(478)
	Total C	**31,107**	**4,062**
D	**Total other comprehensive income (B+C)**	**37,953**	**3,386**
A+D	**Total comprehensive income (loss) for the period**	**139,389**	**92,501**
	Attributable to:		
	- Owners of the parent company	130,276	91,735
	- Non-controlling interests	9,113	766
	Attributable to owners of the parent company:		
	- Continuing operations	130,276	95,074
	- Discontinued operations	-	(3,339)
	Total attributable to owners of the parent company	**130,276**	**91,735**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 03/31/2019

(In thousands of euro)	Attributable to the Parent Company						Total
	Share Capital	Translation reserve	Total IAS Reserves *	Other reserves/ retained earnings	**Total attributable to the Parent Company**	**Non controlling interests**	
Total at 12/31/2018	**1,904,375**	**(303,557)**	**(66,714)**	**2,934,017**	**4,468,121**	**82,806**	**4,550,927**
Other components of comprehensive income	-	30,515	2,147	-	32,662	5,291	37,953
Net income (loss)	-	-	-	97,614	97,614	3,822	101,436
Total comprehensive income (loss)	**-**	**30,515**	**2,147**	**97,614**	**130,276**	**9,113**	**139,389**
Dividends approved	-	-	-	-	-	(8,241)	(8,241)
High inflation Argentina	-	-	-	7,569	7,569	-	7,569
Other	-	-	(724)	(1,346)	(2,070)	334	(1,736)
Total at 03/31/2019	**1,904,375**	**(273,042)**	**(65,291)**	**3,037,854**	**4,603,896**	**84,012**	**4,687,908**

(In thousands of euro)	**Breakdown of IAS reserves ***					
	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	**Total IAS reserves**
Total at 12/31/2018	**107**	**14,258**	**(25,705)**	**(30,381)**	**(24,993)**	**(66,714)**
Other components of comprehensive income	6,846	(1,381)	(5,075)	-	1,757	2,147
Other changes	31	-	-	-	(755)	(724)
Total at 03/31/2019	**6,984**	**12,877**	**(30,780)**	**(30,381)**	**(23,991)**	**(65,291)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 03/31/2018

(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 12/31/2017	**1,904,375**	**(220,624)**	**(70,265)**	**2,503,272**	**4,116,758**	**60,251**	**4,177,009**
Adoption of new accounting standard IFRS 9	-	-	(10,554)	9,531	(1,023)	-	(1,023)
Total at 01/01/2018	**1,904,375**	**(220,624)**	**(80,819)**	**2,512,803**	**4,115,735**	**60,251**	**4,175,986**
Other components of comprehensive income	-	(3,242)	4,608	-	1,366	2,020	3,386
Net income (loss) for the period	-	-	-	90,369	90,369	(1,254)	89,115
Total comprehensive income (loss)	**-**	**(3,242)**	**4,608**	**90,369**	**91,735**	**766**	**92,501**
Other	-	-	(908)	(881)	(1,789)	921	(868)
Total at 03/31/2018	**1,904,375**	**(223,866)**	**(77,119)**	**2,602,291**	**4,205,681**	**61,938**	**4,267,619**

(In thousands of euro)	Breakdown of IAS reserves *						
	Reserve for fair value adjustment of available-for-sale financial assets	Reserve for fair value adjustment of financial assets at fair value through other comprehensive income	Reserve for cost of hedging	Reserve for cash flow hedge	Reserve for actuarial gains/losses	Tax effect	**Total IAS reserves**
Total at 12/31/2017	**19,410**	**-**	**-**	**(13,454)**	**(59,110)**	**(17,111)**	**(70,265)**
Adoption of new accounting standard IFRS 9	(19,410)	8,856	3,492	(3,492)	-	-	(10,554)
Total at 01/01/2018	**-**	**8,856**	**3,492**	**(16,946)**	**(59,110)**	**(17,111)**	**(80,819)**
Other components of comprehensive income	-	(676)	5,010	977	-	(704)	4,608
Other changes	-	-	-	-	-	(908)	(908)
Balance at 03/31/2018	**-**	**8,180**	**8,502**	**(15,969)**	**(59,110)**	**(18,722)**	**(77,119)**

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euro)

		01/01 - 03/31/2019	01/01 - 03/31/2018
	Net income (loss) before taxes	137,034	129,632
	Reversals of amortisation, depreciation, impairment losses and restatement of property, plant and equipment and intangible assets	124,885	98,204
	Reversal of Financial expenses	66,918	97,045
	Reversal of Financial income	(18,867)	(41,860)
	Reversal of Dividends	-	-
	Reversal of gains/(losses) on equity investments	(1,682)	(4,010)
	Reversal of share of net income from associates and joint ventures	(330)	3,237
	Taxes paid	(30,147)	(31,078)
	Change in Inventories	(22,037)	(5,297)
	Change in Trade receivables	(223,314)	(232,499)
	Change in Trade payables	(483,468)	(553,100)
	Change in Other receivables/Other payables	(84,422)	(122,944)
	Change in Provisions for employee benefit obligations and Other provisions	(10,741)	(13,990)
	Other changes	10,521	(9,657)
A	**Net cash flows provided by / (used in) operating activities**	**(535,650)**	**(686,316)**
	Investments in property, plant and equipment	(97,983)	(84,666)
	Disposal of property, plant and equipment/intangible assets	1,939	4,180
	Investments in intangible assets	(521)	(584)
	Disposals (Acquisition) of investments in subsidiaries	10,700	-
	Acquisition of minorities	-	(18,492)
	Repayment of share capital and reserves from associates	-	2,224
	Disposals (Acquisition) of investments in associates and JV	(8,925)	-
	Disposals (Acquisition) of other non current financial assets at fair value through income statement - Other financial assets	-	152,808
B	**Net cash flows provided by / (used in) investing activities**	**(94,790)**	**55,470**
	Change in Financial payables	328,166	137,628
	Change in Financial receivables/Other current financial assets at fair value through income statement - Assets held for trading	18,765	89,461
	Financial income / (expenses)	(59,421)	(82,725)
	Cash outflow for lease obligations	(22,673)	-
C	**Net cash flows provided by / (used in) financing activities**	**264,837**	**144,364**
D	**Net cash flows provided by (used in) discontinued operations**	**-**	**(22,675)**
E	**Total cash flows provided / (used) during the period (A+B+C+D)**	**(365,603)**	**(509,157)**
F	**Cash and cash equivalents at the beginning of the financial year**	**1,303,852**	**1,109,640**
G	**Exchange rate differences from translation of cash and cash equivalents**	9,211	(12,413)
H	**Cash and cash equivalents at the end of the period (E+F+G) (°)**	**947,460**	**588,070**

(°)	**of which:**		
	cash and cash equivalents	962,957	592,136
	bank overdrafts	(15,497)	(4,066)

FORM AND CONTENT

The publication of the Interim Financial Report is carried out on a voluntary basis. The publication of Interim Financial Reports covers the quarters which close at March 31 and September 30 of each financial year.

For the evaluation and measurement of the accounting figures, the standards applied were the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and their relative interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission, and in force at the time of approval of this report.

The accounting standards adopted were the same used for the preparation of the consolidated Financial Statements at December 31, 2018 to which, reference should be made for more details, with the exception of:

- the new accounting standards or amendments to existing standards, which became applicable as of January 1, 2019:

  IFRS 16 - Leases: following the application of this standard, at the transition date the Group accounted for the following in relation to lease contracts previously classified as operational:

  - a financial liability, equal to the present value of residual future payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract;

  - a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals relative to the lease and recognised in the Statement of Financial Position at the transition date.

  The comparable financial figures for the first quarter of 2018 have not been restated.

  IFRIC 23 – Uncertainty over Income Tax Treatments: there were no impacts on the Group's Financial Statements arising from the application of this interpretation;

  Amendments to IFRS 9 - Financial Instruments: prepayment features with negative compensation and changes in financial liabilities: there were no impacts on the Group's Financial Statements arising from the application of these amendments;

  Amendments to IAS 28 - Investments in Associates and Joint Ventures Long-term interests in Associates and Joint Ventures: there were no impacts on the Group's Financial Statements arising from the application of this amendment;

  Improvements to the IFRS 2015 - 2017 cycle (issued by the IASB in December 2017): there were no impacts on the Group's Financial Statements;

  Amendments to IAS 19 - "Employee Benefits": there were no impacts on the Group's Financial Statements arising from the application of these amendments;

- Income taxes are recognised on the basis of the best estimate of the weighted average tax rate expected for the entire financial year, consistent with the indications provided by IAS 34 for the preparation of the interim Financial Statements.

EXCHANGE RATES

(local currency vs euro)	**Period-end exchanges rates**		**Change in %**	**Average exchange rates 1Q**		**Change in %**
	03/31/2019	**12/31/2018**		**2019**	**2018**	
Swedish Krona	**10,47350**	10.2548	2.13%	**10.4150**	9.9736	4.43%
Australian Dollar	**1,58210**	1.6220	(2.46%)	**1.5944**	1.5632	2.00%
Canadian Dollar	**1,50000**	1.5605	(3.88%)	**1.5102**	1.5542	(2.83%)
Singaporean Dollar	**1,52140**	1.5591	(2.42%)	**1.5388**	1.6207	(5.05%)
U.S. Dollar	**1,12350**	1.1450	(1.88%)	**1.1358**	1.2289	(7.58%)
Taiwan Dollar	**34,63301**	34.9786	(0.99%)	**35.0092**	36.0011	(2.76%)
Swiss Franc	**1,11810**	1.1269	(0.78%)	**1.1324**	1.1654	(2.83%)
Egyptian Pound	**19,53238**	20.5806	(5.09%)	**20.0744**	21.7726	(7.80%)
Turkish Lira (new)	**6,31880**	6.0280	4.82%	**6.0998**	4.6893	30.08%
New Romanian Leu	**4,76280**	4.6639	2.12%	**4.7343**	4.6555	1.69%
Argentinian Peso	**48,70373**	43.1665	12.83%	**48.7037**	24.1820	101.40%
Mexican Peso	**21,77264**	22.5170	(3.31%)	**21.8151**	23.0310	(5.28%)
South African Rand	**16,26420**	16.4594	(1.19%)	**15.9206**	14.7062	8.26%
Brazilian Real	**4,37600**	4.4390	(1.42%)	**4.2799**	3.9867	7.35%
Chinese Renminbi	**7,56509**	7.8584	(3.73%)	**7.6628**	7.8212	(2.03%)
Russian Ruble	**72,72300**	79.6581	(8.71%)	**74.8412**	69.8691	7.12%
British Pound	**0,85830**	0.8945	(4.05%)	**0.8725**	0.8835	(1.25%)
Japanese Yen	**124,45000**	125.8500	(1.11%)	**125.0835**	133.1008	(6.02%)

NET FINANCIAL POSITION

(In thousands of euro)	**03/31/2019**	**12/31/2018**
Current borrowings from banks and other financial institutions without IFRS 16	964,185	800,145
Current derivative financial instruments (liabilities)	27,243	53,510
Non-current borrowings from banks and other financial institutions without IFRS 16	4,123,887	3,929,079
Non current derivative financial instruments (liabilities)	19,957	13,738
Lease obligations IFRS 16	474,372	-
Total gross debt	**5,609,644**	**4,796,472**
Cash and cash equivalents	(962,957)	(1,326,900)
Other financial assets at fair value through income statement	(8,501)	(27,196)
Current financial receivables and other assets**	(21,930)	(27,320)
Current derivative financial instruments (assets)	(79,519)	(91,245)
Net financial debt *	**4,536,737**	**3,323,811**
Non-current derivative financial instruments (assets)	(36,637)	(20,134)
Non-current financial receivables and other assets**	(112,761)	(123,547)
Total net financial (liquidity)/debt position	**4,387,339**	**3,180,130**
Lease obligations IFRS 16	(474,372)	**-**
Total net financial (liquidity)/debt position without IFRS 16	**3,912,967**	**3,180,130**

* Pursuant to Consob Notice of July 28, 2006 and in compliance with ESMA/2013/319 Recommendations

** The amount for "financial receivables and other assets" is reported net of the relative provision for impairment amounting to euro 6,135 thousand as at March 31, 2019 and euro 6.085 thousand as at Dcember 31, 2018.

DECLARATION OF THE CORPORATE FINANCIAL REPORTING MANAGER PURSUANT TO THE PROVISIONS OF ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE NO. 58/1998

The Corporate Financial Reporting Manager, Francesco Tanzi declares, pursuant to Article 154-bis, paragraph 2 of the Finance Consolidation Act, that the accounting information contained in this consolidated Interim Financial Report at March 31, 2019, is compliant with the documented results, books and accounting records.

Milan, May 14, 2019

Francesco Tanzi