



1H 2016 Financial Results

July 28, 2016



PEOPLE

INNOVATION

TECHNOLOGY

KEY MESSAGES

1 **Solid organic growth** backed by:

- › Premium outstanding performance
- › Top price/mix improvement in the industry
- › Strong growth in mature markets, offsetting weakness in Russia and South America

Profitability confirmed at high level thanks to internal levers (Price/mix and Efficiencies)

2 **Successful conclusion of a €6.4 billion debt refinancing** with a pool of primary International banks. The transaction will allow the repayment of maturing debt and the optimization of the debt structure. All-in cost below 3.5%

3 **Update on Industrial integration process:**

- › Swap of 10% of Pirelli Industrial with 80% of Aeolus's car tyre activities approved by companies' shareholders; transaction value: €70 million (equity only)
- › Pirelli to increase its car capacity in China to ~12 million pieces
- › Pirelli-Aeolus technology license agreement signed
- › Closing of the operation is expected in the coming months

REFINANCING

- > **July 28, 2016: successful conclusion of a €6.4 billion debt refinancing with a pool of major International banks, composed by:**

4.8 €/bln long term facility (~ 4y avg. Maturity)	▶ 1 € bln credit line in US\$, 3Y maturity	} Subscribed by 19 major International banks with an oversubscription of ~2x the offering
	▶ 2.8 € bln credit line in € and US\$, 5Y maturity	
	▶ 1.0 € bln multi-currency revolving facility, 5Y maturity	
1.6 €/bln short term facility	▶ Credit line in €, 18M maturity	} Subscribed by a Club deal of 7 selected institutions

- > **Average debt maturity: 3Y**
- > **Cost of refinancing: below 3.5%**
- > **Pirelli will not activate the 6.8 € bln Mergeco Facility loan, made available to the company by a pool of banks in the context of Marco Polo Industrial Holding acquisition offer for Pirelli**

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PIRELLI KEY FINANCIAL RESULTS***

€ million	1H 15 reported	1H 15 excl. Venezuela	1H 16	Δ YoY vs 1H15 excl. Venezuela	1H highlights
Revenues	3,178.5	3,057.5	2,968.6	-2.9%	▶ Improvement in organic growth driven by Premium outperformance, and strong price/mix on both Consumer and Industrial businesses
Organic Growth*				+5.9%	
EBITDA before Restr. Costs	609.6	588.0	578.7	-1.6%	
Margin	19.2%	19.2%	19.5%	+0.3 p.p.	
EBIT before Restr. Costs	451.4	434.8	429.1	-1.3%	▶ Sound profitability sustained by internal levers (price/mix and efficiencies)
Margin	14.2%	14.2%	14.5%	+0.3 p.p.	
Restructuring Costs	(4.8)	(4.8)	(23.5)		▶ Consumer profitability at 16.4% (~+0,7pp YoY), Industrial business impacted by LatAm weakness
EBIT	446.6	430.0	405.6	-5.7%	
Margin	14.1%	14.1%	13.7%	-0.4 p.p.	
Results from Equity Investments	(4.0)		(48.8)		▶ Results from equity investments: mainly attributable to Fenice and Prelios value adjustment in 1Q
Financial Income / (Charges)	(113.4)		(280.8)		
PBT	329.2		76.0		▶ Increasing financial charges discount the impact of Marco Polo Industrial debt consolidation
Tax Rate	-35.8%		-89.3%		
Net income before discontinued operations	211.4		8.1		▶ 32.5% normalized tax rate (net of results of equity investments and impact of interest on PBT)
Discontinued operations	14.9		0.0		
Net Income	196.5		8.1		
Attributable Net Income	190.8		4.6		

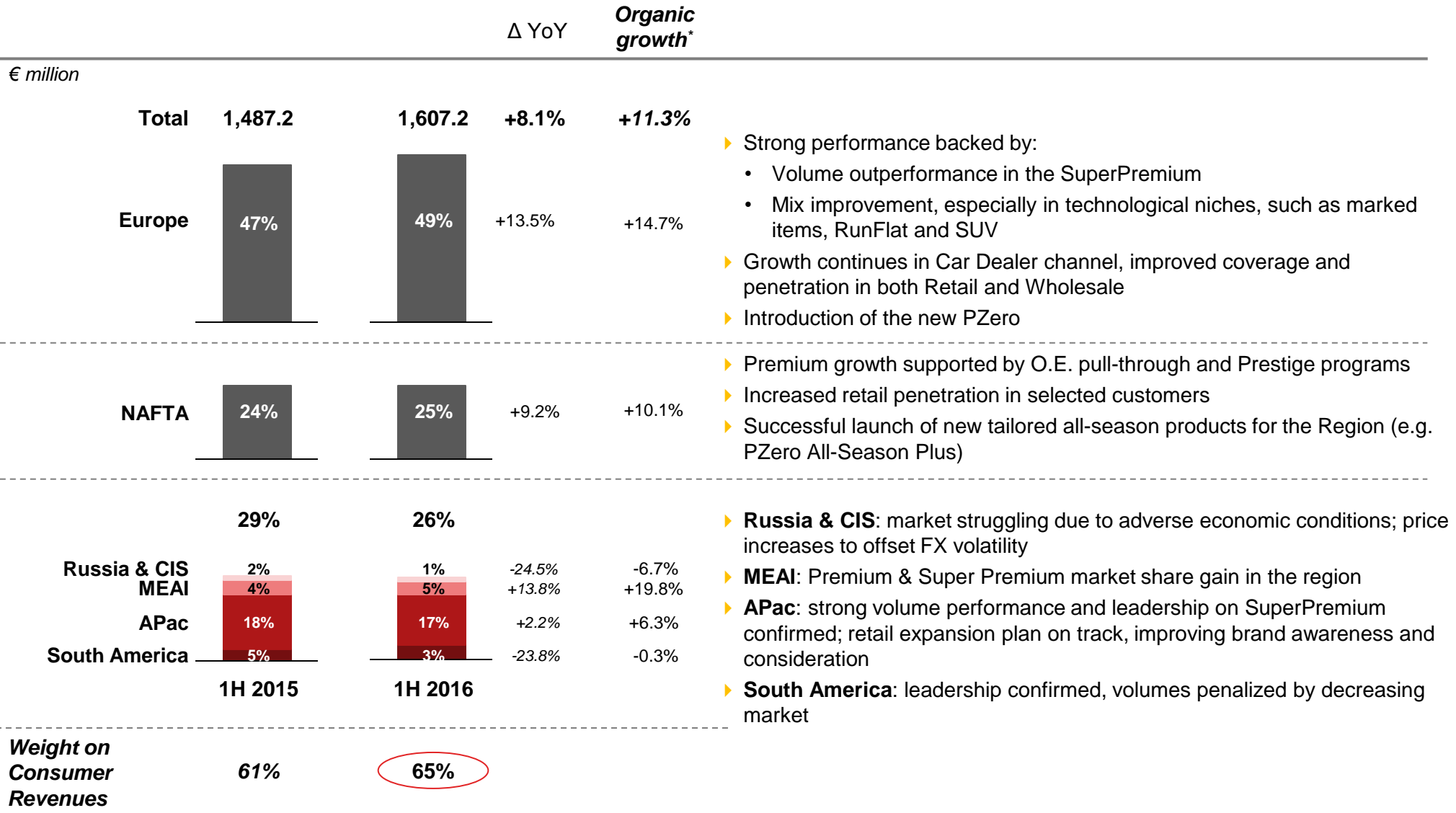
* Excluding exchange rate effects; ** Tangible and Intangible investments; *** 2Q 16 and 2Q 15 data available in the appendix

1H 2016 PERFORMANCE BY REGION

Tyre Sales				Consumer Sales			Industrial Sales			Tyre EBIT Margin***	
€ million		Δ YoY	Organic growth**		Δ YoY	Organic growth**		Δ YoY	Organic growth**		
Total	2,966.9	-2.8%	+6.0%	2,469.6	+2.1%	+7.4%	497.3	-21.5%	+0.4%	14.5% (+0.1 pp YoY)	
Europe	39%	+5.6%	+6.4%	44%	+7.5%		16%	-14.5%		Europe	Mid-teens (improving YoY)
NAFTA	15%	+7.8%	+9.6%	18%	+9.2%		2%	-27.1%		NAFTA	Twenties (improving YoY)
Russia & CIS	46%	-11.7%	+4.6%							Russia	Negative (declining YoY)
MEAI	3%	-27.3%	-9.5%	38%	-6.1%					MEAI	High-teens digit (stable YoY)
APac	9%	-0.7%	+7.5%		-28.8%					APac	Twenties (stable YoY)
South America	12%	-0.4%	+4.0%		+7.2%		82%	-22.5%		South America	Mid-single digit (declining YoY)
	22%	-18.3%	+5.8%		+0.9%			-1.2%			
					-9.3%			-6.8%			
								-13.9%			
								-30.9%			

* Excluding exchange rate effects and Venezuela; ** Excluding exchange rate effects, Venezuela and Consumer/Industrial perimeter change; *** Before non recurring items and restructuring costs

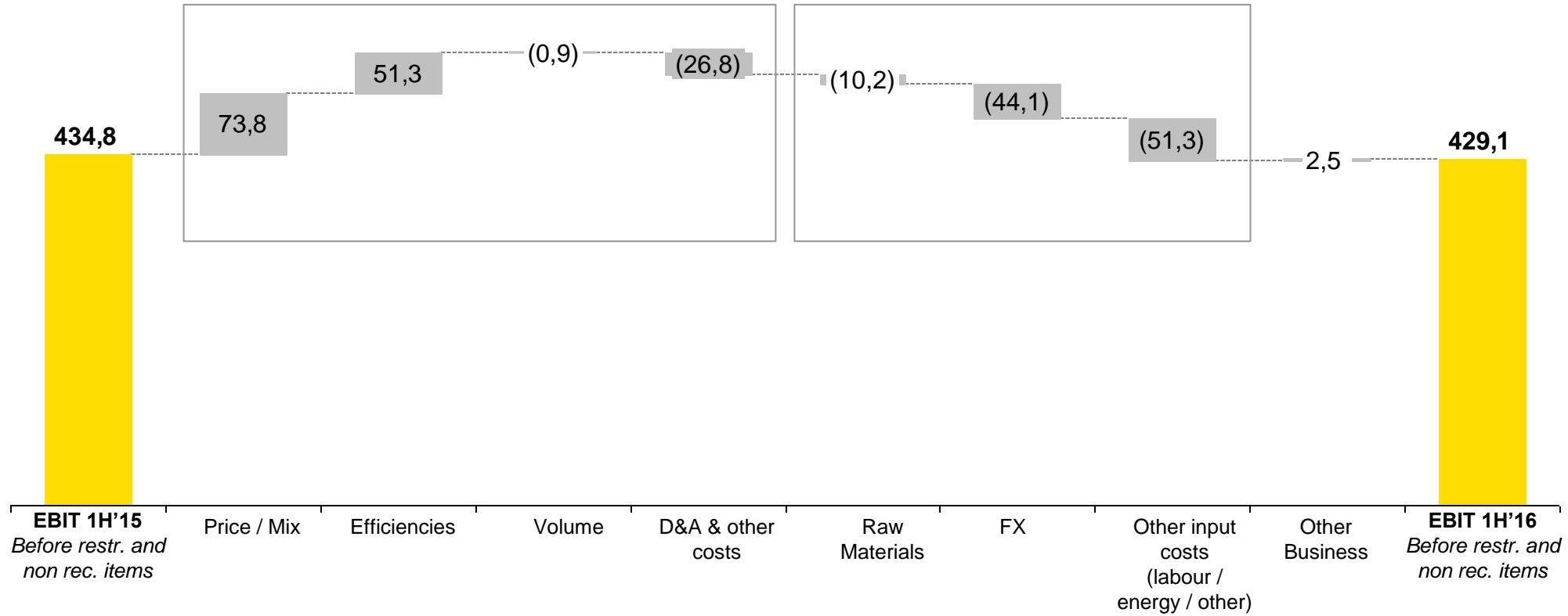
1H 2016 PREMIUM PERFORMANCE BY REGION



* Excluding exchange rate effects, Venezuela and Consumer/Industrial perimeter change

PIRELLI GROUP OPERATING PERFORMANCE

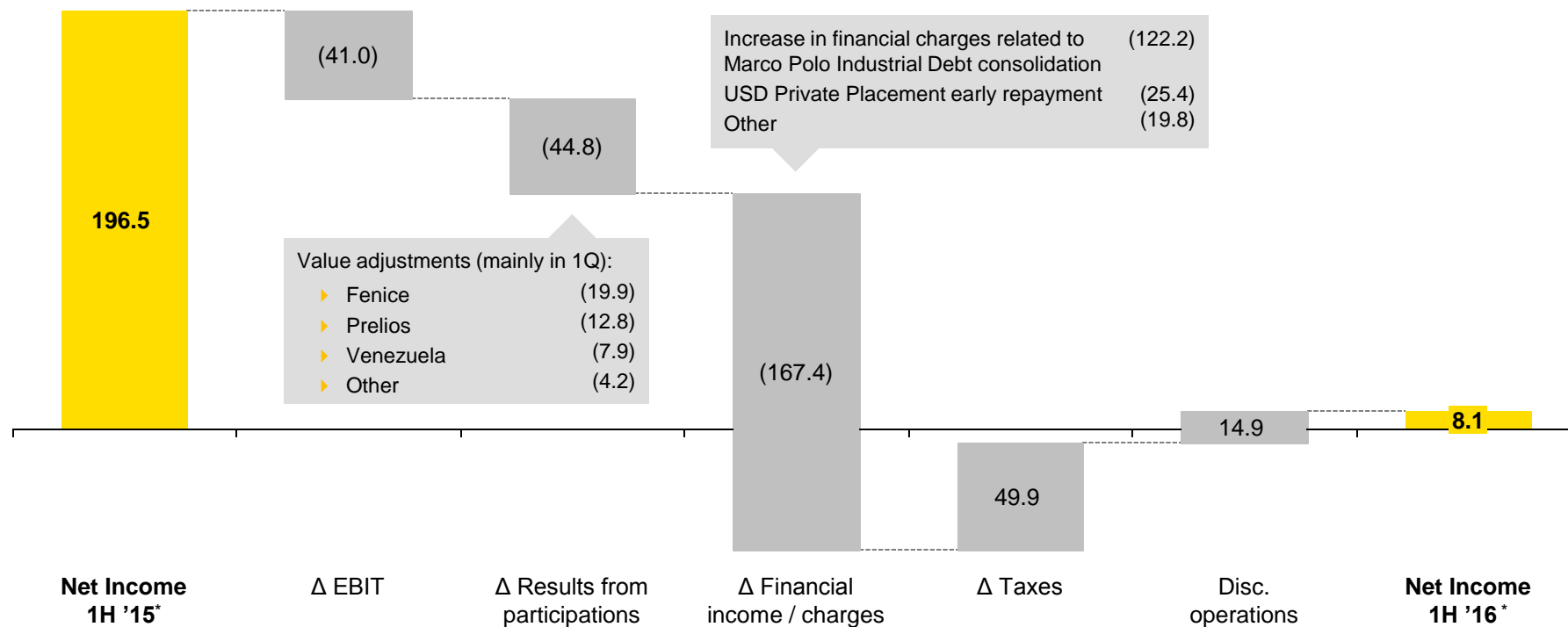
€ million



Note: 1H 2015 EBIT net of Venezuela; 2Q details available in the appendix

PIRELLI NET INCOME 1H 2016 VS 1H 2015

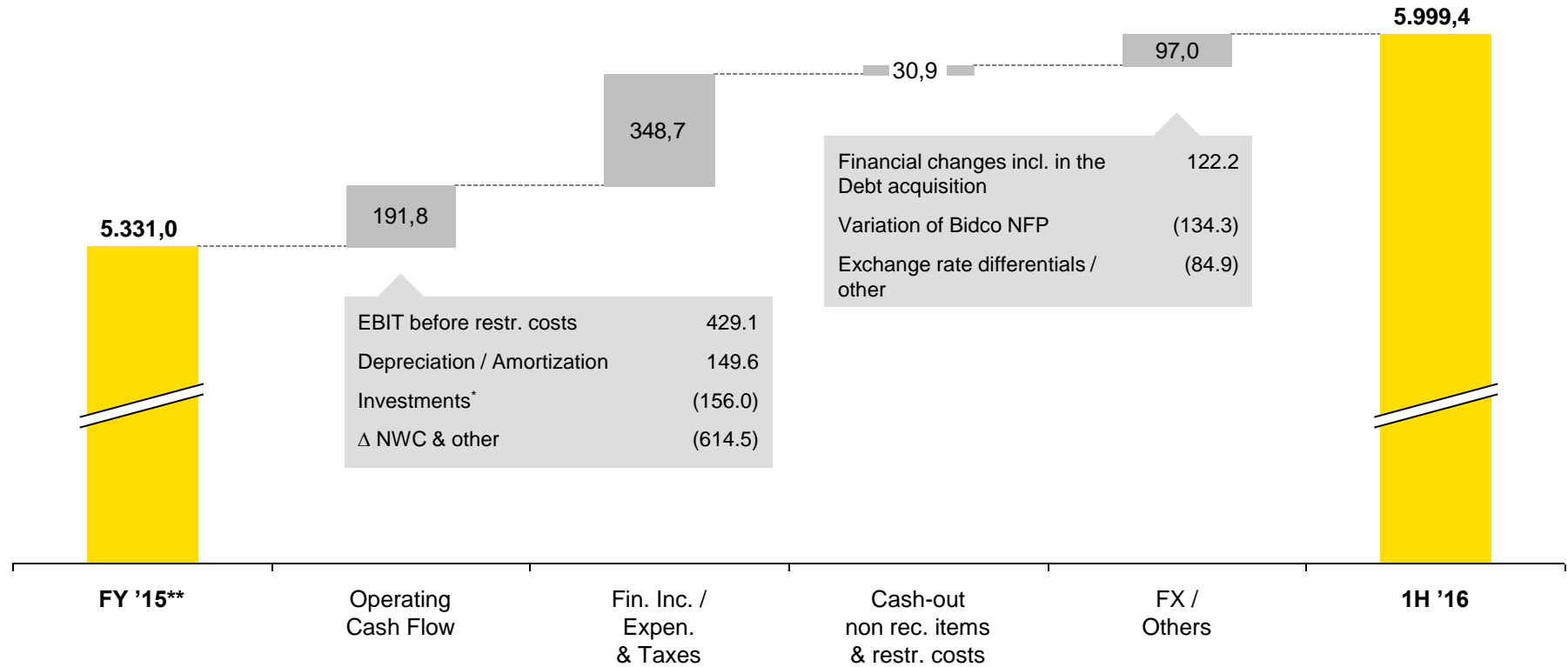
€ million



* Net Income 1H '15, excluding Venezuela

1H 2016 NET FINANCIAL POSITION

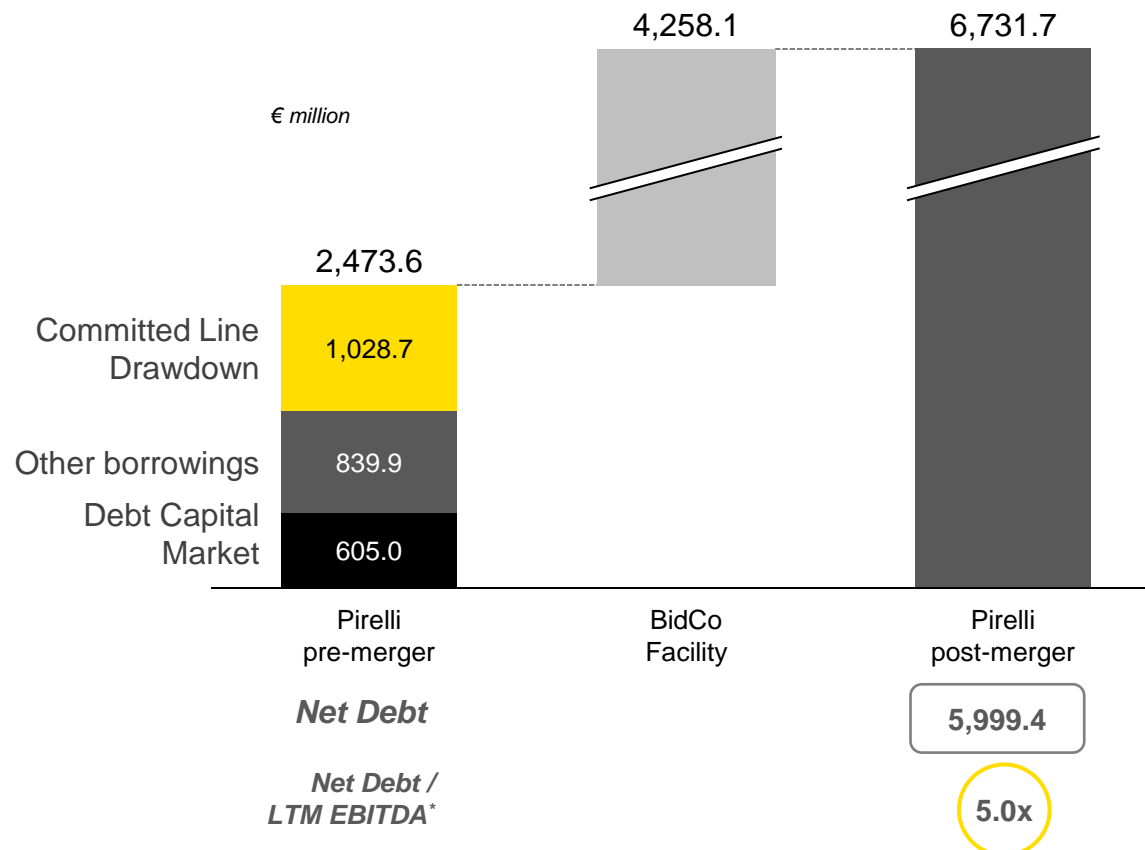
€ million



* Tangible and intangible investments **Including Marco Polo Industrial Holding Debt

PIRELLI GROSS DEBT AS OF 30 JUNE 2016

- > On June 1st, 2016, the Merger between Pirelli & C. S.p.A. and Marco Polo Industrial Holding S.p.A. became effective; acquisition facilities turned into Pirelli's debt



- > Following the successful conclusion of debt refinancing on July 28, 2016, Bidco Facility has now been repaid and Pirelli gross debt average maturity is now approximately 3 years.

* Last 12 months

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KEY TYRE RESULTS

€ million	1Q'16	Δ YoY*	2Q'16	Δ YoY*	1H'16	Δ YoY*
Revenues	1,435.1	-4.0%	1,531.8	-1.6%	2,966.9	-2.8%
<i>o/w Premium</i>	781.9	+8.4%	825.3	+7.7%	1,607.2	+8.1%
EBITDA before restr. costs	290.2	+2.0%	289.1	-5.7%	579.3	-2.0%
<i>Margin</i>	20.2%	+1.2 p.p.	18.9%	-0.8 p.p.	19.5%	+0.1 p.p.
EBIT before restr. costs	216.0	+3.4%	214.2	-6.7%	430.2	-1.9%
<i>Margin</i>	15.1%	+1.1 p.p.	14.0%	-0.7 p.p.	14.5%	+0.1 p.p.
EBIT	200.7	-2.9%	206.0	-9.7%	406.7	-6.5%
<i>Margin</i>	14.0%	+0.2 p.p.	13.4%	-1.2 p.p.	13.7%	-0.5 p.p.
Revenue drivers	1Q'16		2Q'16		1H'16	
Δ Price/Mix	+6.1%		+5.9%		+6.0%	
Δ Volumes	-0.8%		+0.8%		0.0%	
<i>o/w Premium</i>	+11.7%		+15.0%		+13.4%	
Δ Organic growth (before exchange rate impact)	+5.3%		+6.7%		+6.0%	
Δ Exchange Rate	-9.3%		-8.3%		-8.8%	
Δ Revenues (w/o Venezuela)	-4.0%		-1.6%		-2.8%	
Δ Venezuela	-4.3%		-3.2%		-3.7%	
Δ Total Revenue	-8.3%		-4.8%		-6.5%	

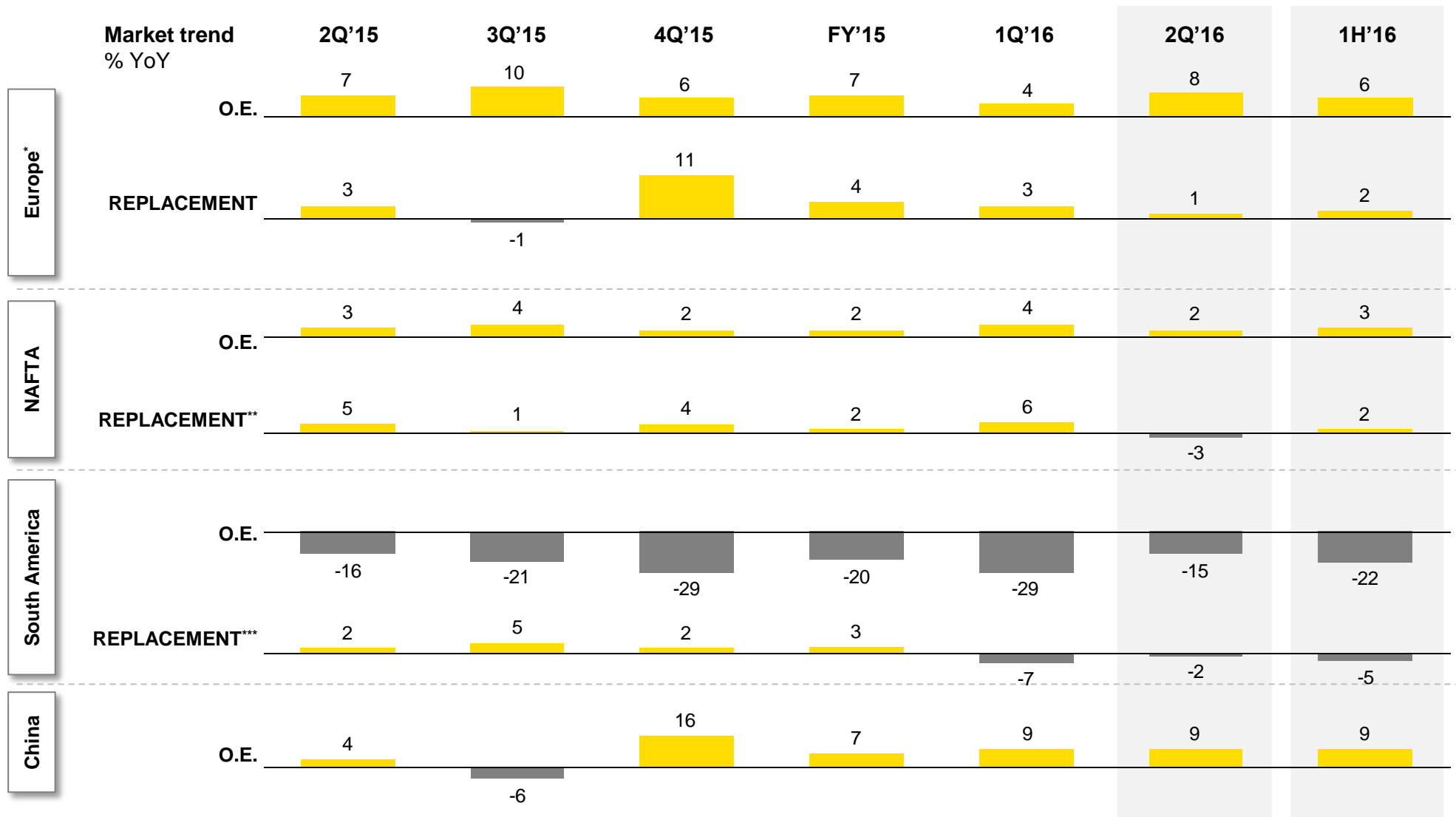
* Δ % vs. same period of 2015 with Venezuela excl.

CONSUMER BUSINESS*: PIRELLI PERFORMANCE

€ million	1Q'16	Δ YoY*	2Q'16	Δ YoY**	1H'16	Δ YoY**
Revenues	1,165.7	-1.0%	1,303.9	+5.0%	2,469.6	+2.1%
<i>o/w Premium</i>	781.9	+8.4%	825.3	+7.7%	1,607.2	+8.1%
% revenues	67.1%	+5.9 p.p.	63.3%	+1.6 p.p.	65.1%	+3.6 p.p.
EBITDA before restr. costs	263.3	+9.9%	270.2	+1.4%	533.5	+5.4%
<i>Margin</i>	22.6%	+2.3 p.p.	20.7%	-0.8 p.p.	21.6%	+0.7 p.p.
EBIT before restr. costs	199.6	+12.5%	206.1	+2.1%	405.7	+7.0%
<i>Margin</i>	17.1%	+2.0 p.p.	15.7%	-0.5 p.p.	16.4%	+0.7 p.p.
EBIT	188.8	+7.4%	198.8	-0.8%	387.6	+3.0%
<i>Margin</i>	16.2%	+1.3 p.p.	15.2%	-0.9 p.p.	15.7%	+0.2 p.p.
Revenue drivers	1Q'16		2Q'16		1H'16	
Δ Price/Mix	+5.2%		+5.8%		+5.5%	
Δ Volumes	+1.7%		+2.1%		+1.9%	
<i>o/w Premium</i>	+11.7%		+15.0%		+13.4%	
Δ Organic growth (before exchange rate impact)	+6.9%		+7.9%		+7.4%	
Δ Perimeter Consumer / Industrial	-0.3%		+4.6%		+2.2%	
Δ Exchange Rate	-7.6%		-7.5%		-7.5%	
Δ Revenues (w/o Venezuela)	-1.0%		+5.0%		+2.1%	
Δ Venezuela	-4.8%		-3.5%		-4.2%	
Δ Total Revenue	-5.8%		+1.5%		-2.1%	

* Results refer to the two different businesses based on view by products (industrial vs. consumer products) in accordance with IFRS 8 (Operating Segments); this view do not represent the current structure by legal entities of Pirelli Consumer and Pirelli Industrial; **Δ % vs. same period of 2015 with Venezuela excl.

CONSUMER BUSINESS: KEY MARKET TRENDS



* Russia excluded, Turkey excluded in 2016 (included in 2015); ** NAFTA Replacement includes imports; *** South America Replacement restated to include Brazilian imports

Source: Local tyre manufacturer associations

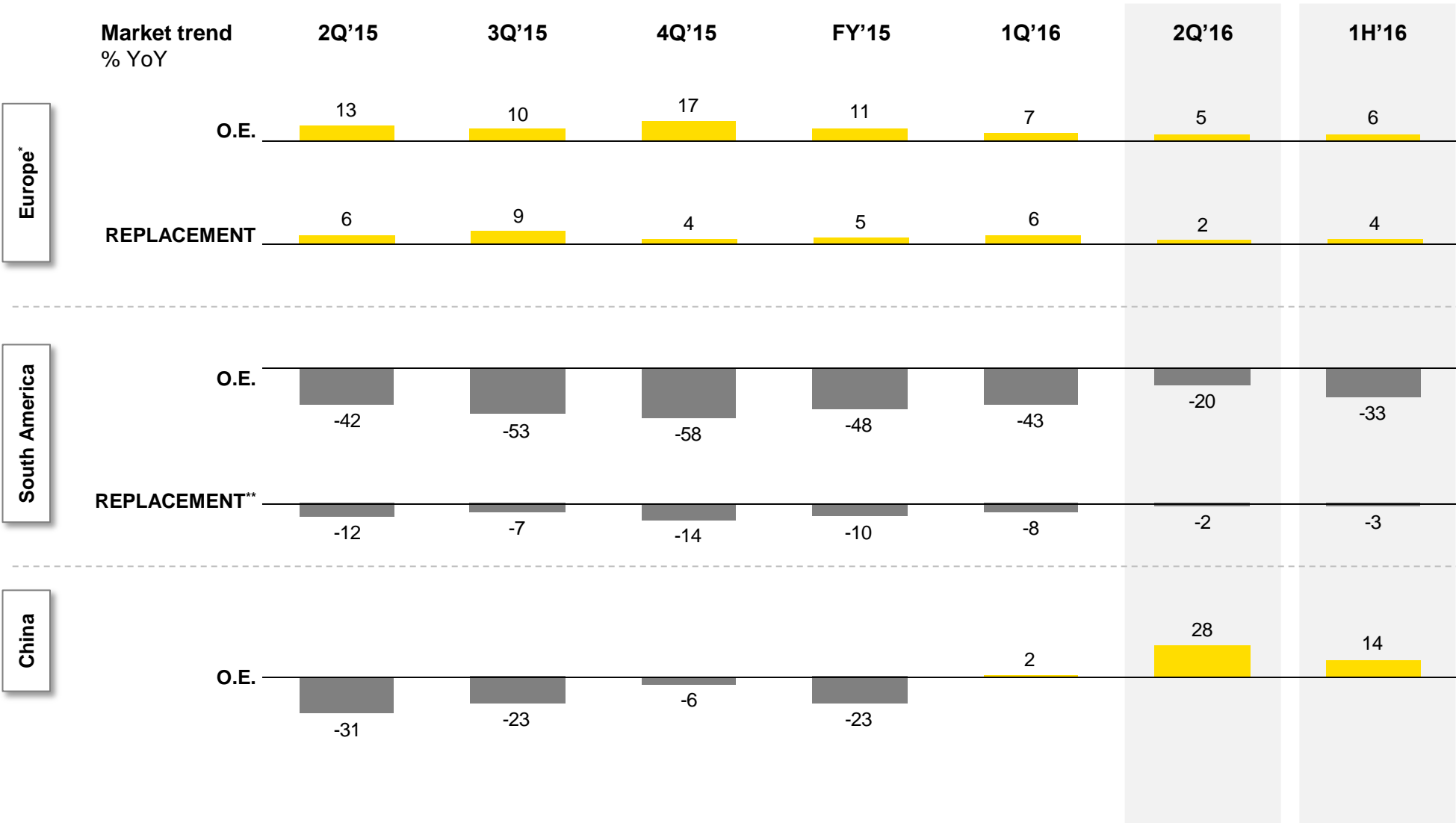
INDUSTRIAL BUSINESS*: PIRELLI PERFORMANCE

€ million	1Q'16	Δ YoY*	2Q'16	Δ YoY**	1H'16	Δ YoY**
Revenues	269.4	-15.3%	227.9	-27.8%	497.3	-21.5%
EBITDA before restr. costs	26.9	-40.2%	18.9	-52.6%	45.8	-46.1%
<i>Margin</i>	10.0%	-4.2 p.p.	8.3%	-4.3 p.p.	9.2%	-4.2 p.p.
EBIT before restr. costs	16.4	-47.8%	8.1	-70.8%	24.5	-58.5%
<i>Margin</i>	6.1%	-3.8 p.p.	3.6%	-5.2 p.p.	4.9%	-4.4 p.p.
EBIT	11.9	-61.6%	7.2	-74.0%	19.1	-67.5%
<i>Margin</i>	4.4%	-5.4 p.p.	3.2%	-5.6 p.p.	3.8**%	-5.5 p.p.

Revenue drivers	1Q'16	2Q'16	1H'16
Δ Price/Mix	+9.1%	+6.3%	+7.7%
Δ Volumes	-10.1%	-4.5%	-7.3%
Δ Organic growth (before exchange rate impact)	-1.0%	1.8%	+0.4%
Δ Perimeter Consumer / Industrial	+1.1%	-18.1%	-8.4%
Δ Exchange Rate	-15.4%	-11.5%	-13.5%
Δ Revenues (w/o Venezuela)	-15.3%	-27.8%	-21.5%
Δ Venezuela	-2.5%	-1.9%	-2.2%
Δ Total Revenue	-17.8%	-29.7%	-23.7%

* Results refer to the two different businesses based on view by products (industrial vs. consumer products) in accordance with IFRS 8 (Operating Segments); this view do not represent the current structure by legal entities of Pirelli Consumer and Pirelli Industrial; **Δ % vs. same period of 2015 with Venezuela excl.

INDUSTRIAL BUSINESS: KEY MARKET TRENDS



* Russia excluded, Turkey excluded in 2016 (included in 2015); ** Non-pool members' imports not included
 Source: Major external data providers for each Region and Pirelli estimates



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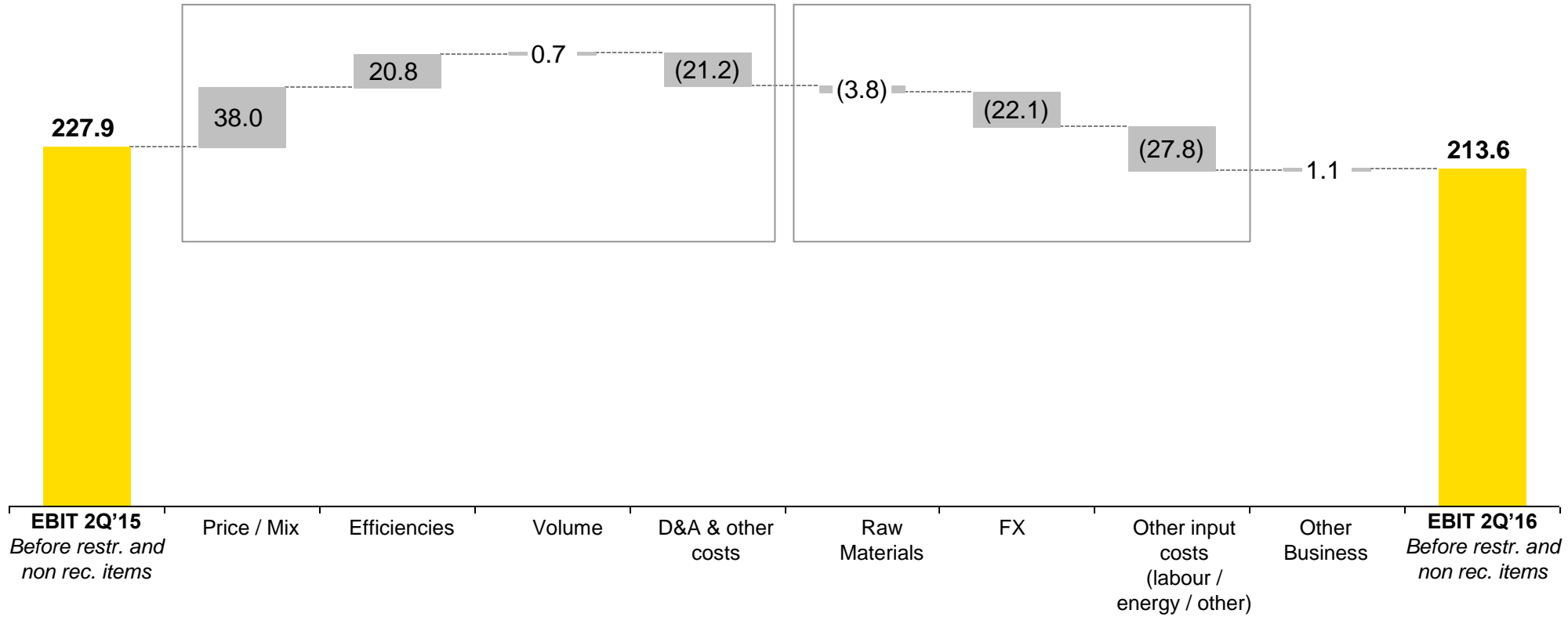
PIRELLI 2Q KEY FINANCIAL RESULTS

€ million	2Q 15 reported	2Q 15 excl. Venezuela	2Q 16	Δ YoY vs 1Q15 excl. Venezuela
Revenues	1,610.1	1,558.9	1,532.6	-1.7%
<i>Organic Growth*</i>				+6.6%
EBITDA before Restr. Costs	317.7	305.1	288.7	-5.4%
<i>Margin</i>	19.7%	19.6%	18.8%	-0.8 p.p.
EBIT before Restr. Costs	238.0	227.9	213.6	-6.3%
<i>Margin</i>	14.8%	14.6%	13.9%	-0.7 p.p.
Restructuring Costs	(1.5)	(1.5)	(8.2)	
EBIT	236.5	226.4	205.4	-9.3%
<i>Margin</i>	14.7%	14.5%	13.4%	-1.1 p.p.
Results from Equity Investments	(1.5)		(6.3)	
Financial Income / (Charges)	(61.3)		(198.1)	
PBT	173.7		1.0	
<i>Tax Rate</i>	-36.7%		<i>n.m.</i>	
Net income before discontinued operations	110.0		(32.3)	
Discontinued operations	1.9		0.0	
Net Income	111.9		(32.3)	
Attributable Net Income	108.8		(35.2)	
Investments**	103.2		82.0	
Net Debt	1,664.4		5,999.4	

* Excluding exchange rate effects; ** Tangible and Intangible investments; *** 2Q 16 and 2Q 15 data available in the appendix

PIRELLI GROUP OPERATING PERFORMANCE

€ million



Note: 2Q 2015 EBIT net of Venezuela

PIRELLI BALANCE SHEET

€ million	FY'15 (reported)	1H'16
FIXED ASSETS	3,780.5	8,791.8
Inventories	1,053.9	1,075.4
Trade receivables	676.2	964.4
Trade payables	(1,313.1)	(1,118.0)
NET OPERATING WORKING CAPITAL	417.0	921.8
Other payables/receivables	(107.6)	17.3
Net Working Capital	309.4	939.1
NET INVESTED CAPITAL	4,089.9	9,730.9
Total Net Equity	2,343.5	3,195.8
Provisions	547.3	535.7
Net Financial Position	1,199.1	5,999.4
TOTAL	4,089.9	9,730.9
Attributable Net Equity	2,280.1	3.131,6

PIRELLI GROUP CASH FLOW

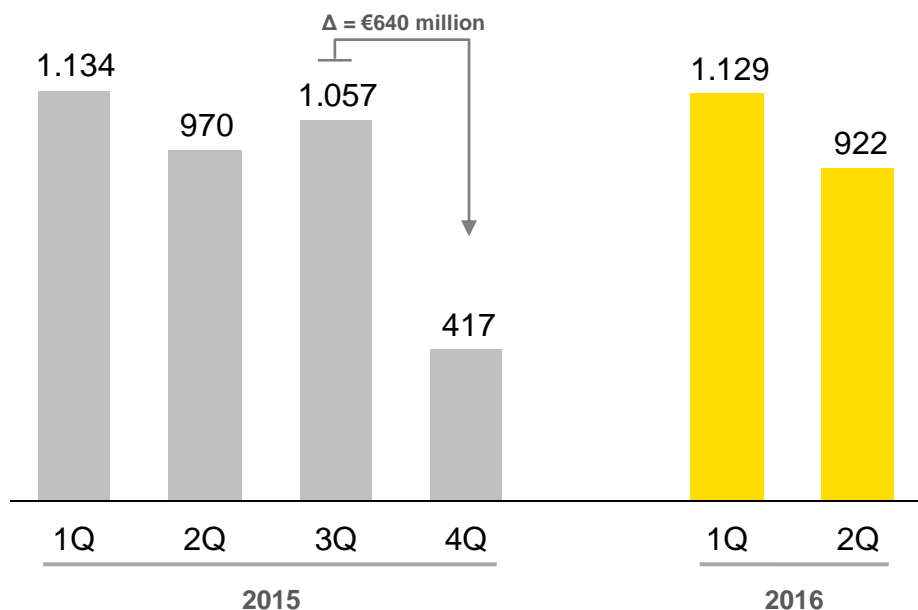
€ million	1Q'15	2Q'15	1H'15	1Q'16	2Q'16	1H'16
EBIT before non rec. items and restr. costs	213.4	238.0	451.4	215.5	213.6	429.1
Depreciation / Amortization	78.5	79.7	158.2	74.5	75.1	149.6
Capex	(85.6)	(103.2)	(188.8)	(74.0)	(82.0)	(156.0)
Working capital / other variations	(895.2)	151.6	(743.6)	(715.9)	101.4	(614.5)
OPERATING CASH FLOW	(688.9)	366.1	(322.8)	(499.9)	308.1	(191.8)
Financial income / (expenses)	(52.1)	(61.3)	(113.4)	(82.7)	(198.1)	(280.8)
Taxes	(54.1)	(63.7)	(117.8)	(34.6)	(33.3)	(67.9)
NET OPERATING CASH FLOW	(795.1)	241.1	(554.0)	(617.2)	76.7	(540.5)
Financial investments / divestments	(14.4)	(0.4)	(14.8)	(5.2)	11.1	5.9
Other dividends paid	(7.6)	(2.5)	(10.1)	-	(2.4)	(2.4)
Cash-out for non rec. items and restr. costs	(6.4)	(2.6)	(9.0)	(19.5)	(11.4)	(30.9)
Venezuela impact on financial charges	-	14.2	14.2	-	-	-
Financial charges incl. in the Debt acquisition	-	-	-	-	122.2	122.2
Exchange rate differentials / others	45.8	(37.4)	8.4	(62.7)	(25.7)	(88.4)
NET CASH FLOW BEFORE DIVIDENDS & EXTRAORDINARY ITEMS	(777.7)	212.4	(565.3)	(704.6)	170.5	(534.1)
Dividends paid	-	(179.5)	(179.5)	-	-	-
Variation of Bidco NFP from 1/1 to 31/5/2016	-	-	-	-	(134.3)	(134.3)
Impact of Steelcord disposal	24.4	35.6	60.0	-	-	-
NET CASH FLOW	(753.3)	68.5	(684.8)	(704.6)	36.2	(668.4)

Note: Venezuela deconsolidated since 31 December 2015

OPERATING NET WORKING CAPITAL AND CAPEX SEASONALITY TREND

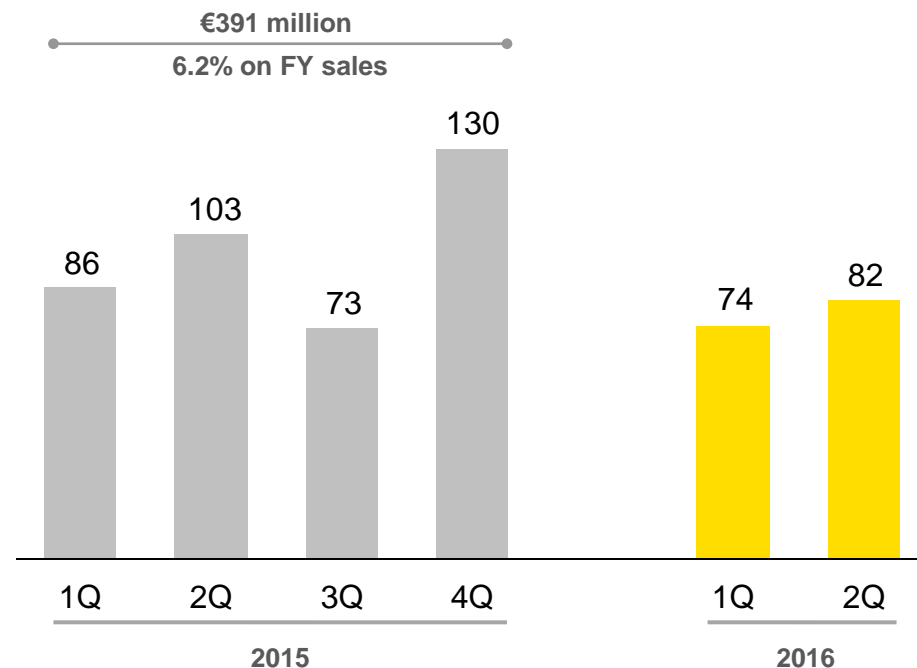
Operating Net Working Capital

€ million

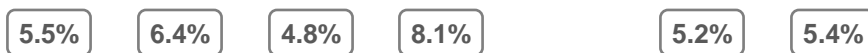


CapEx

€ million



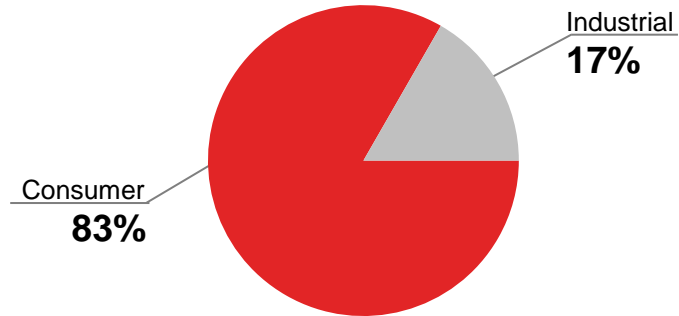
CapEx / Sales



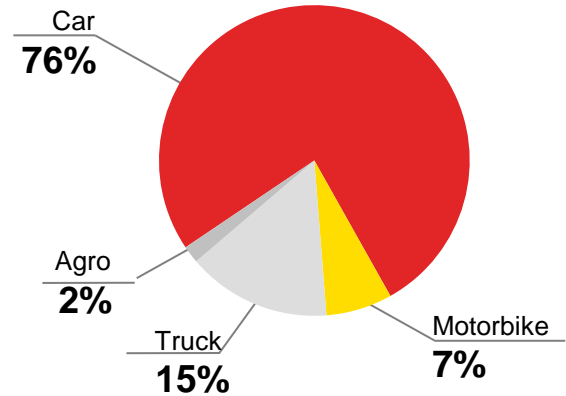
NWC definition: inventories + trade receivables - trade payables +/- other payables/receivables

1H 2016 PIRELLI TYRE MIX

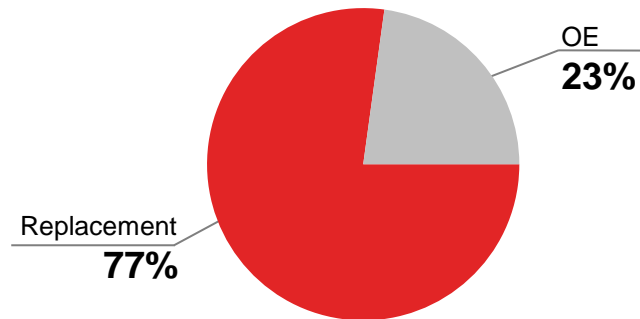
Sales by Business



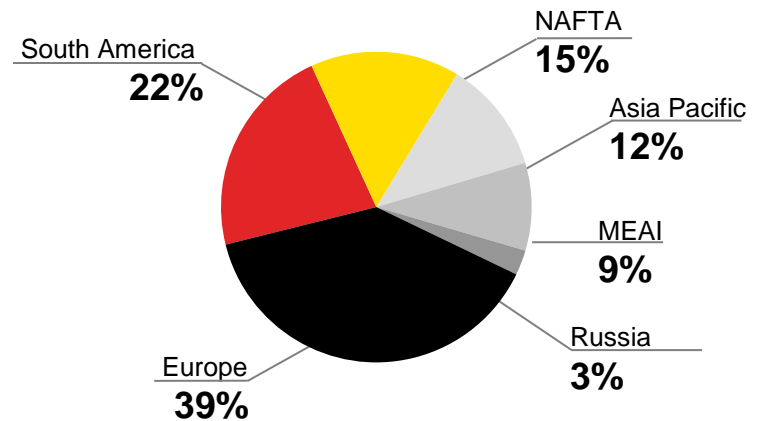
Sales by Segment



Sales by Channel

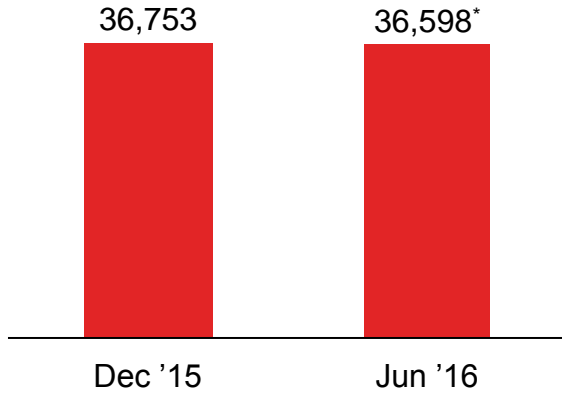


Sales by Region

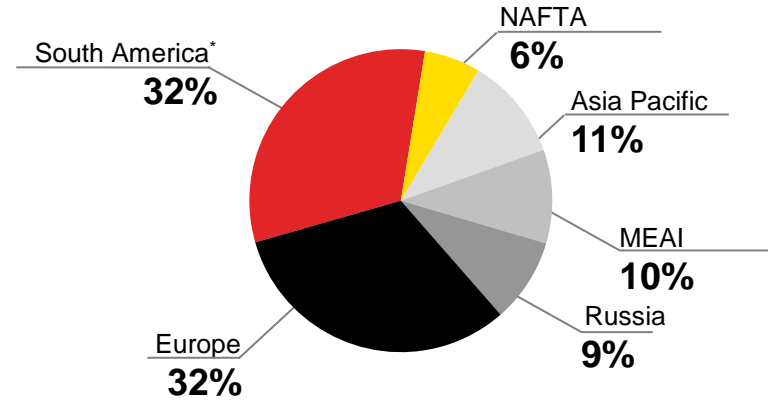


JUNE 2016 PIRELLI PEOPLE

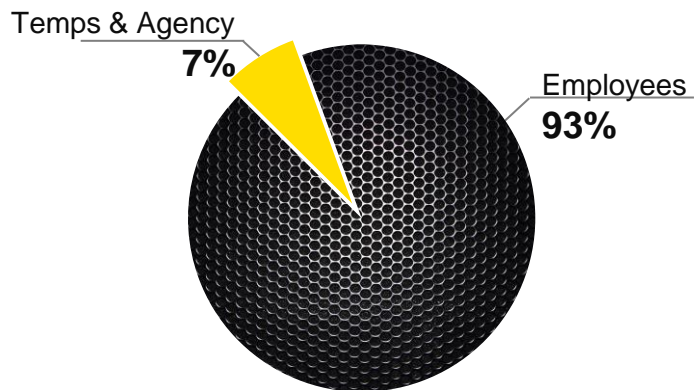
Headcount



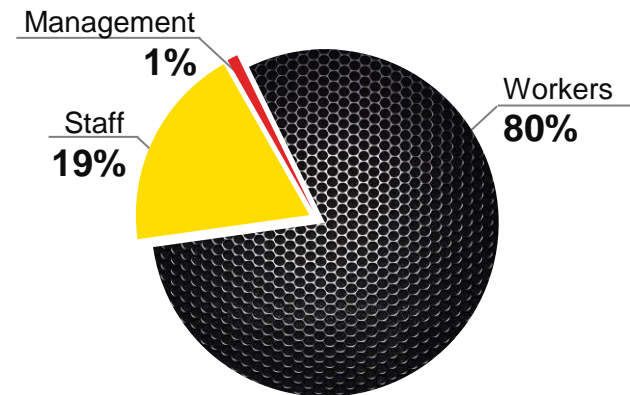
People by Region



People by Contract

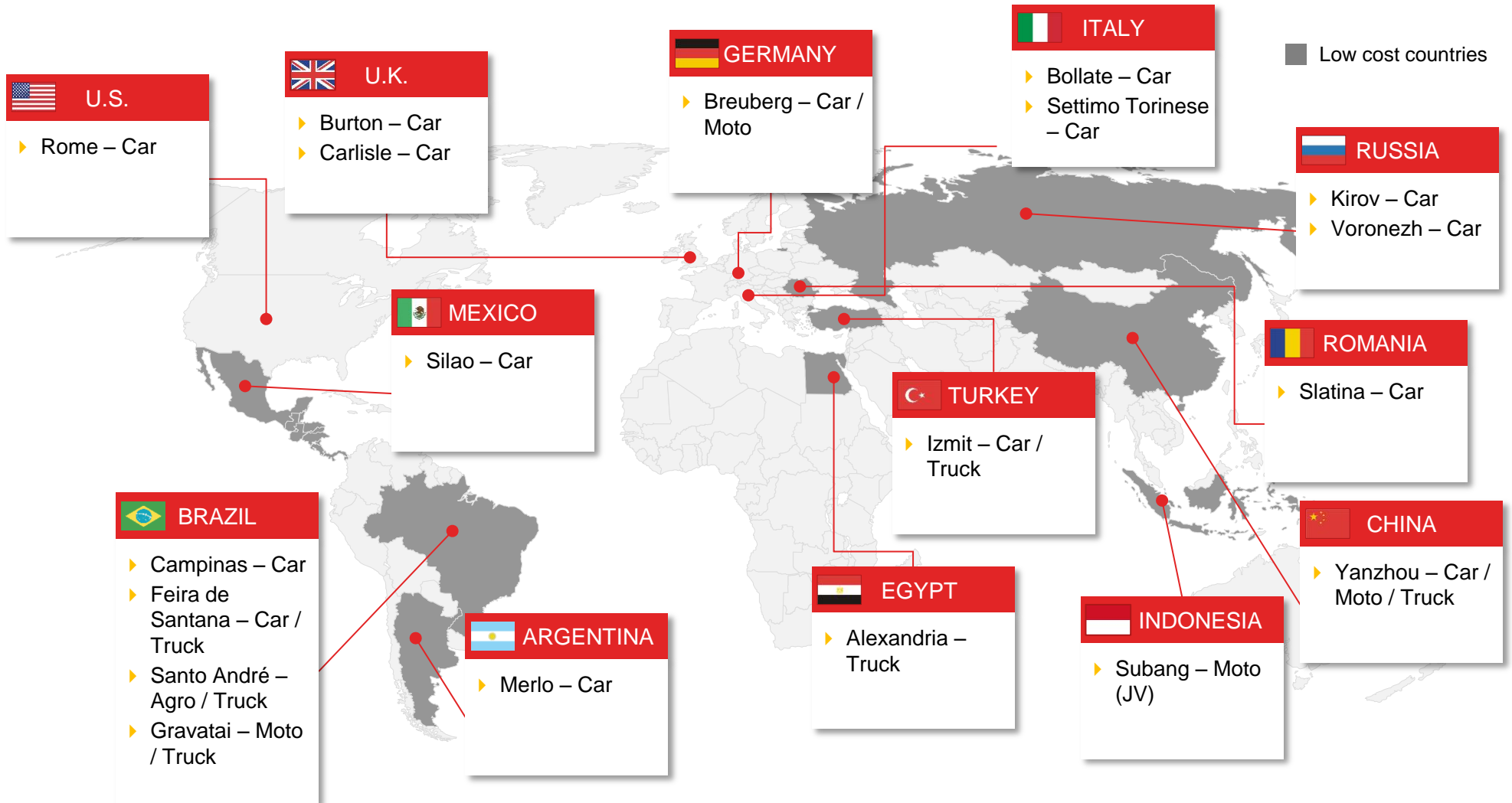


People by Cluster



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

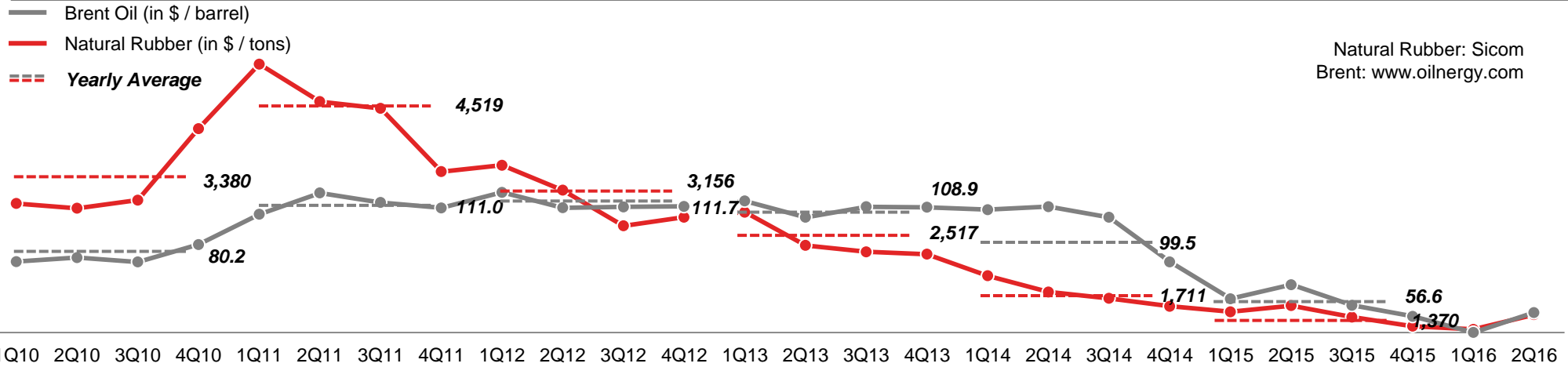
PIRELLI PLANTS IN THE WORLD*



* Excluding Venezuela

RAW MATERIALS

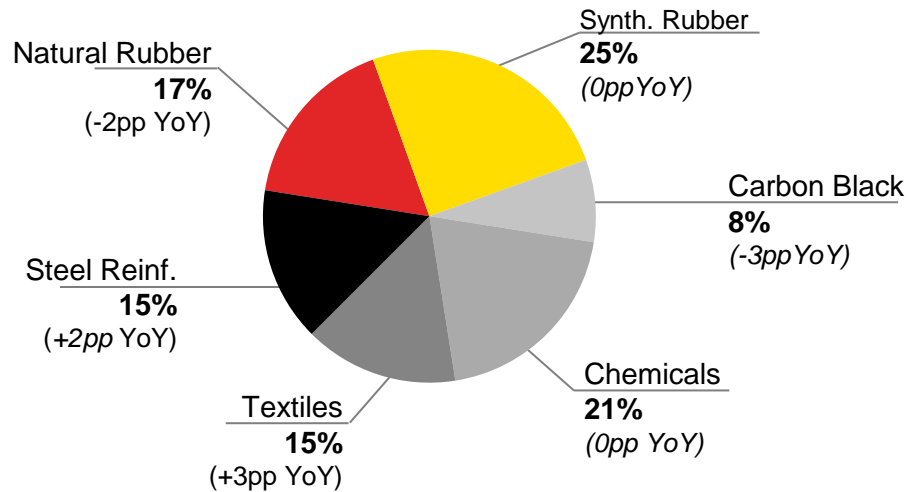
Raw Material Price Trend



1H 2016 Mix (Based on Purchasing Cost)

33%

Raw mat. costs
on sales



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